

**RUPAFIL LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**



Chartered Accountants

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RUPAFIL LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **RUPAFIL LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and
- obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **Syed Saim Raza Zaidi**.

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Lahore

Dated: 03-Oct-2020

RUPAFIL LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2020**

(Rupees in thousand)

	Note	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,518,332	2,489,474
Right-of-use assets	7	-	1,117
Long-term security deposits	8	4,251	4,171
CURRENT ASSETS			
Stores, spares and loose tools	9	744,683	757,621
Stock-in-trade	10	875,119	652,123
Trade receivables from contracts with customers	11	297	305
Loans and advances	12	16,599	11,483
Trade deposits and short-term prepayments	13	465	1,676
Other receivables	14	188,526	610,354
Taxation - net	15	127,436	57,361
Cash and bank balances	16	45,746	40,252
		1,998,871	2,131,175
		4,521,454	4,625,937
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital 110,000,000 (2019: 110,000,000) ordinary shares of Rs. 10 each		1,100,000	1,100,000
Issued, subscribed and paid-up capital	17	1,070,028	1,070,028
Long term financing - subordinated	18	464,000	-
Reserves	19	(510,777)	(542,986)
Surplus on revaluation of freehold land	20	421,119	421,119
		1,444,370	948,161
		1,444,370	948,161
NON-CURRENT LIABILITIES			
Long-term financing	21	328,694	328,694
Long term financing - subordinated		-	464,000
Staff retirement benefits	22	120,966	101,658
Deferred taxation	23	44,253	53,858
Lease liabilities	24	-	-
Long term deposits	25	7,248	7,284
		501,161	955,493
CURRENT LIABILITIES			
Trade and other payables	26	651,457	1,071,526
Short-term borrowings	27	1,901,076	1,429,877
Accrued mark-up		23,389	56,273
Current portion of long term borrowings	28	-	164,607
		2,575,922	2,722,283
CONTINGENCIES AND COMMITMENTS			
	29	4,521,454	4,625,937

The annexed notes 1 to 48 form an integral part of these financial statements.

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Nooruddin Feerasta
Managing Director



Shehzaad Feerasta
Director

RUPAFIL LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2020

(Rupees in thousand)	Note	2020	2019
Sales	30	3,692,141	6,261,042
Cost of goods sold	31	(3,438,349)	(5,987,907)
Gross profit		253,792	273,136
Selling and distribution expenses	32	(16,703)	(21,678)
Administrative and general expenses	33	(92,728)	(80,196)
Other Expenses	34	(2,077)	(3,330)
Other income	35	51,545	42,900
Operating profit		193,829	210,832
Finance cost	36	(201,451)	(148,494)
(Loss)/ Profit before taxation		(7,622)	62,337
Provision for taxation	37	39,368	(1,038)
Profit after taxation		31,746	61,300
		Rupees	
Earnings per share - basic and diluted	38	0.30	0.57

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 48 form an integral part of these financial statements.

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Nooruddin Feerasta
Managing Director



Shehzad Feerasta
Director

RUPAFIL LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

(Rupees in thousand)

Note

2020

2019

Profit after taxation

31,746

61,300

Other comprehensive income / (loss)

Items that will not be reclassified to profit or loss:

- Remeasurement gain/ (loss) on defined benefit obligation
- Deferred tax credit relating to remeasurement of defined benefit obligation

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653	(4,034)
(189)	1,170
464	(2,864)
32,210	58,436

Other comprehensive income/ (loss) for the year

Total comprehensive income / loss

The annexed notes 1 to 48 form an integral part of these financial statements.

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Nooruddin Feerasta
Managing Director



Shehzad Feerasta
Director

RUPAFIL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

(Rupees in thousand)

	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	39	141,756	745,852
Finance costs paid		(234,335)	(127,863)
Income tax paid		(40,501)	(50,910)
Staff retirement benefits paid		(7,769)	(9,831)
Long term deposits		(80)	-
Workers profit participation fund paid		(2,381)	-
Net Cash (outflow)/ inflow from operating activities		<u>(143,310)</u>	<u>557,248</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(181,651)	(239,620)
Proceeds from disposal of property, plant and equipment		18,170	1,676
Profit / Mark-up received		5,728	1,602
Net cash outflow from investing activities		<u>(157,753)</u>	<u>(236,341)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term financing obtained		-	42,435
Long-term financing repaid		(164,350)	(154,766)
Long-term deposits		(36)	12
Liabilities against assets subject to finance lease		(257)	(538)
Short-term borrowings obtained and repaid - net		471,199	(184,361)
Net cash inflow/ (outflow) from financing activities		<u>306,556</u>	<u>(297,219)</u>
Net increase in cash and cash equivalents		5,494	23,689
Cash and cash equivalents at the beginning of the year		40,252	16,567
Effect of exchange rate fluctuations		-	(4)
Cash and cash equivalents at the end of the year	16	<u>45,746</u>	<u>40,252</u>

The annexed notes 1 to 48 form an integral part of these financial statements.

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Nooruddin Feerasta
Managing Director



Shehzad Feerasta
Director

RUPAFIL LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

(Rupees in thousand)

	Issued, subscribed and paid-up capital	Revenue Reserves Accumulated Loss	Surplus on revaluation freehold land	Long term financing - subordinated	Total
Balance as on 01 July 2018	1,070,028	(601,422)	421,119	-	889,725
Total Comprehensive Income					
- Profit for the year ended 30 June 2019	-	61,300	-	-	61,300
- Other comprehensive income for the year ended 30 June 2019	-	(2,864)	-	-	(2,864)
	-	58,436	-	-	58,436
Balance as on 30 June 2019	1,070,028	(542,986)	421,119	-	948,161
Balance as on 01 July 2019	1,070,028	(542,986)	421,119	-	948,161
Total Comprehensive income					
- profit for the year ended 30 June 2020	-	31,746	-	-	31,746
- Other comprehensive income for the year ended 30 June 2020	-	464	-	-	464
	-	32,210	-	-	32,210
Transfer during the year				464,000	464,000
Balance as on 30 June 2020	1,070,028	(510,777)	421,119	464,000	1,444,370

The annexed notes 1 to 48 form an integral part of these financial statements.

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Nooruddin Feerasta
 Managing Director



Shehzad Feerasta
 Director

RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1 Legal status and nature of business

- 1.1 RUPAFIL LIMITED ("the Company") was incorporated in Pakistan on 25 January 1992 as a Public Limited Company. The registered office of the Company is situated at 241-242 Upper Mall Scheme, Anand Road, Lahore and manufacturing unit is situated at 13.4 KM Sheikhpura – Sharaqpur Road, Sheikhpura. It is principally engaged in the manufacture and sale of synthetic textile products.
- 1.2 A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services and factories have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. However, the impact varies from industry to industry in different jurisdictions. Based on management's assessment, considering demand from its customers, availability of imports and measures taken by Government to support the industry in which the Company operates, COVID-19 does not have a significant impact on the Company's operations in respect of appropriateness of going concern assumption. For information about any other impact, refer note 45 of these financial statements.

2 Significant transactions and events affecting the Company's financial position and performance

All significant transactions and events that have affected the Company's statement of financial position and performance have been adequately disclosed in the notes to these financial statements, where ever necessary.

3 Significant accounting information and policies

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and the reporting standards applicable in Pakistan Comprises of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and the directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention unless otherwise specifically stated.

3.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupee (Rs. /Rupee) Which is the Company's functional currency. Amounts presented in the financial statements have been rounded off to the nearest thousand Rupees, unless otherwise stated.

