Annual Report 2009

Rupali

Rupali Polyester Limited

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Rupali

CORPORATE DATA

Board of Directors

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive

Muhammad Rashid Zahir
Muhammad Ali H. Sayani
Amin A. Feerasta
Abdul Hayee
Syed Ali Zafar

Audit Committee

Jafferali M. Feerasta
Chairman

Muhammad Rashid Zahir
Member

Amin A. Feerasta
Member / Secretary

Chief Financial Officer

Ayub Saqib

Secretary

S. Ghulam Shabbir Gilani

Bankers

Bank Al-Habib Limited
Citibank, N.A.
Habib Bank Ltd.
MCB Bank Limited
Meezan Bank Limited
NIB Bank Limited
Soneri Bank Limited
The Royal Bank of Scotland Limited

Auditors

Qavi & Co.
Chartered Accountants

Registered Office

Rupali House,
241-242 Upper Mall Scheme,
Anand Road, Lahore - 54000
PAKISTAN

Plant

30.2 Kilometer
Lahore - Sheikhupura Road
Sheikhupura - 39350
PAKISTAN

OUR VISION

To consistently maintain the Company's leading status of producing high quality products being first preference of our customers. Also to maintain the standards of performance excellence with long term plans of expansion and diversification.

OUR MISSION

To develop the Company on sound technical and financial footings with better productivity, excellence in quality and operational efficiencies at lower operating costs by utilizing blend of high professionalism.

To accomplish targeted results through increased earnings for maximum benefit to the Company stakeholders.

To be an equal opportunity employer taking utmost care of the employees for their career progression with better reward and recognition of their abilities and performance.

To fulfill general obligations towards the society, particularly safety, security and other environmental protections.

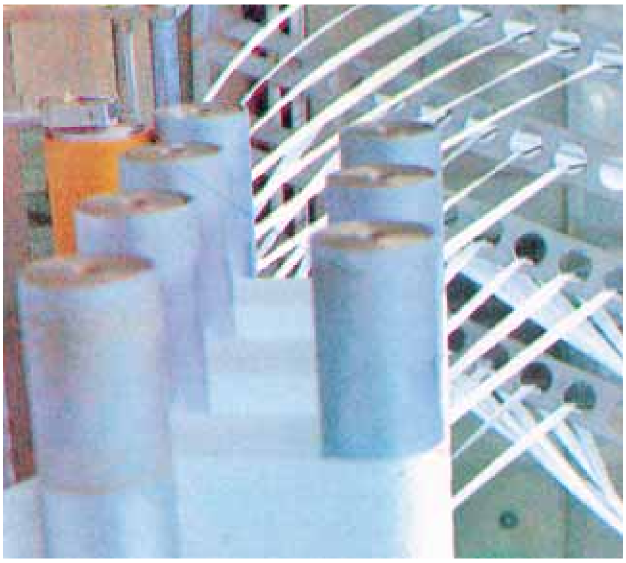
PROFILE

RUPALI POLYESTER LIMITED was incorporated at Karachi in May 1980 as a Public Limited Company and is listed on all stock exchanges of Pakistan. It owns and operates composite facilities to manufacture Polyester Fiber and Filament Yarn. It produces quality products by using latest technology and best quality of raw materials. The Company has the privilege of being one of the pioneers in Pakistan for manufacture of Staple Fiber of highest quality. Since its inception, the Company has been growing steadily through expansion and diversified operations. The assets of the Company have increased to Rs. 2,723 million from the initial capital outlay of Rs.150 million.

The Company has a Polymerization Unit with a capacity of 105 metric tons per day, Polyester Filament Yarn capacity of 30 metric tons per day and a Polyester Staple Fiber capacity of 65 metric tons per day. The various products of Rupali are in fact import substitution as these were previously imported from Japan, Indonesia, Taiwan and Korea. Now the Company is importing the basic raw materials only and through value addition is producing the highest quality products locally.

Since inception, the philosophy of the Company's management is to grow on the strength of quality and reliability. To achieve this objective, it is maintaining a well equipped Research & Development Centre for standard maintenance, innovative improvements in its products and achieving economies in production techniques without compromising on standard and quality of products. Products and services offered by the Company are acknowledged by the customers as quality and reliable products and are the first preference of customers.

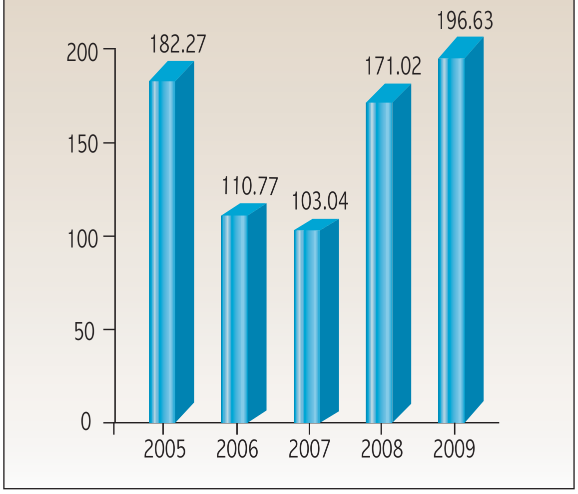
The Company gives high priority to customers' satisfaction, tries to maintain uninterrupted supply of its products and provides after sales services, technical support for trouble shooting. AL HAMDO LILLAH, the Company enjoys high prestige and reputation in the business community, banks, financial institutions and customers. It is also amongst major contributors to the national exchequer.



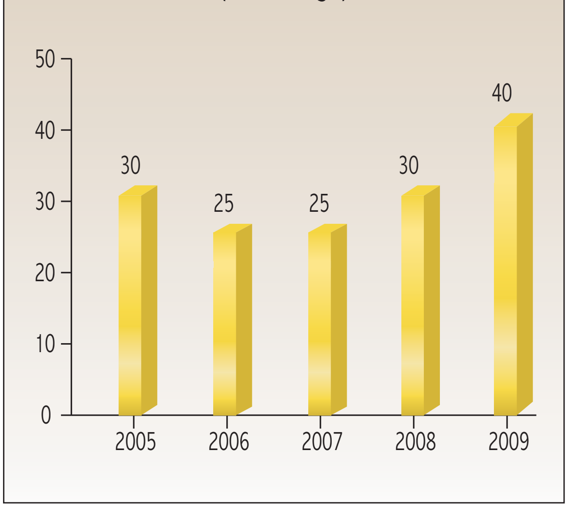
FINANCIAL HIGHLIGHTS

Rupees in thousand

	2004	2005	2006	2007	2008	2009
Sales (Net)	3,210,297	3,649,631	3,525,961	4,115,381	4,224,019	4,237,268
Gross profit	341,783	270,879	172,822	205,049	258,133	299,801
Operating profit	253,106	102,667	170,219	167,705	229,752	264,307
Profit before tax	304,715	258,721	169,119	165,044	227,539	261,092
Profit after tax	188,602	182,274	110,774	103,038	171,023	196,632
Income Tax - Current	111,915	97,080	12,660	19,879	56,428	90,972
- Prior years	11,872	(12,681)	(115)	-	(52,002)	(4,210)
- Deferred	(7,674)	(7,952)	45,800	42,127	52,090	(22,302)
Gross assets employed (excluding capital work-in-progress)	2,243,895	2,108,825	2,324,824	2,630,359	2,925,136	2,719,766
Net current assets	1,630,550	1,415,379	1,352,120	1,200,412	1,288,578	1,379,416
Share capital	340,685	340,685	340,685	340,685	340,685	340,685
Reserves	1,495,615	1,495,615	1,495,615	1,495,615	1,495,615	1,735,615
Unappropriated profit	3,999	186,273	194,841	212,708	298,560	152,986
Shareholders equity	1,976,573	2,022,573	2,031,141	2,049,008	2,134,860	2,229,286
Long term loan	–	–	–	–	–	–
Gross profit %	10.65	7.42	4.90	4.98	6.11	7.08
Net profit to sales %	5.87	4.99	3.94	2.50	4.04	4.64
Debt/Equity ratio	00:100	00:100	00:100	00:100	00:100	00:100
Current ratio	12.24:1	7.94:1	7.85:1	3.62:1	3.49:1	7.00:1
Return on equity %	10.25	9.01	5.45	5.03	8.01	8.82
Earnings per share before tax-Rs.	8.94	7.59	4.96	4.84	6.68	7.66
Dividend %	40	30	25	25	30	40
Production volume (M. tons)	33,326	32,608	31,906	36,334	35,072	34,318
Number of employees	1095	1068	1181	1256	1288	1249



Net Profit After Tax
(Rs. in million)



Dividend
(Percentage)

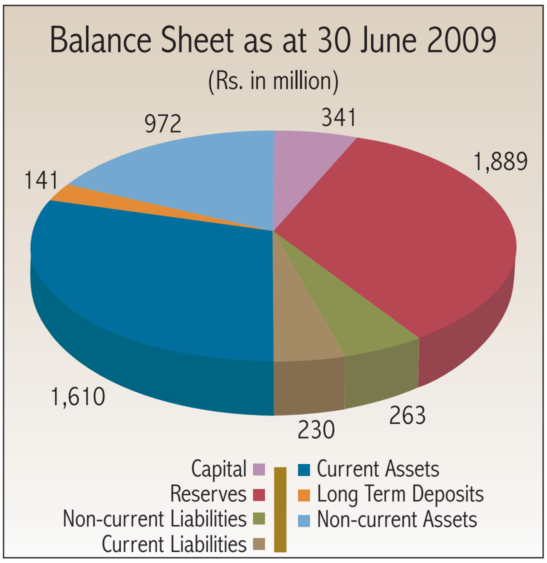
DIRECTORS' REPORT TO THE SHAREHOLDERS

It gives me immense pleasure to welcome you on behalf of the Board of Directors to the twenty ninth annual general meeting and present the Annual Report together with the Audited Accounts of your Company for the year ended 30 June 2009.

