



INDEPENDENT AUDITOR'S 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, 2021 and the statement of profit or loss and other 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, the statement of profit or loss and other 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, 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, 2021 and of the profit and 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.

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 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.

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.
- 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. *2/8*



FOSTERING FINANCIAL EXCELLENCE

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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
- b) the statement of financial position, the statement of profit or loss and other 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 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).

Other Matter

The financial statements of the company for the year ended June 30, 2020 were audited by another firm of Chartered Accountants, who expressed unmodified opinion in their report dated October 03, 2020.

The engagement partner on the audit resulting in this independent auditor's report is **Mr. Yasir Riaz**.

YASIR RIAZ

Lahore.

Date: 22 September 2021

RUPAFIL LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Note	2021	2020
		Rupees in 000s	
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,481,663	2,521,345
Long term security deposits		4,151	4,251
		2,485,814	2,525,596
Current assets			
Stores, spares and loose tools	7	713,008	741,670
Inventories	8	1,168,739	875,119
Trade receivables	9	1,690	297
Advances, deposits and prepayments	10	221,020	205,590
Tax refunds due from government		100,699	127,436
Cash and cash equivalents	11	18,246	45,746
		2,223,402	1,995,858
Total assets		4,709,216	4,521,454
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
110,000,000 Ordinary shares of Rs. 10 each.		1,100,000	1,100,000
Issued, subscribed and paid up share capital			
Retained earnings	12	1,070,028	1,070,028
Revaluation surplus	13	(329,301)	(510,776)
Long term financing - subordinated	14	421,119	421,119
		464,000	464,000
		1,625,846	1,444,371
Non-current liabilities			
Borrowings	15	164,344	328,694
Deferred tax liabilities	16	-	44,253
Deferred liability - net staff gratuity	17	115,629	120,966
Long term deposits		7,272	7,248
		287,245	501,161
Current liabilities			
Trade and other payables	18	1,191,033	644,675
Contract liabilities	19	26,054	6,782
Current portion of borrowings	15	164,350	-
Payable to related parties	20	234,000	234,000
Accrued markup		31,745	23,389
Short term borrowing	21	1,148,943	1,667,076
		2,796,125	2,575,922
Contingencies and commitments	22		
Total liabilities		3,083,370	3,077,083
Total equity and liabilities		4,709,216	4,521,454

The annexed notes from 1 to 40 form an integral part of these financial statements.



Chief Executive



Director

RUPAFIL LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021	2020
Rupees in 000s			
Revenue - net	23	5,152,086	3,692,141
Cost of revenue	24	(4,752,607)	(3,438,349)
Gross profit		399,479	253,792
Distribution costs	25	(23,384)	(16,703)
Administrative expenses	26	(92,868)	(92,728)
Other operating expenses	27	(23,070)	(2,077)
		(139,322)	(111,508)
Operating profit		260,157	142,284
Other income	28	78,034	51,545
Finance costs	29	(138,766)	(201,451)
		(60,732)	(149,906)
Profit / (loss) before tax		199,425	(7,622)
Taxation	30	(29,032)	39,368
Profit after tax		170,393	31,746

The annexed notes from 1 to 40 form an integral part of these financial statements.



Chief Executive



Director

RUPAFIL LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

Note	2021	2020
	Rupees in 000s	
Profit after tax	170,393	31,746
Other comprehensive income		
<i>Items that may be subsequently reclassified to profit or loss</i>		
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Remeasurements of retirement benefit obligations	15,609	653
Deferred tax credit relating to remeasurement of defined benefit obligation	(4,527)	(189)
	11,082	464
Other comprehensive income	11,082	464
Total comprehensive income for the year	181,475	32,210

The annexed notes from 1 to 40 form an integral part of these financial statements.



Chief Executive



Director

RUPAFIL LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021	2020
Rupees in 000s			
Cash flows from operating activities			
Profit / (loss) before tax		199,425	(7,622)
Adjustments for:			
Depreciation	6.1	145,837	145,461
Provision for staff retirement benefits	17.2	22,280	27,730
Profit on disposal of fixed assets		(2,150)	(9,721)
Remission of liabilities	28	(16,141)	(674)
Profit / Mark-up on bank deposits and staff loan	28	(3,049)	(5,728)
Provision for WWF	27	4,070	-
Provision for WPPF	27	10,710	-
Finance cost	29	138,766	201,451
		<u>300,323</u>	<u>358,519</u>
Operating profit before working capital changes		499,748	350,897
Effect of working capital changes			
(Increase) / decrease in current assets			
Stores, spares and loose tools		(25,573)	12,938
Inventories		(293,620)	(222,996)
Trade receivables		(1,393)	8
Advances, deposits and prepayments		(15,430)	417,923
		<u>(336,016)</u>	<u>207,873</u>
Increase / (decrease) in current liabilities			
Trade and other payables		547,719	(421,825)
Contract liabilities		19,272	4,812
		<u>566,991</u>	<u>(417,013)</u>
Cash generated from operations		<u>730,723</u>	<u>141,756</u>
Income taxes paid		(51,075)	(40,501)
Interest income received		3,049	5,728
Staff retirement benefits paid	17.1	(12,008)	(7,769)
Finance cost paid		(130,410)	(234,335)
Worker's profit participation fund paid		-	(2,381)
		<u>(190,444)</u>	<u>(279,258)</u>
Net cash inflows / (outflows) from operating activities		<u>540,279</u>	<u>(137,502)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(52,560)	(181,651)
Long term deposits		100	(80)
Proceeds from sale of property, plant and equipment		2,790	18,170
Net cash outflows from investing activities		<u>(49,670)</u>	<u>(163,561)</u>
Cash flows from financing activities			
Long-term financing repaid		-	(164,350)
Long-term deposits		24	(36)
Short-term borrowings paid		(518,133)	471,199
Liabilities against assets subject to finance lease		-	(257)
Net cash (outflows) / inflows from financing activities		<u>(518,109)</u>	<u>306,556</u>
Net (decrease) / increase in cash and cash equivalents		(27,500)	5,494
Cash and cash equivalents at the beginning of the year		45,746	40,252
Cash and cash equivalents at end of the year		<u>18,246</u>	<u>45,746</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