As company imports raw material, chemicals to be used in manufacturing process , plant and machinery and stores and spares which involve foreign currency transactions, these foreign currency transactions are translated in Pak Rupees using the exchange rates prevailing at the dates of the transactions. Company also held some foreign currency as cash in hand and in bank account which translated in Pak Rupees using the exchange rates prevailing at June, 30 2020. Resulting foreign gains and losses from the settlement of such transaction and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit and loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, the management has made the following estimates and judgments which are significant to financial statements:

i) Useful lives of property, plant and equipment - Note 5.1.1 and 6.1

The Company uses estimates and judgments in determining the recoverable amount, residual values and useful lives of operating fixed assets.

ii) Fair value of freehold land - Note 6.6

The Company uses some estimates and judgments in determining the fair value of freehold land.

iii) Provisions for expected credit losses

The Company uses estimates in determining change in the credit quality of financial assets.

iv) Staff retirement benefits - Note 5.8 and 22

The present value of obligation related to staff retirement benefit depends upon number of factors that are determined on actuarial basis using a number of assumptions. Changes in the assumption will impact the carrying value of these obligations.

v) Contingencies and commitments

The Company uses estimates and judgments in disclosure and assessment of provision for contingencies as disclosed in Note 29.

vi) Current and deferred income taxes- Note 15 and 23

In making the estimates for income taxes payable by the Company, management considers current income tax law and the decisions of appellate authorities on certain cases issued in the past. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such final outcome is determined. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

4 New standards, amendments to approved accounting standards and new interpretations

4.1 Amendments to approved accounting standards and interpretations which are effective during the year ended June 30, 2020

The Company has adopted the following accounting standards, the amendments and interpretations of IFRSs which became effective for the current year:

IFRS 16 Leases

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect.

IFRS - 16 " Leases"

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a Lease", SIC-15 "Operating Leases- Incentive" and SIC-27 "Evaluating the substance of transactions involving the legal form of a Lease". It results in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases has been removed. Under the new standard, an asset (the right of use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short term and low value leases.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The Company has applied IFRS 16 using the modified retrospective approach and has not restated the comparative information presented for 2019, as permitted under the specific transitional provisions in the standard.

"SECP Notification dated July, 29 2019"

The Securities and Exchange Commission of Pakistan (SECP) through its notification dated July 29, 2019 brought certain alterations in fourth schedule to the Act with regard to preparation and presentation of financial statements. These alterations resulted in elimination of certain disclosures in the financial statements of the Company for the year ended June 30, 2020.

4.2 New standards, amendments to approved accounting standards and interpretations that may be effective for the Company

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standards or interpretations	Effective date (annual periods beginning on or after)
IFRS 3 Business Combinations - Definition of a Business (Amendments)	01 January 2020
IAS 1 Presentation on Financial Statements (Amendments)	01 January 2020
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	01 January 2020
IFRS 9 Financial Instruments (Amendments)	01 January 2020
IFRS 7 Financial Instruments - Disclosures (Amendments)	01 January 2020
IFRS 16 Leases - COVID -19 related rent concession	01 June 2020

The above amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

5 Significant accounting policies

The significant accounting policies as set out below are consistently applied for all periods presented in these financial statements except for the changes as stated in note 4.1 to these financial statements.

5.1 Property, plant and equipment

5.1.1 Operating fixed assets

These are stated at cost less accumulated depreciation less accumulated impairment losses, if any, except for freehold land which are stated at revalued amount.

Depreciation on operating fixed assets is calculated on reducing balance method. Full month's depreciation is charged in the month of addition, whereas no depreciation is charged in the month of disposal or deletion of assets. Rates of depreciation, which are disclosed in note 6, are determined to allocate the cost of an asset less estimated residual value, if significant, over its useful life.

The assets' residual values and useful lives are reviewed, and adjusted if significant, at each reporting date.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Disposal of assets is recognized when significant risks and reward incidental to the ownership have been transferred to buyers. Gains / losses on disposal of assets are recognized in income / expense in the year of disposal.

Increases in the carrying amounts arising on revaluation of land are recognized in other comprehensive income and accumulated in revaluation surplus in shareholders' equity, to the extent that increase reverses a decrease previously recognized in the statement of profit or loss, the increase is first recognized in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the statement of profit or loss.

Normal repairs and maintenance costs are charged to the Statement of profit or loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

5.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment loss (if any) and consists of expenditure incurred, advances made and other directly attributable costs in respect of operating fixed assets in the course of their construction and installation. Transfers are made to relevant operating fixed assets category as and when assets are available for use.

5.2 Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated to determine the extent of impairment loss, if any. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Impairment losses are charged to statement of profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

5.3 Financial Instruments

5.3.1 The Company classifies its financial assets in the following three categories:

- (a) Financial assets measured at amortized cost;
- (b) financial assets measured at fair value through other comprehensive income (FVOCI); and
- (c) Financial assets measured at fair value through profit or loss (FVTPL).

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it is held within business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(b) Financial assets at FVOCI

A financial asset is classified as at fair value through other comprehensive income when either:

- (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; or

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- (ii) it is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company at initial recognition.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(c) Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income, as aforesaid.

Such financial assets are initially measured at fair value.

5.3.2 Initial recognition

All financial assets are recognized at the time the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on the trade date i.e. the date on which the Company commits to purchase or sell the assets. Financial assets are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs associated with these financial assets are taken directly to the statement of profit or loss.

5.3.3 Subsequent measurement

(a) Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost (determined using the effective interest method) less accumulated impairment losses.

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial assets are recognized in the statement of profit or loss.

(b) Assets at Financial FVOCI

These are subsequently measured at fair value less accumulated impairment losses.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (except for investments in equity instruments which are designated as at fair value through other comprehensive income in whose case the cumulative gain or loss previously recognized in other comprehensive income is not so reclassified). Interest is calculated using the effective interest method and is recognised in profit or loss.

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in statement of profit or loss.

5.4.4 Impairment

The Company applies the IFRS 9 'Simplified Approach' to measuring expected credit losses which uses a lifetime expected loss allowance for trade debts and other receivables. The Company measures expected credit losses in a way that reflects an unbiased and probability-weighted amount, time value of money and reasonable and supportable information at the reporting date about the past events, current conditions and forecast of future economic conditions. The Company recognises in statement of profit or loss, as an impairment loss, the amount of expected credit losses (or reversal) that is required to adjust the loss

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5.4.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis.

5.4 Trade debts, loans, advances and other receivables

These are initially measured at fair value of consideration receivable. Subsequently, these are measured at amortised cost. These cost are written off when there is no reasonable expectation of recovery. Credit loss, if any, is based on expected credit loss.

5.5 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of moving average cost and net realizable value. Items-in-transit are valued at cost comprising invoice value plus other expenses paid thereon. Provision is made for slow moving and obsolete items.

5.6 Stock-in-trade

Stock-in-trade, except for those in transit, are valued at lower of weighted average cost and net realizable value. Items-in-transit are valued at cost comprising invoice value plus Other expenses paid thereon. Cost of work-in-process and finished goods comprises direct material, labour and appropriate manufacturing overheads.

Provision is made for slow moving and obsolete items.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost of completion and costs necessarily to be incurred in order to make a sale.

5.7 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position are carried at cost. It comprises of cash at banks, cash in hand and short-term highly liquid deposits, if any.

5.8 Staff retirement benefits

5.8.1 Defined benefit plan - Gratuity

The Company operates an Unfunded Defined Benefit Gratuity Scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. The provision is made on the basis of actuarial recommendation to cover the obligation under the scheme for all employees eligible to gratuity benefits. The latest actuarial valuation being carried out at 30 June 2020.

5.8.2 Defined contribution plan - Provident fund

The Company operates an approved provident fund scheme which covers all permanent employees. Equal monthly contributions are made by the Company and employees. Contribution is made by the Company at the rate of 8.33 % of basic salary.

5.90 Compensated absences

The Company accounts for compensated absences in the accounting period in which these are earned.

5.10 Trade and other payables

Liabilities for trade and other amounts payable are recognized and carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5.11 Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting future cash flows and appropriate discount rate wherever required. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

5.12 Borrowings and borrowing cost

Borrowings are recorded at the proceeds received. Financial charges are accounted for on an accrual basis and are disclosed as 'Mark-up Accrued' to the extent of the amount remaining unpaid.

All mark-up, interest and other expenses on long-term and short-term borrowings are charged to profit in the period in which they are incurred.

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are ready for their intended use.

