Annual Report 2012

Rupali

Rupali Polyester Limited

Contents

Corporate Data

Board of Directors

Chairman	Chief Executive Officer
Jafferali M. Feerasta - Non-Executive	Nooruddin Feerasta - Executive

Directors	Committees of Board of Directors
Muhammad Rashid Zahir - Non-Executive	Audit Committee
Muhammad Ali H. Sayani - Non-Executive	Jafferali M. Feerasta - Chairman
Amin A. Feerasta - Non-Executive	Muhammad Rashid Zahir - Member
Abdul Hayee - Executive	Amin A. Feerasta - Member
Syed Ali Zafar - Non-Executive	
	Human Resource & Remuneration Committee
	Jafferali M. Feerasta - Chairman
	Nooruddin Feerasta - Member
	Amin A. Feerasta - Member

Chief Financial Officer	Company Secretary
Ayub Saqib	S. Ghulam Shabbir Gilani

Bankers	Auditors
Bank Alfalah Limited	Qavi & Co.
Bank Al-Habib Limited	Chartered Accountants
Citibank, N.A.	
Faysal Bank Limited	
Habib Bank Ltd.	
MCB Bank Limited	
NIB Bank Limited	
Soneri Bank Limited	

Registered Office	Plant
Rupali House, 241-242 Upper Mall Scheme,	30.2 Kilometer Lahore - Sheikhupura Road
Anand Road, Lahore - 54000 PAKISTAN	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.

Our Core Values

- An Organization with well disciplined and professionally managed operational and administrative functions
- Pioneering status in Polyester Fiber manufacturing
- High quality manufacturing standards
- Our products enjoy first preference of downstream users
- Performance excellence in all areas of operations
- Integrity in all our dealings based on commitments
- Very sound internal controls and highly disciplined financial management
- An excellent image and repute amongst corporate sector of the country and worldwide recognition
- High importance to stakeholders with historical continuity of dividend payouts to shareholders

Company 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. 4,104 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.

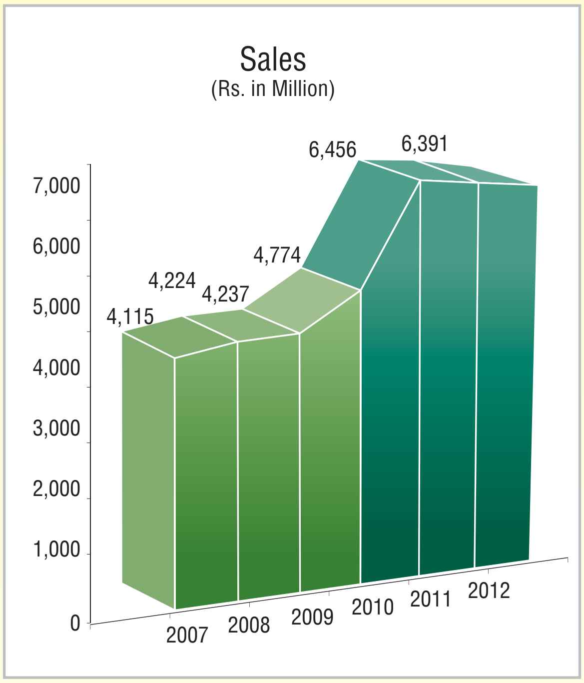
AL HAMDO LILLAH, the Company enjoys high prestige and reputation in the business community, banks, financial institutions and customers. It is also amongst major contributors to the national exchequer.

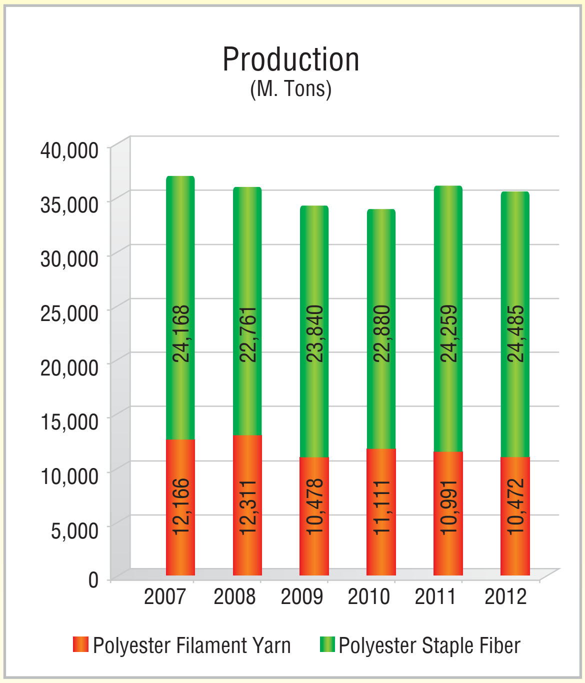
Financial Highlights

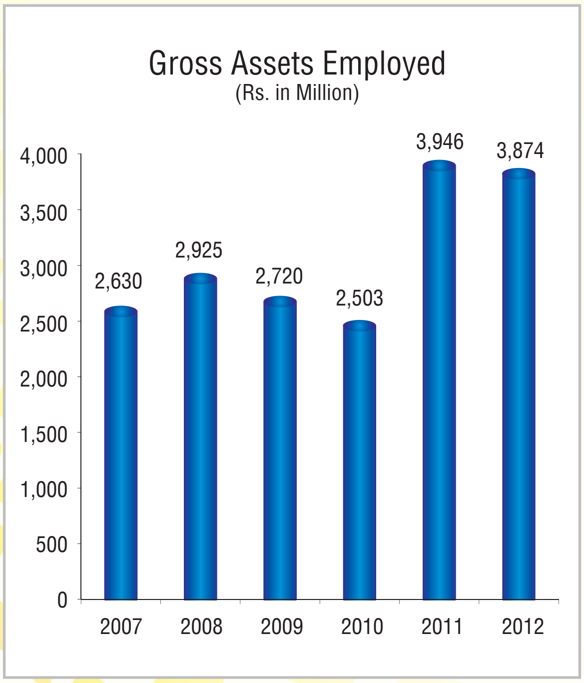
	UOM	2012	2011	2010
Profit and Loss Account				
Sales - Net	Rs. in thousand	6,390,922	6,455,848	4,774,324
Cost of Goods Sold	Rs. in thousand	6,175,904	5,804,892	4,301,276
Gross Profit	Rs. in thousand	215,018	650,956	473,048
Operating profit	Rs. in thousand	125,266	515,795	288,930
Profit before tax	Rs. in thousand	81,750	503,881	286,005
Profit after tax	Rs. in thousand	20,939	332,262	207,802
Income tax - current	Rs. in thousand	63,909	116,219	107,860
- prior years	Rs. in thousand	(33,233)	(3,230)	(22,197)
- deferred	Rs. in thousand	30,135	58,630	(7,460)
Dividend				
Cash dividend	Rs. in thousand	34,068	187,377	136,274
Cash dividend rate	Percentage	10	55	40
Balance Sheet				
Share capital	Rs. in thousand	340,685	340,685	340,685
Reserves	Rs. in thousand	1,735,615	1,735,615	1,735,615
Unappropriated profit	Rs. in thousand	254,064	420,502	224,514
Shareholders equity	Rs. in thousand	2,330,364	2,496,802	2,300,814
No. of ordinary shares	Numbers	34,068,514	34,068,514	34,068,514
Non current liabilities	Rs. in thousand	370,661	329,253	261,634
Current liabilities	Rs. in thousand	1,400,079	1,146,577	240,394
Property, Plant and Equipment	Rs. in thousand	1,311,704	1,192,889	907,586
Capital work-in-progress	Rs. in thousand	226,909	26,998	300,143
Long term investments/loans/deposits	Rs. in thousand	4,281	4,281	36,334
Current assets	Rs. in thousand	2,558,210	2,748,464	1,558,779
Net current assets	Rs. in thousand	1,158,131	1,601,887	1,318,385
Total liabilities	Rs. in thousand	4,101,104	3,972,632	2,802,842
Total Assets	Rs. in thousand	4,101,104	3,972,632	2,802,842
Ratios Analysis				
Gross profit	Percentage	3.36	10.08	9.91
Net profit	Percentage	0.33	5.15	4.35
Return on equity	Percentage	0.90	13.31	9.03
Return on capital employed	Percentage	3.31	18.25	11.28
Current ratio	Times	0.83	2.40	6.48
Inventory turnover	Times	4	4	7
Cash dividend per share	Rupees	1.00	5.50	4.00
Debt : equity ratio		0 : 100	0 : 100	0 : 100
Break-up value per share	Rupees	68.40	73.29	67.53
Market value per share at the end of the year	Rupees	25.66	41.50	33.00
Production volume				
Production capacity	M. Tons	22,100	22,100	22,100
Production achieved	M. Tons	34,957	35,250	33,991
Capacity utilization	Percentage	158	160	154
Employees	Numbers	1,238	1,239	1,186