Chief Executive



Director

RUPAFIL LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021

	Issued, subscribed and paid up share capital	Retained earnings	Surplus on revaluation	Long term financing - subordinated	Total share capital and reserves
Rupees in 000s					
Balance as at July 01, 2019	1,070,028	(542,986)	421,119	-	948,161
Profit for the year	-	31,746	-	-	31,746
Other comprehensive income for the year	-	464	-	-	464
Transferred during the year	-	-	-	464,000	464,000
Balance as at June 30, 2020	1,070,028	(510,776)	421,119	464,000	1,444,371
Balance as at July 01, 2020	1,070,028	(510,776)	421,119	464,000	1,444,371
Profit for the year	-	170,393	-	-	170,393
Other comprehensive income for the year	-	11,082	-	-	11,082
Balance as at June 30, 2021	1,070,028	(329,301)	421,119	464,000	1,625,846

The annexed notes from 1 to 40 form an integral part of these financial statements.



Chief Executive



Director

RUPAFIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1 Status and nature of business

Rupafil Limited (the Company) was incorporated in Pakistan on 25 January 1992 as a Public Limited Company under the repealed Companies Ordinance, 1984 now Companies Act, 2017. The company is principally engaged in the manufacture and sale of synthetic textile products. The registered office of the company is located at 241-242 Upper Mall Scheme, Anand Road, Lahore. The manufacturing facility of the company is situated at 13.4 KM Sheikhpura - Sharaqpur Road, Sheikhpura. The regional office of the company is located at 1st Floor, Gul Tower, I.I Chundigar Road, Karachi.

2 Basis of preparation

2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention unless otherwise specifically stated, if any,

2.2 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of Companies Act, 2017. Approved accounting standards comprise of:

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

Wherever, the requirements of the Companies Act, 2017 or directives issued by the Securities and Exchange Commission of Pakistan differs with the requirements of these accounting standards, the requirements of the Companies Act, 2017 or the requirements of the said directives shall prevail.

2.3 Functional and presentational currency

These financial statements have been prepared in Pakistani Rupees (PKR), which is the company's functional and

3 Use of judgments, estimates and assumptions

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 judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historic 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 judgements which are significant to the financial statements:

- assumptions and estimates used in determining the recoverable amount, residual values and useful lives of property, plant and equipment (Note 6);
- assumptions and estimates used in determining the provision for slow moving and obsolete stores, spares and loose tools (Note 7);
- assumptions and estimates used in writing down items of inventories to their net realisable value (Note 8);
- assumptions and estimates used in calculating the provision for impairment for trade receivables (Note 9);
- assumptions and estimates used in calculating the provision for impairment for advances and deposits (Note 11);
- assumptions and estimates used for valuation of present value of defined benefit obligation and fair value of plan assets (Note 17);
- assumptions and estimates used in disclosure and assessment of provision for contingencies and commitments (Note 22);
- assumptions and estimates used in determining current income under relevant tax law and the decisions of appellate authorities on certain cases issued in the past (Note 30);

4 Standards, amendments and interpretations

4.1 New standards, amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2021

There were certain amendments to accounting and reporting standards which became effective for the Company for the current year. However, these are considered not to be relevant or to have any significant impact on the Company's financial reporting and, therefore, have not been disclosed in these financial statements.

4.2 Standards, amendments and improvements to approved accounting standards that are not yet effective

There is a standard and certain other amendments to accounting and reporting standards that are not yet effective and are considered either not to be relevant or to have any significant impact on the Company's financial statements and operations and, therefore, have not been disclosed in these financial statements.

5 Summary of significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

5.1 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of an asset.

Depreciation on property, plant and equipment is charged on reducing balance method at the rates stated in Note 6 to these financial statements. Depreciation charge commences from the month in which asset is available for use and continues until the month of disposal.

Residual values and the useful lives are reviewed at each date of statement of financial position and adjusted if expectations differ significantly from previous estimates.

Residual values are determined by the management as the amount it expects it would receive currently for an item of property, plant and equipment if it was already of the age and in the condition expected at the end of its useful life based on the prevailing market prices of similar assets already at the end of their useful lives.

Useful lives are determined by the management based on the expected usage of assets, physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

The carrying values of property, plant and equipment are reviewed at each reporting date for indications that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset or cash generating unit is written down to its recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less cost to sell and value in use.

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.

Surplus on revaluation of land is recognised in other comprehensive income and accumulated in revaluation surplus in shareholders' equity, to the extent that increase reverses a decrease previously recognised in the statement of profit or loss, the increase is first recognised in the statement of profit or loss. Decreases that reverse previous increases of the same asset are first recognised 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 are charged to profit or loss as and when incurred. Major renewals and improvements, if any, are capitalised, when it is probable that future economic benefits will flow to the Company.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount of the relevant assets. These are included in profit or loss.

Capital work in progress

Capital work-in-progress is stated at cost accumulated to the date of statement of financial position less impairment losses, if any. It consists of expenditure incurred, advances made and other directly attributable costs in respect of property, plant and equipment 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.

Capital stores and spares

Stores and spares of capital nature are recognised at cost less impairment losses, if any. Stores, spare parts and stand-by equipment are recognised as capital items when they meet the criteria of property, plant and equipment. Otherwise, such items are classified as stores, spares and loose tools.

Items meeting the criteria of property, plant and equipment include such stores, spares and stand-by equipment that are to be used as a replacement part at some future time and such parts shall be installed and put into use at a later date. Depreciation of such items shall be recognised when installed in plant and machinery. Items removed from plant and machinery shall be recognised at scrap value.