5.13 Revenue recognition

The Company is in the business of sale of goods i.e Polyester products. Revenue is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Company has a policy of advance sale receipt and where it is not practicable, the normal credit term is 1 to 7 days.

The Company considers whether there are other promises in the contract with customers that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., right of returns, volume rebates or any other rebates). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non cash consideration, and consideration payable to the customer (if any). As a result, only the following transactions are considered relevant or, in any way, affect Company's revenue from customers.

Rebates - Discounts

The Company provides rebates (discounts) on certain products sold to dealers, distributors and wholesalers of polyester products. Therefore, invoice to customer is issued net of discount (where applicable) and also the revenue is recorded net of rebate - discount.

Accounts receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due or is actually received).

5.14 Profit on bank deposit

Profit on bank deposit is accounted for using effective interest rate method.

5.15 Taxation

5.15.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for the current tax also includes adjustments to charge for prior years, if any.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5.15.2 Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the reporting date, between the tax bases of assets and the liabilities and their carrying amounts. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. In this regard, the effects on the deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan. Deferred tax is charged

Deferred tax relating to items recognised outside profit and loss account is recognised outside profit and loss account. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

5.16 Transaction with related party

All transactions with related parties are entered into at arm's length basis, as defined in Companies Act 2017, excluding the following;

a) The Chief Executive Officer (CEO) and the directors of the Company did not draw any salary during the year (note - 41), and

b) The Company has obtained an interest free loan, the details of which are disclosed in note 18.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2020

(Rupees in thousand)

	Note	2020	2019
6 Property, plant and equipment			
Operating fixed assets	6.1	2,517,141	2,486,934
Capital work -in- progress	6.4	1,191	2,540
		<u>2,518,332</u>	<u>2,489,474</u>

(Rupees in thousand)

6.1 Operating fixed assets	Owned Assets									Total	
	Freehold Land	Building			Roads	Plant & machinery (note - 6.3)	Furniture & fittings	Vehicles	Office equipment		Other assets
	Factory on freehold land	Office on freehold land	Residence								
Net carrying value basis											
Year ended 30 June 2020											
Opening net book value (NBV)	433,744	301,798	11,640	7,037	1,849	1,693,746	11,947	12,996	7,456	4,723	2,486,934
Additions (at cost)	-	4,358	-	-	-	177,589	248	-	750	55	183,000
Transfers from right-of-use assets	-	-	-	-	-	-	-	894	-	-	894
Revaluation surplus (Note - 20)	-	-	-	-	-	-	-	-	-	-	-
Disposals / write offs:											
- Cost	-	-	-	-	-	95,626	-	1,291	-	-	96,917
- Accumulated depreciation	-	-	-	-	-	(87,213)	-	(1,255)	-	-	(88,468)
Depreciation Charge	-	(17,091)	(582)	(352)	(92)	(122,290)	(1,208)	(2,369)	(778)	(476)	(145,238)
Closing net book value (NBV)	433,744	289,065	11,058	6,685	1,757	1,740,632	10,987	11,485	7,428	4,302	2,517,141
Gross carrying value basis											
As at 30 June 2020											
Cost	433,744	504,825	13,160	8,088	5,565	4,267,581	20,811	27,299	15,171	11,209	5,307,451
Accumulated depreciation	-	(215,760)	(2,102)	(1,403)	(3,808)	(2,526,949)	(9,824)	(15,814)	(7,743)	(6,906)	(2,790,310)
Net book value (NBV)	433,744	289,065	11,058	6,685	1,757	1,740,632	10,987	11,485	7,428	4,302	2,517,141
Depreciation rate p.a. (%)	-	5 to 10	5	5	5	5 to 10	10	20	10	10	-
Net carrying value basis											
Year ended 30 June 2019											
Opening net book value (NBV)	433,744	282,776	603	7,407	2,016	1,634,303	11,542	6,119	5,922	4,473	2,388,905
Additions (at cost)	-	35,693	11,249	-	-	178,196	1,638	9,059	2,204	696	238,734
Revaluation surplus (Note - 20)	-	-	-	-	-	-	-	-	-	-	-
Disposals / write offs:											
- Cost	-	-	-	-	-	-	-	2,202	-	-	2,202
- Accumulated depreciation	-	-	-	-	-	-	-	(2,113)	-	-	(2,113)
Depreciation Charge	-	(16,671)	(212)	(370)	(167)	(118,753)	(1,233)	(2,093)	(670)	(445)	(140,615)
Closing net book value (NBV)	433,744	301,798	11,640	7,037	1,849	1,693,746	11,947	12,996	7,456	4,723	2,486,934
Gross carrying value basis											
As at 30 June 2019											
Cost	433,744	500,467	13,160	8,088	5,565	4,185,618	20,563	25,437	14,421	11,154	5,218,215
Accumulated depreciation	-	(198,669)	(1,520)	(1,051)	(3,716)	(2,491,872)	(8,616)	(12,441)	(6,965)	(6,430)	(2,731,281)
Net book value (NBV)	433,744	301,798	11,640	7,037	1,849	1,693,746	11,947	12,996	7,456	4,723	2,486,934
Depreciation rate p.a. (%)	-	10	5	5	5	10	10	20	10	10	-

(Rupees in thousand)

	Note	2020	2019
4.2 The depreciation charge has been allocated as follows:			
Cost of goods sold	31	139,949	136,037
Selling and distribution expenses	32	264	228
Administrative and general expenses	33	5,025	4,349
		<u>145,238</u>	<u>140,614</u>

6.3 Additions within Plant and machinery during the year includes markup at a rate of 6 Months KIBOR + 0.75%, on loan obtained for acquisition of plant and machinery as a part of expansion project. This amounts to Rs: 56.81 million.

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RUPAFIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
AS AT 30 JUNE 2020**

(Rupees in thousand)

6.3 Disposal of operating fixed assets

The following assets were disposed off during the year:

Particulars of assets	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain on Disposal	Mode of Disposal	Particulars of Buyers
Property, plant and equipment							
Murata Machines	95,626	87,213	8,413	17,150	8,737	As per Company Policy	Rehan/Zeeshan Silk Factory
Vehicle							
Toyota Corolla	1,291	1,255	36	1,020	984	Negotiation	Khawar Mehmood Butt
ACO	96,917	88,468	8,449	18,170	9,721		

RUPAFIL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AS AT 30 JUNE 2020**

(Rupees in thousand)		Note	2020	2019
6.4	Capital work-in-progress			
	Civil works		-	2,020
	Factory Building		-	520
	Plant and machinery		743	-
	CFPP Pre-production		448	-
			1,191	2,540

6.5 Particulars of Immoveable assets the Company are as follows

Location	Address	Usage of property	Total area (sq.ft)
Sheikhupura	13.2KM, Sheikhupura -Shraqpur Road, Sheikhupura	Production	747,983

6.6 Revalued freehold land and fair value measurement

The fair value of the Company's land is determined periodically by an independent professionally qualified valuer. The latest revaluation exercise was carried out in financial year 2017 by M/s Hamid Mukhtar & Co. (Pvt.) Limited, who is independent valuer and is not related to the Company. The valuer has appropriate experience in fair value measurement of properties in the relevant locations. The fair value of the land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. This is in accordance with Level - 2 input of IFRS - 13. There has been no change to the valuation technique during the year. Had this free hold land not been revalued ever, the carrying amount of the land would have been Rs: 12.625 million.

6.7 Fair Value hierarchy

	Level 2	Level 3	Fair Value as at 30 June 2020	Level 2	Level 3	Fair Value as at 30 June 2019
Freehold land	433,744	-	433,744	433,744	-	433,744

6.8 Security

All fixed assets are subject to first charge amounting to Rs: 1,070 million on account of long term loan from MCB Bank Limited and certain guarantees issued by bank on behalf of the Company.

7 Right of use assets

The Company has vehicles classified as right of use assets. The carrying amount and movement of these , during the period, is as follows:

(Rupees in thousand)		Honda City
As at 01 July 2018		1,426
Depreciation charge for the year ended 30 June, 2019		(309)
As at 30 June 2019		1,117
Depreciation charge for the year ended 30 June, 2020		(223)
Transfer		(894)
As at 30 June 2020		-

7.1 The Company's obligations under its leases are secured by the lessor's title to the leased assets. During the year, leased vehicles have been transferred to owned assets (note 6.1 transfers from right of use assets), as the Company has exercised the bargain purchase option.