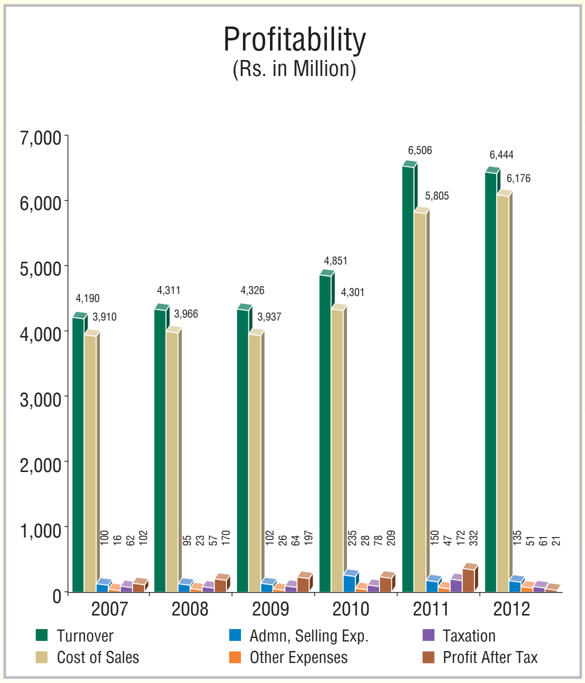
2009	2008	2007	2006	2005
4,237,268	4,224,019	4,115,381	3,525,961	3,649,631
3,937,467	3,965,886	3,910,332	3,353,139	3,378,752
299,801	258,133	205,049	172,822	270,879
264,307	229,752	167,705	170,219	260,506
261,092	227,539	165,044	169,119	258,721
196,632	171,023	103,038	110,774	182,274
90,972	56,428	19,879	12,660	97,080
(4,210)	(52,002)	-	(115)	(12,681)
(22,302)	52,090	42,127	45,800	(7,952)
136,274	102,206	85,171	85,171	102,206
40	30	25	25	30
340,685	340,685	340,685	340,685	340,685
1,735,615	1,495,615	1,495,615	1,495,615	1,495,615
152,986	298,560	212,708	194,841	186,273
2,229,286	2,134,860	2,049,008	2,031,141	2,022,573
34,068,514	34,068,514	34,068,514	34,068,514	34,068,514
263,293	279,678	219,965	175,725	126,928
230,032	516,869	457,856	197,323	204,015
969,334	986,262	847,485	661,303	422,077
2,845	6,271	96,470	79,365	244,691
140,984	133,427	124,606	114,078	67,354
1,609,448	1,805,447	1,658,268	1,549,443	1,619,394
1,379,416	1,288,578	1,200,412	1,352,120	1,415,379
2,722,611	2,931,407	2,726,829	2,404,189	2,353,516
2,722,611	2,931,407	2,726,829	2,404,189	2,353,516
7.08	6.11	4.98	4.90	7.42
4.64	4.05	2.50	3.14	4.99
8.82	8.01	5.03	5.45	9.01
10.60	9.52	7.39	7.71	12.12
7.00	3.49	3.62	7.85	7.94
5	5	5	6	5
4.00	3.00	2.50	2.50	3.00
0 : 100	0 : 100	0 : 100	0 : 100	0 : 100
65.44	62.66	60.14	59.62	59.37
29.45	42.00	42.50	37.55	44.50
22,100	22,100	22,100	22,100	18,840
34,318	35,072	36,334	31,906	32,608
155	159	164	144	173
1,249	1,288	1,256	1,181	1,068

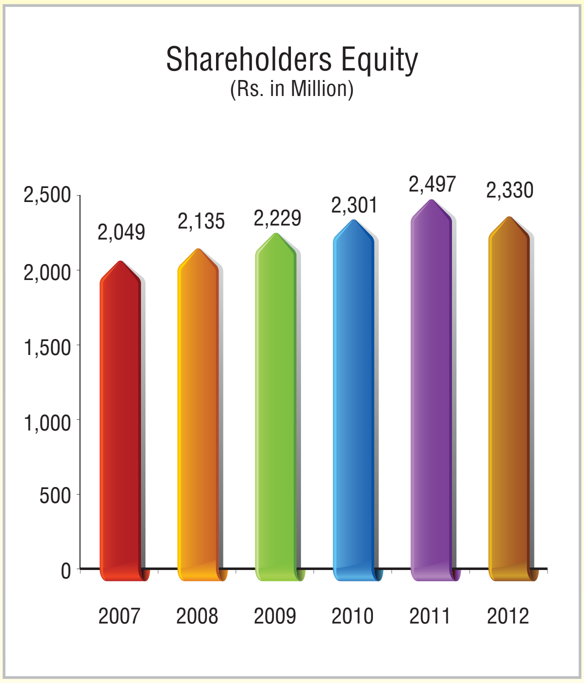
Graphical Presentation

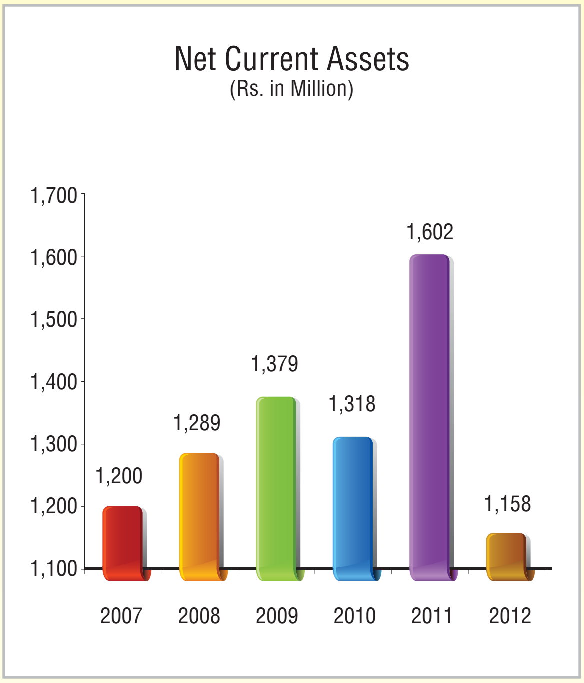


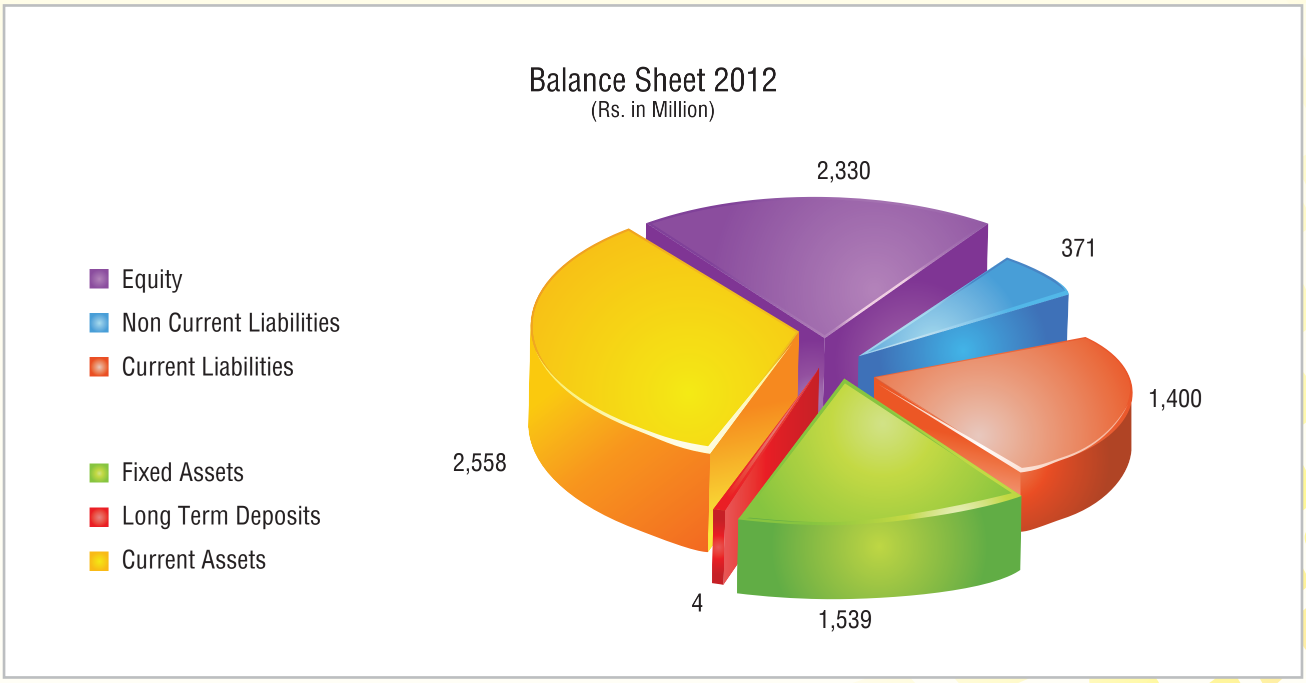







Shareholders Equity
(Rs. in Million)
2,500
2,000
1,500
1,000
500
0
2,049
2,135
2,229
2,301
2,497
2,330
2007
2008
2009
2010
2011
2012

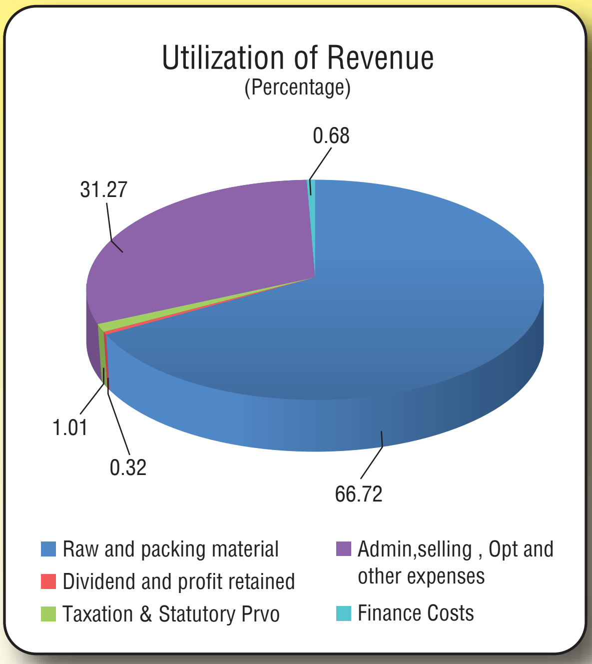

Net Current Assets
(Rs. in Million)
1,700
1,600
1,500
1,400
1,300
1,200
1,100
1,200
1,289
1,379
1,318
1,602
1,158
2007
2008
2009
2010
2011
2012


Balance Sheet 2012
(Rs. in Million)
Equity
Non Current Liabilities
Current Liabilities
Fixed Assets
Long Term Deposits
Current Assets
2,330
371
1,400
2,558
4
1,539

Directors' Report
to the Shareholders

The Board of Directors of your Company are pleased to welcome you to the thirty-second annual general meeting and present the Annual Report together with the Audited Financial Statements of the Company for the year ended 30 June 2012.