5.2 Stores and spares

These are valued at lower of cost using Weighted Average Cost method and estimated net realisable value. Provision is made for slow moving and obsolete stores and spares. Items in transit are valued at cost comprising invoice values plus other charges incurred thereon.

Net realisable value specifies the estimated selling price in the ordinary course of business less the estimated cost of completion and cost necessarily to be incurred to make the sale.

5.3 Stock in trade

All stocks are stated at lower of cost and estimated net realizable value. Cost is determined as follows:

Stock Type	Valuation Method
Raw material	Weighted average basis
Work in process	Estimated manufacturing cost including appropriate overheads
Finished goods	Average manufacturing cost including appropriate overheads
Waste/Scrap	Net realizable value

Cost comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and a proportion of appropriate manufacturing overheads.

Net realisable value is determined on the basis of estimated selling price of the product in the ordinary course of business less estimated costs of completion and the estimated costs necessary to be incurred for its sale.

5.4 Financial instruments

5.4.1 Financial assets

a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

b) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in the statement of profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to the statement of profit or loss following the derecognition of the investment.

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the statement of profit or loss for the period in which it arises.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

5.4.2 Financial liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of profit or loss.

5.4.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position, if the company has a legally enforceable right to offset the recognized amounts and the company intends to settle either on a net basis or realize the asset and settle the liability simultaneously.

5.5 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The Company applies the simplified approach to recognise lifetime expected credit losses for trade debts, due from customers

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

5.6 Trade debts

Trade debts are amounts due from customers for sales made during the ordinary course of business. Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method less expected credit losses. Bad debt are written off when identified.

5.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, current accounts and deposit accounts.

5.8 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

5.9 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

5.10 Contract assets and liabilities

Contract liabilities are recognized for consideration received in respect of unsatisfied performance obligations. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

5.11 Staff retirement benefits**5.11.1 Defined benefit plan - Gratuity**

The Company operates an unapproved unfunded defined benefit gratuity plan for all employees having a service period of more than one year for workers and two years for other employees. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out on a periodic basis or when there is a significant change. The most recent valuation was carried out as at June 30, 2021 using the "Projected Unit Credit Method".

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the year in which they arise. Past service costs are recognized immediately to profit or loss.

5.11.2 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% of basic salary.

5.12 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the statement of financial position date. Foreign exchange gains and losses on translation are recognised in statement of profit or loss. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

5.13 Borrowing costs

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.

Mark up, interest and other charges on borrowings are capitalized up to the date of commissioning of the respective qualifying asset, acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to the statement of profit or loss.

5.14 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events and, 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 obligation.

5.15 Contingent liabilities

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or when there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

RUPAFIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

5.16 Related party transactions and transfer pricing

Transactions and contracts with the related parties are priced at arm's length except assets sold to employees at written down values as approved by Board of Directors. Prices for transactions with related parties are determined on the basis comparable uncontrolled price method.

5.17 Taxation

Current:

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions, if any.

Deferred:

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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 statement of financial position date. Deferred tax is charged or credited in the income statement, except where deferred tax arises on the items credited or charged to equity in which case it is included in equity.

5.18 Borrowings and their costs

Borrowings are recorded at the proceeds received. Borrowing costs are recognized as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

5.19. Revenue recognition

The company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria has been met for each of the company's activities as described below:

- Revenue from sale of goods is recognised when control of goods is transferred to customers 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.
- Interest income recognised on a time proportion basis on the principal amount outstanding and at the applicable rate.
- Divided income is recognised when the right to receive dividend is established.

RUPAFIL LIMITED
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6 Property, plant and equipment

Note	2021	2020
	Rupees in 000s	
6.1	2,424,314	2,517,141
	101	1,191
	57,248	3,013
	<u>2,481,663</u>	<u>2,521,345</u>

6.1 Operating fixed assets

Cost

	Owned assets									Total assets
	Freehold Land	Factory on freehold land	Building	Roads	Plant and Machinery	Furniture and fixtures	Vehicles	Office equipment	Other assets	
	Rupees in 000s									
Balance as at July 01, 2019 - Cost	12,625	500,467	21,248	5,565	4,185,618	20,561	27,696	14,421	11,153	4,799,354
Balance as at July 01, 2019 - Revaluation	421,119	-	-	-	-	-	-	-	-	421,119
	<u>433,744</u>	<u>500,467</u>	<u>21,248</u>	<u>5,565</u>	<u>4,185,618</u>	<u>20,561</u>	<u>27,696</u>	<u>14,421</u>	<u>11,153</u>	<u>5,220,473</u>
Additions during the year	-	4,358	-	-	177,589	248	-	750	55	183,000
Transferred during the year	-	-	-	-	-	-	894	-	-	894
Disposals	-	-	-	-	(95,626)	-	(1,291)	-	-	(96,917)
Balance as at June 30, 2020	<u>433,744</u>	<u>504,825</u>	<u>21,248</u>	<u>5,565</u>	<u>4,267,581</u>	<u>20,809</u>	<u>27,299</u>	<u>15,171</u>	<u>11,208</u>	<u>5,307,450</u>
Balance as at July 01, 2020 - Cost	12,625	504,825	21,248	5,565	4,267,581	20,809	27,299	15,171	11,208	4,886,331
Balance as at July 01, 2020 - Revaluation	421,119	-	-	-	-	-	-	-	-	421,119
	<u>433,744</u>	<u>504,825</u>	<u>21,248</u>	<u>5,565</u>	<u>4,267,581</u>	<u>20,809</u>	<u>27,299</u>	<u>15,171</u>	<u>11,208</u>	<u>5,307,450</u>
Additions during the year	-	732	-	-	49,852	1,803	-	941	322	53,650
Disposals	-	-	-	-	-	-	(2,645)	-	-	(2,645)
Balance as at June 30, 2021	<u>433,744</u>	<u>505,557</u>	<u>21,248</u>	<u>5,565</u>	<u>4,317,433</u>	<u>22,612</u>	<u>24,654</u>	<u>16,112</u>	<u>11,530</u>	<u>5,358,455</u>
Depreciation										
Balance as at July 01, 2019 - Cost	-	198,669	2,571	3,716	2,491,872	8,616	12,441	6,965	6,430	2,731,280
Charge for the year	-	17,091	934	92	122,290	1,208	2,369	778	476	145,238
Transferred during the year	-	-	-	-	-	-	2,259	-	-	2,259
Depreciation on disposals	-	-	-	-	(87,213)	-	(1,255)	-	-	(88,468)
Balance as at June 30, 2020	<u>-</u>	<u>215,760</u>	<u>3,505</u>	<u>3,808</u>	<u>2,526,949</u>	<u>9,824</u>	<u>15,814</u>	<u>7,743</u>	<u>6,906</u>	<u>2,790,309</u>
Balance as at July 01, 2020 - Cost	-	215,760	3,505	3,808	2,526,949	9,824	15,814	7,743	6,906	2,790,309
Charge for the year	-	16,106	887	88	123,949	1,165	2,434	768	440	145,837
Depreciation on disposals	-	-	-	-	-	-	(2,005)	-	-	(2,005)
Balance as at June 30, 2021	<u>-</u>	<u>231,866</u>	<u>4,392</u>	<u>3,896</u>	<u>2,650,898</u>	<u>10,989</u>	<u>16,243</u>	<u>8,511</u>	<u>7,346</u>	<u>2,934,141</u>
Rate of depreciation	-	10%	5%	5%	5% to 10%	10%	20%	10%	10%	
Written down value as at June 30, 2020	<u>433,744</u>	<u>289,065</u>	<u>17,743</u>	<u>1,757</u>	<u>1,740,632</u>	<u>10,985</u>	<u>11,485</u>	<u>7,428</u>	<u>4,302</u>	<u>2,517,141</u>
Written down value as at June 30, 2021	<u>433,744</u>	<u>273,691</u>	<u>16,856</u>	<u>1,669</u>	<u>1,666,535</u>	<u>11,623</u>	<u>8,411</u>	<u>7,601</u>	<u>4,184</u>	<u>2,424,314</u>