Financial Results:	Rupees in thousand
Net profit before taxation	261,092
Provision for taxation	64,460
Profit after taxation	196,632
Un-appropriated profit brought forward	196,354
Profit available for appropriation	392,986
Appropriations:	
Proposed final cash dividend @ 40% (2008: @ 30%)	136,274
Transfer to General Reserve	240,000
Un-appropriated profit carried forward	16,712
Earnings per share after tax	Rs. 5.77

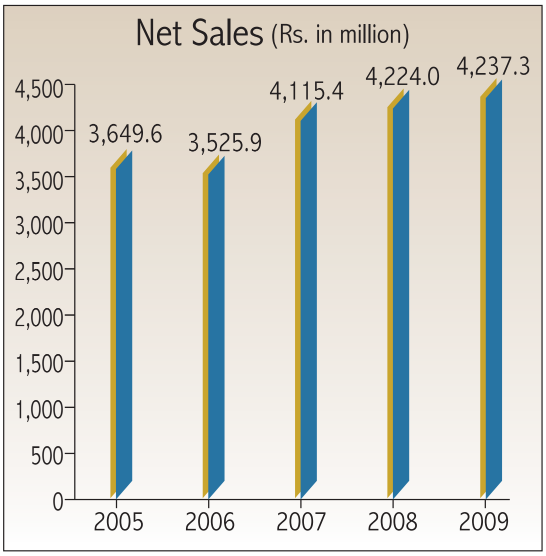
Overview

The economic stability is a prerequisite for industrial growth, but unfortunately, the overall economic performance of our country during the year under review witnessed deterioration, thus discouraging the growth of industrial sector. One of the main reasons of this economic meltdown is attributable to law and order and security situation in the country, particularly in NWFP. Another factor hampering indigenous industrial growth is the



excessive import of Polyester Filament Yarn (PFY) from Far-Eastern countries and China at a dumping price. As a result, more than seventeen units of PFY have closed down resulting in big loss to the national exchequer. The Government has removed the LC margin on the import of Polyester Filament Yarn. This is one of the very big reasons of excess import of Polyester Filament Yarn which is jeopardizing the local industry. Similarly, the levy of only 1% withholding income tax from 3% is also encouraging import of Polyester Filament Yarn.

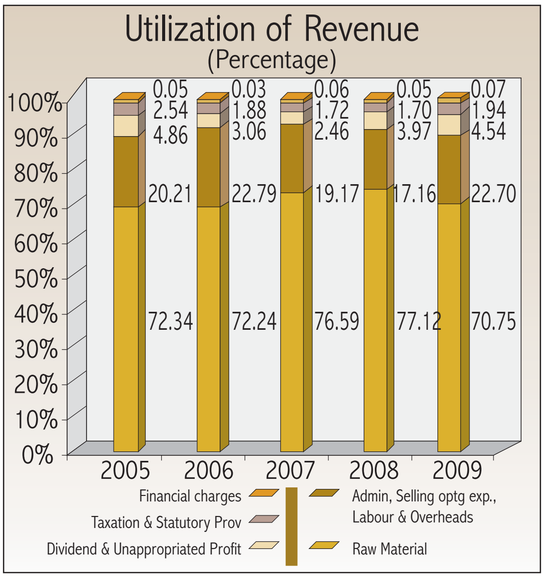
One of the very reason of declined consumption of locally produced Filament Yarn can be attributable to the excessive influx of Fabrics from



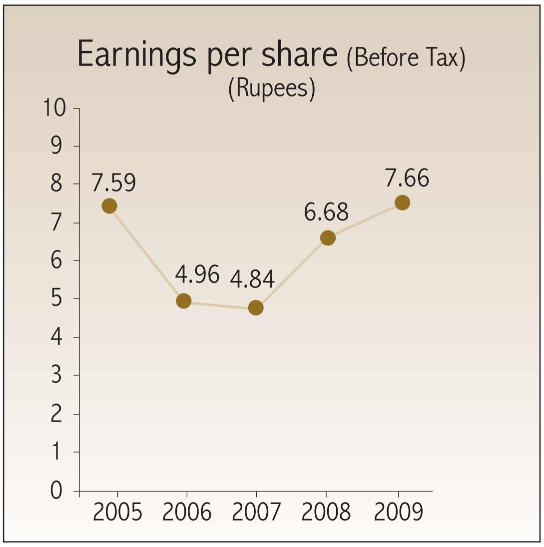
China at dumped prices and through unfair means. As per statistics of Customs record, the total import from China in the year 2008 was US$4.74 billion as against the total export to Pakistan as per Chinese record is US$5.98 billion, reflecting the fact that import to Pakistan from China as per Customs record is less by US$1.24 billion. The chunk of the difference of US$563 million is in Textile Yarn and Fabrics. In future, it is feared that same will be the case with UAE. This hard proof of under invoicing / smuggling into Pakistan is hurting our local industry.

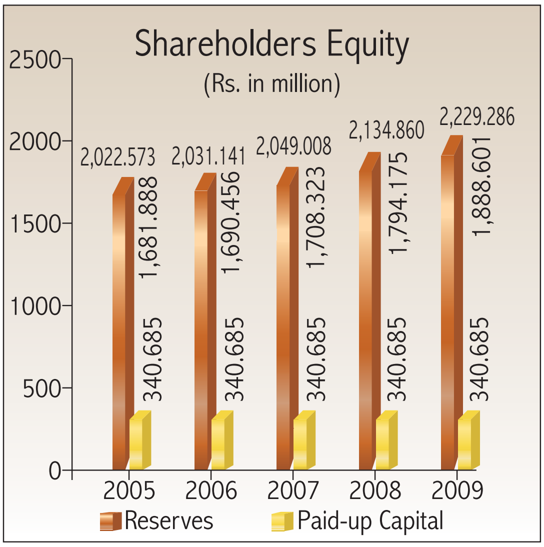
In the Budget of 2009-10 the protection of PFY has also been reduced by the Government with the import duty being cut from 6.5% to 4.5%, whereas the import duty of PTA is 7.5%. The monetization of PTA import duty has not been paid since May 2009 to the PTA consumers. Besides, 10% of the amount payable for the period from 1 January 2008 to 30 June 2008 has yet to be released.

The monetization of PTA import duty is now being made through State Bank of Pakistan, whereas upto last year it was paid by Model Customs Collectorate, Karachi. The reimbursement procedure, however, needs to be streamlined with same level of smoothness. Our import duty refund



claims of PTA for the year 2008 have been partly withheld by FBR for want of verification from local suppliers. Similarly, due to incorrect application of formula by local PTA suppliers, a heavy amount is stuck-up with FBR pertaining to the period from June 2005 to May 2008. We are pursuing with FBR for the release of the withheld amount and the matter is under verification by audit team of the Customs Office. This is affecting the working capital of your Company. The monetization of PTA import duty will only be effective if timely reimbursement is made to the PTA consumers. The Polyester Staple Fiber (PSF) industry has represented to National Tariff Commission (NTC) against the reduction in protection rate on PSF



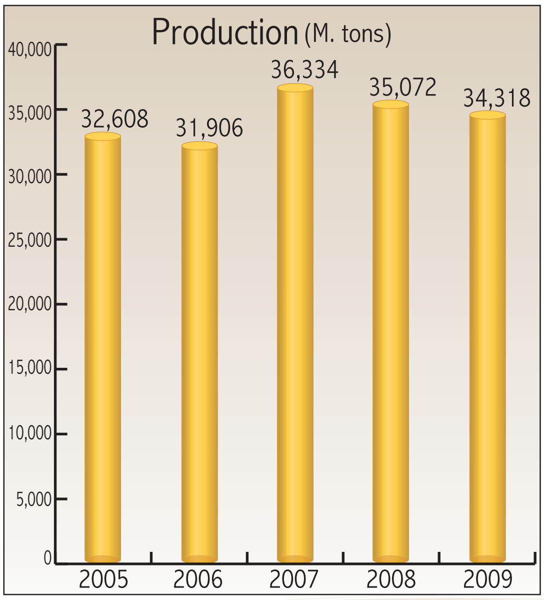


and the NTC has conducted hearing and the matter is under consideration.

The domestic Polyester industry is under pressure due to multiple factors unfavourable to the industry. Despite all this, by the Grace of Almighty Allah, the Company has achieved another milestone of highest sales during the year under review. The sale prices during the year have increased compared to the previous years but due to reduction in sales quantity of PSF and value added Twister Filament Yarn, there is a very marginal increase in sales revenue during the year compared to last year.

The overall cost of raw material and packing material consumption during the year is less than the last year owing to the reduction in price of MEG. The price of MEG has reduced to US$630 per M.Ton in June 2009 as against US$1,211 per M.Ton in June 2008. Similarly the price of PTA in June 2009 was US$860 per M.Ton as against US$1,200 per M.Ton in June 2008.

The power situation in the country is not improving and we are facing severe load shedding. In addition we are also encountering load shedding of gas. As a result, we have to generate power through furnace oil as an alternative. This has increased



the cost of fuel and power from Rs.404 million in the last year to Rs.466 million. In order to further reduce the power generation cost, the Management is considering to replace the present power generators based on furnace oil with gas based power generating units.

The Government has announced Textile Policy wherein an ambitious target of US$25 billion has been fixed for export. The Government has also allocated Rs.4.5 billion for reimbursement of PTA duty to the PTA consumers. It is hoped that this policy will be implemented swiftly and the reimbursement of PTA duty will now become smooth without any hindrance.

As stated above, sales revenue reflected minor increase from Rs.4,224 million in the year ended 30 June 2008 to Rs.4,237 million in the year 2009. Pre-tax profit increased from Rs.227.539 million in 2008 to Rs.261.092 million in 2009. Net profit after tax also rose to Rs.196.632 million as against Rs.171.023 million in the last year. Administrative and general expenses remained under control and remained at Rs.89.765 million with slight increase over Rs.82.264 million in 2008. The financial cost amounted to Rs.3.215 million as compared to Rs.2.213 million in the last year.

The R&D facility of 3.5% allowed for Polyester Staple Fiber Industry in the Budget 2008-09, has not been implemented yet and no disbursement was made to the Staple Fiber Manufacturers despite our persuasion to the Government. Had this been disbursed it would have a very positive effect to make the present units more profitable.

Future Outlook

In the coming financial year 2009-10 the Polyester Industry may face more challenges in view of the expected increase in the cost of power and gas and persistent inflationary pressures which will increase the cost of production. If the Textile Policy is implemented effectively, it is hoped that the downstream Textile Industry and Filament Yarn Weavers will be compensated for competition with the imported textile products particularly from China and Far-Eastern countries.

The present load shedding situation if not improved in coming months, the impact on industry will be more serious and aggravate resulting in production losses and reduced profitability.