Financial Results:	Rupees in thousand
Net profit before taxation	81,750
Provision for taxation	60,811
Profit after taxation	20,939
Un-appropriated profit brought forward	233,125
Profit available for appropriation	254,064
Appropriations:	
Proposed final cash dividend @10% (2011:@55%)	34,068
Un-appropriated profit carried forward	219,996
	Rupee
Earnings per share – Basic and Diluted	0.61



Overview

The Directors report with dismay that your Company has for the first time in its history of over three decades show somewhat perturbing decline in profits for the year ended 30 June 2012. The performance of the Company started sinking in the operational swamp since first quarter of 2011-12. Rising costs of energy and raw materials dampened the Company's profit margins, which were squeezed further by the depressed market and inherent industry and economic challenges.

The annual downturn was shallower than expected as a result of wider picture of economic slowdown, subdued market conditions and exorbitant utilities costs and thus results of this year show pessimism.

Poor governance and the bleak state of law and order have posed top threats to business in the country. Other alarming menace which needs special attention of the Government is that many manufacturing units are moving to Bangladesh and Dubai.

As per declared data the Foreign Direct Investment (FDI) has substantially declined from peak level of US$5.41 billion in 2007-08, which gradually fell to US$1.979 billion in FY 2011 and to US$680.4 million in FY 2012, which should be worrisome to the Government. The energy crisis as well as lack of infrastructure and inconsistent economic policies also caused the decline in foreign investment. The disturbing fact is that appropriate mitigating policies are not being put in place to assuage concerns over the possibility of a further decline in foreign investment. In countries like Pakistan foreign investment could be a catalyst in improving economic growth and promoting industrial revival.

The Company made vigorous efforts to retain profitability through many on-going cost saving initiatives, but those could not offset the inflated input prices mainly the energy costs.

Energy crisis has become a persistent hazard to industrial sector. The gas supply to our plant remained abysmally low throughout the year. The industry remained in the throes of a severe energy crisis ranging from 16 to 22 hours load shedding a day due to government's failure to overcome this problem. Energy

crisis has almost crippled the Textile industry, which is the main consumer sector of our products. A high percentage of production capacity is impaired due to energy outages as Textile industry has witnessed closure of gas from 77 days in 2008-09 to a maximum of 177 days in 2012 due to gas shortage. Besides this, the Textile industry faced additional gas load shedding for 180 days in the year 2012 which in 2008-09 was hardly for 90 days. This forced many industrialists to shift their production units to other countries. Total suspension of gas supply to our plant was cumulatively for 166 days during the year 2011-12, besides additional load shedding of 40 days. Both electricity and gas shortages have made the production capacity of Textile industry as redundant and viability of remaining running Textile industry is being gradually eroded. Imported textile fabrics and fabric cloth entering into the Pakistan market are substituting domestic production and leading to decline in exports.

At one time power shortfall crossed the unbelievable level of 8000 MW which resulted in closure of a large number of looms in Faisalabad. This is the main downstream consumers' hub of our products. Fall in profitability stems from the energy crisis that has led to steep hike in fuel cost.

Energy shortages, for the most part, were responsible for slowing down the production wheel of the country, while decline in investments continues de-accelerating economic activities.

There is a dire need for a fundamental change of direction through good governance and management of economy and such a change should start with structural reforms and good governance in public sector.

The Polyester Staple Fibre (PSF) and Polyester Filament Yarn (PFY) industry's main downstream is the Textile industry which contributes more than sixty percent to the country's total exports. However, the Textile industry currently faces massive challenges in meeting the international export competition. The factors such as high interest rates and cost of inputs, non-conducive government trade and taxation policies and non-guaranteed energy supplies impact their competitiveness. Any decline in exports has direct bearing on PSF and PFY industry impacting their production activities.

The PSF and PFY Industry is bitter about uncertainties. The increase in input cost of minimum wage, non-assurance of power supplies and lack of R&D undertaken by end-users has had a negative impact on the industry's competitiveness with imported products available at cheaper rates.

The National Tariff Commission in its conclusion of Sunset Review last year not only reduced the anti-dumping duties on dumped imports of yarn but also imposed duty only for three years from 4 December 2010 against our demand of atleast continuing previous tariff on permanent basis, thus causing injury to domestic industry.

The raw material prices during the year 2012 remained capricious. The MEG prices which in July 2011 were US$1,350 per M.Ton showed a rising trend till October 2011 and thereafter the prices reflected a softening decline to US$1,030 per M.Ton by end of year under review. The prices of PTA showed bullishness from US$1,190 per M.Ton in July 2011, steeped to US$1,340 per M.Ton in September 2011 and in remaining months of the year 2012 the PTA prices were little bit decreased till year end. A day-to-day widening gap of our energy needs was coped with own power generation facilities with furnace oil in contingent way bearing extra burden of its predominately increasing prices by the OGRA. Thus, our cost of fuel and power has increased to Rs.985 million in the year under review compared to Rs.882 million in 2011.

Sales revenue for the year 2012 slightly decreased to Rs.6,391 million compared to Rs.6,456 million in 2011. The decrease is mainly attributable to volumetric sales of yarn due to downstream demand sluggishness. The increased input cost, particularly PTA and MEG prices contributed towards price adjustments of products sold. Profit before taxation decreased to Rs.82 million from Rs.504 million in 2010-11. Profit after taxation also slashed to Rs.21 million from Rs.332 million in the year 2011. Administrative and general expenses remained under control and amounted to Rs.120 million as compared to Rs.135 million in the previous year.

Future Outlook

The futuristic view for our country mires in unfortunate energy, political uncertainty and law and order crises. However, despite these challenges, your Company is very likely to continue with its growth momentum. With the Company focused on enhancing its sales revenues, on the basis of its product qualities and regular supply commitments, it is hoped that the Company will meet its financial goals in coming year. In the long run, however, things remain uncertain, the gross margins are impacted with ever increasing raw material prices which are going to test the Company's operational efficiencies. On the other hand, the Corporate policies focusing on innovation with addition of latest machinery backed by cost-cuttings, are likely to help the Company gain new vigour. Amid resurgence in oil prices, the raw material prices are not predictable precisely.

In current financial year Pak rupee depreciated by Rs.9 against US dollar heavily impacting our raw material imports.

Industries have been persistently demanding for exemption from power, gas cuts so that the closed units could operate at full capacity to cater for their export orders ending unemployment. The worsening energy crisis was adversely affecting the export-oriented industrial sector and equally hitting manufacturers as well as the social segments of the society.

Gas supply and demand gap is widening. There is great need of exploring more efficient means of generating alternative power feeders.

The SNGPL in June 2012 has unilaterally increased the tariff rate from Rs.13 per MMBTU to as high as Rs.100 per MMBTU as infrastructure cess, later on revised to Rs.50 when opposed strongly by the consumers. This increase is unaffordable for the industry particularly when it is bearing extra cost of fuel because of gas shortage. This increase has doubled the impact of fuel cost on our operations with further burden on next period results.

The Company has plans to switch its reliance from costly furnace oil and natural gas to alternate energy resources which will lower the fuel and power cost in the coming years.

A recent cut in discount rate by the State Bank of Pakistan by 1.5 percent to 10.5 is a positive step towards revival of industrial activities in the country. To provide stimulus for growth of industrial sector the discount rate needs to be brought to single digit.

In pursuit of excellence, we are working towards fast transforming this organization into an operationally effective and economically sustainable producing unit.

Board of Directors

The term of the present Board is expiring on 30 October 2012. The composition of the new Board of Directors of the Company shall be in compliance with the provisions of new Code of Corporate Governance 2012. The Company shall welcome minority shareholders nomination and shall extend all facilitation while issuing notice under section 178(4) of the Companies Ordinance, 1984 in case such a nomination is received.

Dividend

Your Directors are pleased to propose a cash dividend @ 10%, i.e. Re.1.00 per share of Rs.10.00 each for the year ended 30 June 2012.

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 2012-13.

Pattern of Shareholding

A statement showing the pattern of shareholding in the Company as at 30 June 2012 appear on Page 57.

Disclosure Requirements as per Code of Corporate Governance 2012

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 and is in compliance with the relevant regulations. The Company has maintained its books of account as per statutory requirements. Company's financial statements fully present state of affairs fairly, its results of operations, cash flows and changes in equity. Appropriate accounting policies and applicable International Accounting Standards and International Financial Reporting Standards were applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment and any departures therefrom have been adequately disclosed and explained. There is no inconsistency in these policies and no material departure from the best practices of corporate governance is allowed. These accounts have been prepared on going concern basis and the Management is satisfied regarding going concern status of the Company. The system of internal controls of the Company is significantly sound in design and has been effectively implemented and monitored.