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RUPAFIL LIMITED
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6.2 Particulars of immoveable assets of the Company are as follows

Location	Address	Usage of property	Total Area (Sq. ft.)
Lahore	241-242 Upper Mall Scheme, Anand Road, Lahore	Head office	54,994
Sheikhupura	13.2 KM, Sheikhupura, Shraqpur Road, Sheikhupura	Production plant	1,951,875
Karachi	1st floor, Gul Tower, I.I Chundrigar Road, Karachi	Regional office	2,439

	2021	2020
	Rupees in 000s	

6.3 Depreciation for the year has been allocated as under:

Cost of revenue	140,583	139,949
Distribution costs	263	264
Administrative expenses	4,991	5,025
	145,837	145,238

6.4 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. The fair valuation is considered to represent a level 2 valuation, in accordance with IFRS - 13, based on observable inputs being the location and condition of the assets. The fair market value of the plot was Rs. 1.0 million per kanal at that date with forced sale value of Rs: 0.8 million per kanal, amounting to Rs: 1,446.840 million and Rs. 1,157.472 million respectively.

6.5 Had there been no revaluation, the book value of revalued assets as at June 30, 2021 would have been 12.625 million (2020: Rs. 12.625 million).

6.6 The plant and machinery is subject to 1st charge amounting to Rs: 1,070 million (2020: 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.

6.7 The land on which the company's building for head office has been constructed is in the name of close relative of directors of the company. The land has been provided to the company for a period of 30 years ending on April 2034. No monthly rentals are charged against the said land.

	Note	2021	2020
		Rupees in 000s	
7 Stores, spares and loose tools			
Stores	7.1	200,551	219,450
Spares		503,707	513,380
Loose tools		8,750	8,840
		713,008	741,670

7.1 This includes fuel for power and steam generation amounting to Rs. 103.569 million (2020: Rs. 92.55 million).

	Note	2021	2020
		Rupees in 000s	
8 Inventories			
Raw materials		476,914	569,321
Work in progress		33,078	26,361
Finished goods		626,386	86,506
Finished goods - at fair value less cost to sell	8.1	1,161	14,681
Stock in transit		31,200	158,878
Stock with third party		-	19,372
		1,168,739	875,119

RUPAFIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	Note	2021	2020
		Rupees in 000s	
8.1 Finished goods – at fair value less cost to sell			
Cost		1,200	15,445
Written down during the year		(39)	(764)
		<u>1,161</u>	<u>14,681</u>
9 Trade receivables			
<i>Trade receivables - unsecured, considered good</i>			
Due from associated undertakings		-	80
Due from other parties		1,690	217
		<u>1,690</u>	<u>297</u>
10 Advances, deposits and prepayments			
Advances to employees			
- against salary		84	871
- against expenses		28	189
Advances to suppliers	10.1	10,549	15,539
Sales tax refundable		207,594	174,806
Prepaid insurance		-	212
Other prepayments		83	253
Other receivables		2,682	13,720
		<u>221,020</u>	<u>205,590</u>
10.1 Advances to suppliers			
Balance receivable		11,403	15,539
Less: Provision for doubtful advances		(854)	-
		<u>10,549</u>	<u>15,539</u>
11 Cash and cash equivalents			
Cash in hand			
- Local currency		73	975
- Foreign currency		10	10
		83	985
Balances with banks in:			
- current accounts		167	304
- deposit accounts	11.1	17,996	44,457
		18,163	44,761
		<u>18,246</u>	<u>45,746</u>

11.1 These, during the year, carry mark-up ranging from 5.5% to 7.25% per annum. (2020 : 8% to 13.75%)

12 Issued, subscribed and paid up share capital

	2021	2020	2021	2020
	Number of shares in 000s		Rupees in 000s	
Ordinary shares of Rs. 10 each.				
- Fully paid in cash	107,003	107,003	1,070,028	1,070,028
	<u>107,003</u>	<u>107,003</u>	<u>1,070,028</u>	<u>1,070,028</u>