To avoid under invoicing on import, Government needs to reimpose LC margin on Polyester Filament Yarn and increase the withholding tax at import stage to 3% as against present rate of 1%. An effective mechanism needs to be developed to control under invoicing of imports which is extremely necessary for the health of local industry.

Board of Directors

The term of existing Directors is expiring this year and election of directors for next term of three years will be held in the annual general meeting in 2009. The number of directors fixed by the Board is seven (7).

Dividend

Your Directors are pleased to propose a cash dividend @ 40%, i.e. Rs.4.00 per share of Rs.10.00 each for the year ended 30 June 2009.

Auditors

The present auditors M/s Qavi & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.

The Board has received recommendations from its Audit Committee for re-appointment of M/s. Qavi & Co., Chartered Accountants as Auditors of the Company for the year 2009-10.

Pattern of Shareholding

A statement showing the pattern of shareholding in the Company as at 30 June 2009 and information regarding trading in shares of the Company by its Directors appear on Page 52.

Disclosure Requirements as per Stock Exchanges Regulations of Corporate Governance

Good Corporate Governance has always been the focal point of the Board of Directors of the Company. I am happy to report that your Company by the Grace of Allah, meets the standard set in the guidelines for good Corporate Governance. The Company has maintained its books of account as per statutory requirements. Company's financial statements fully meet the disclosure standards and fairly represent the state of affairs of the Company, its results of operations, cash flow and changes in equity. These accounts have been prepared on going concern basis and Management is satisfied regarding going concern status of the Company. The Company's internal controls are effective and sound.

Further appropriate accounting policies and applicable International Accounting Standards were applied in preparation of these financial statements. There is no inconsistency in these policies and no material departure from best practices of corporate governance is allowed.

Investment of Provident Fund

The value of investment in Provident Fund Trust Account inclusive of profit accrued thereon is as under:

(Rupees in thousand)

30 June 2009 (Unaudited)	30 June 2008 (Audited)
25,369	24,591

Rupali

Board Meetings held and Attendance by each Director

Total number of Board Meetings held during the year under review: 4

Attendance by each Director:

1. Mr. Jafferali M. Feerasta	2
2. Mr. Nooruddin Feerasta	4
3. Mr. Muhammad Rashid Zahir	4
4. Mr. Muhammad Ali H. Sayani	4
5. Mr. Amin A. Feerasta	4
6. Mr. Abdul Hayee	4
7. Syed Ali Zafar	3

Leave of absence was granted to Directors who could not attend some of the Board Meetings.

Transfer Pricing

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of the Stock Exchanges as amended from time to time.

Safety, Health and Environment

The Company is strongly committed towards all aspects of Safety, Health and Environment connected with our business operations, and are in full compliance with National Environmental Quality Standards.

Labor Management Relations

Like previous years, cordial relations were maintained between the Management and labor during this year and we wish to place on record our appreciation for the dedication and hard work demonstrated by employees at every level for the progress and growth of the Company.

Approval of Financial Statements

The financial statements for the year 2009 were approved by the Board of Directors on 17 September 2009 and authorized for their issuance.

A Note of Gratitude

The Directors wish to place on record their appreciation for the cooperation extended by the Ministries of Finance, Industries and Production, Commerce, Communication and Textile Industry. We also owe our thanks to the Departments of Customs, Central Excise and Government of the Punjab for their cooperation. We appreciate the patronage and confidence placed in the Company by the Development Financial Institutions and commercial banks. We are thankful to our valued customers and expect growing business relationship with them. To our stakeholders we are grateful for their faith in the Company. We greatly value their trust.

On behalf of the Board

Jafferali M. Feerasta
Chairman

Lahore:
17 September 2009

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty ninth Annual General Meeting of Rupali Polyester Limited will be held at Rupali House, 241-242 Upper Mall Scheme, Anand Road, Lahore on Saturday, 31 October 2009 at 10:00 a.m. to transact the following business:

Ordinary Business:

1) To confirm the minutes of last Annual General Meeting held on 30 October 2008.

2) To receive, consider and adopt Annual Audited Accounts together with the Directors and Auditors Reports thereon for the year ended 30 June 2009.

3) To elect seven (7) Directors of the Company in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a period of three (3) years commencing from 30 October 2009.

4) To approve payment of final cash dividend @ 40% i.e. Rs.4.00 per share for the year ended 30 June 2009 as recommended by the Board of Directors.

5) To appoint Auditors of the Company and to fix their remuneration.

6) To transact such other ordinary business as may be placed before the meeting with the permission of the Chair.

By order of the Board

S. Ghulam Shabbir Gilani
Company Secretary

Lahore:
17 September 2009

NOTES:

1) In accordance with Section 178(1) of the Companies Ordinance, 1984, the number of Directors to be elected has been fixed as seven (7). The retiring Directors, being eligible for re-election are Mr. Jafferali M. Feerasta, Mr. Nooruddin Feerasta, Mr. Muhammad Rashid Zahir, Mr. Muhammad Ali H. Sayani, Mr. Amin A. Feerasta, Mr. Abdul Hayee and Syed Ali Zafar.

2) In terms of Section 178(3) of the Companies Ordinance, 1984, any person who seeks to contest an election to the office of Director, whether he is a retiring Director or otherwise, shall file with the Company, not later than fourteen (14) days before the date of this meeting, a notice of his intention to offer himself for election as a Director.

3) Share transfer books of the Company will remain closed from 23 October 2009 to 31 October 2009 (both days inclusive) for determining the entitlement of dividend. The members whose names appear in the register of members as at the close of business on 22 October 2009 will qualify for payment of dividend.

4) A member entitled to attend and vote at this meeting may appoint another member as his or her proxy to attend and vote. Proxies in order to be effective must be received at the registered office of the Company not less than 48 hours before the time of holding the meeting. Proxy Form is attached.

5) Accountholders/sub-accountholders holding book entry securities of the Company in Central Depository System (CDS) of Central Depository Company of Pakistan Limited (CDC) who wish to attend the Annual General Meeting are requested to please bring their original Computerized National Identity Card (CNIC) or original passport with a photocopy duly attested by their bankers alongwith participant's I.D. number and their account number in CDS for identification purposes.

   In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee together with the original proxy form duly filled in must be received at the registered office of the Company not less than 48 hours before the time of holding the meeting. The nominees shall produce their original CNIC or original passport at the time of attending the meeting for identification purposes.

6) Shareholders are requested to notify any change in their addresses immediately.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35, Chapter XI, No. 43 Chapter XIII & Section 36 of Chapter XI of the Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least five (5) independent non-executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. No director in the Board is a member of any of the stock exchanges in Pakistan and hence the question of declaring any of our directors as a defaulter by any stock exchange does not arise.

4. During the year no casual vacancy occurred in the Board.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and its signing by the employees is in process.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive director have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman, and in his absence, a Director elected by the Board for this purpose, and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors are aware about their fiduciary responsibilities and most of them have attended formal orientation courses.

10. The appointment of CFO, Company Secretary and Head of Internal Audit, were made before the implementation of Code of Corporate Governance. However, their next appointment, if any, including their remuneration and terms and conditions of employment, after its determination by the CEO, will be referred to the Board of Directors for their approval.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises 3 members, all of whom are non-executive directors including the Chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function. The personnel involved are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are working on full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors

Nooruddin Feerasta
Chief Executive

Lahore:
17 September 2009

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended 30 June 2009 prepared by the Board of Directors of RUPALI POLYESTER LIMITED ("the Company") to comply with the Listing Regulations of the Karachi, Lahore & Islamabad Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2009.

Lahore:
17 September 2009

Qavi & Co.
Chartered Accountants
Engagement partner: Ghulam Abbas

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulations of all the three Stock Exchanges as amended from time to time in respect of all transactions carried out during the year ended 30 June 2009.

For and on behalf of the Board of Directors

Lahore:
17 September 2009

Nooruddin Feerasta
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of RUPALI POLYESTER LIMITED as at 30 June 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied ;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2009 and of the profit, its cash flows and changes in the equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Lahore:
17 September 2009

Qavi & Co.
Chartered Accountants
Engagement partner: Ghulam Abbas

Rupali

BALANCE SHEET
as at 30 June 2009

	Note	Rupees in thousand 2009	2008
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
35,000,000 (2008: 35,000,000) Ordinary Shares of Rs. 10 each		350,000	350,000
Issued, Subscribed and Paid-up Capital	3	340,685	340,685
Capital Reserve		71,490	71,490
General Reserve		1,664,125	1,424,125
Unappropriated Profit		152,986	298,560
		2,229,286	2,134,860
NON-CURRENT LIABILITIES			
Staff Retirement Benefits - Gratuity	4	64,871	58,954
Deferred Taxation	5	198,422	220,724
CURRENT LIABILITIES			
Trade and Other Payables	6	226,860	516,869
Short Term Borrowings	7	-	-
Taxation - Net		3,172	-
		230,032	516,869
CONTINGENCIES AND COMMITMENTS	8		
		2,722,611	2,931,407

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

BALANCE SHEET
as at 30 June 2009

	Note	2009 (Rupees in thousand)	2008 (Rupees in thousand)
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment			
Operating Fixed Assets	9	969,334	986,262
Capital Work-in-Progress	10	2,845	6,271
		972,179	992,533
Long Term Investments	11	92,064	91,844
Long Term Loans	12	44,797	37,499
Long Term Deposits	13	4,123	4,084
		1,113,163	1,125,960
CURRENT ASSETS			
Stores, Spares and Loose Tools	14	300,554	291,490
Stock-in-Trade	15	607,564	881,259
Trade Debts	16	5,481	3,945
Loans and Advances	17	22,143	61,876
Trade Deposits and Short Term Prepayments	18	856	1,764
Accrued Interest		19,984	10,836
Other Receivables	19	125,540	125,578
Taxation - Net	20	-	62,055
Cash and Bank Balances	21	527,326	366,644
		1,609,448	1,805,447
		2,722,611	2,931,407

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive

PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2009

	Note	Rupees in thousand 2009	Rupees in thousand 2008
Sales	22	4,237,268	4,224,019
Cost of Goods Sold	23	(3,937,467)	(3,965,886)
Gross Profit		299,801	258,133
Selling and Distribution Expenses	24	(12,300)	(12,320)
Administrative and General Expenses	25	(89,765)	(82,264)
Other Operating Charges	26	(22,745)	(20,422)
Other Operating Income	27	89,316	86,625
Operating Profit		264,307	229,752
Finance Costs	28	(3,215)	(2,213)
Profit before Taxation		261,092	227,539
Taxation	29	(64,460)	(56,516)
Profit after Taxation		196,632	171,023
		Rupees	Rupees
Earnings per Share - Basic and Diluted	30	5.77	5.02