Plant operations remained normal throughout the year with no major breakdowns. However, the gas and power shortages bitterly disturbed our targeted production and sales plans. The reasons for decline in operating results have been highlighted and explained.

There is no statutory payment on account of taxes, duties, levies and charges outstanding other than those in normal business related transactions.

Company is neither in default nor likely to default any loans, short term borrowings or any sort of debt instruments.

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 2012	30 June 2011
(Unaudited)	(Audited)
31,214	27,496

Audit Committee Meetings and Attendance by each member

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

Attendance by each Member:

1.	Mr. Jafferali M. Feerasta – Chairman	2
2.	Mr. Muhammad Rashid Zahir – Member	4
3.	Mr. Amin A. Feerasta – Member	4

H.R and Remuneration Committee Meetings and Attendance by each member

Total number of H.R and Remuneration Committee Meetings held during the year under review: 2

Attendance by each Member:

1.	Mr. Jafferali M. Feerasta – Chairman	2
2.	Mr. Nooruddin Feerasta – Member	2
3.	Mr. Amin A. Feerasta – Member	2

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 (Non-executive)	2
2.	Mr. Nooruddin Feerasta (Chief Executive Officer)	4
3.	Mr. Muhammad Rashid Zahir (Non-executive)	4
4.	Mr. Muhammad Ali H. Sayani (Non-executive)	4
5.	Mr. Amin A. Feerasta (Non-executive)	4
6.	Mr. Abdul Hayee (Executive)	4
7.	Syed Ali Zafar (Non-executive)	2

Leave of absence was granted to the Directors and members who could not attend some of the Board or its Committees Meetings.

Members of the Board are in compliance with the directors' training criteria set in the Code of Corporate Governance 2012.

Corporate Social Responsibility (CSR)

Your Company gives high priority to its social responsibilities and is committed to the highest standards of corporate behaviour. The Company's CSR responsibilities are fulfilled through monetary contributions in the areas of health care, education, environment protection, water and sanitation, child welfare, infrastructure development and other social welfare activities. Our CSR includes the contributions to hospitals and education programs engaged in assisting the under-privileged patients, students and children of various walks of life.

Health Safety and Environment

The Company is strongly committed towards all aspects of Safety, Health and Environment connected with our business operations.

The Company fully recognizes safety as the key component of operational excellence and gives vital importance to training of employees and contractors to enhance safety awareness and actively incorporate industry best practices in the overall operational set-up.

Our commitment to environment, health and safety is manifested in our operational activities as no major accident was reported in the year 2012.

There was no reportable occupational illness to our employees or contracted manpower in 2012.

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 2012 were approved and authorized for their issuance by the Board of Directors on 22 September 2012.

A Note of Gratitude

The Directors wish to place on record their appreciation for the cooperation extended by the Ministries of Finance, Industries, 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:

22 September 2012

Notice of Meeting

Notice is hereby given that the Thirty Second Annual General Meeting of Rupali Polyester Limited ("the Company") will be held at Rupali House, 241-242 Upper Mall Scheme, Anand Road, Lahore on Wednesday, 31 October 2012 at 10:00 a.m. to transact the following business:

Ordinary Business:

1) To confirm the minutes of Thirty First Annual General Meeting of the Company held on 29 October 2011.

2) To receive, consider and adopt Annual Audited Accounts of the Company together with the Directors and Auditors Reports thereon for the year ended 30 June 2012.

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 2012. The retiring Directors are Mr. Jafferali M.Feerasta, Mr. Nooruddin Feerasta, Mr. Muhammad Rashid Zahir, Mr. Muhammad Ali H. Sayani, Mr. Amin A. Feerasta, Syed Ali Zafar and Mr. Abdul Hayee.

4) To approve payment of final cash dividend @ 10% i.e. Re. 1.00 per share for the year ended 30 June 2012 as recommended by the Board of Directors.

5) To appoint Auditors of the Company and to fix their remuneration. The retiring Auditors M/s. Qavi & Co., Chartered Accountants being eligible have offered themselves for reappointment.

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:
22 September 2012

Notes:

1) In accordance with Section 178(1) of the Companies Ordinance, 1984, the Board of Directors of the Company in its meeting held on 22 September 2012 has fixed the number of Directors to be elected as seven (7).

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, shall file with the Company, not later than fourteen (14) days before the date of this meeting, a notice of his/her intention to offer himself/herself for election as a Director in terms of section 178(3) of the Companies Ordinance, 1984 together with (a) consent Form-28 (b) declaration with consent to act as Director in the manner as provided in the Code of Corporate Governance 2012.

3) Share transfer books of the Company will remain closed from 22 October 2012 to 31 October 2012 (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 20 October 2012 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.

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 purpose.

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

Statement of Compliance
with the Code of Corporate Governance

Name of Company - **Rupali Polyester Limited**
Year Ended - **30 June 2012**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges 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 CCG 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:

Category	Names
Independent Directors	Since election of directors is due this year, the categories will be determined in the new composition as per CCG. Present directors are listed below:
Executive Directors	Mr. Nooruddin Feerasta Mr. Abdul Hayee
Non-Executive Directors	Mr. Jafferali M. Feerasta Mr. Muhammad Rashid Zahir Mr. Muhammad Ali H. Sayani Mr. Amin A. Feerasta Mr. Syed Ali Zafar

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding Companies where applicable).

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 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

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

5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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, other executive and non-executive directors have been taken by the board/shareholders.

8. The meetings of the Board were presided over by the Chairman, and in his absence, by 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 fully in compliance with the provision with regard to their training programs.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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 CCG.

15. The board has formed an audit committee. It comprises 3 members, all of whom are non-executive directors and the Chairman of the committee shall be an independent director after the forthcoming election of directors.

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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises 3 members, majority of whom are non-executive directors and the Chairman of the committee is also a non-executive director.

18. The board has set-up an effective internal audit function. The Head of Internal Audit and Audit team are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.

20. 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.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG as immediately applicable have been complied with.

For and on behalf of the Board of Directors

Nooruddin Feerasta
Chief Executive Officer

Lahore: 22 September 2012

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 2012 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 a) of Listing Regulations 35 notified by the Karachi, Lahore and Islamabad Stock Exchanges 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 2012.

Lahore:

22 September 2012

Qavi & Co.
Chartered Accountants
Engagement partner: Ghulam Abbas

Auditors' Report to the Members

We have audited the annexed balance sheet of RUPALI POLYESTER LIMITED as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, 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 account 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, statement of comprehensive income, 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 2012 and of the profit, total comprehensive income, 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:

22 September 2012

Qavi & Co.
Chartered Accountants
Engagement partner: Ghulam Abbas

Balance Sheet
as at 30 June 2012

	Note	2012	2011
		Rupees in thousand	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized Share Capital			
35,000,000 (2011: 35,000,000) Ordinary Shares of Rs. 10 each		350,000	350,000
Issued, Subscribed and Paid-up Capital	5	340,685	340,685
Capital Reserve		71,490	71,490
General Reserve		1,664,125	1,664,125
Unappropriated Profit		254,064	420,502
		2,330,364	2,496,802
NON-CURRENT LIABILITIES			
Staff Retirement Benefits - Gratuity	6	90,933	79,661
Deferred Taxation	7	279,728	249,592
CURRENT LIABILITIES			
Trade and Other Payables	8	747,799	1,135,072
Short Term Borrowings	9	639,173	10,817
Accrued Mark-up		13,107	688
		1,400,079	1,146,577
CONTINGENCIES AND COMMITMENTS	10		
		4,101,104	3,972,632

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

Balance Sheet
as at 30 June 2012

	Note	2012	2011
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment			
Operating Fixed Assets	11	1,311,704	1,192,889
Capital Work-in-Progress	12	226,909	26,998
		1,538,613	1,219,887
Long Term Deposits	13	4,281	4,281
		1,542,894	1,224,168
CURRENT ASSETS			
Stores, Spares and Loose Tools	14	747,136	396,737
Stock-in-Trade	15	1,354,876	1,925,566
Trade Debts	16	36,621	65,930
Loans and Advances	17	39,485	30,699
Trade Deposits and Short Term Prepayments	18	2,868	1,861
Other Receivables	19	178,344	282,115
Taxation - Net	20	124,192	35,290
Cash and Bank Balances	21	74,688	10,266
		2,558,210	2,748,464
		4,101,104	3,972,632

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

Profit and Loss Account
for the year ended 30 June 2012

	Note	2012	2011
		Rupees in thousand	
Sales	22	6,390,922	6,455,848
Cost of Goods Sold	23	(6,175,904)	(5,804,892)
Gross Profit		215,018	650,956
Selling and Distribution Expenses	24	(14,781)	(15,397)
Administrative and General Expenses	25	(120,417)	(134,768)
Other Operating Charges	26	(7,636)	(35,435)
Other Operating Income	27	53,082	50,439
Operating Profit		125,266	515,795
Finance Costs	28	(43,516)	(11,914)
Profit before Taxation		81,750	503,881
Taxation	29	(60,811)	(171,619)
Profit after Taxation		20,939	332,262
		Rupee	Rupees
Earnings per Share - Basic and Diluted	30	0.61	9.75