RUPAFIL LIMITED
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		2021	2020
		Number of shares	
12.1 Shares held by related parties of the Company			
Mr. Abdul Hayee		500	500
Feersata Senior Trust		71,334,644	71,334,644
Alnu Trust		35,666,620	35,666,620
M. Shehzad Feerasta		10	10
Mr. Zeeshan Feerasta		10	10
Mr. Uziar Feerasta		10	10
Mr. Nooruddin Feerasta		500	500
Mrs. Shirin Feerasta		500	500
Mr. Amin Feerasta		10	10
		107,002,804	107,002,804
	Note	2021	2020
		Rupees in 000s	
13 Revaluation surplus			
Surplus on revaluation of land	13.1	421,119	421,119
		421,119	421,119
13.1	During the year ended 30 June 2017, the Company carried out a revaluation of its freehold land which represents an area measuring 54.218 acres situated at 13.4-Km Sheikhpura-Sharaqpur Road. The fair value market rate of the land was assessed to be Rs. 8 million per acre at that date and forced sale value of Rs: 6.16 million per acre. Had the freehold land not been revalued, the carrying amount would have been Rs: 12.625 million.		
13.2	The revaluation surplus on freehold land is a capital reserve and is not available for distribution to shareholders of the Company, in accordance with section 241 of the Companies Act, 2017.		
	Note	2021	2020
		Rupees in 000s	
14 Long term financing - subordinated			
Alnu trust - a related party	14.1	464,000	464,000
		464,000	464,000
14.1	During the year ended 30 June 2020, the company had signed an agreement with Alnu Trust. Under the terms of the agreement, the loan is repayable at the discretion of the Company. Therefore, the entire amount of the loan had been transferred to equity. The loan is unsecured, interest free and has been obtained to meet liquidity requirements of the Company. The loan is repayable at the discretion of the entity and is subordinated to facilities from financial institutions.		
	Note	2021	2020
		Rupees in 000s	
15 Borrowings			
Secured			
Loan from banking companies	15.1	328,694	328,694
		328,694	328,694
Current borrowings		164,350	-
Non current borrowings		164,344	328,694
		328,694	328,694
15.1	The Company had obtained a term finance facility from MCB Bank Limited 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 plant and machinery and land 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 instalments out of total 10 instalments. The total tenure of the facility was 7 years with maturity date of 27 February 2022 but this has been extended for 1 year due to COVID - 19 pandemic. Accordingly, three biannual instalments, amounting to Rs. 82.175 million each and last installment amounting to Rs. 82.169 million. Markup is payable on quarterly basis in arrears.		

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		2021	2020
		Rupees in 000s	
16 Deferred taxation			
Deferred tax liability on -			
taxable temporary difference			
Property, plant and equipment		(576,980)	(285,360)
		(576,980)	(285,360)
Deferred tax assets on -			
deductible temporary difference			
Deferred liability - net staff gratuity		33,532	-
Worker's profit participation fund		3,524	-
Unused tax losses and unused tax depreciation		227,479	241,107
Unused tax credits		312,445	-
		576,980	241,107
		-	(44,253)
16.1 Movement of deferred tax			
Opening balance		44,253	53,858
(Charged) / credited			
- to profit or loss		(48,780)	(9,794)
- to other comprehensive income		4,527	189
		(44,253)	(9,605)
		-	44,253
16.2	Deferred tax asset amounted to Rs. 110.71 million (2020: Rs. 514.56 million) on unused tax credit has not been recognised in these financial statements as the income tax assessment of the company is mainly finalized under minimum tax regime in accordance with the provisions of Income Tax Ordinance, 2001. Accordingly, the timing difference between accounting profits and taxable income are unlikely to be reversible in the foreseeable future.		
	Note	2021	2020
		Rupees in 000s	
17 Deferred liability - net staff gratuity			
Present value of defined benefit obligation	17.1	115,629	120,966
		115,629	120,966
17.1 Present value of defined benefit obligation			
The movement in defined benefit obligation is as follows:			
Present value of defined benefit obligation at beginning		120,966	101,658
Current service cost	17.2	12,508	15,508
Interest cost	17.2	9,772	12,222
Benefits paid		(12,008)	(7,769)
Remeasurement gain on defined benefit obligation	17.3	(15,609)	(653)
		115,629	120,966
17.2 Amount recognised in profit or loss			
Current service cost		12,508	15,508
Interest cost		9,772	12,222
		22,280	27,730
17.3 Amount recognised in other comprehensive income			
Remeasurement (gain)/loss on defined benefit obligation		(15,609)	(653)
		(15,609)	(653)

RUPAFIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
17.4 Principal actuarial assumptions used in the actuarial valuations		
Financial assumptions		
Discount rate	10%	8.5%
Expected rate of increase in salary	9%	7.5%
Demographic Assumptions		
Mortality rate	SLIC (2001-05)	SLIC (2001-05)
Retirement assumptions	Age 60	Age 60
Fair value of plan assets		
	Increase by	Decrease by
	1%	1%
17.5 Sensitivity analysis		
Change in discount rate	109,826	121,807
Change in salary increase	121,676	109,608
	2021	2020
Note	Rupees in 000s	
18 Trade and other payables		
Trade payables	1,009,589	313,469
Due from related party	-	143,000
Accrued liabilities	154,291	173,439
Withholding tax payables	602	1,695
Retention money	4,682	5,822
Provident fund payable	310	200
Worker's profit participation fund	16,015	5,305
Worker's welfare fund	4,070	-
Other payables	1,474	1,745
	1,191,033	644,675
18.1 Worker's profit participation fund		
Balance at the beginning of the year	5,305	7,686
Add: Allocation for the year	10,710	-
Less: Amount paid	-	(2,381)
Balance at the end of the year	16,015	5,305
18.2 The company has not charged interest on the opening balance as the management is of the view that balance payable has not been claimed by the workers.		
	2021	2020
	Rupees in 000s	
18.3 Worker's welfare fund		
Balance at the beginning of the year	-	-
Add: Allocation for the year	4,070	-
Less: Amount paid	-	-
Balance at the end of the year	4,070	-
19 Contract liabilities		
Advances from customer	26,054	6,782
	26,054	6,782