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

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

Jafferali M. Feerasta Chairman	Nooruddin Feerasta Chief Executive

CASH FLOW STATEMENT
for the year ended 30 June 2009

	Note	2009	2008
		Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit Before Taxation		261,092	227,539
Add/(Less):			
Adjustment for Non Cash Charges and Other Items:			
Depreciation	9.1	88,116	85,844
Amortization of Short Term Prepayments		1,388	5,130
Staff Retirement Benefits - Gratuity	4.5	11,458	15,206
Mark-up/Interest Income	27.1	(45,511)	(37,689)
Remission of Liabilities	27	(6,139)	(209)
Profit on Disposal of Operating Fixed Assets	27	(719)	(6,424)
Exchange Gain	27	(10,596)	(4,511)
Mark-up on Short Term Borrowings	28	86	10
Finance Costs	28	3,129	2,203
		41,212	59,560
Effect on Cash Flow Due to Working Capital Changes:			
Decrease/(Increase) In Current Assets:			
Stores, Spares and Loose Tools		(9,064)	(22,146)
Stock-in-Trade		273,695	(106,888)
Trade Debts		(1,536)	13,380
Loans and Advances		39,733	(47,374)
Trade Deposits and Short Term Prepayments		(480)	(1,499)
Other Receivables		38	(50,610)
		302,386	(215,137)
(Decrease)/Increase in Current Liabilities:			
Trade and Other Payables		(284,768)	59,183
		17,618	(155,954)
Cash generated from Operations		319,922	131,145
Mark-up on Short Term Borrowings and Bank Charges Paid		(3,215)	(2,213)
Income Tax Paid		(21,535)	(28,164)
Mark-up / Interest Received		39,647	32,781
Staff Retirement Benefits - Gratuity Paid		(5,541)	(7,583)
Net Cash Inflow from Operating Activities		329,278	125,966

CASH FLOW STATEMENT
for the year ended 30 June 2009

	Note	2009	2008
		Rupees in thousand	
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed Capital Expenditure		(72,708)	(143,477)
Long Term Investments		(220)	(3,969)
Long Term Deposits and Prepayments		(39)	(353)
Proceeds from the sale of Operating Fixed Assets		5,665	15,479
Net Cash (Outflow) from Investing Activities		(67,302)	(132,320)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend Paid		(101,308)	(85,132)
Net Cash (Outflow) from Financing Activities		(101,308)	(85,132)
Net Increase /(Decrease) in Cash and Cash Equivalents		160,668	(91,486)
Cash and Cash Equivalents at the Beginning of the Year		366,644	458,118
Effect of Exchange Rate Fluctuations		14	12
Cash and Cash Equivalents at the End of the Year	31	527,326	366,644

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

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2009

Rupees in thousand

	Issued Subscribed and Paid-up Capital	Capital Reserve: Share Premium	Revenue Reserves: General Reserve	Revenue Reserves: Un-appropriated Profit	Total Reserves	Total Equity
Balance as on 01 July 2007	340,685	71,490	1,424,125	212,708	1,708,323	2,049,008
Net Profit for the year ended 30 June 2008	-	-	-	171,023	171,023	171,023
Final Dividend for the year ended 30 June 2007 @ 25%	-	-	-	(85,171)	(85,171)	(85,171)
Balance as on 30 June 2008	340,685	71,490	1,424,125	298,560	1,794,175	2,134,860
Balance as on 01 July 2008	340,685	71,490	1,424,125	298,560	1,794,175	2,134,860
Net Profit for the year ended 30 June 2009	-	-	-	196,632	196,632	196,632
Final Dividend for the year ended 30 June 2008 @ 30%	-	-	-	(102,206)	(102,206)	(102,206)
Transfer to General Reserve	-	-	240,000	(240,000)	-	-
Balance as on 30 June 2009	340,685	71,490	1,664,125	152,986	1,888,601	2,229,286

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

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

1. Legal Status and Nature of Business

RUPALI POLYESTER LIMITED ("the Company") was incorporated in Pakistan on 24 May 1980 under the Companies Act 1913 (now the Companies Ordinance, 1984) as a Public Limited Company and is quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at 241-242 Upper Mall Scheme, Anand Road, Lahore. It is principally engaged in the manufacture and sale of polyester products.

2. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Accounting Convention

These financial statements have been prepared under the historical cost convention, except for measurement of certain financial instruments at fair value and staff retirement benefits which have been recognized at present value.

2.2 Statement of Compliance

These financial statements have been prepared in accordance with approved Accounting Standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.3 Amendments to Published Standards and New Interpretations:

2.3.1 Effective in Current Year

The following standards, amendments and interpretations in approved accounting standards are effective from current accounting period:

a) IFRS 7 - “Financial Instruments: Disclosures” (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 - “Disclosures in the Financial Statements of Banks and Similar Financial Institutions” and the disclosure requirements of IAS 32 - “Financial Instruments: Disclosure and Presentation”. The application of the standard did not have significant impact on the Company’s financial statements other than increase in disclosures.

b) IAS 29 - “Financial Reporting in Hyperinflationary Economies” (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in hyperinflationary economies and therefore the application of the standard is not likely to have an effect on the Company’s financial statements.

c) IFRIC 13 - "Customer Loyalty Programmes" (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.

d) IFRIC 14 - "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for annual periods beginning on or after 01 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such asset. The interpretation has no effect on Company's financial statements.

2.3.2 Not yet Effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning from the dates specified below:

a) Revised IAS 1 - "Presentation of financial statements" (effective for annual periods beginning on or after 01 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The adoption of this standard will be expected to have a significant impact on the presentation of the Company's financial statements.

b) IAS 27 - "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 01 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. This IAS will have no impact on the Company's financial statements.

c) IAS 27 - "Consolidated and Separate Financial Statement"(effective for annual periods beginning on or after 01 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the profit or loss. This IAS will have no impact on the Company's financial statements.

d) Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements"(effective for annual periods beginning on or after 01 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. These amendments will not likely to have an impact on the Company's financial statements.

e) Amendments to IAS 39 and IFRIC 9 - "Embedded derivatives" (effective for annual periods beginning on or after 01 January 2009). Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. These amendments will not likely to have an impact on the Company's financial statements.

f) Amendments to IAS 39 - "Financial Instruments: Recognition and measurement - Eligible hedged items" (effective for annual periods beginning on or after 01 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. These amendments will not likely to have an impact on the Company's financial statements.

g) Amendment to IFRS 2 "Share-based Payment - Vesting Conditions and Cancellations" (effective for annual periods beginning on or after 01 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. This amendment will have no impact on the Company's financial statements.

h) Revised IFRS 3 "Business Combinations" (applicable for annual periods beginning on or after 01 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognized in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. This IFRS will have no impact on the Company's financial statements.

i) IFRS 4 - "Insurance Contracts" (effective for annual periods beginning on or after 01 January 2009), makes limited improvements to accounting for insurance contracts and requires the insurer to disclose information about those contracts. This IFRS will have no impact on the Company's financial statements.

j) IFRS 5 (Amendment) - "Non-current assets held-for-sale and discontinued operations" (effective from 01 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. This amendment will not likely to have an impact on the Company's financial statements.

k) IFRS 8 - "Operating segments" (effective for annual periods beginning on or after 01 January 2009) 'introduces the management approach' to segment reporting. IFRS 8 will require a change in presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's 'chief operating decision maker' in order to assess each segment's performance and to allocate resources to them. This IFRS will have no impact on the Company's financial statements.

l) IFRIC 15 - "Agreement for Construction of Real Estate" (effective for annual periods beginning on or after 01 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The application of IFRIC 15 will have no impact on the Company's financial statements.

m) IFRIC 16 - "Hedge of Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 01 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The application of IFRIC 16 will have no impact on the Company's financial statements.

n) IFRIC 17 - "Distributions of Non-Cash Assets to Owners" (effective annual periods beginning on or after 01 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. The application of IFRIC 17 will have no impact on the Company's financial statements.

2.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the 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 historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, Management has made the following estimates and judgments which are significant to the financial statements:

2.4.1 Staff Retirement Benefits

Certain actuarial assumptions have been adopted as disclosed in Note 4 to the financial statements for valuation of present value of defined benefit obligations.

2.4.2 Property, Plant and Equipment

The Company has made certain estimations with respect to residual value, depreciation method and depreciable lives of property, plant and equipment. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in estimates in future years might effect the remaining amounts of respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

2.4.3 Income Taxes

The Company takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in Note 2.17 of these financial statements.

2.4.4 Future Estimation of Export Sales

Deferred tax calculation has been made based on estimate of future ratio of export and local sales.

2.4.5 Stock-in-Trade

The Company reviews the net realisable value and, wherever, required stock in trade has been written down to net realisable value (refer Note 15.1).

2.5 Staff Retirement Benefits

2.5.1 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 for gratuity scheme was carried out as at 30 June 2009 (refer Note 4).

2.5.2 Defined Contribution Plan - Provident Fund

The Company contributes to an Approved Provident Fund Scheme which covers all permanent employees. Equal contributions are made by the Company and Employees. Contribution is made by the Company at the rate of 8.33 % of basic salary and cost of living allowance. During the year Rs. 1.425 million (2008: Rs. 1.268 million) has been recognized as an expense by the Company.

2.6 Compensated Absences

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

2.7 Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past event, it is probable that an out flow 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 balance sheet date and adjusted to reflect current best estimate.

2.8 Borrowing 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 charges on long term, if any, 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.

2.9 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.

2.10 Property, Plant and Equipment

2.10.1 Operating Fixed Assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land, leasehold land and capital work-in-progress which are stated at cost.

Depreciation on Operating Fixed Assets is calculated on reducing balance method. Full month's depreciation is charged on additions, while no depreciation is charged in the month of disposal or deletion of assets. Rates of depreciation, which are disclosed in Note 9, 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 balance sheet date.

Disposal of assets is recognised when significant risks and reward incidental to the ownership have been transferred to buyers. Gain and losses on disposal of assets are included in income in the year of disposal.

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

2.10.2 Capital Work-in-Progress

Capital Work-in-progress are stated at cost 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.