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 Officer

Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012	2011
		Rupees in thousand	
Profit after Taxation		20,939	332,262
Other Comprehensive Income		-	-
Total Comprehensive Income		20,939	332,262

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

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

Cash Flow Statement
for the year ended 30 June 2012

	Note	2012	2011
		Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit Before Taxation		81,750	503,881
Add / (Less):			
Adjustment for Non Cash Charges and Other Items:			
Depreciation	11.1	113,854	83,843
Amortization of Short Term Prepayments		443	447
Staff Retirement Benefits - Gratuity	6.5	18,750	15,702
Mark-up / Interest Income	27.1	(3,967)	(14,246)
Remission of Liabilities	27	(696)	(1,111)
Loss on Disposal of Operating Fixed Assets	26	2,658	12
Exchange Gain	27	(1)	(272)
Mark-up on Short Term Borrowings	28	39,073	6,493
Amount written off		-	31,862
Finance Costs	28	4,443	5,421
		174,557	128,151
Effect on Cash Flow Due to Working Capital Changes:			
(Increase) / Decrease In Current Assets:			
Stores, Spares and Loose Tools		(350,399)	(86,323)
Stock-in-Trade		570,690	(1,238,163)
Trade Debts		29,309	(4,628)
Loans and Advances		(8,786)	9,317
Trade Deposits and Short Term Prepayments		(1,450)	(1,596)
Other Receivables		103,771	(15,466)
		343,135	(1,336,859)
(Decrease)/ Increase In Current Liabilities:			
Trade and Other Payables		(386,577)	894,527
		(43,442)	(442,332)
Cash generated from Operations		212,865	189,700
Mark-up on Short Term Borrowings and Bank Charges Paid		(31,097)	(11,226)
Income Tax Paid		(119,577)	(123,048)
Mark-up / Interest Received		3,967	14,246
Staff Retirement Benefits - Gratuity Paid		(7,478)	(6,713)
Net Cash Inflow from Operating Activities		58,680	62,959

Cash Flow Statement
for the year ended 30 June 2012

	Note	2012	2011
		Rupees in thousand	
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed Capital Expenditure		(437,040)	(96,107)
Long Term Investments		-	288
Long Term Deposits		-	(97)
Proceeds from the sale of Operating Fixed Assets		1,802	94
Net Cash Outflow from Investing Activities		(435,238)	(95,822)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend Paid		(187,377)	(136,274)
Net Cash Outflow from Financing Activities		(187,377)	(136,274)
Net Decrease in Cash and Cash Equivalents		(563,935)	(169,137)
Cash and Cash Equivalents at the Beginning of the year		(551)	168,314
Effect of Exchange Rate Fluctuations		1	272
Cash and Cash Equivalents at the End of the year	31	(564,485)	(551)

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

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

Statement of Changes in Equity
for the year ended 30 June 2012

Rupees in thousand

	Issued Subscribed and Paid-up Capital	Capital Reserve	Revenue Reserves		Total Reserves	Total Equity
		Share Premium	General Reserve	Un-appropriated Profit		
Balance as on 01 July 2010	340,685	71,490	1,664,125	224,514	1,960,129	2,300,814
Net Profit for the year ended 30 June 2011	-	-	-	332,262	332,262	332,262
Final dividend for the year ended 30 June 2010 @ 40%	-	-	-	(136,274)	(136,274)	(136,274)
Balance as on 30 June 2011	340,685	71,490	1,664,125	420,502	2,156,117	2,496,802
Balance as on 01 July 2011	340,685	71,490	1,664,125	420,502	2,156,117	2,496,802
Net Profit for the year ended 30 June 2012	-	-	-	20,939	20,939	20,939
Final dividend for the year ended 30 June 2011 @ 55%	-	-	-	(187,377)	(187,377)	(187,377)
Balance as on 30 June 2012	340,685	71,490	1,664,125	254,064	1,989,679	2,330,364

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

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

Notes to the Financial Statements
for the year ended 30 June 2012

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 Rupali House, 241-242 Upper Mall Scheme, Anand Road, Lahore. It is principally engaged in the manufacture and sale of polyester products.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) 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. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

2.2.1 Standards, amendments to published standards and interpretations that are effective in the current year and are relevant to the Company

Following are the amendments that are applicable for accounting periods beginning on or after 01 January 2011:

- IAS 1, (amendments), 'Presentation of Financial Statements' clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Accordingly, the Company has presented analysis of other comprehensive income for each component of equity in the statement of changes in equity.

- IFRS 7, (amendments), 'Financial instruments: disclosures' emphasis the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The application of this amendment has no material impact on the Company's financial statements.

IAS 24 (Revised), 'Related party disclosures' issued in November 2009 supersedes IAS 24, 'Related party disclosures' issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities. The application of this standard has impacted the related party disclosures in the Company's financial statements.

IFRIC 14 (Amendments), 'Prepayments of a minimum funding requirement'. The amendments corrects an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirement and their interaction'. Without the amendment, entities are not permitted to recognize as an asset some voluntary prepayments or minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The application of this amendment has no material impact on the Company's financial statements.

Following are the amendments that are applicable for accounting periods beginning on or after 01 July 2011:

- IFRS 7 (Amendments), 'Financial instruments: Disclosures'. These are applicable on accounting periods beginning on or after 01 July 2011. These amendments arise from the IASB's review of off balance sheet activities. The amendments shall promote transparency in the reporting of transfer transactions and improve user's understanding of the risk exposures relating to transfer of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2012 or later periods, but the Company has not early adopted them:

Improvements / amendments to IFRSs and interpretations	Effective for Periods Beginning on or after
IFRS 12 - Disclosures of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013
IAS 1 - Presentation of Financial Statements (Amendment)	01 July 2012
IFRS 1 - First time adoption of IFRS (Amendment)	01 July 2013
IAS 12 - Income Taxes (Amendment)	01 January 2012
IAS 19 - Employee Benefits (Amendment)	01 January 2013
IAS 27 - Separate Financial Statements	01 January 2013
IAS 32 - Financial Instruments: Presentation	01 January 2014

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention.

3.2 The Company's significant accounting policies are stated in Note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature are in accordance with law, the amounts are shown as contingent liabilities.

b) Useful lives and residual values of property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

4. Significant accounting policies

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

4.1 Staff Retirement Benefits

4.1.1 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 2012 (refer note 6).

Actuarial gain or loss is recognised in the period in which it is incurred.

4.1.2 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.

4.2 Taxation

4.2.1 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.

4.2.2 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.

4.3 Compensated Absences

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

4.4 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.

4.5 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 outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting future cash flows and appropriate discount rate wherever required. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.6 Borrowings and Borrowing Cost

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

All mark-up, interest and other 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.

4.7 Property, Plant and Equipment

4.7.1 Operating Fixed Assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for freehold land and leasehold land 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 11, 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.

4.7.2 Capital Work-in-Progress

Capital Work-in-progress are stated at cost and consist 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.

4.8 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.

4.9 Financial instruments

4.9.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables and cash and cash equivalents in the balance sheet.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose off the investments within twelve months from the balance sheet date.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortised cost.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

4.9.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

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

4.9.3 Offsetting of financial assets and financial liabilities

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

4.10 Advances, Deposits and Prepayments

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

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 Revenue Recognition

Revenue from sales is recognized on dispatch 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 at the rate applicable.

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

4.16 Proposed Dividend and Transfer between Reserves

Dividend 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.

4.17 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).

4.18 Foreign currency transactions and translation

a) Functional and presentation currency

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

b) Transactions and balances

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

5. Issued, Subscribed and Paid-up Capital

2012	2011		2012	2011
Ordinary Shares of Rs. 10 each			Rupees in thousand	
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

6. Staff Retirement Benefits - Gratuity

6.1 Defined Benefit Plan

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 2012, using the Projected Unit Credit Method.

6.2 Principal Actuarial Assumptions

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

	2012	2011
Discount rate (%) per annum	14	14
Expected rate of salary increase in future years (%) per annum	13	13
Average expected remaining working life time of employees (years)	11	11

	Note	2012	2011
		Rupees in thousand	
6.3 Reconciliation of Payable to Defined Benefit Plan			
Present value of defined benefit obligation		90,933	71,056
Unrecognized actuarial gains		-	8,605
Net Liability recognized in the Balance Sheet		90,933	79,661
6.4 Movement in Liability Recognized in the Balance Sheet			
Present value of defined benefit obligation at the beginning of the year		79,661	70,672
Charge for the year	6.5	18,750	15,702
Payments made during the year		(7,478)	(6,713)
Present value of defined benefit obligation at the end of the year		90,933	79,661
6.5 Charge for the Year			
Current Service Cost		8,802	7,222
Interest Cost		9,948	8,480
		18,750	15,702

	Note	2012	2011
		Rupees in thousand	
6.6 Charge for the Year has been Allocated as Follows:			
Cost of Sales	23.1	14,599	12,226
Selling and Distribution Expenses	24.1	207	174
Administrative and General Expenses	25.1	3,944	3,302
		18,750	15,702

6.7 Historical Information

	2012	2011	2010	2009	2008
				Rupees in thousand	
Present value of defined benefit obligation	90,933	71,056	70,672	55,563	58,954
Experience (gain)/loss on plan liabilities	-	(8,605)	-	(9,308)	-