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RUPAFIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	Note	2021	2020
		Rupees in 000s	
20 Payable to related parties			
Alnu Trust	20.1	234,000	234,000
		<u>234,000</u>	<u>234,000</u>

20.1 The Company availed interest free and unsecured loan, to meet working capital requirements of the Company, from Alnu Trust holding 33.33% (2020: 33.33%) of the total share capital of the Company. Maximum amount utilized during the year ended June 30, 2021 amounted to Rs. 234 million (2020: Rs. 248 million). The loan is repayable on demand.

	Note	2021	2020
		Rupees in 000s	
21 Short term borrowing			
Running finances from banks	21.1 & 21.2	1,148,943	1,336,478
Deferred payments of running finances from banks	21.3	-	330,598
		<u>1,148,943</u>	<u>1,667,076</u>

21.1 The aggregate finance facilities available from various commercial banks amounted to Rs. 1,616 million (2020: Rs. 1,616 million). These carry mark-up at the rates ranging from 7.88% to 8.58% (2020: 8.54% to 15.42%) p.a. and are secured against hypothecation charge on current assets of Rs. 2,324.50 million (2020: Rs. 2,057.50 million) and promissory notes of Rs. 1,605.90 million (2020: Rs. 1,087.90 million) respectively. Maximum amount utilized during the year ended 30 June 2021 amounted to Rs.1,456.96 million (2020: Rs. 1,562.22 million). Markup is payable on quarterly basis in arrears.

21.2 The facilities for opening letter of credit from various commercial banks as at 30 June 2021 aggregates to Rs. 2,200 million (2020: Rs. 2,100 million) of which the amount remained unutilized at the year-end was Rs. 1146.50 million (2020: Rs. 1597.94 million).

21.3 This represents deferred markup payments and deferred letter of credit payments outstanding towards various commercial banks and transferred to short-term borrowings. These were deferred in pursuance to COVID - 19 pandemic and are fully paid during the year.

22 Contingencies and commitments
Contingencies

22.1 Notice from taxation authorities

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. 12,500. This Inter court appeal(ICA No. 42080/2019) 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.

22.2 Warranties / Guarantees provided by the company

Guarantees issued to different organizations in the normal course of business amounted to Rs. 54.469 million (2020: Rs. 54.469 million).

Commitments

22.3 Letter of credits

Commitments against irrevocable letters of credit as at 30 June 2020 amounted to Rs. 1,146.50 million (2020: Rs. 83.98 million).

22.4 Capital commitments

Contracts for capital expenditure commitments outstanding as at 30 June 2021 amounted to Rs. 0.88 million (2020: Rs. 1.44 million).

RUPAFIL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	Note	2021	2020
Rupees in 000s			
23 Revenue - net			
Sale of goods	23.1	6,085,890	4,361,294
Net sales		6,085,890	4,361,294
Less: sales tax		(876,203)	(628,065)
Less: discount allowed		(57,601)	(41,088)
		(933,804)	(669,153)
		<u>5,152,086</u>	<u>3,692,141</u>

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

	Note	2021	2020
Rupees in 000s			
24 Cost of revenue			
Cost of sale of goods	24.1	4,752,607	3,438,349
		<u>4,752,607</u>	<u>3,438,349</u>
24.1 Cost of sale of goods			
Opening raw material		747,571	255,067
Add: purchases		3,427,198	2,540,941
Less: Closing raw material		(508,114)	(747,571)
Raw material consumed		3,666,655	2,048,437
Freight, Octroi and Zila Tax-General		101,105	52,418
Packing material consumed		111,287	61,974
Salaries, wages and other benefits	24.1.1	290,909	243,001
Stores consumed		137,153	41,858
Fuel and power		772,622	538,758
Repair & maintenance		29,085	14,436
Running & maintenance of vehicles		19,110	15,561
Insurance		14,755	9,936
Depreciation		140,583	139,949
Rent, rates and taxes		385	632
Printing stationery		1,452	1,138
Other manufacturing overheads		583	743
Cost of goods manufactured		<u>5,285,684</u>	<u>3,168,841</u>
Effect of change in work in progress inventory			
Opening work in progress		26,361	61,782
Closing work in progress		(33,078)	(26,361)
		(6,717)	35,421
Effect of change in finished goods inventory			
Opening finished goods		101,187	335,274
Closing finished goods		(627,547)	(101,187)
		(526,360)	234,087
		<u>4,752,607</u>	<u>3,438,349</u>

24.1.1 Salaries, wages and other benefits include Rs. 20.57 million (2020: 19 million) in respect of staff retirement benefits and Rs. 0.99 million (2020: Rs 0.85 million) in respect of provident fund contribution.

RUPAFIL LIMITED
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	Note	2021	2020
		Rupees in 000s	
25 Distribution costs			
Salaries, wages and other benefits	25.1	4,064	4,100
Freight and octroi		18,402	11,794
Rent, rates and taxes		17	10
Utilities		1	1
Communication		50	59
Printing and stationery		31	26
Fee and subscription		31	22
Vehicle running and maintenance		107	125
General repair and maintenance		15	27
Travelling and conveyance		203	185
Entertainment		-	2
Advertisement		182	66
Depreciation		263	275
Insurance		18	11
		23,384	16,703

25.1 Salaries, wages and other benefits include Rs. 0.085 million (2020: Rs. 0.436 million) in respect of staff retirement benefits and Rs. 0.0178 million (2020: Rs. 0.0128 million) in respect of provident fund contribution.