(Rupees in thousand)	2020	2019
7.2 Allocation of depreciation charge of right of use assets		
Selling and distribution expenses	11	15
Administrative and general expenses	212	294
	223	309

(Rupees in thousand)	Note	2020	2019
8 Long-term security deposits			
Security deposits		4,251	4,171
		4,251	4,171

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2020

(Rupees in thousand)	Note	2020	2019
9 Stores, spares and loose tools			
Stores			
- In hand	9.1	221,328	168,494
- In transit		1,135	62,018
		222,463	230,512
Spares			
- In hand		507,652	506,440
- In transit		5,728	12,828
		513,380	519,268
Loose tools			
- In hand		8,840	7,841
		744,683	757,621

9.1 This includes fuel for power and steam generation amounting to Rs. 92.55 million (2019: Rs. 59.828 million).

(Rupees in thousand)	Note	2020	2019
10 Stock-in-trade			
Raw and packing materials			
- In hand		569,321	255,067
- Stock with Third Party		19,372	-
- In transit		158,878	-
		747,571	255,067
Work-in-process		26,361	61,782
Finished goods	10.1	101,187	335,274
		875,119	652,123

10.1 Finished goods are carried at net realizable value Rs. 14.861 million (2019: Nil) and an amount of Rs. 0.764 million has been charged to cost of goods sold in this respect (2019: Nil).

(Rupees in thousand)	Note	2020	2019
11 Trade debts			
<i>Unsecured - Considered good - Jurisdiction in Pakistan</i>			
Due from an associated Company	11.1	80	-
Due from other parties	11.2	217	305
		297	305

11.1 This represents an amount due from Rupali Polyester Limited, an associated Company by virtue of Common Directorship. The maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balances amounts to Rs: 4.381 million. None of this balance is considered as impaired and neither any of the receivable from Rupali Polyester Limited has been written off nor considered doubtful.

11.2 The aging analysis of trade receivables from contract with customers due from Rupali Polyester limited, an associated Company, is as follows:

(Rupees in thousand)	Note	2020	2,019
Not overdue		-	-
Past due less than 30 days		-	-
Past due less than 60 days		-	-
Past due less than 90 days		-	-
Past due less than 365 days		80	-
Past due over 365 days		-	-
		80	-

11.3 The aging analysis of trade receivables from contract with customers due from other parties is as follows:

(Rupees in thousand)	Note	2020	2,019
Not overdue		-	-
Past due less than 30 days		217	305
Past due less than 60 days		-	-
Past due less than 90 days		-	-
Past due less than 365 days		-	-
Past due over 365 days		-	-
		217	305

11.4 The Company has applied a simplified approach in determining expected credit loss and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the trade receivables and the economic environment. The Company has no historical credit loss experience. Therefore, no allowance for expected credit loss has been recognized in these financial statements in respect of trade receivables from contract with customers.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2020

(Rupees in thousand)	Note	2020	2019
12 Loans and advances - Considered good			
Loans due from employees - non executive	12.1	871	1,966
Advances to staff for expenses		189	176
Advances to suppliers		15,539	9,340
		<u>16,599</u>	<u>11,483</u>

12.1 Loans have been granted under staff loan policy, as temporary financial assistance, to staff. These are secured against the gratuity payable to employees and are recoverable in 12 equal monthly installments. Therefore, all of the amount is recoverable within 1 year as of reporting date. These loans carry mark-up at the rate of 14.00% (2019: 14.00%) per annum. The maximum aggregate amount of loans and advances due from non-executives at the end of any month during the year was Rs. 2.535 million (2019: Rs. 2.106 million). The Chief Executive Officer and directors have not taken any loan or advance from the Company.

(Rupees in thousand)	Note	2020	2019
13 Trade deposits and short-term prepayments - Considered good			
Prepaid insurance		212	69
Other prepayments		253	1,607
		<u>465</u>	<u>1,676</u>

(Rupees in thousand)	Note	2020	2019
14 Other Receivables			
Considered good			
Sales tax refundable		174,806	610,354
Others		13,720	-
		<u>188,526</u>	<u>610,354</u>

14.1 This represents an amount due from Federal Board of Revenue (FBR) on account of sales tax refundable. During the year, an amount of Rs: 364.657 million has been refunded to the Company.

(Rupees in thousand)	Note	2020	2019
15 Taxation - net			
Opening balance		57,361	82,665
Tax payments / adjustments during the year		40,501	50,910
		<u>97,862</u>	<u>133,575</u>
Provision for taxation	37	29,574	(76,214)
		<u>127,436</u>	<u>57,361</u>

The income tax assessment of the company has been finalized up to Tax Year 2019 (accounting year ended 30 June 2019) and income tax return for the tax year 2019 has been duly filed.

(Rupees in thousand)	Note	2020	2019
16 Cash and bank balances			
Balance with banks			
- Current accounts		304	25,922
- PLS / Savings Accounts			
- Local currency	16.1	44,457	13,355
- Foreign currency		-	1
		<u>44,761</u>	<u>39,278</u>
Cash in hand			
- Local currency		975	870
- Foreign currency		10	104
		<u>985</u>	<u>974</u>
		<u>45,746</u>	<u>40,252</u>

16.1 The balances in PLS accounts carry mark-up rate ranging between 8% to 13.75% (2019: 8.00% to 12.75%) for local currency and nil (2019: nil) for foreign currency.

16.2 Cash at banks in PLS accounts include US \$ 4.48 (2019: US \$ 2.70).

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2020

(Rupees in thousand)

	Note	2020	2019
21.1	The Company had obtained a term finance facility from MCB Bank Limited of Rs. 652 million for the purpose of import of plant and machinery, spare parts and related civil works. The facility is secured by way of first charge over all fixed assets aggregating to Rs. 1,071 million. It carries a mark- up at a rate of 6 month KIBOR + 0.75% to be reset on biannual basis. The facility was approved in November 2014 with a grace period of two years. As at reporting date, the Company has paid 6 installments out of total 10 installments. The total tenure of the facility was 7 years with maturity date of 27 Feb 2022 but this has been extended for 1 year due to COVID - 19 pandemic. According to Bank's Revised schedule, four payments are due from the Company as at reporting date which will be start from August.		

22 Staff retirement benefits

22.1 Defined benefit plan - gratuity

The scheme provides for retirement benefits for all its permanent employees who attain the minimum qualifying period for entitlement to gratuity.

Annual charge is based on actuarial valuation conducted in accordance with IAS-19 (Revised) 'Employee Benefits' as at 30 June 2019, using the Projected Unit Credit Method.

22.1.1 Principal actuarial assumptions

Following are a few important actuarial assumptions used in valuation:

(Rupees in thousand)	2020	2019
Discount rate (%) per annum	8.5	12.5
Expected rate of salary increase in future years (%) per annum	7.5	11.5
Average expected remaining working life time of employees (years)	7	6
Average duration of liability (years)	6	6

The gratuity scheme exposes the Company to the following risks:

a) Mortality risk

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

b) Investment risks

The Company is not managing any plan asset.

c) Final salary risks

The risk that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

d) Risk of insufficiency of assets

The Company is exposed to risk of insufficiency of funds at the time of payment.

e) Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

22.1.2 The amount recognized in the statement of financial position

Present value of defined benefit obligation	22.1.3	120,966	101,658
Less: fair value of plan assets		-	-
Defined benefit liability at the end of the year		120,966	101,658

22.1.3 Reconciliation of present value of defined benefit obligation

Present value at the beginning of the year		101,658	90,236
Charge for the year - Profit and loss account	22.1.4	27,730	17,218
Charge for the year - Other comprehensive income	22.1.5	(653)	4,034
Benefits paid during the year		(7,769)	(9,831)
Present value at the end of the year		120,966	101,658

22.1.4 Amount chargeable to profit or loss for the year

Current service cost		15,508	11,032
Net interest cost		12,222	6,186
		27,730	17,218

22.1.5 Remeasurement of net defined benefit liability

Actuarial (gains) / losses due to changes in financial assumption		-	-
Actuarial (gains) / losses due to experience adjustments		(653)	4,034
		(653)	4,034

22.1.6 Charge for the year has been allocated as follows:

Cost of goods sold	31	19,009	13,059
Selling and distribution expenses	32	8,285	208
Administrative and general expenses	33	436	3,951
		27,730	17,218

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2020

(Rupees in thousand)	Note	2020	2019
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22.1.7 Sensitivity analysis

The calculation of defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in respective assumptions by one percent.