	Note	2012	2011
		Rupees in thousand	
7. Deferred Taxation			
Deferred Tax Liability on Taxable Temporary Difference:			
Tax Depreciation Allowance		279,728	249,592
8. Trade and Other Payables			
Creditors		652,322	1,017,540
Due to Associated Companies	8.1	234	-
Accrued Liabilities		67,129	56,571
Advances from Customers		1,813	3,366
Retention Money		1,798	5,000
Payable to Provident Fund		360	315
Income Tax Deducted at Source		188	248
Surcharge on Income Tax Deducted at Source		-	35
Workers' Profit Participation Fund	8.2	11,163	31,649
Workers' Welfare Fund		11,229	17,916
Unclaimed Dividend		1,095	1,001
Other Payables		468	1,431
		747,799	1,135,072

8.1 Due to Associated Companies

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

	Note	2012	2011
8.2 Workers' Profit Participation Fund			
Balance at the beginning of the year		31,649	18,641
Allocation for the year	26	4,303	26,870
		35,952	45,511
Less: Amount paid to the trustees of the fund		20,963	13,862
Deposited with the Government		3,826	-
		24,789	13,862
Balance at the end of the year		11,163	31,649

	Note	2012	2011
		Rupees in thousand	
9. Short Term Borrowings			
Secured - From Banking Companies			
Running Finances under Mark-up arrangements from banks	9.1, 9.2 & 9.4	439,173	10,817
Term Finances under Mark-up arrangements from banks	9.1 & 9.3	200,000	-
		639,173	10,817

9.1 The total facilities aggregating Rs. 1,900.000 million (2011: Rs. 900.000 million) available from various commercial banks. These are secured by way of hypothecation charge over current assets to the extent of Rs. 2,314.820 million (2011: Rs. 1,088.821 million) and promissory notes valuing Rs. 2,325.020 million (2011: Rs. 1,115.215 million).

9.2 The rate of mark - up for these facilities ranges between 12.10% to 14.15% (2011: 13.02% to 14.03%).

9.3 The rate of mark-up for these facilities is 11.88 % to 13.97 % (2011: Nil).

9.4 The aggregate facility available for opening letters of credit from various commercial banks amount to Rs. 3,019.200 million (2011: Rs. 1,949.200 million) of which Rs. 711.620 million were utilized at 30 June 2012 (2011: Rs. 1,283.979 million).

10. Contingencies and Commitments

10.1 Contingencies:

10.1.1 Guarantees issued to different organizations in the normal course of business amounted to Rs. 66.314 million (2011: Rs. 66.314 million).

10.1.2 Outstanding guarantees given on behalf of Related Parties amounted to Rs. Nil (2011: Rs. Ni).

10.2 Commitments:

10.2.1 Contracts for Capital expenditure commitments outstanding as at 30 June 2012 amounted to Rs. 431.374 million (2011: Rs. 217.050 million).

10.2.2 Commitments against irrevocable letters of credit as at 30 June 2012 amounted to Rs. 711.620 million (2011: Rs. 1,283.979 million).

11. Operating Fixed Assets

Rupees in thousand

	Freehold Land	Building: Factory on freehold land	Building: Office on freehold land	Building: Office on leasehold land	Roads	Plant and machinery	Furniture & fittings	Vehicles	Office equipment	Other assets	Total
Net carrying value basis											
Year ended 30 June 2012											
Opening net book value (NBV)	27,784	78,219	18,242	187,549	1,822	825,678	15,747	6,467	28,124	3,257	1,192,889
Additions (at cost)	-	4,028	-	745	-	229,848	147	1,443	520	398	237,129
Disposals / write offs (at NBV)	-	-	-	-	-	(2,569)	(6)	(1,790)	(15)	(80)	(4,460)
Depreciation Charge	-	(8,082)	(912)	(9,383)	(91)	(89,368)	(1,584)	(1,237)	(2,845)	(351)	(113,854)
Closing net book value (NBV)	27,784	74,165	17,330	178,911	1,731	963,589	14,304	4,883	25,784	3,224	1,311,704
Gross carrying value basis											
As at 30 June 2012											
Cost	27,784	217,827	25,188	220,392	4,838	2,576,448	29,515	16,082	70,766	6,723	3,195,563
Accumulated depreciation	-	(143,662)	(7,858)	(41,481)	(3,107)	(1,612,860)	(15,211)	(11,199)	(44,982)	(3,499)	(1,883,859)
Net book value (NBV)	27,784	74,165	17,330	178,911	1,731	963,588	14,304	4,883	25,784	3,224	1,311,704
Depreciation rate % per annum	-	10	5	5	5	10	10	20	10	10	
Net carrying value basis											
Year ended 30 June 2011											
Opening net book value (NBV)	27,784	74,458	17,029	194,558	1,918	540,316	13,018	8,106	27,712	2,687	907,586
Additions (at cost)	-	11,929	2,126	2,783	-	343,936	4,215	-	3,384	879	369,252
Disposals / write offs (at NBV)	-	-	-	-	-	-	-	(21)	(55)	(30)	(106)
Depreciation Charge	-	(8,168)	(913)	(9,792)	(96)	(58,574)	(1,486)	(1,618)	(2,917)	(279)	(83,843)
Closing net book value (NBV)	27,784	78,219	18,242	187,549	1,822	825,678	15,747	6,467	28,124	3,257	1,192,889
Gross carrying value basis											
As at 30 June 2011											
Cost	27,784	213,799	25,188	219,647	4,838	2,401,459	29,427	20,031	70,410	6,528	3,019,111
Accumulated depreciation	-	(135,580)	(6,946)	(32,098)	(3,016)	(1,575,781)	(13,680)	(13,564)	(42,286)	(3,271)	(1,826,222)
Net book value (NBV)	27,784	78,219	18,242	187,549	1,822	825,678	15,747	6,467	28,124	3,257	1,192,889
Depreciation rate % per annum	-	10	5	5	5	10	10	20	10	10	

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

	Note	2012	2011
		Rupees in thousand	
Cost of Goods Sold	23	97,891	67,117
Selling and Distribution Expenses	24	798	836
Administrative and General Expenses	25	15,165	15,890
		113,854	83,843

11.2 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 and Machinery							
Strapping Machine	83	77	6	-	(6)	Salvage	
DTY Machine	54,777	52,214	2,563	-	(2,563)	Salvage	
	54,860	**52,291**	**2,569**	**-**	**(2,569)**		
Vehicles							
Cars	3,198	2,134	1,064	1,048	(16)	Company Policy	Employees
Motorcycles	2,194	1,468	726	753	27	Company Policy	Employees
	5,392	**3,602**	**1,790**	**1,801**	**11**		
Office Equipment							
Air Conditioner	140	127	13	-	(13)	Salvage	
Refrigerator	14	13	1	-	(1)	Salvage	
Electric Water Coolers	10	9	1	-	(1)	Salvage	
	164	**149**	**15**	**-**	**(15)**		
Furniture & fittings							
Brackets Fans	2	2	-	-	-	Negotiation	Rupfil Limited
Wooden Bed	4	3	1	-	(1)	Salvage	
House Furnishing Loan	12	11	1	-	(1)	Company Policy	Iqbal Sarwar, Employee
House Furnishing Loan	35	31	4	-	(4)	Company Policy	Mir Tahir Mehmood
Chairs	5	5	-	-	-	Salvage	
	58	**52**	**6**	**-**	**(6)**		
Other Assets							
Wooden Pallets	201	121	80	-	(80)	Salvage	
Revolver	2	2	-	1	1	Salvage	
	203	**123**	**80**	**1**	**(79)**		
2012	**60,677**	**56,217**	**4,460**	**1,802**	**(2,658)**		
2011	442	336	106	94	(12)		

	2012	2011
	Rupees in thousand	
12. Capital Work-in-Progress		
Building and Civil Works	1,583	2,420
Plant and Machinery	85,558	24,127
Office Equipment	176	209
Furniture and Fixture	73	126
Other Assets	16	60
Capital Stores	-	56
	87,406	26,998
Advances		
Pland and Machinery	139,503	-
	226,909	26,998
13. Long Term Deposits		
Security Deposits	4,281	4,281
14. Stores, Spares and Loose Tools		
Stores		
- In Hand	123,906	121,005
- In Transit	-	4,969
	123,906	125,974
Spares		
- In Hand	605,862	237,291
- In Transit	11,952	28,772
	617,814	266,063
Loose Tools		
- In Hand	5,416	4,700
	747,136	396,737

	Note	2012	2011
		Rupees in thousand	
15. Stock-in-Trade			
Raw and Packing Materials			
- In Hand		358,964	535,522
- In Transit		45,236	8,022
		404,200	543,544
Work-in-Process		106,639	60,369
Finished Goods	15.1	844,037	1,321,653
		1,354,876	1,925,566

15.1 Finished Goods of Rs. 532.588 million (2011: Rs. 98.617 million) are being carried at net realizable value and an amount of Rs. 73.168 million (2011: Rs. 6.612 million) has been charged to Cost of Goods Sold.

	Note	2012	2011
16. Trade Debts			
Considered Good - Unsecured		36,621	65,930
17. Loans and Advances			
Considered good			
Loans due from:			
- Executives	17.1, 17.2 &17.3	517	999
- Employees		1,130	892
		1,647	1,891
Advances due from:			
- Staff against Expenses		329	325
- Suppliers and Contractors		37,509	28,483
		37,838	28,808
		39,485	30,699

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. 2.745 million (2011: Rs. 1.903 million).