	Note	2021	2020
		Rupees in 000s	
26 Administrative expenses			
Salaries, wages and other benefits	26.1	77,221	77,896
Rent, rates and taxes		327	190
Utilities		14	14
Communication		949	1,114
Printing and stationery		581	496
Fee and subscription		589	418
Vehicle running and maintenance		2,027	2,374
General repair and maintenance		291	505
Legal and professional charges		343	422
Travelling and conveyance		3,864	3,514
Entertainment		9	44
Depreciation		4,991	5,237
Insurance		345	209
Bad debts		52	48
Advances written off		854	-
Miscellaneous		236	97
Auditors' remuneration	26.2	175	150
		92,868	92,728

26.1 Salaries, wages and amenities include Rs. 1.623 million (2020: Rs. 8.285 million) in respect of staff retirement benefits and Rs. 0.338 million (2020: Rs. 0.270 million) in respect of provident fund contribution.

	2021	2020
	Rupees in 000s	
26.2 Auditors' remuneration		
Audit services		
Annual audit fee	150	150
Out of pocket charges	25	-
	175	150

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NOTES TO THE FINANCIAL STATEMENTS
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	Note	2021	2020
Rupees in 000s			
27 Other operating expenses			
Donations	27.1	8,290	2,077
Workers welfare fund		4,070	-
Workers profit participation fund		10,710	-
		23,070	2,077

27.1 The details of the donations along with name of donee are as follows:

Patient behbud society for Agha Khan University Hospital (AKUH)	3,000	-
Delivered food to needy persons affected by lockdown	-	2,077
Provided Facility of water filtration	790	-
Agha Khan Health Services for welfare projects	4,500	-
	8,290	2,077

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

	Note	2021	2020
Rupees in 000s			
28 Other income			
<u>Income from financial assets</u>			
Interest Income from banks		2,964	5,380
Mark-up on Staff Loans		85	348
		3,049	5,728
<u>Income from non-financial assets</u>			
Sale of scrap		56,694	35,422
Remission of liabilities		16,141	674
Gain on disposal of fixed asset		2,150	9,721
		74,985	45,817
		78,034	51,545

29 Finance costs			
Bank Charges		530	222
Markup on borrowing	29.1	138,236	201,212
Markup on lease liabilities		-	17
		138,766	201,451

29.1 Markup on borrowing

This represents markup on long term borrowings amounting to Rs. 29.68 million and short term borrowings amounting to Rs. 108.56 million.

	2021	2020
Rupees in 000s		
30 Taxation		
Current tax expense		
- current year	77,281	55,382
- prior year(s)	531	(84,956)
Deferred tax expense / (income)	(48,780)	(9,794)
	29,032	(39,368)

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	2021	2020
	Rupees in 000s	
31 Financial instruments		
Financial assets as per statement of financial position		
<i>At amortized cost</i>		
Long term security deposits	4,151	4,251
Trade receivables	1,690	297
Advances and other deposits	2,682	13,720
Cash and cash equivalents	18,246	45,746
	26,769	64,014
Financial liabilities as per statement of financial position		
<i>At amortized cost</i>		
Borrowings	328,694	328,694
Short term borrowing	1,148,943	1,667,076
Trade and other payables	1,170,036	637,475
Contract liabilities	26,054	6,782
Payable to related parties	234,000	234,000
Accrued markup	31,745	23,389
	2,939,472	2,897,416

Financial liabilities as per statement of financial position

At amortized cost

Borrowings	328,694	328,694
Short term borrowing	1,148,943	1,667,076
Trade and other payables	1,170,036	637,475
Contract liabilities	26,054	6,782
Payable to related parties	234,000	234,000
Accrued markup	31,745	23,389
	2,939,472	2,897,416

Fair values of financial instruments

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 market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts. Further, there are no fair value estimation uncertainties.

Methods of determining fair values

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. The fair value of financial assets (other than investments) and liabilities with no active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

Discount / interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

Fair value hierarchy

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:

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

32 Financial risk management objectives

Financial risk factors

The Company's activities expose 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 programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board).

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a) **Market risk**

i) **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 in foreign currencies. The Company is exposed to foreign currency exchange risk in respect of commitments against letters of credit in foreign currency. The management does not view hedging as being financially feasible.

ii) **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 as it does not have any exposure in equity securities.

iii) **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. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

At the reporting date, the profit, interest and mark-up rate profile of the Company's significant financial assets and liabilities is as follows:

	2021	2020
	Rupees in 000s	
Variable rate financial instruments		
Financial assets		
Balances with banks in deposit account	17,996	44,457
	<u>17,996</u>	<u>44,457</u>
Financial liabilities		
Borrowings	328,694	328,694
	<u>328,694</u>	<u>328,694</u>

Fair value sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

		Increase / (Decrease) in rate	Effect on profit before tax	Effect on equity
			Rupees in 000s	
Interest rate sensitivity analysis				
Financial assets				
	2021	1%	180	128
		-1%	(180)	(128)
	2020	1%	445	316
		-1%	(445)	(316)
Financial liabilities				
	2021	1%	(3,287)	(2,334)
		-1%	3,287	2,334
	2020	1%	(3,287)	(2,334)
		-1%	3,287	2,334

b) **Credit risk**

Credit risk is the risk that one party to the financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from balances with bank, trade debts, advances, deposits and other receivables. The maximum exposure to credit risk before any credit enhancement is given below:

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	2021	2020
	Rupees in 000s	
Maximum exposure to credit risk		
Long term security deposits	4,151	4,251
Trade receivables	1,690	297
Advances and other deposits	2,682	13,720
Bank balances	18,163	44,761
	26,686	63,029

The Company attempts to control the credit risk by monitoring credit exposure, limiting transactions with specific customers and continuing assessment of credit worthiness of customers.

Based on the past experience, record of recoveries, the Company believes that the past due amount do not require any provision or impairment loss.