2.11 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet 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 asset's fair value less costs to sell and value in use. Impairment losses are charged to income.

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.

2.12 Long Term Investments

Investment in Equity Instruments of Related Parties and Others

Available for Sale

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are measured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted market price is not available, are measured at cost as it is not possible to apply any other valuation methodology.

Unrealized gains and losses arising from changes in fair value are directly recognized in equity in the period in which these arise. Accumulative gains and losses arising from changes in fair value are included in net profit or loss for the period in which an investment is derecognised.

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment. Cost of purchase includes transaction cost.

At subsequent reporting dates, the Company reviews the carrying amounts on the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognized in income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.13 Advances, Deposits and Prepayments

These are stated at cost which represents the fair value of consideration given.

2.14 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 charges paid thereon.
Provision is made for slow moving and obsolete items.

2.15 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 charges 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.

2.16 Trade Debts And Other Receivables

Trade debts and other receivables are stated at original invoice amount less provision for doubtful debts, if any. Provision for doubtful debt/ receivables is based on the management's assessment of customers' outstanding balances and creditworthiness. Bad debts are written-off when identified.

Other receivables and receivables from related parties are recognized and carried at cost.

2.17 Taxation

2.17.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

2.17.2 Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet 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 balance sheet 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 or credited to income.

2.18 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash with banks in current and saving accounts.

2.19 Revenue Recognition

Revenue from sales is recognized on despatch of goods to customers and in case of export when the goods are shipped.

Revenue on bank deposits is recognized on a time proportion basis on the principal amount outstanding and the rate applicable.

Dividend income, if any, on equity investments is recognized as income when the right of receipt is established.

2.20 Foreign Currency Translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates approximating those prevailing at the dates of the transactions. Monetary assets and monetary liabilities in foreign currencies are translated into Pak Rupees using the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transactions at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

2.21 Financial Assets and Liabilities

All the financial assets and financial liabilities are recognized at the time when Company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. All financial liabilities are derecognized at the time when they are extinguished that is, when all obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in profit and loss account.

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.

2.22 Offsetting of Financial Assets and Financial Liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to offset the recognized amounts and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.23 Proposed Dividend and Transfer between Reserves

Dividends declared and transferred between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends are declared/transfers made.

2.24 Transactions with Related Parties

All transactions with related parties are entered into at arm's length basis as disclosed in Note 34 (as defined in the Companies Ordinance, 1984).

2.25 Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3. Issued, Subscribed and Paid-up Capital

Ordinary Shares of Rs.10 each			Rupees in thousand	
2009	2008		2009	2008
9,690,900	9,690,900	Shares allotted for consideration paid in cash	96,909	96,909
19,933,895	19,933,895	Shares issued against non-repatriable investment	199,339	199,339
4,443,719	4,443,719	Shares allotted as Bonus Shares	44,437	44,437
34,068,514	34,068,514		340,685	340,685

4. Staff Retirement Benefits - Gratuity

Defined Benefit Plan

4.1 General Description

The scheme provides for terminal 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 “Employee benefits” as of 30 June 2009, using the Projected Unit Credit Method.

4.2 Principal Actuarial Assumptions

Following are a few important actuarial assumptions used in the valuation:

	2009	2008
Discount rate (%) per annum	12	10
Expected rate of salary increase in future years (%) per annum	11	9
Average expected remaining working life time of employees (years)	12	11

	Note	2009	2008
		Rupees in thousand	
4.3 Reconciliation of Payable to Defined Benefit Plan			
Present value of defined benefit obligation		55,563	58,954
Unrecognized actuarial Gains		9,308	-
Net liability recognized in the Balance Sheet		64,871	58,954
4.4 Movement in Liability Recognized in the Balance Sheet			
Present value of defined benefit obligation at the beginning of the year		58,954	51,331
Charge for the year	4.5	11,458	15,206
Payments made during the year		(5,541)	(7,583)
Present value of defined benefit obligation at the end of the year		64,871	58,954
4.5 Charge for the Year			
Current Service Cost		5,562	8,667
Interest Cost		5,896	6,539
		11,458	15,206
4.6 Charge for the Year has been Allocated as Follows			
Cost of Sales	23.1	8,921	8,316
Selling and Distribution Expenses	24.1	127	345
Administrative and General Expenses	25.1	2,410	6,545
		11,458	15,206

	2009	2008	2007	2006	2005
				Rupees in thousand	
4.7 Historical Information					
Present value of defined benefit obligation	55,563	58,954	54,853	44,786	40,967
Experience (gain) / loss on plan liabilities	(9,308)	-	3,522	-	(823)

	Note	2009	2008
		Rupees in thousand	
5. Deferred Taxation			
Deferred Tax Liability on Taxable Temporary Difference:			
Tax Depreciation Allowance		198,422	220,724
6. Trade and Other Payables			
Creditors		121,300	423,469
Due to Associated Companies	6.1	-	-
Accrued Liabilities		56,777	51,001
Advances from Customers		3,537	4,584
Retention Money		9,491	10,452
Payable to Provident Fund		293	252
Income Tax Deducted at Source		782	1,255
Workers' Profit Participation Fund	6.2	15,856	13,267
Workers' Welfare Fund		16,541	11,236
Unclaimed Dividend		1,635	737
Other Payables		648	616
		226,860	516,869

6.1 Due to Associated Companies

These are in the normal course of business and are interest free.

6.2 Workers' Profit Participation Fund	Note	2009	2008
Balance at the beginning of the year		13,267	9,483
Allocation for the year	26	14,021	12,220
		27,288	21,703
Less: Amount paid to the trustees of the fund		11,432	8,436
Deposited with the Government		-	-
		11,432	8,436
Balance at the end of the year		15,856	13,267

7. Short Term Borrowings	Note	2009	2008
Secured - From Banking Companies			
Running Finances under Mark-up arrangements from banks	7.1, 7.2 & 7.4	-	-
Term Finances under Mark-up arrangements from banks	7.1 & 7.3	-	-
		-	-

7.1 The total facilities aggregating Rs. 1,100.000 million (2008: Rs. 1,085.000 million) available from various commercial banks. These are secured by way of hypothecation charge over current assets to the extent of Rs. 1,334.821 million (2008: Rs. 1,339.821 million) and promissory notes valuing Rs. 1,365.556 million (2008: Rs. 1,217.075 million).

7.2 The rate of mark-up for these facilities ranges between 12.88 % to 17.58 % (2008: 10.00 %).

7.3 The rate of mark-up for these facilities is Nil (2008: Nil).

7.4 The aggregate facility available for opening letters of credit from various commercial banks amount to Rs. 2,369.100 million (2008: Rs. 2,070.000 million) of which Rs. 256.355 million were utilized at 30 June 2009 (2008: Rs. 592.403 million).

8. Contingencies and Commitments

8.1 Contingencies:

8.1.1 Guarantees issued to different organizations in the normal course of business amounted to Rs. 66.314 million (2008: Rs. 66.064 million).

8.1.2 Outstanding guarantees given on behalf of Related Parties amounted to Rs. 6.161 million (2008: Rs. 6.161 million).

8.2 Commitments:

8.2.1 Contracts for Capital expenditure commitments outstanding as at 30 June 2009 amounted to Rs. 14.113 million (2008: Rs. 12.462 million).

8.2.2 Commitments against irrevocable letters of credit as at 30 June 2009 amounted to Rs. 256.355 million (2008: Rs. 592.403 million).

9. Operating Fixed Assets

Rupees in thousand

2009

PARTICULARS	COST			DEPRECIATION				BOOK VALUE
	As at 01.07.08	Additions/ (Deletions)	As at 30.06.09	Rate %	As at 01.07.08	For the year / (deletions)	Accumulated upto 30.06.09	As at 30.06.09
Freehold Land	27,784	-	27,784	-	-	-	-	27,784
Building								
- Factory on Freehold Land	195,583	6,085	201,668	10	110,533	8,611	119,144	82,524
- Office on Freehold Land	13,865	9,118	22,983	5	6,368	413	6,781	16,202
- Office on Leasehold Land	195,212	10,511	205,723	5	2,440	9,799	12,239	193,484
Roads	4,312	526	4,838	5	2,725	94	2,819	2,019
Plant & Machinery	2,040,004	36,974 (26,919)	2,050,059	10	1,418,486	62,430 (23,380)	1,457,536	592,523
Furniture & Fittings	22,867	2,547 (95)	25,319	10	9,450	1,461 (76)	10,835	14,484
Vehicles	32,170	- (8,552)	23,618	20	21,676	1,930 (7,324)	16,282	7,336
Office Equipments	56,807	10,249 (501)	66,555	10	33,918	3,048 (382)	36,584	29,971
Other Assets	5,734	124 (83)	5,775	10	2,480	330 (42)	2,768	3,007
	2,594,338	76,134 (36,150)	2,634,322		1,608,076	88,116 (31,204)	1,664,988	969,334

Rupees in thousand

PARTICULARS	COST 2008			DEPRECIATION				BOOK VALUE
	As at 01.07.07	Additions/ (Deletions)	As at 30.06.08	Rate %	As at 01.07.07	For the year / (deletions)	Accumu-lated upto 30.06.08	As at 30.06.08
Freehold Land	21,172	6,612	27,784	-	-	-	-	27,784
Building								
- Factory on Freehold Land	188,077	7,506	195,583	10	101,839	8,694	110,533	85,050
- Office on Freehold Land	13,865	-	13,865	5	5,973	395	6,368	7,497
- Office on Leasehold Land	-	195,212	195,212	5	-	2,440	2,440	192,772
Roads	4,312	-	4,312	5	2,642	83	2,725	1,587
Plant & Machinery	2,085,822	7,535 (53,353)	2,040,004	10	1,396,549	68,336 (46,399)	1,418,486	621,518
Furniture & Fittings	14,092	8,775	22,867	10	8,691	759	9,450	13,417
Vehicles	39,400	885 (8,115)	32,170	20	24,961	2,855 (6,140)	21,676	10,494
Office Equipments	50,888	6,281 (362)	56,807	10	32,147	2,007 (236)	33,918	22,889
Other Assets	4,864	870	5,734	10	2,205	275	2,480	3,254
	2,422,492	233,676 (61,830)	2,594,338		1,575,007	85,844 (52,775)	1,608,076	986,262

9.1 The depreciation charge for the year has been allocated as follows:

Rupees in thousand

	Note	2009	2008
Cost of Goods Sold	23	71,465	77,388
Selling and Distribution Expenses	24	833	422
Administrative and General Expenses	25	15,818	8,034
		88,116	85,844

9.2 Property, Plant and Equipment includes assets amounting to Rs. Nil (2008: Rs. Nil) of the Company which are not in operation.