(Rupees in thousand)	Effect of 1% increase	Effect of 1% decrease
Present value in case of discount rate	113,637	129,365
Present value in case of future salary growth	129,365	113,513

The above sensitivity analysis are based on the changes in assumptions while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of defined benefit obligation to significant assumptions the same method (Projected Unit Credit Method) has been applied when calculating the liability recognized within the statement of financial position.

22.1.8 Historical information

	As at 30 June 2020	As at 30 June 2019	As at 30 June 2018	As at 30 June 2017	As at 30 June 2016
- Fair value of plant asset	-	-	-	-	-
- Present value of defined benefit obligation	120,966	101,658	9,236	81,392	70,521
- Experience adjustments on plan liabilities	(653)	4,034	-	108	-
- Experience adjustments on plan liabilities as a percentage of defined benefit obligation	-1%	4%	0%	0%	0%

22.2 Defined contribution plan - provident fund

The Company has contributory provident fund scheme for benefits of all its permanent employees under the title of "Rupafil Limited - Employees' Provident Fund Trust". The fund is maintained by the Trustees and all the decisions regarding investments and distribution of income etc. are made by the Trustees independent of the Company.

22.2.1 The Trustees have intimated that the size of the Fund at the year end was Rs. 20.23 million (2019: Rs. 18.771 million).

22.2.2 As intimated by the Trustees, the cost of investments made at the year end was Rs. 20.035 million (2019: Rs. 18.537 million), 99.03% of the total fund size (2019: 98.75%). Since the aforementioned funds are invested in PLS accounts therefore, the fair value of the investments equals its cost.

22.2.3 According to the Trustees, investments out of the provident fund have been made in accordance with the provisions of section 218 of the Companies Act 2017.

(Rupees in thousand)	Note	2020	2019
23 Deferred taxation			
Deferred tax liability		285,360	264,151
Deferred tax asset		(241,107)	(210,293)
		<u>44,253</u>	<u>53,858</u>
23 Analysis of differed tax			
Deferred tax liability on taxable temporary differences			
- Accelerated tax depreciation allowance - Charged to statement of profit or loss		285,171	264,151
Deferred tax asset on deductible temporary differences			
- Remeasurement loss on defined benefit obligation - credited to other comprehensive income		189	(1,170)
- Liability against assets subject to finance lease - credited to statement of profit or loss		-	(75)
- Unutilized tax losses - credited to statement of profit or loss	23.2	(241,107)	(209,048)
		<u>44,253</u>	<u>53,858</u>

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2020

(Rupees in thousand)

Note 2020 2019

23.1 Deferred tax has been computed at a rate of 29%, which is enacted tax rate in accordance with Income Tax Ordinance, 2001 and Finance Act, 2019.

23.2 The Company has assessed unutilized tax losses of Rs. 1,014.795 million to be off set against future taxable profits and deferred tax asset arising thereon amounts to Rs. 294.290 million. According to the forecast prepared by the management, deferred tax asset only to the extent of anticipated future taxable profits of Rs. 831.402 million has been re-recognized.

24 Liabilities against assets subject to finance lease

Set out below are the carrying amounts of lease liabilities and the movements during the period:

(Rupees in thousand)	Note	2020	2019
As at 1 July		257	795
Interest expense relating to lease liabilities	24.1	17	38
Payments including interest		(274)	(576)
As at 30 June		-	257
Current		-	257
Non - Current		-	-
		-	257

24.1 The expense relating to lease liabilities has been recognized in statement of profit or loss within finance cost.

(Rupees in thousand) Note 2020 2019

25 Long term deposits

Security deposit 25.1 7,248 7,284

25.1 None of this amount relates to any related party of the Company.

(Rupees in thousand) Note 2020 2019

26 Trade and other payables

Creditors		313,469	970,922
Due to related party	26.1	143,000	-
Accrued liabilities		173,439	70,744
Advances from customers		6,782	1,970
Retention money		5,822	10,769
Payable to provident fund		200	235
Income tax deducted at source		1,695	681
Workers' profit participation fund	26.2	5,305	7,686
Other payables		1,745	8,518
		651,457	1,071,526

26.1 During the year, the Company signed a agreement with Spintex Limited, a related party, for purchase of raw material. As at reporting date, an amount of Rs. 143 million is outstanding.

26.2 Workers' profit participation fund

Balance at the beginning of the year		7,686	6,427
Add: Allocation for the year		-	5,846
Less: Amount paid to the trustees of the fund		(2,381)	(4,587)
Balance at the end of the year		5,305	7,686

(Rupees in thousand)

Note 2020 2019

27 Short-term borrowings

From banking companies - secured

Running finances under mark-up arrangements from banks 27.1 & 27.2 1,336,478 1,300,877

Deferred payments of running finances under markup arrangements from banks 27.3 330,598 -

From related party - unsecured

Interest free loan 27.4 234,000 129,000

1,901,076 1,429,877

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2020

(Rupees in thousand)	Note	2020	2019
27.1	The aggregate finance facilities available from various commercial banks amounted to Rs. 1,616 million (2019: Rs. 1,616 million). These carry mark-up at the rates ranging from 8.54% to 15.42% (2019: 8.42% to 13.80%) p.a. and are secured against hypothecation charge on current assets of Rs. 2,057.500 million (2019: Rs. 2,057.500 million) and promissory notes of Rs. 1,087.90 million (2019: Rs. 1,486.30 million) respectively. Maximum amount utilized during the year ended 30 June 2020 amounted to Rs.1,562.224 million (2019: Rs. 1,715.260 million). Markup is payable on quarterly basis in arrears.		
27.2	The facilities for opening letter of credit from various commercial banks as at 30 June 2020 aggregates to Rs. 2,100 million (2019: Rs. 2,100 million) of which the amount remained unutilized at the year-end was Rs. 1597.938 million (2019: Rs. 1037.857 million).		
27.3	This represents deferred markup payments and deferred letter of credit payments outstanding towards various commercial banks and transferred to short-term borrowings. These are deferred in pursuance to COVID - 19 pandemic and are payable within a span of 1 year from reporting date. The terms and conditions in respect of markup and security are same as disclosed in note 24.1		
27.4	The Company availed interest free and unsecured loan, to meet working capital requirements of the Company, from Alnu Trust holding 33.33% (2019: 33.33%) of the total share capital of the Company. During the year, Rs. 105 million (2019: nil) has been obtained from trust. Maximum amount utilized during the year ended 30 June 2020 amounted to Rs. 248 million (2019: Rs. 179 million). The loan is repayable		

(Rupees in thousand)	Note	2019	2018
28 Current portion of long term borrowings			
Long term financing	21	-	164,350
Liabilities against assets subject to finance lease	24	-	257
		-	164,607