17.3 Chief executive and directors have not taken any loan / advance from the Company (2011: Rs. Nil).

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

	Note	2012	2011
		Rupees in thousand	
18. Trade Deposits and Short Term Prepayments			
Deposits - considered good			
Margin on Bank Guarantees		265	265
Prepayments - considered good			
Prepaid Rent		2,124	1,153
Prepaid Insurance		322	306
Other Prepayments		157	137
		2,868	1,861
19. Other Receivables			
Considered good			
Due from Associated Companies	19.1	735	159
Due from other Related Parties	19.2	58,375	58,491
Insurance Claim Receivable		417	1,182
Custom Duty Refundable	19.3	-	6
Sales Tax Refundable		109,963	214,033
Others		2,530	1,621
		172,020	275,492
Considered doubtful			
Transit Pass Fee Refundable from KMC Karachi		-	142
Sales Tax Refundable		33,261	33,261
Less: Provision for Doubtful Receivable	19.4	31,569	31,569
		1,692	1,692
Others		4,632	4,789
		178,344	282,115

19.1 Maximum amount due from Associated Companies at the end of any month during the year was Rs. 3.210 million (2011: Rs. 4.647 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. 58.545 million (2011: Rs. 58.491 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) Rs. Nil (2011: Rs. 0.006 million.)

19.4 This includes provision for doubtful receivable amounting to Rs. 28.952 million (2011: 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.

	Note	2012	2011
		Rupees in thousand	
20. Taxation - Net			
Advance Tax		188,101	151,509
Provision for Taxation	29	(63,909)	(116,219)
		124,192	35,290

The income tax assessment of the Company has been finalized upto tax year 2011 (accounting year ended 30 June 2011) and adequate provisions have been made in these financial statements for the year ended 30 June 2012 (Tax Year 2012).

	Note	2012	2011
21. Cash and Bank Balances			
Balance With Banks in:			
- Current Accounts		10,123	5,265
- PLS Accounts			
- Local Currency	21.1	64,498	4,919
- Foreign Currency	21.2	10	10
		74,631	10,194
Cash in Hand:			
- Local Currency		53	69
- Foreign Currency		4	3
		57	72
		74,688	10,266

21.1 The balances in PLS accounts carry mark-up rate ranging between 5.00 % to 11.00 % (2011: 5.00% to 11.50%) for local currency and Nil (2011: Nil) for foreign currency.

21.2 Cash at banks in PLS accounts include US $ 111.12 (2011: US $ 111.12) and Pound Sterling Nil (2011: Pound Sterling 0.15).

	Note	2012	2011
22. Sales			
Gross Sales:			
- Local		6,414,278	6,444,945
- Export		-	35,011
		6,414,278	6,479,956
Less:			
- Commission / Discount		22,884	23,957
- Sales Tax		472	151
		23,356	24,108
		6,390,922	6,455,848

	Note	2012	2011
		Rupees in thousand	
23. Cost of Goods Sold			
Raw and Packing Materials Consumed		4,299,341	5,664,817
Stores and Spares Consumed		94,220	125,782
Salaries, Wages and Amenities	23.1	192,469	174,672
Fuel and Power		985,190	881,762
Repair and Maintenance		45,580	55,827
Running and Maintenance of Vehicles		13,091	10,304
Insurance		13,553	10,108
Depreciation	11.1	97,891	67,117
Rent, Rates and Taxes		581	624
Other Expenses		2,642	2,070
		5,744,558	6,993,083
Add: Opening Work-in-Process		60,369	66,585
Less: Closing Work-in-Process		106,639	60,369
		5,698,288	6,999,299
Add: Opening Finished Goods		1,321,653	127,246
Less: Closing Finished Goods		844,037	1,321,653
		6,175,904	5,804,892

23.1 Salaries, Wages and Amenities include Rs. 14.599 million (2011: Rs. 12.226 million) in respect of staff retirement benefits and Rs. 0.325 million (2011: Rs. 1.031 million) in respect of provident fund contribution.

	Note	2012	2011
24. Selling and Distribution Expenses			
Salaries, Wages and Amenities	24.1	3,618	3,204
Rent, Rates and Taxes		131	65
Electricity, Gas and Water Charges		247	214
Postage, Telephone and Fax		100	109
Printing and Stationery		197	198
Books and Subscription		33	28
Running and Maintenance of Vehicles		69	42
Repair and Maintenance		65	86
Travelling Expenses		70	78
Entertainment		34	42
Insurance		110	101
Depreciation	11.1	798	836
Freight and Forwarding		9,309	9,297
Export Expenses		-	1,097
		14,781	15,397

24.1 Salaries, Wages and Amenities include Rs. 0.207 million (2011: Rs. 0.174 million) in respect of staff retirement benefits and Rs. 0.039 million (2011: Rs. 0.030 million) in respect of provident fund contribution.

	Note	2012	2011
		Rupees in thousand	
25. Administrative And General Expenses			
Salaries, Wages and Amenities	25.1	68,738	60,863
Directors' Remuneration		4,271	985
Rent, Rates and Taxes		2,479	1,240
Electricity, Gas and Water Charges		4,703	4,059
Postage, Telephone and Fax		1,911	2,068
Printing and Stationery		3,750	3,759
Books and Subscription		627	526
Running and Maintenance of Vehicles		1,308	805
Repair and Maintenance		1,238	1,638
Legal and Professional Charges		11,672	6,307
Travelling Expenses		1,326	1,475
Entertainment		637	798
Insurance		2,083	1,917
Advertisement		241	427
Depreciation	11.1	15,165	15,890
Bad Debts		-	31,862
Miscellaneous Expenses		268	149
		120,417	134,768

25.1 Salaries, Wages and Amenities include Rs. 3.944 million (2011: Rs. 3.302 million) in respect of staff retirement benefits and Rs. 0.747 million (2011: Rs. 0.569 million) in respect of provident fund contribution.

	Note	2012	2011
26. Other Operating Charges			
Workers' Profit Participation Fund	8.2	4,303	26,870
Workers' Welfare Fund		-	6,641
Auditors' Remuneration	26.1	665	658
Donations	26.2	10	1,254
Loss on Disposal of Operating Fixed Assets	11.2	2,658	12
		7,636	35,435

	2012	2011
26.1 Auditors' Remuneration		
Audit Fee	325	325
Certification and Review	84	80
Taxation Services	241	241
Other Professional Services	15	12
	665	658

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

	Note	2012	2011
		Rupees in thousand	
27. Other Operating Income			
Income from financial assets			
Mark-up / Interest Income	27.1	3,967	14,246
Exchange Gain		1	272
		3,968	14,518
Income from non-financial assets			
Scrap, Waste and Other Sales - Net	27.2	44,677	30,320
MEG Handling Income		3,741	4,490
Remission of Liabilities		696	1,111
		49,114	35,921
		53,082	50,439
27.1 Mark-up / Interest Income			
Interest Income on:			
- Bank Accounts		3,195	14,043
Mark-up on:			
- Staff Loans		276	203
- Credit Sales		496	-
		3,967	14,246
27.2 Scrap, Waste and Other Sales - Net			
Gross Sales		47,685	33,693
Less: Sales Tax		3,008	3,373
		44,677	30,320
28. Finance Costs			
Mark-up on Short Term Borrowings		39,073	6,493
Bank Commission and Other Charges		4,443	5,421
		43,516	11,914
29. Taxation			
Current			
- for the year		63,909	116,219
- Prior years		(33,233)	(3,230)
		30,676	112,989
Deferred		30,135	58,630
		60,811	171,619

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

	2012 %	2011 %
Applicable Tax Rate	35.00	35.00
Effect of Change in Prior Years Tax	(40.65)	(0.64)
Effect of Change in Deferred Tax	36.86	11.63
Tax effect of Expenses that are not Deductible in determining Taxable Profit	43.18	(11.93)
	39.39	(0.94)
Average Effective Tax Rate	74.39	34.06

30. Earnings Per Share

30.1 Earnings Per Share - Basic

	Note	2012	2011
		Rupees in thousand	
Net profit for the year after taxation attributable to Ordinary Shareholders		20,939	332,262
		Number of Shares	
Weighted average Ordinary Shares in Issue during the year	5	34,068,514	34,068,514
		Amount in Rupees	
Basic Earnings Per Share		0.61	9.75

30.2 Earnings Per Share - Diluted

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

31. Cash and Cash Equivalents

	Note	2012	2011
		Rupees in thousand	
Cash and Bank Balances	21	74,688	10,266
Short Term Borrowings	9	(639,173)	(10,817)
		(564,485)	(551)

32. Financial risk management

32.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

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

(a) Market risk

(i) Currency risk

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

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Japanese Yen, Pound Sterling and Euro. Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable / payable from / to the foreign entities.

5% strengthening of Pak rupees against the following currencies at 30 June 2012 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	66	101
Japanese Yen	77	118
Euro	56	86
Pound Sterling	0	0

5% weakening of Pak rupees 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.

(ii) Other price risk

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

(iii) Interest rate risk

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

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

	2012	2011
	Rupees in thousand	
Fixed rate instruments		
Financial assets		
Bank balances - savings accounts	64,508	4,929
Financial liabilities	-	-
Net exposure	64,508	4,929
Floating rate instruments		
Financial assets		
Loan against installments	1,647	1,891
Financial liabilities		
Short term borrowings	639,173	10,817
Net exposure	640,820	12,708

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates on variable rate financial instruments, at the year end date, fluctuates by 1% higher / lower with all other variables held constant, post tax profit for the year would have been Rs 0.564 million (2011: Rs. 0.005 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate instruments.