9.3 Disposal of Operating Fixed Assets:

The following assets were disposed off during the year:

Rupees in thousand

Particulars of Assets	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyers
Plant & Machinery							
Refrigeration Plant (Chiller)	3,025	2,816	209	-	(209)	Salvage	
Air Compressors	18,281	16,221	2,060	2,121	61	Insurance Claim	EFU General Insurance
Cooling Unit	2,067	1,214	853	878	25	Insurance Claim	EFU General Insurance
Fork Lift Truck (Battery Type)	1,766	1,555	211	-	(211)	Salvage	
Fork Lift Truck (TCM)	1,766	1,562	204	-	(204)	Salvage	
HCL Tank (2 Nos.)	14	12	2	-	(2)	Salvage	
	26,919	23,380	3,539	2,999	(540)		
Furniture & Fittings							
Time & Date Punching Machine	27	22	5	-	(5)	Salvage	
Attendance Time Recorder	32	26	6	-	(6)	Salvage	
Room Air Cooler	4	2	2	-	(2)	Salvage	
Time & Date Punching Machine	27	22	5	-	(5)	Salvage	
Pedestal Fan (2 Nos.)	1	1	-	-	-	Salvage	
Ceiling Fan (2 Nos.)	2	2	-	-	-	Salvage	
Bracket Fan (2 Nos.)	2	1	1	-	(1)	Salvage	
	95	76	19	-	(19)		
Vehicles							
MEG Storage Tanks (3 Nos.)	337	333	4	-	(4)	Salvage	
MEG Storage Tanks (3 Nos.)	316	312	4	-	(4)	Salvage	
Suzuki Mehran (LED-07-9793)	395	90	305	395	90	Company Policy	Zaheer-ul-Hassan, Employee
Honda Civic (LXZ -8678)	1,419	1,142	277	645	368	Negotiation	Arfan Khan, Chak No.291, P.O. Mahees Shumali, Tahsil Safdarabad, District Sheikhupura.
Toyota Corolla (LOG - 9660)	261	256	5	250	245	Negotiation	Maqsood Ahmad, 103 Allama Iqbal Road, Gari Shahu Lahore.
Toyota Corolla (LOQ - 5715)	272	265	7	250	243	Negotiation	Maqsood Ahmad, 103 Allama Iqbal Road, Gari Shahu Lahore.
Honda Accord (S - 1468)	97	94	3	250	247	Negotiation	Muhammad Shakeel, House No. 208, Block J-1, Johar town , Lahore.
Trailer with Tank (KL -1728)	2,488	2,343	145	160	15	Negotiation	Anayat Meraan, Kamairay Post office, Batapur Tahsil Lahore Cantt, District Lahore.
Trailer with Tank (KL -1729)	2,488	2,343	145	160	15	Negotiation	Naseer Ahmad, H. No 23, Mohalla Clifton Police Line Karachi.
Suzuki Mehran (LEA-06-7410)	350	103	247	350	103	Company Policy	Liaqat Zia Hadi, Employee
Yamaha Motor Cycle	58	15	43	59	16	Company Policy	Faryad Hussain, Employee
Honda Motor Cycle CD 70	54	22	32	54	22	Company Policy	Sajid Iqbal, Employee
Bicycles (5 Nos.)	17	6	11	17	6	Company Policy	M. Latif, Jawad Ali, Shabaz Khan, Saeed Ahmad & M Razzaq Employees
	8,552	7,324	1,228	2,590	1,362		

Rupees in thousand

Particulars of Assets	Cost	Accumu-lated Depreci-ation	Book Value	Sale Proceeds	Gain/ (Loss) on Disposal	Mode of Disposal	Particulars of Buyers
Office Equipments							
Air Conditioner (Window)	22	16	6	-	(6)	Salvage	
Air Conditioner (split-3-Nos.)	96	82	14	-	(14)	Salvage	
Fax Machine	39	33	6	-	(6)	Salvage	
Fax Machine	26	3	23	10	(13)	Trade - in	Office Automation Group, 8/1 Habibullah Road, Davis Road Lahore
Nokia Black Berry	18	2	16	16	-	Company Policy	Khalid Daud Raja, Employee
Nokia Black Berry	10	1	9	10	1	Company Policy	M. Tariq Nazir, Employee
Plain Paper Copier	290	245	45	40	(5)	Trade - in	Shirazi Trading Company, Atlas Insurance Building, 3-Bank Square, Shahrah-e-Quaid-e-Azam, Lahore
	501	382	119	76	(43)		
Other Assets							
Wooden Pallets	83	42	41	-	(41)	Salvage	
	83	42	41	-	(41)		
2009	36,150	31,204	4,946	5,665	719		
2008	61,830	52,775	9,055	15,479	6,424		

Rupees in thousand

	Note	2009	2008
10. Capital Work-in-Progress			
Building and Civil Works		734	71
Roads		-	27
Plant and Machinery		1,331	3,627
Office Equipment		113	2,201
Furniture and Fixture		132	-
Other Assets		478	35
Capital Stores		57	310
		2,845	6,271
11. Long Term Investments			
These represent the long term investments in:			
Related Parties	11.1	32,142	31,922
Others	11.2	59,922	59,922
		92,064	91,844
11.1 Related Parties			
Associated Company-Unquoted			
Swat HydroPower Limited			
19,988 (2008: 19,988) fully paid Ordinary Shares of Rs. 10 each. Equity held 40% (2008: 40%)		200	200
Advance for Issue of Shares	11.1.1	31,942	31,722
		32,142	31,922

11.1.1 This advance has been given as equity investment, being 40% of the proposed expenses till the issuance of Letter of Support (LOS) by the Government of Pakistan for Swat HydroPower Limited subject to compliance of all statutory requirements. After the issuance of LOS the ordinary shares against this advance shall be issued to the Company and shall rank pari passu with the existing shares, at the face value of Rs. 10/- each and / or at a discount or otherwise as decided and mutually agreed by the Board of Directors of both the investing and investee companies after determination of share capital.

	Note	Rupees in thousand 2009	2008
11.2 Others-Unquoted			
World Bridge Connect (Pvt.) Limited			
1,469,659 (2008: 1,469,659) fully paid Ordinary Shares of Rs. 40.77 each Equity held 13.44% (2008: 13.44%)		59,922	59,922
12. Long Term Loans			
Considered good - Others			
World Bridge Connect (Pvt.) Limited	12.1	20,362	17,045
World Bridge Connect (Pvt.) Limited	12.2	24,435	20,454
		44,797	37,499

12.1 This represents the US $ 250,000 (Rs. 20.362 million), and is unsecured and interest free. The Company has the option to convert this amount into ordinary shares @ US $ 0.51 per share.

12.2 This represents the US $ 300,000 (Rs. 24.435 million), and is unsecured and carries mark up @ 2.00% per month, becomes due and payable after US$ 2.000 million in equity has been invested in Series B subject to the Company exercising its option to convert this amount into ordinary shares @ US $ 0.71 per share.

	Rupees in thousand 2009	2008
13. Long Term Deposits		
Long Term Deposits	4,123	4,084
14. Stores, Spares and Loose Tools		
Stores		
- In Hand	95,111	48,019
- In Transit	24,466	8,976
	119,577	56,995
Spares		
- In Hand	150,750	215,114
- In Transit	25,801	15,505
	176,551	230,619
Loose Tools		
- In Hand	4,426	3,876
	300,554	291,490

	Note	Rupees in thousand 2009	2008
15. Stock-in-Trade			
Raw and Packing Materials			
- In Hand		152,984	357,489
- In Transit		41,342	76,821
		194,326	434,310
Work-in-Process		76,181	65,284
Finished Goods	15.1	337,057	381,665
		607,564	881,259

15.1 Finished Goods of Rs. 97.799 million (2008: Nil) are being carried at net realisable value and an amount of Rs. 14.111 million (2008: Nil) has been charged to Cost of Goods Sold.

	Note	Rupees in thousand 2009	2008
16. Trade Debts			
Considered good - Unsecured		5,481	3,945
17. Loans and Advances			
Considered good			
Loans due from:			
- Executives	17.1, 17.2 & 17.3	-	-
- Employees		784	788
		784	788
Advances due from:			
- Staff Against Expenses		887	426
- Suppliers and Contractors		20,472	27,142
		21,359	27,568
Margin on Letters of Credit		-	33,520
		22,143	61,876

17.1 Loans to executives are provided as temporary financial assistance and are repayable in monthly instalments.

17.2 The maximum aggregate amount of loans and advances due from executives at the end of any month during the year was Rs. Nil (2008: Rs. 0.146 million).

17.3 Chief Executive and Directors have not taken any loan / advance from the Company (2008: Rs. Nil).

17.4 None of the loans are outstanding for more than 3 years.

	Rupees in thousand 2009	2008
18. Trade Deposits and Short Term Prepayments		
Deposits - Considered good		
Margin on Bank Guarantees	265	265
Security Deposits	111	111
Prepayments - Considered good		
Prepaid Rent	-	703
Prepaid Insurance	296	296
Other Prepayments	184	389
	856	1,764

	Note	Rupees in thousand 2009	2008
19. Other Receivables			
Considered good			
Due from Associated Companies	19.1	-	-
Due from Other Related Parties	19.2	-	-
Insurance Claim Receivable		635	9,970
Custom Duty Refundable	19.3	17,465	51,238
Sales Tax Refundable		102,976	59,594
Others		327	606
		121,403	121,408
Considered doubtful			
Transit Pass Fee Refundable from KMC Karachi		142	142
Sales Tax Refundable		33,088	33,121
Less: Provision for Doubtful Receivable	19.4	31,569	31,569
		1,519	1,552
Investment in Rupali Power (Pvt.) Ltd.	19.5	45,000	45,000
Less: Provision for Doubtful Receivable		45,000	45,000
		-	-
Others		2,476	2,476
		125,540	125,578

19.1 Maximum amount due from Associated Companies at the end of any month during the year was Rs.Nil (2008: Rs. 6.382 million).

These are in the normal course of business and are interest free.

19.2 Maximum amount due from other Related Parties at the end of any month during the year was Rs. 58.527 million (2008: Rs. 60.058 million).