29 Contingencies and commitments

29.1 Contingencies:

- 29.1.1 Guarantees issued to different organizations in the normal course of business amounted to Rs. 54.469 million (2019: Rs. 39.823 million).
- 29.1.2 No outstanding guarantees were given on behalf of related parties as at 30 June 2020 and 2019.
- 29.1.3 Company has received an order passed by Honorable Lahore High Court dated 12 June 2019. In this regard, the Company was directed to take all employees as member of social security scheme under Punjab Employee Social Security Institution having gross salary of Rs.18,000 but Company obtained stay order against said order passed by Honorable Lahore High Court and is currently paying contribution for all employees having gross salary of Rs. 10,000. This Inter court appeal(ICA No. 42081/2019) is pending before Honorable Lahore High Court.The legal advisor of the Company is of the opinion that case would be decided in the favor of the Company.
- 29.1.4 Certain Ex-Employees have filed the cases against the Company under the wages Act, 1936 in Honorable Lahore High Court for the recovery of collective amount of Rs. 1.1290 million being the short gratuity paid by the Company to employees. The Honorable Lahore High Court has decided the order against Company and same order passed by Labor Court No. 3 and Labor Appellate Tribunal. The Company has challenged the order of Tribunal before the Honorable Lahore High Court. Before filing of appeal. Company has deposited the same amount to the Authority.
- 29.1.5 The Company has filed a case against its Ex-Employee in Civil Court Lahore amounting Rs. 2.016 million as reimbursement of damages for not full filing the job contract by the employee. The legal advisor of the Company is of the opinion that the case would be decided in the favor of the Company.
- 29.1.6 Company has filed a writ petition No. 76954/19 in Honorable Lahore High Court against the notice received from District Council Sheikhpura on 4th December, 2019 for payment of license fee of Rs. 0.1 million per annum from 1st July, 2003 to 30th June 2020, amounting to Rs. 1.775 million. As the Local Government Act, 2013 stand abolished on 5th November, 2019 hence the District Council could not serve such notice for the payment of license fee under this Act. The legal advisor of the Company is of the view that, it is most likely that the case will be decided in the favor of the Company.
- 29.1.7 During the year, Gas Infrastructure Development Cess (Amendment) Ordinance 2019 was promulgated, however, the same was subsequently recalled by the government with request to the Supreme Court of Pakistan(SCP) for settlement of the matter judicially. The decision to be made by the SCP would impact all pending appeals in various High Courts, therefore, it invited intervener applications to join the proceedings. Subsequent to reporting date, the SCP has decided the case in favor of government on August 13, 2020. Accordingly, the Company has made provision of Rs: 109.809 million in these financial statements. The Company has however filed a writ petition no. 43919 of 2020 in the Lahore High Court against the levy of GIDC and the Honorable Lahore High Court vide its order dated 21 September 2020 has issued stay order as the management is of the view and under proviso to section 8(2) of the GIDC Act, 2015 it is not liable to pay the cess since it has not collected nor passed on the same to its customers. Further, the Company is considering filing a review petition with the SCP in due course of time. The Company, based on the legal advice of its legal counsel, is confident of a favorable outcome.

29.2 Commitments:

- 29.2.1 Contracts for capital expenditure commitments outstanding as at 30 June 2020 amounted to Rs. 1.441 million (2019: Rs. 4.7000 million).
- 29.2.2 Commitments against irrevocable letters of credit as at 30 June 2020 amounted to Rs. 83.98 million (2019: Rs. 1,062.143 million).

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Rupees in thousand)	Note	2020	2019
30 Sales		4,361,294	6,307,245
Less:			
- Trade discount		(628,065)	(45,480)
- Sales Tax		(41,088)	(723)
		(669,153)	(46,202)
		3,692,141	6,261,042

30.1 All the sales of the Company are polyester related sales and are made to customers located with-in Pakistan.

31 Cost of goods sold

Raw and packing materials consumed		2,162,829	4,441,929
Stores and spares consumed		41,858	105,807
Salaries, wages and amenities	31.1	243,001	255,133
Fuel and power	31.2	538,758	834,670
Repair and maintenance		14,436	14,342
Running and maintenance of vehicles		15,561	15,232
Insurance		9,936	10,648
Depreciation of operating fixed assets	6.2	139,949	136,037
Printing and stationery		1,138	1,331
Rent, rates and taxes		632	193
Other expenses		743	645
Manufacturing cost		3,168,841	5,815,966
Add: Opening Work-in-Process		61,782	65,277
Less: Closing Work-in-Process		(26,361)	(61,782)
Cost of goods manufactured		3,204,262	5,819,461
Add: Opening Finished Goods		335,274	503,720
Less: Closing Finished Goods		(101,187)	(335,274)
		3,438,349	5,987,907

31.1 Salaries, wages and amenities include Rs. 19 million (2019: Rs. 13.059 million) in respect of staff retirement benefits and Rs. 0.853 million (2019: Rs 0.736 million) in respect of provident fund contribution.

31.2 This includes provision of Rs: 109.808 million in respect of Gass Infrastructure Development Cess (GIDC).

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Rupees in thousand)	Note	2020	2019
32 Selling and distribution expenses			
Salaries, wages and amenities	32.1	4,100	3,368
Freight and forwarding		11,794	17,456
Rent, rates and taxes		10	13
Electricity, gas and water charges		1	1
Postage, telephone and fax		59	59
Printing and stationery		26	21
Books and subscription		22	44
Running and maintenance of vehicles		125	159
Repair and maintenance		27	7
Travelling expenses		185	212
Entertainment		2	3
Insurance		11	10
Depreciation on operating fixed assets	6.2	264	229
Depreciation on right-of-use assets	7.2	11	15
Advertisement		66	81
		16,703	21,678

32.1 Salaries, wages and amenities include Rs. 0.436 million (2019: Rs. 0.208 million) in respect of staff retirement benefits and Rs 0.0128 million (2019: Rs 0.016 million) in respect of provident fund contribution.

(Rupees in thousand)	Note	2020	2019
33 Administrative and general expenses			
Salaries, wages and amenities	33.1	77,896	64,000
Director's remuneration		-	-
Rent, rates and taxes		190	252
Electricity, gas and water charges		14	14
Postage, telephone and fax		1,114	1,114
Printing and stationery		496	391
Books and subscription		418	831
Running and maintenance of vehicles		2,374	3,027
Repair and maintenance		505	126
Legal and professional charges		422	1,060
Travelling expenses		3,514	4,036
Entertainment		44	51
Auditors' remuneration	33.2	150	150
Insurance		209	192
Depreciation on operating fixed assets	6.2	5,025	4,349
Depreciation on right-of-use assets	7.2	212	294
Bad debts		48	45
Miscellaneous expenses		97	263
		92,728	80,196

33.1 Salaries, wages and amenities include Rs. 8.285 million (2019: Rs. 3.951 million) in respect of staff retirement benefits and Rs. 0.270 million (2019: Rs. 0.309 million) in respect of provident fund contribution.

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Rupees in thousand)	Note	2020	2019
33.2 Auditors' remuneration			
Audit fee		150	150
		150	150
34 Other Expenses			
Charity and donation	34.1	2,077	48
WPPF		-	3,282
		2,077	3,330
34.1 The details of the donations along with name of donee are as follows			
Patient behbud society for Agha Khan University Hospital (AKUH)		-	48
Delivered food to needy persons affected by lockdown	34.3	2,077	-
		2,077	48

34.2 None of the directors and their spouses had any interest in the parties to whom donation is given.

34.3 This pertains to food items distributed through director finance of the Company to needy persons, during the pandemic period.

(Rupees in thousand)	Note	2020	2019
35 Other income			
Income from financial assets			
Mark-up / Interest income	35.1	5,728	1,602
Income from non-financial assets			
Scrap, waste and other sales - net	35.2	35,422	39,706
Exchange gain		-	4
Remission of liabilities		674	1
Gain on disposal of operating fixed assets	6.3	9,721	1,587
		45,817	41,297
		51,545	42,900
35.1 Mark-up / Interest income			
Interest income from banks		5,380	1,301
Mark-up income on staff loans		348	301
		5,728	1,602
35.2 Scrap, waste and other sales - net			
Gross sales		41,806	44,124
Less: Sales tax		(6,384)	(4,418)
		35,422	39,706
36 Finance cost			
Mark-up on long-term and short-term borrowings		201,212	148,095
Mark-up on lease liabilities		17	38
Bank commission and other charges		222	362
		201,451	148,494

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Rupees in thousand)		Note	2020	2019
37	Provision for / (Reversal of) taxation			
	Current			
	- for the year	37.1	55,382	75,509
	- prior years		(84,956)	705
			(29,574)	76,214
	Deferred			
	Origination and reversal of temporary differences		(9,794)	(75,176)
	Impact of change in tax rate	37.3	-	-
			(9,794)	(75,176)
			(39,368)	1,038

37.1 This represents minimum tax at the rate of 1.50% of the turnover in accordance with section 113 of the Income Tax Ordinance, 2001 ("the Ordinance").