The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

Bank	Date of rating	Rating agency	Rating		2021	2020
			Short-term	Long-term	Rupees in 000s	
Habib Bank Limited	30-Jun-21	JCR-VIS	A1+	AAA	20	130
National Bank of Pakistan	25-Jun-21	PACRA	A1+	AAA	46	68
MCB Bank Limited	23-Jun-21	PACRA	A1+	AAA	-	5
Bank Al Habib Limited	26-Jun-21	PACRA	A1+	AAA	100	100
Soneri Bank Limited	25-Jun-21	PACRA	A1+	AA-	17,997	44,458
					18,163	44,761

c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of funding through an adequate amount of committed credit facilities. As at June 30, 2021 the Company had borrowing limits available from financial institutions and Rs 18,163 million (2020: Rs 44,761 million) in bank balances. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

Below mentioned financial liabilities are exposed to profit / mark-up rate risk except trade and other payables along with contractual maturities.

	Carrying amount	Less than one years	One to two years	Two to three years	More than three years
As at June 30, 2021					
Borrowings	328,694	164,350	164,344	-	-
Trade and other payables	1,191,033	1,191,033	-	-	-
Payable to related parties	234,000	234,000	-	-	-
Accrued markup	31,745	31,745	-	-	-
Short term borrowing	1,148,943	1,148,943	-	-	-
As at June 30, 2020					
Borrowings	328,694	164,350	164,344	-	-
Trade and other payables	644,675	644,675	-	-	-
Payable to related parties	234,000	234,000	-	-	-
Accrued markup	23,389	23,389	-	-	-
Short term borrowing	1,667,076	1,667,076	-	-	-

33 Capital risk management

The company's objectives, policies and processes for managing capital are as follows:

To safeguard Company's ability to continue as going concern, so that it can continue to provide returns for shareholders and benefit other stakeholders; and

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To provide adequate return to shareholders by pricing the products and services commensurately with the level of risk.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares. The capital structure of the Company consists of equity comprising of issued share capital and unappropriated profits.

Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio.

This ratio is calculated as debt divided by total capital. Debt is calculated as total borrowings non-current borrowings, as disclosed in note 15. Total capital is calculated as 'equity' shown in the statement of financial position plus debt. The gearing ratio as at year ended June 30, 2021 and June 30, 2020 are as follows:

	2021	2020
	Rupees in 000s	
Debt	164,344	328,694
Total Equity	1,625,846	1,444,371
Total Capital	1,790,190	1,773,065
Gearing Ratio	0.092 : 1	0.185 : 1

The Company is not exposed to externally imposed capital requirements.

33.1 Compliance with debt covenants

The Company is subject to the compliance of certain financial covenants as per the long term financing agreements with financial institutions referred to in note 15 and the Company is in compliance with the requirements throughout the reporting period.

34 Transactions with related parties

The related parties comprise of associated undertakings, entities under common directorship, post employment benefit plans and key management personnel.

Significant transactions with related parties are as follows:

Name of related party and basis of relationship	Detail of transactions	2021	2020
		Rupees in 000s	
Rupali Polyester Limited - Associated company by virtue of common directorship	Opening balance payable	80	-
	Purchases during the Year	71,180	207,195
	Sale during the Year	(665,920)	(1,106,663)
	Payments during the year	(71,250)	(207,124)
	Receipts during the year	686,465	1,106,672
	Closing balance payable	<u>20,554</u>	<u>80</u>
Spintex Limited - Related party	Opening balance payable	143,000	-
	Purchases during the Year	2,390	181,272
	Payments during the year	(145,390)	(38,272)
	Closing balance payable	<u>-</u>	<u>143,000</u>
Rupali Nylon (Private) Limited - Associated company by virtue of common directorship	Opening balance payable	-	-
	Services obtained	1,012,781	799,334
	Payments during the year	(1,012,781)	(799,334)
	Closing balance payable	<u>-</u>	<u>-</u>
Alnu Trust - Related party	Opening balance payable	234,000	234,000
	Closing balance payable	<u>234,000</u>	<u>234,000</u>
Provident Fund Trust - Post employment benefit plans	Contribution	3,436	3,033
	Contribution payable	310	200

All transactions with related parties have been carried out on commercial terms and conditions.

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35 Remuneration of chief executive and directors

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive and full time working Directors of the Company are as follows:

	Chief Executive		Directors		Executives	
	2021	2020	2021	2020	2021	2020
	Rupees in 000s		Rupees in 000s		Rupees in 000s	
Managerial remuneration	-	-	-	-	11,072	13,298
House rent	-	-	-	-	3,514	3,989
Utilities	-	-	-	-	1,171	1,330
Medical allowance	-	-	-	-	1,171	1,330
Other benefits	-	-	-	-	88	109
	-	-	-	-	17,016	20,056
No. of persons	1	1	5	5	6	9

35.1 No remuneration expense has been charged in these financial statements in relation to the remuneration of Chief Executive Officer and other directors of the company. The Chief Executive Officer of the Company is provided with Company maintained car for business and personal use.

35.2 No remuneration has been paid to executive and non-executive directors for attending company meetings during the year ended 30 June 2021 and 2020.

2021	2020
Number of persons	

36 Number of employees

Average number of employees during the year

872 1154

Total number of employees as at June 30th

1,025 1097

37 Production capacity

	2021		2020	
	Maximum capacity	Actual production	Maximum capacity	Actual production
	Units in Tons			
Yarn	16,060	18,914	16,060	13,591
Chips	35,000	28,016	35,000	11,877
	51,060	46,930	51,060	25,469

37.1 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, 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.

37.2 Total production capacity utilisation is 91.91% (2020: 49.88%) of total installed capacity.

38 Events after the reporting period

There are no other significant events after the reporting period which may require adjustment of and/or disclosure in these financial statements.

39 Date of authorization for issue

These financial statements have been approved and authorized for issue on 22 SEP 2021 by the Board of Directors of the company.

40 General

- Figures have been rounded off to the nearest rupee.

- Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison.



Chief Executive



Director