(b) Credit risk

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

(i) Exposure to credit risk

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

	2012	2011
	Rupees in thousand	
Trade debts	36,621	65,930
Advances, deposits and other receivables	223,848	317,065
Bank balances	74,688	10,266
	335,157	393,261

There is no impairment loss of trade receivables as of 30 June 2012.

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it will not receive the amount due from the particular customer. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the profit and loss account. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amount written off, are credited directly to income statement.

(ii) Credit quality of major financial assets

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

	Rating		Rating	2012	2011
	Short term	Long term	Agency	Rupees in thousand	
EFU General Life Insurance Limited	AA		JCR-VIS	322	306
Meezan Bank Limited	A1+	AA	JCR-VIS	-	-
Citi Bank	F1+	A+	Fitch	810	961
Habib Bank Limited	A1+	AA+	JCR-VIS	915	775
National Bank of Pakistan	A1+	AAA	JCR-VIS	163	304
Standard Chartered Bank Limited	A1+	AAA	PACRA	-	-
NIB Bank Limited	A1+	AA-	PACRA	272	1,029
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	-
Faysal Bank Limited	A1+	AA	PACRA	119	109
Bank Al-Habib Limited	A1+	AA+	PACRA	-	-
MCB Bank Limited	A1+	AA+	PACRA	-	2,087
Soneri Bank Limited	A1+	AA-	PACRA	72,356	4,929
Bank Al-Falah Limited	A1+	AA	PACRA	-	-
				74,958	10,500

Due to the Company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

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

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

Management monitors the forecasts of the Company's cash and cash equivalents (note 31) on the basis of expected cash flow. This is generally carried out in accordance with practice and limits set by the Company. The Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet its liabilities, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

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

At 30 June 2012

	Carrying amount	Less than one year	One to five years	More then five years
	Rupees in thousand			
Short term borrowings	639,173	639,173	-	-
Trade and other payables	747,799	747,799	-	-
	1,386,972	1,386,972	-	-
At 30 June 2011				
Short term borrowings	10,817	10,817	-	-
Trade and other payables	1,135,072	1,135,072	-	-
	1,145,889	1,145,889	-	-

32.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. However, the Company does not hold any quoted financial instrument.

The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39 'Financial Instruments: Recognition and Measurement'.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

32.3 Financial instruments by categories

	Loans and receivables	
	2012	2011
	Rupees in thousand	
Assets as per balance sheet		
Trade debts	36,621	65,930
Advances, deposits and other receivables	223,848	317,065
Cash and bank balances	74,688	10,266
	335,157	393,261

	Financial liabilities at amortized cost	
	2012	2011
	Rupees in thousand	
Liabilities as per balance sheet		
Short term borrowings	639,173	10,817
Trade and other payables	747,799	1,135,072
	1,386,972	1,145,889

32.4 Fair values of financial assets and liabilities

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

32.5 Capital risk management

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

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 Officer		Directors		Executives		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Managerial Remuneration	-	-	2,787	505	25,346	22,918	28,133	23,423
House Rent	-	-	836	152	7,609	6,823	8,445	6,975
Utilities	-	-	279	50	2,482	2,240	2,761	2,290
Medical Expenses	-	-	279	50	2,536	2,274	2,815	2,324
Retirement Benefits	-	-	-	-	592	422	592	422
Bonus etc.	-	-	90	228	2,043	2,013	2,133	2,241
	-	-	4,271	985	40,608	36,690	44,879	37,675
Number of Persons	1	1	1	1	42	38	44	40

33.1 Chief Executive Officer 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	2012	2011
		Rupees in thousand	
1 Associated Undertakings	Sales of goods and services	30,795	15,853
	Purchase of goods and services	863,191	768,179
	Profit on Bank Deposits	3,195	14,043
	Investments / Advance to parties	-	(32,150)
	Disposal of fexed assets	-	-
2 Other Related Parties	Sales of goods and services	-	44
	Purchase of goods and services	4,656	2,202
3 Defined Contribution Plan (Provident Fund)	Contribution to Provident Fund	1,111	1,630

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

	2012	2011
	In Metric Tons	
Annual Capacity (in Three Shifts)		
- Yarn	10,100	10,100
- Fiber	12,000	12,000
Actual Production		
- Yarn	10,472	10,991
- Fiber	24,485	24,259

36. Staff Strength

	Number of Employees	
Number of Employees as at 30 June	1,238	1,262

37. Date of Authorization for Issue

These financial statements were authorized for issue on 22 September 2012 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 2012 of Re. 1.00 per share (2011: Rs. 5.50 per share), amounting to Rs. 34.068 million (2011: Rs. 187.377 million) at their meeting held on 22 September 2012 for approval of the members at the annual general meeting to be held on 31 October 2012. 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 purposes of comparison. However, no significant re-arrangements have been made.

40. General

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

Jafferali M. Feerasta	Nooruddin Feerasta
Chairman	Chief Executive Officer

Pattern of Shareholding
as at 30 June 2012

Number of Shareholders	From	Shareholding	To	Total Shares held
178	1	-	100	6,859
131	101	-	500	39,932
106	501	-	1,000	74,522
95	1,001	-	5,000	234,398
20	5,001	-	10,000	151,577
7	10,001	-	15,000	86,889
1	15,001	-	20,000	20,000
5	20,001	-	25,000	114,089
3	30,001	-	35,000	99,867
1	40,001	-	45,000	41,261
1	45,001	-	50,000	47,100
1	55,001	-	60,000	59,750
1	60,001	-	65,000	60,700
1	85,001	-	90,000	89,501
2	110,001	-	115,000	230,000
2	150,001	-	155,000	305,567
1	175,001	-	180,000	177,944
1	205,001	-	210,000	209,490
1	215,001	-	220,000	217,435
1	225,001	-	230,000	230,000
1	285,001	-	290,000	286,000
1	350,001	-	355,000	352,811
1	370,001	-	375,000	371,944
1	470,001	-	475,000	472,022
1	480,001	-	485,000	483,918
1	485,001	-	490,000	488,010
1	815,001	-	820,000	816,483
1	1,085,001	-	1,090,000	1,085,316
1	1,315,001	-	1,320,000	1,319,582
1	1,600,001	-	1,605,000	1,602,223
1	2,235,001	-	2,240,000	2,237,641
1	4,475,001	-	4,480,000	4,479,260
1	8,515,001	-	8,520,000	8,519,800
1	9,055,001	-	9,060,000	9,056,623
573		**Total**		**34,068,514**

Pattern of Shareholding
as at 30 June 2012

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	542	3,169,931	9.30
Joint Stock Companies	5	120,891	0.35
Investment Companies	0	0	0.00
Directors, Chief Executive Officer and their Spouses and minor Children	10	3,379,986	9.92
Mr. Jafferali M. Feerasta		2,404,898	7.06
Mr. Nooruddin Feerasta		500	0.00
Mr. Muhammad Rashid Zahir		500	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
Total:		**3,379,986**	**9.92**
Executives			
National Bank of Pakistan, Trustee Deptt.	4	2,612,489	7.67
Investment Corporation of Pakistan	1	200	0.00
Associated Companies, undertakings and related parties:			
Trusts	5	15,808,014	46.40
Public Sector Companies and Corporations Banks, DFIs, NBFIs, Insurance Companies & Modaraba	4	444,502	1.30
Mutual Funds: Golden Arrow Selected Stocks Funds Ltd.	1	12,701	0.04
Foreign Investors	1	8,519,800	25.01
Co-operative Societies	0	-	0.00
Others			
Total:	**573**	**34,068,514**	**100.00**

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

Name of Shareholders	No. of Shares Held	Percentage
Trustees Alauddin Feerasta Trust	9,090,623	26.68
Deutsche Bank Investments (Guernsey) Limited	8,519,800	25.01
Trustees Feerasta Senior Trust	4,479,750	13.15
National Bank of Pakistan - Trustee Department NI(U)T Fund	2,612,489	7.67
Mr. Jafferali M. Feerasta	2,404,898	7.06
Trustees ALNU Trust	2,237,641	6.57
Total:	**29,345,201**	**86.14**

Proxy Form
32nd Annual General Meeting

I / We ____ of

______________________________ being member(s) of **RUPALI POLYESTER LIMITED**

and holder of ______________________________ Ordinary Shares.

Register Folio No. ____________

CDC participant I.D. No: ______________ Sub-Account No: ______________

CNIC No: | | | | | |■| | | | | | | | |■| | or Passport No: ______________

hereby appoint ______________________________ of ____________ or failing him / her

______________________________ of ____________ who is / are also member(s) of **RUPALI POLYESTER LIMITED** as my / our proxy to attend and vote for me / our behalf at the 32nd Annual General Meeting of the Company to be held on 31 October 2012 or at any adjournment thereof.

Revenue Stamp

(Signatures should agree with the specimen signature registered with the Company)

Dated this ____ day of __________ 2012

Signature of Shareholder ______________

Signature of Proxy ______________

1. WITNESS

Signature: ______________

Name: ______________

Address: ______________

CNIC No: | | | | | |■| | | | | | | | |■| |

or Passport No: ______________

2. WITNESS

Signature: ______________

Name: ______________

Address: ______________

CNIC No: | | | | | |■| | | | | | | | |■| |

or Passport No: ______________

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.

4. CDC Shareholders and their Proxies should attach an attested photocopy of their Computerized National Identity Card (CNIC) or Passport with the proxy form before submission to the Company. (Original CNIC / Passport is required to be produced at the time of the meeting).

5. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be submitted along with proxy form to the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary

Rupali Polyester Limited

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

Rupali

Rupali Polyester Limited

www.rupaligroup.com