37.2 Tax charge for the year ended 30 June 2020 and 30 June 2019 represent minimum tax payable under the Ordinance, and for this reason, relationship between tax expense and accounting profit has not been presented.

37.3 Applicable income tax rate is 29% for the financial year 2020 in accordance with Income Tax Ordinance, 2001.

37.4

The income tax assessments of the Company have been finalized up to and including tax year 2019. Tax returns of subsequent tax years are deemed to be assessed under provisions of the Income Tax Ordinance, 2001 (the "Ordinance") unless selected for an audit by the taxation authorities. The Commissioner Inland Revenue may at any time during a period of five years from the end of Financial year in which the officer issued or treated as issued the original assessment order.

37.5 According to the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision according to the financial statements viz-a-viz tax assessment for last three years is as follows:

(Rupees in thousand)	Provision according to financial statements	Tax assessment
2019	75,509	31,915
2018	-	-
2017	28,159	15,024

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(Rupees in thousand)	Note	2020	2019
38 Earning per share			
38.1 Earning per share - basic			
Profit for the year after taxation attributable to ordinary shareholders (Rupees in thousand)		31,746	61,300
Weighted average ordinary shares in issue during the year (No. of shares)	17	107,002,804	107,002,804
Basic Earnings per share (Rupees)		0.30	0.57
38.2 Earnings per share - diluted			
A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 June 2020 and 2019 which would have any effect on the earnings per share if the option to convert is exercised.			

(Rupees in thousand)	Note	2020	2019
39 Cash generated from operations			
(Loss)/Profit before taxation		(7,622)	62,337
Adjustments for non-cash and other items			
Depreciation on operating fixed assets	6.2	145,238	140,615
Depreciation on right-of-use assets	7.2	223	309
Gain on disposal of property, plant and equipment	6.3	(9,721)	(1,587)
Provision for staff retirement benefits	22.1	27,730	17,218
Exchange loss	35	-	4
Remission of liabilities	35	(674)	-
Mark-up / Interest income	35	(5,728)	(1,602)
Finance cost	36	201,451	148,494
		358,519	303,451
		350,897	365,789
Effect on cash flow due to working capital changes			
Decrease in current assets			
Stores, spares and loose tools		12,938	204,178
Stock-in-trade		(222,996)	162,035
Trade debts		8	13,241
Loans and advances		(5,116)	29,648
Trade deposits and short term prepayments		1,211	(1,593)
Other receivables		421,828	(108,258)
		207,873	299,251
(Decrease)/ Increase in current liabilities			
Trade and other payables		(417,013)	80,813
Cash generated from operations		141,756	745,852

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

40 Financial risk management and change in liabilities arising from financing activities

Disclosure relevant to	Financial statements note reference
i) Financial risk management	40.1 to 40.5
ii) Changes in liabilities arising from financing activities	40.5

40.1 Financial risk factors

The Company's activities exposes it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. The overall risk management of the Company is carried out under policies approved by the Board of Directors. Such policies entail identifying, evaluating and addressing financial risks of the Company.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All treasury related transactions are carried out within the parameters of these policies.

(a) Market risk

(i) Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

5% strengthening of Pak rupee against the foreign currencies at 30 June 2020 would have increased the equity and profit or loss by an amount of Rs: million, mainly because of Import of methyl ethyl glycol. The analysis assumes that all other variables, in particular interest rates, remain constant.

5% weakening of Pak rupee against the above currencies at reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above on the basis that all other variables remain constant.

(ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant interest-bearing assets, other than loans to staff. However, the Company's interest rate risk arises from long term and short-term borrowings from commercial banks, including lease liabilities.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

(Rupees in thousand)	Note	2020	2019
Fixed rate instruments			
Financial assets			
Loan against installments	12	871	1,966
Financial liabilities			
		-	-
Net exposure		871	1,966
(Rupees in thousand)			
Floating rate instruments			
Financial assets			
Bank balances - savings accounts	16	44,457	13,356
Financial liabilities			
Long term financing	21	(328,694)	(493,044)
Lease liabilities	24	-	(257)
Short-term borrowings	27	(1,667,076)	(1,300,877)
Net exposure		(1,951,313)	(1,780,822)

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate financial instruments fluctuates by 100 basis points higher / lower, with all other variables held constant, post tax profit for the year would have been Rs. 11.507 million (2019: Rs. 12.642 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate instruments.

(iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no investments in equity instruments traded in the market at the reporting date. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from deposits with banks, trade and other receivables.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

(Rupees in thousand)	2020	2019
Long term security deposits	4,251	4,171
Trade debts	297	305
Loans and advances	871	1,966
Bank balances	44,761	39,278
Other receivables	13,920	-
	64,100	45,720

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage, if any). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

(ii) Credit quality of major financial assets

The credit quality of major financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2020	2019
	Short term	Long term			
Efu General Life Insurance Limited	-	AA+	PACRA	212	587
Habib Bank Limited	A1+	AAA	JCR-VIS	130	214
National Bank of Pakistan	A1+	AAA	PACRA	68	5
Bank Al-Habib Limited	A1+	AA+	PACRA	100	100
Soneri Bank Limited	A1+	AA-	PACRA	44,458	2,247
				44,968	3,153

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the Company's business, the Board maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. The Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.

(Rupees in thousand)

At 30 June 2020	Carrying amount	Maturity less than 6 months	Maturity between 6 to 12 months	Maturity between 1 to 2 years	Maturity after 2 years
Long-term financing	328,694	-	-	328,694	-
Short-term borrowings	1,901,076	1,901,076	1,901,076	-	-
Trade and other payables	651,457	651,457	651,457	-	-
Accrued markup	23,389	23,389	-	-	-
Staff retirement benefit	120,966	-	-	-	120,966
Lease liabilities	-	-	-	-	-
	3,025,582	2,575,922	2,552,533	328,694	120,966

At 30 June 2019	Carrying amount	Maturity less than 6 months	Maturity between 6 to 12 months	Maturity between 1 to 2 years	Maturity after 2 years
Long-term financing	493,044	82,175	82,175	328,694	-
Short-term borrowings	1,429,877	1,429,877	-	-	-
Trade and other payables	1,071,526	1,071,526	-	-	-
Accrued markup	56,273	56,273	-	-	-
Staff retirement benefit	101,658	-	-	-	101,658
Lease liabilities	257	257	-	-	-
	3,152,634	2,640,108	82,175	328,694	101,658

40.2 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

30 JUNE 2020							
CARRYING AMOUNT				FAIR VALUE			
Fair Value Through Profit Or Loss	Amortized Cost	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees '000)							
On-Balance Sheet financial Instrument							
Financial assets measured at fair value	-	-	-	-	-	-	-
Financial assets not measured at fair value							
Long term security deposits	-	4,251	-	4,251	-	-	-
Trade debts	-	297	-	297	-	-	-
Loans and advances	-	871	-	871	-	-	-
Other receivables	-	13,920	-	13,920	-	-	-
Bank balances	-	44,761	-	44,761	-	-	-
	-	64,100	-	64,100	-	-	-
Financial liabilities not measured at fair value							
Long-term financing	-	-	328,694	328,694	-	-	-
Trade and other payable	-	-	651,457	651,457	-	-	-
Short-term borrowings	-	-	1,901,076	1,901,076	-	-	-
Accrued mark-up	-	-	23,389	23,389	-	-	-
Lease liabilities	-	-	-	-	-	-	-
Staff retirement benefits	-	-	120,966	120,966	-	-	-
	-	-	3,025,582	3,025,582	-	-	-

30 JUNE 2019							
CARRYING AMOUNT				FAIR VALUE			
Fair Value Through Profit Or Loss	Amortized Cost	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees '000)							
On-Balance Sheet financial Instrument							
Financial assets	-	-	-	-	-	-	-

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RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Financial assets not measured at fair value

Long term security deposits	-	4,171	-	4,171	-	-	-	-
Trade debts	-	305	-	305	-	-	-	-
Loans and advances	-	11,483	-	11,483	-	-	-	-
Other receivables	-	610,354	-	610,354	-	-	-	-
Bank balances	-	40,252	-	40,252	-	-	-	-
	-	666,565	-	666,565	-	-	-	-

Financial liabilities not measured at fair value

Long-term financing	-	-	328,694	328,694	-	-	-	-
Subordinate Loan-Alnu Trust	-	-	464,000	464,000	-	-	-	-
Trade and other payable	-	-	651,457.41	651,457	-	-	-	-
Short-term borrowings	-	-	1,901,076	1,901,076	-	-	-	-
Accrued mark-up	-	-	23,389	23,389	-	-	-	-
Lease liabilities	-	-	257	257	-	-	-	-
Staff retirement benefits	-	-	101,658	101,658	-	-	-	-
	-	-	3,470,531	3,470,531	-	-	-	-

40.3 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

40.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares, obtain long term debt or sell assets to reduce debt.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investments requirements and expectation of the shareholders.