These are in the normal course of business and are interest free.

19.3 This represents custom duty refundable on Pure Terephthalic Acid (PTA).

19.4 This includes provision for doubtful receivable to the tune of Rs. 28.952 million (2008: Rs. 28.952 million) which has been created towards payments made under protest to Sales Tax Department to avail amnesty offered vide SRO 575 (I) / 1998 dated 12.06.1998 and SRO 679 (I) / 1999 dated 12.06.1999.

19.5 This amount represents investment in performance bond provided to Private Power and Infrastructure Board (PPIB), Government of Pakistan, on behalf of Rupali Power (Pvt.) Ltd. The Performance Bond was encashed by PPIB and the matter is in litigation with Government of Pakistan.

	Rupees in thousand 2009	2008
20. Taxation - Net		
Advance Tax	87,800	118,151
Provision for Taxation	(90,972)	(56,096)
	(3,172)	62,055

The income tax assessment of the Company has been finalized upto tax year 2008 (accounting year ended 30 June 2008) and adequate provisions have been made in these financial statements for the year ended 30 June 2009 (tax year 2009).

	Note	Rupees in thousand 2009	2008
21. Cash and Bank Balances			
Balance With Banks in:			
- Current Accounts		110,219	51,308
- PLS Accounts			
- Local Currency	21.1	416,997	315,218
- Foreign Currency	21.1 & 21.2	9	7
		527,225	366,533
Cash in Hand:			
- Local Currency		98	109
- Foreign Currency		3	2
		101	111
		527,326	366,644

21.1 The balances in PLS accounts carry mark-up rate ranging between 4.00% to 14.00% (2008: 4.00% to 10.00%) for local currency and Nil (2008: Nil) for foreign currency.

21.2 Cash at banks in PLS accounts include US $ 111.12 (2008: US $ 111.12) and Pound Sterling 0.15 (2008: Pound Sterling 0.15).

	Rupees in thousand 2009	2008
22. Sales		
Gross Sales - Local	4,254,612	4,240,964
Less: Commission / Discount	17,344	16,945
	4,237,268	4,224,019

Rupali

	Note	Rupees in thousand 2009	2008
23. Cost of Goods Sold			
Raw and Packing Materials Consumed		3,060,981	3,324,330
Stores and Spares Consumed		95,879	98,873
Salaries, Wages and Amenities	23.1	152,884	134,112
Fuel and Power		466,322	403,677
Repair and Maintenance		22,789	16,566
Running and Maintenance of Vehicles		8,507	6,832
Insurance		8,458	5,983
Depreciation	9.1	71,465	77,388
Rent, Rates and Taxes		1,248	1,323
Other Expenses		1,112	729
		3,889,645	4,069,813
Add: Opening Work-in-Process		65,284	47,846
Less: Closing Work-in-Process		76,181	65,284
		3,878,748	4,052,375
Add: Opening Finished Goods		381,665	295,176
Write down of Finished Goods to Net Realisable Value		14,111	-
Less: Closing Finished Goods		337,057	381,665
		3,937,467	3,965,886

23.1 Salaries, Wages and Amenities include Rs. 8.921 million (2008: Rs. 8.316 million) in respect of staff retirement benefits.

	Note	Rupees in thousand 2009	2008
24. Selling and Distribution Expenses			
Salaries, Wages and Amenities	24.1	2,405	2,345
Rent, Rates and Taxes		10	212
Electricity, Gas and Water Charges		188	127
Postage, Telephone and Fax		108	129
Printing and Stationery		171	190
Books and Subscription		14	12
Running and Maintenance of Vehicles		69	61
Repair and Maintenance		63	33
Travelling Expenses		87	133
Entertainment		37	35
Insurance		87	155
Depreciation	9.1	833	422
Freight and Forwarding		8,228	8,466
		12,300	12,320

24.1 Salaries, Wages and Amenities include Rs. 0.127 million (2008: Rs. 0.345 million) in respect of staff retirement benefits.

	Note	Rupees in thousand 2009	2008
25. Administrative and General Expenses			
Salaries, Wages and Amenities	25.1	45,691	44,548
Directors' Remuneration		4,485	3,111
Rent, Rates and Taxes		187	4,028
Electricity, Gas and Water Charges		3,585	2,389
Postage, Telephone and Fax		2,053	2,457
Printing and Stationery		3,250	3,603
Books and Subscription		259	236
Running and Maintenance of Vehicles		1,306	1,166
Repair and Maintenance		1,200	622
Legal and Professional Charges		7,123	5,074
Travelling Expenses		1,658	2,521
Entertainment		713	669
Insurance		1,642	2,951
Advertisement		528	618
Depreciation	9.1	15,818	8,034
Miscellaneous Expenses		267	237
		89,765	82,264

25.1 Salaries, Wages and Amenities include Rs. 2.410 million (2008: Rs. 6.545 million) in respect of staff retirement benefits.

	Note	Rupees in thousand 2009	2008
26. Other Operating Charges			
Workers' Profit Participation Fund	6.2	14,021	12,220
Workers' Welfare Fund		5,305	4,644
Auditors' Remuneration	26.1	404	358
Donations	26.2	3,015	3,200
		22,745	20,422
26.1 Auditors' Remuneration			
Audit Fee		250	200
Certification and Review		70	70
Taxation Services		84	88
		404	358

26.2 Recipients of donations do not include any donee in whom a director or his spouse had any interest.

	Note	Rupees in thousand 2009	2008
27. Other Operating Income			
Income from financial assets			
Mark-up / Interest Income	27.1	45,511	37,689
Exchange Gain		10,596	4,511
		56,107	42,200
Income from non-financial assets			
Scrap, Waste and Other Sales - Net	27.2	21,738	33,685
MEG Handling Income		4,613	4,107
Remission of Liabilities		6,139	209
Profit on Disposal of Operating Fixed Assets	9.3	719	6,424
		33,209	44,425
		89,316	86,625
27.1 Mark-up / Interest Income			
Interest Income on:			
- Bank Accounts		39,536	32,708
- Long Term Loans		5,864	4,909
Mark-up on:			
- Staff Loans		111	72
		45,511	37,689
27.2 Scrap, Waste and Other Sales - Net			
Gross Sales		22,172	34,839
Less: Sales Tax		434	1,154
		21,738	33,685
28. Finance Costs			
Mark-up on Short Term Borrowings		86	10
Bank Commission and Other Charges		3,129	2,203
		3,215	2,213
29. Taxation			
Current			
- for the year		90,972	56,428
- Prior years		(4,210)	(52,002)
		86,762	4,426
Deferred		(22,302)	52,090
		64,460	56,516

29.1 Numerical reconciliation between the applicable tax rate and average effective tax rate is as follows:

	2009 %	2008 %
Applicable Tax Rate	35.00	35.00
Effect of Change in Prior Years Tax	(1.61)	(22.85)
Effect of Change in Deferred Tax	(8.54)	22.89
Tax effect of Expenses that are not Deductible in determining Taxable Profit	(0.16)	(10.20)
	(10.31)	(10.16)
Average Effective Tax Rate	24.69	24.84

	Note	2009	2008
		Rupees in thousand	
30. Earnings Per Share			
30.1 Earnings Per Share - Basic			
Net profit for the year after taxation attributable to Ordinary Shareholders		196,632	171,023
		Number of Shares	
Weighted Average Ordinary Shares in Issue during the year	3	34,068,514	34,068,514
		Rupees	
Basic Earnings Per Share		5.77	5.02

30.2 Earnings Per Share - Diluted

There is no dilution effect on Basic Earnings Per Share as the Company has no such commitments.

	Note	2009	2008
		Rupees in thousand	
31. Cash and Cash Equivalents			
Cash and Bank Balances	21	527,326	366,644
Short Term Borrowings	7	-	-
		527,326	366,644

32. Financial Instruments and Related Disclosures

32.1 Interest/Mark-Up/Profit Rate Risk

Interest / mark-up / profit rate risk arises from the possibility that changes in interest / mark-up / profit rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up / profit bearing financial liabilities, the following table provides information about the exposure of the Company to interest / mark-up / profit rate risk at the balance sheet date based on contractual re-pricing or maturity dates, whichever is earlier.

2009 — Rupees in thousand

	INTEREST BEARING			NON INTEREST BEARING			
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total
Financial Assets							
Long Term Investments	-	-	-	-	92,064	92,064	92,064
Long Term Loans	-	24,435	24,435	-	20,362	20,362	44,797
Long Term Deposits	-	-	-	111	4,123	4,234	4,234
Trade Debts	-	-	-	5,481	-	5,481	5,481
Loans to Staff	784	-	784	-	-	-	784
Accrued Interest	-	-	-	19,984	-	19,984	19,984
Other Receivables	-	-	-	885	-	885	885
Cash & Bank Balances	417,006	-	417,006	110,320	-	110,320	527,326
	417,790	24,435	442,225	136,781	116,549	253,330	695,555
Financial Liabilities							
Trade and Other Payables	-	-	-	190,240	-	190,240	190,240
	-	-	-	190,240	-	190,240	190,240
On Balance Sheet Gap	417,790	24,435	442,225	(53,459)	116,549	63,090	505,315
Off Balance Sheet Items							
Contracts for Capital Expenditure	-	-	-	-	14,113	14,113	14,113
Letters of Credit	-	-	-	258,904	-	258,904	258,904
Guarantees	-	-	-	72,475	-	72,475	72,475
	-	-	-	(331,379)	(14,113)	(345,492)	(345,492)
Total Gap	417,790	24,435	442,225	(384,838)	102,436	(282,402)	159,823

	2008						Rupees in thousand
	INTEREST BEARING			NON INTEREST BEARING			
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total
Financial Assets							
Long Term Investments	-	-	-	-	91,844	91,844	91,844
Long Term Loans	-	20,454	20,454	-	17,045	17,045	37,499
Long Term Deposits	-	-	-	111	4,084	4,195	4,195
Trade Debts	-	-	-	3,945	-	3,945	3,945
Loans to Staff	788	-	788	-	-	-	788
Accrued Interest	-	-	-	10,836	-	10,836	10,836
Other Receivables	-	-	-	10,274	-	10,274	10,274
Cash and Bank Balances	315,225	-	315,225	51,419	-	51,419	366,644
	316,013	20,454	336,467	76,585	112,973	189,558	526,025
Financial Liabilities							
Trade and Other Payables	-	-	-	494,339	-	494,339	494,339
	-	-	-	494,339	-	494,339	494,339
On Balance Sheet Gap	316,013	20,454	336,467	(417,754)	112,973	(304,781)	31,686
Off Balance Sheet Items							
Contracts for Capital Expenditure	-	-	-	-	12,462	12,462	12,462
Letters of Credit	-	-	-	592,403	-	592,403	592,403
Guarantees	-	-	-	72,225	-	72,225	72,225
	-	-	-	(664,628)	(12,462)	(677,090)	(677,090)
Total Gap	316,013	20,454	336,467	(1,082,382)	100,511	(981,871)	(645,404)

32.2 Effective Interest Rates

Effective interest rates for the monetary financial liabilities are mentioned in the respective notes to the financial statements.