The Company manages capital by maintaining gearing ratio at certain levels. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

(Rupees in thousand)

	2020	2019
Borrowings	2,229,770	1,758,571
Cash and bank balances	(45,746)	(40,252)
Net debt	2,184,024	1,718,319
Total equity	1,444,370	948,161
Total capital	3,628,394	2,666,479
Gearing ratio	0.60	0.64
Gearing ratio as percentage %	60.19%	64.44%

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RUPAFIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020****40.5 Change in liabilities arising from financing activities**

	01 July 2019	Cash flows	Foreign exchange movement	Changes in fair value	New leases	Transfer to non- current	30 June 2020
Current loans and borrowings excluding current lease liabilities	1,429,877	471,199	-	-	-	-	1,901,076
Current lease liabilities	257	(257)	-	-	-	-	-
Non current loans and borrowings excluding non current lease liabilities	493,044	(164,350)	-	-	-	-	328,694
Subordinate loan-Alnu trust	593,000	105,000	-	-	-	(234,000)	464,000
Total liabilities from financing activities	2,516,177	411,593	-	-	-	(234,000)	2,693,770

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

41 Remuneration of directors and executives

The aggregate amount charged in the financial statements for remuneration including all benefits to the Chief Executive, Directors and the Executives of the Company are as follows:

(Rupees in thousand)

	Chief Executive		Directors		Executives	
	2020	2019	2020	2019	2020	2019
Managerial remuneration	-	-	-	-	13,298	17,333
House rent	-	-	-	-	3,989	5,200
Utilities	-	-	-	-	1,330	1,733
Medical expenses	-	-	-	-	1,330	1,733
Others	-	-	-	-	109	144
	-	-	-	-	20,056	26,143
Relative number of person(s) whose remuneration charged in these financial statements	-	-	-	-	9	13

41.1 The Company has one Chief Executive and five Directors as at 30 June 2020. However, during the year, no remuneration expense has been charged in these financial statements in relation to the remuneration of Chief Executive and the Directors. The Chief Executive Officer of the Company is provided with Company maintained car for business and personal use.

41.2 No remuneration has been paid to executive and non-executive directors for attending company meetings during the year ended 30 June 2020 and 2019.

42 Transactions with related parties

The related parties comprises Associated Companies, Directors of the Company, Key Management Personnel and Defined Contribution Plan (Provident Fund). The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to the related parties are shown under receivables and payables, amounts due from key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in (note 41). Other significant transactions with the related parties are as follows:

(Rupees in thousand)

			2020	2019
42.1	Details of transaction with related parties			
Name	Nature of Relationship	Nature of Transactions		
Rupali Polyester Limited	Associated Company	- Sales of goods	1,106,663	479,792
		- Purchase of goods	207,195	1,397,148
Rupali Nylon (Pvt.) Limited	Associated Company	- Purchase of services	799	2,448
Soneri Bank Limited	Associated Company	- Profit on Bank Deposits	5,380	1,301
Spintex Limited	Related party	- Sales of goods	-	-
		- Purchase of goods	1,272	1,839
		- Raw material purchased	180,000	352,000
		- Payments against raw material purchased	37,000	352,000
Provident Fund Trust	Defined contribution plan	- Contribution to provident fund	3,033	2,947
Alnu Trust	Related party	- Loan obtained	105,000	57,000
		- Loan repaid	-	50,000

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

42.2 Particulars of transactions with worker's profit participation fund and staff retirement benefit plans are disclosed in note 26.1 and note 22.2 respectively to these financial statements.

(Rupees in thousand) 2020 2019

42.3 Amount outstanding to related parties

Amounts due from related parties and associated companies have been adequately disclosed in note 11.1. However, amounts outstanding to related parties as at reporting date are as follow:

Alnu Trust		
- Interest free loan	234,000	129,000
Provident fund trust		
Contribution payable	200	235

42.4 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place

S. No.	Company Name	Basis of relationship	Aggregate % of shareholding in Company
a.	Rupali Polyester Limited	Common Directorship	N/A
b.	Rupali Nylon (Pvt.) Limited	Common Directorship	N/A
c.	Spintex Limited	Close Relationship between directors	N/A
d.	Rupafil PowerGen (Pvt.) Limited	Common Directorship	N/A
e.	Soneri Bank Limited	Common Directorship	N/A
f.	Alnu Trust	Common Ownership	33.33%

(Metric tons) 2020 2019

43 Plant capacity and actual production

Annual capacity (in three shifts)		
- Yarn	16,060	16,060
- Chips	35,000	35,000
Actual production		
- Yarn	13,591	18,072
- Chips	11,877	24,328

43.1 The annual capacity disclosed above is name plate capacity. It is a standardized nomenclature over the world that manufacturing plants have a certain nameplate capacity. However, actual producing capacity of a plant is always in excess of the nameplate capacity. Also with better maintenance and overhauling and BMR repairs, the plant performance increases. The Company has, over the years, invested in plant maintenance and has enhanced the producing capacities. Such enhancement do not change the nameplate capacity.

43.2 The reason for shortfall in actual production compared with annual capacity lies with actual demand according to market conditions and shutdown of production plant during the year.

(In numbers) 2020 2019

44 Number of employees

Total number of employees as at 30 June	1,097	1227
Average number of employees for the year ended 30 June	1,154	1261
Number of factory employees as at 30 June	1,033	1160
Average number of factory employees for the year ended 30 June	1,087	1183

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

45 Additional disclosure

The World Health Organization has declared COVID-19 (the virus) a global pandemic. With the growing number of cases in Pakistan, the Government of Pakistan has provided directions to take measures to respond to the virus.

While the virus has impacted the global economy, its impact on Company is disclosed below;

- i) The production during the year, as compared to corresponding financial year, has declined because the manufacturing plant was non-operational during the pandemic period.
- ii) The major customers of the Company are manufacturers, dealers, distributors and wholesales. Therefore, the revenue declined, during the year, due to non availability of active buyers, during pandemic period.
- iii) The Company has obtained long term finance facility from MCB Bank Limited, as disclosed in note 20.1 of these financial statements. Two equal installments amounting to Rs: 82.175 million each were due in the current financial year. The Company has, however, discharged liability to the extent of two installment amounting to Rs: 164.350 million and remaining installments have been deferred till August,2021, with mutual consent of bank and the Company.
- iv) The Company has obtained running finance and letter of credit facilities from various commercial banks. These banks have deferred the markup payments and letter of credit payments that were due in the pandemic period. This has resulted in increased short-term borrowings.

46 Representation and reclassification

For the purpose of consistency, certain prior year figures have been represented or re-classified to reflect a more appropriate presentation of events and transactions.

47 Date of authorization for issue

These financial statements were authorized for issue on **03-Oct-2020** by the Board of Directors of the Company.

48 General

Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

RCO



Nooruddin Feerasta
Managing Director.



Shehzad Feerasta
Director