Effective interest rates for the monetary financial assets are given below:

	2009	2008
Loan against installment (%)	16.00 to 18.00	12.00 to 18.00
Cash with Banks on PLS accounts:		
Local currency (%)	4.00 to 14.00	4.00 to 10.00

32.3 Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail to perform as contracted. The Company manages credit risk by limiting significant exposure to any individual customer, by obtaining advance against sales and does not have significant exposure to any individual customer. To reduce exposure to credit risk the Company applies credit limits to its customers.

32.4 Liquidity Risk

Liquidity Risk reflects an enterprise's inability in raising funds to meet commitments. To guard this risk, Company has diversified funding sources and assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity is maintained.

32.5 Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign suppliers. Payables exposed to foreign currency risks are assessed and, if required, covered through foreign exchange forward cover contracts on the basis of management's assessment of fluctuations in rates.

Sensitivity Analysis:

5% strengthening of Pak rupees against the following currencies at 30 June 2009 would have increased the equity and profit or loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Rupees in thousand	
	Equity	Profit or (Loss)
US Dollar	2,536	3,901
Japanese Yen	101	156
Euro	62	96
Pound Sterling	31	48

5 % weakening of Pak rupee against the above currencies at period end 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.

32.6 Capital Risk Management

The Company's objectives regarding capital management are to safeguard Company's ability to continue as a going concern in order to provide better returns for shareholders, to safegaurd the interest of other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing its operations through equity and working capital and since it does not have any long term debt in its capital structure, there is no gearing risk in current year.

32.7 Fair Value of Financial Assets and Liabilities

The Management is of the view that carrying values of financial assets and financial liabilities approximate their fair value.

33. 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		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Managerial Remuneration	-	-	2,955	1,954	12,520	6,732	15,475	8,686
House Rent	-	-	896	586	3,756	2,021	4,652	2,607
Utilities	-	-	298	195	1,252	673	1,550	868
Medical Expenses	-	-	298	195	1,252	673	1,550	868
Retirement Benefits	-	-	-	151	252	90	252	241
Bonus etc.	-	-	38	30	682	327	720	357
	-	-	4,485	3,111	19,714	10,516	24,199	13,627
Number of Persons	1	1	1	1	22	11	24	13

33.1 Chief Executive of the Company is provided with free use of Company maintained car.

34. Transactions with Related Parties

The related parties comprise Associated Undertakings, Other Related Group 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 33. Other significant transactions with the related parties are as follows:

	Relationship with the Company	Nature of Transactions	2009	2008
			Rupees in thousand	
1	Associated Undertakings	Sales of goods and services	16,140	7,515
		Purchase of goods and services	427,563	400,241
		Profit on Bank Deposits	36,032	32,708
		Guarantees issued on behalf of entity	6,161	6,161
		Investments / Advance to parties	220	3,969
2	Other Related Parties	Sales of goods and services	455	186,753
		Purchase of goods and services	819	196,643
3	Defined Contribution Plan (Provident Fund)	Contribution to Provident Fund	1,425	1,268

The Company continues to have a policy whereby all transactions with Related Parties and Associated Undertakings are entered into at arm's length prices using comparable un-controlled price method and cost plus method, wherever, appropriate. Further, contributions to the Defined Contribution Plan (Provident Fund) are made as per the terms of employment.

35. Plant Capacity and Actual Production

	2009	2008
	In Metric Tons	
Annual Capacity (In Three Shifts)		
- Yarn	10,100	10,100
- Fiber	12,000	12,000
Actual Production		
- Yarn	10,478	12,311
- Fiber	23,840	22,761

36. Staff Strength

	2009	2008
	Number of Employees	
Number of Employees as at 30 June	1,249	1,288

37. Date of Authorisation for Issue

These financial statements were authorized for issue on 17 September 2009 by the Board of Directors of the Company.

38. Non Adjusting Events after the Balance Sheet date

The Board of Directors have proposed a final dividend for the year ended 30 June 2009 of Rs.4.00 per share (2008: Rs.3.00 per share), amounting to Rs.136.274 million (2008: Rs.102.206 million) at their meeting held on 17 September 2009 for approval of the members at the annual general meeting to be held on 31 October 2009. The financial statements do not reflect this proposed dividend which will be accounted for in subsequent year.

39. Corresponding Figures

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, significant reclassifications in these financial statements are as follows:

39.1 Accrued Interest has been reclassified from Other Receivable and disclosed separately on the face of Balance Sheet;

39.2 Legal and Professional Charges has been reclassified from Selling and Distribution Expenses to Administrative and General Expenses;

39.3 Amortization of Short Term Prepayments has been reclassified from Working Capital changes to Non Cash Items in the Cash Flow Statement for better presentation.

40. General

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

Jafferali M. Feerasta Chairman	Nooruddin Feerasta Chief Executive

FORM 34
PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS
as at 30 June 2009 (Section 236)

Number of Shareholders	From	Shareholding	To	Total Shares held
119	1	-	100	6,305
127	101	-	500	38,708
97	501	-	1,000	64,405
72	1,001	-	5,000	157,810
12	5,001	-	10,000	86,245
1	10,001	-	15,000	11,500
3	20,001	-	25,000	67,345
1	25,001	-	30,000	28,950
1	30,001	-	35,000	34,000
1	35,001	-	40,000	39,500
1	40,001	-	45,000	44,500
2	45,001	-	50,000	97,500
2	110,001	-	115,000	230,000
1	130,001	-	135,000	134,500
1	180,001	-	185,000	183,500
1	190,001	-	195,000	194,000
1	205,001	-	210,000	209,490
1	215,001	-	220,000	219,710
1	225,001	-	230,000	230,000
1	285,001	-	290,000	286,000
1	350,001	-	355,000	352,811
1	470,001	-	475,000	472,022
1	480,001	-	485,000	483,918
1	485,001	-	490,000	488,010
1	655,001	-	660,000	658,545
1	1,085,001	-	1,090,000	1,085,316
1	1,255,001	-	1,260,000	1,257,572
1	1,600,001	-	1,605,000	1,602,223
1	1,650,001	-	1,655,000	1,650,422
1	2,105,001	-	2,110,000	2,106,745
1	4,210,001	-	4,215,000	4,210,778
1	8,515,001	-	8,520,000	8,519,800
1	8,815,001	-	8,820,000	8,816,384
459		Total		34,068,514

FORM 34
PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS
as at 30 June 2009 (Section 236)

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	428	2,575,286	7.56
Joint Stock Companies	5	184,390	0.54
Investment Companies	2	1,500	0.00
Directors, Chief Executive Officer and their Spouses and Minor Children	9	3,317,476	9.74
Mr. Jafferali M. Feerasta		2,342,888	6.88
Mr. Nooruddin Feerasta		500	0.00
Mr. Muhammad Rashid Zahir (Nominee Director) SAPICO		0	0.00
Mr. Muhammad Ali H. Sayani		488,010	1.43
Mr. Amin A. Feerasta		500	0.00
Mr. Abdul Hayee		1,150	0.00
Syed Ali Zafar		10	0.00
Mrs. Roshan Ara Sayani w/o Mr. Muhammad Ali H. Sayani		483,918	1.42
Mrs. Amyna N. Feerasta w/o Mr. Nooruddin Feerasta		500	0.00
		3,317,476	9.74
Executives		0	0.00
National Bank of Pakistan, Trustee Deptt.	3	3,252,645	9.55
Investment Corporation of Pakistan		200	0.00
Associated Companies, Undertakings and related parties,			
Public Sector Companies and Corporations,			
Banks, DFIs, NBFIs, Insurance Companies,			
Modarabas & Mutual Funds	6	1,048,820	3.08
Foreign Investors	1	8,519,800	25.01
Trusts	5	15,168,397	44.52
Others			
Total	459	34,068,514	100.00

SHARE-HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE COMPANY

Name of Shareholders	No. of Shares Held	Percentage
Trustees Alauddin Feerasta Trust	8,850,384	25.98
Deutsche Bank Investments (Guernsey) Limited	8,519,800	25.01
Trustees Feerasta Senior Trust	4,211,268	12.36
Total	21,581,452	63.35

TRADING IN SHARES BY DIRECTORS

Name	Designation	Transaction	No. of Shares
Mr. Jafferali M. Feerasta	Chairman / Director	Acquired	23,628

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FORM OF PROXY
29TH ANNUAL GENERAL MEETING

I/We ______________________________

of ______________________________

being member(s) of RUPALI POLYESTER LIMITED holding ______________________________

ordinary shares hereby appoint ______________________________

of ______________________ or failing him/her ______________________

of ______________________ who is/are also member(s) of RUPALI POLYESTER LIMITED

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 29th Annual General Meeting of the Company to be held on 31 October 2009 and/or any adjournment thereof.

As witness my / our hand / seal this ______________________ day of ______________2009

Signed by ______________________________

in the presence of ______________________________

Shareholder No.

Signature on
Five Rupees
Revenue Stamp

The signature should match with the specimen registered with the Company

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, RUPALI POLYESTER LIMITED, Rupali House, 241-242 Upper Mall Scheme, Anand Road, Lahore-54000 not less than 48 hours before the time of holding the meeting.

2. No person shall act as Proxy unless he / she himself / herself is a member of the Company, except that a corporation may appoint a person who is not a member.

3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

AFFIX
CORRECT
POSTAGE

The Company Secretary

Rupali Polyester Limited

Rupali House,

241-242 Upper Mall Scheme, Anand Road,

Lahore-54000

Rupali

Rupali Polyester Limited

Designed & Produced at:
NISARARTPRESS
(PVT) LIMITED Ph: 5751385-7