Annual Report 2014

Rupali Polyester Limited

Contents

Corporate Data

Board of Directors

Chairman
Jafferali M. Feerasta - Non-Executive

Chief Executive Officer
Nooruddin Feerasta - Executive

Directors
Muhammad Rashid Zahir - Non-Executive

Muhammad Ali H. Sayani - Non-Executive

Sultan Ali Rajwany - Non-Executive

Amin A. Feerasta - Non-Executive

Abdul Hayee - Executive

Committees of Board of Directors

Audit Committee
Sultan Ali Rajwany - Chairman

Muhammad Rashid Zahir - Member

Amin A. Feerasta - Member

Human Resource & Remuneration Committee
Jafferali M. Feerasta - Chairman

Nooruddin Feerasta - Member

Amin A. Feerasta - Member

Chief Financial Officer
Ayub Saqib

Company Secretary
S. Ghulam Shabbir Gilani

Bankers
Bank Alfalah Limited

Bank Al-Habib Limited

Faysal Bank Limited

Habib Bank Ltd

MCB Bank Limited

NIB Bank Limited

Soneri Bank Limited

Auditors
Qavi & Co.

Chartered Accountants

Registered Office
Rupali House, 241-242 Upper Mall Scheme,

Anand Road, Lahore - 54000 PAKISTAN

Plant
30.2 Kilometer Lahore - Sheikhupura Road

Sheikhupura - 39350 PAKISTAN

Our Vision

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

Our Mission

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

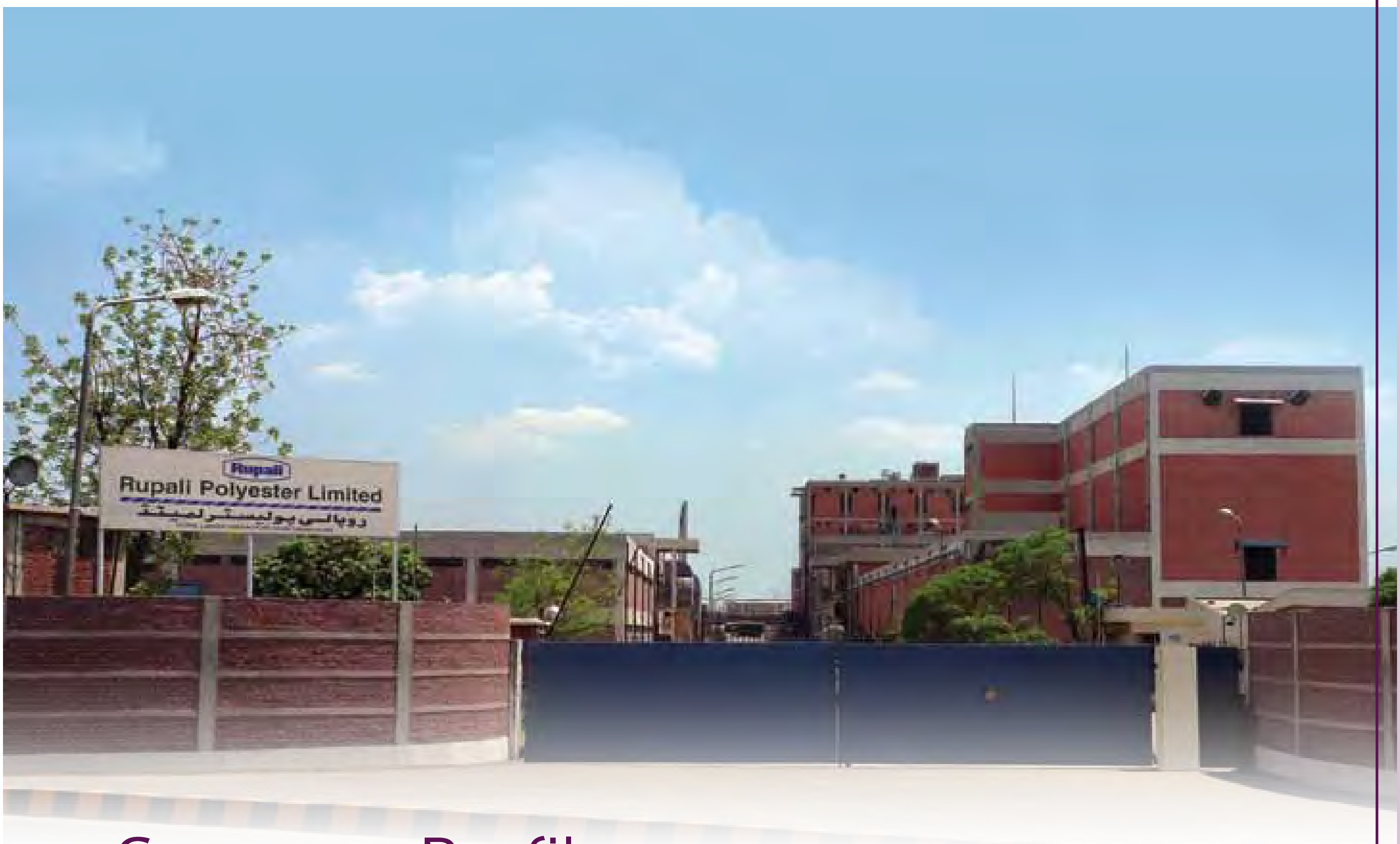
To accomplish targeted results through increased earnings for maximum benefit to the Company stakeholders.

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

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

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 background 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 Staple Fiber and Polyester 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. 4,055 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.

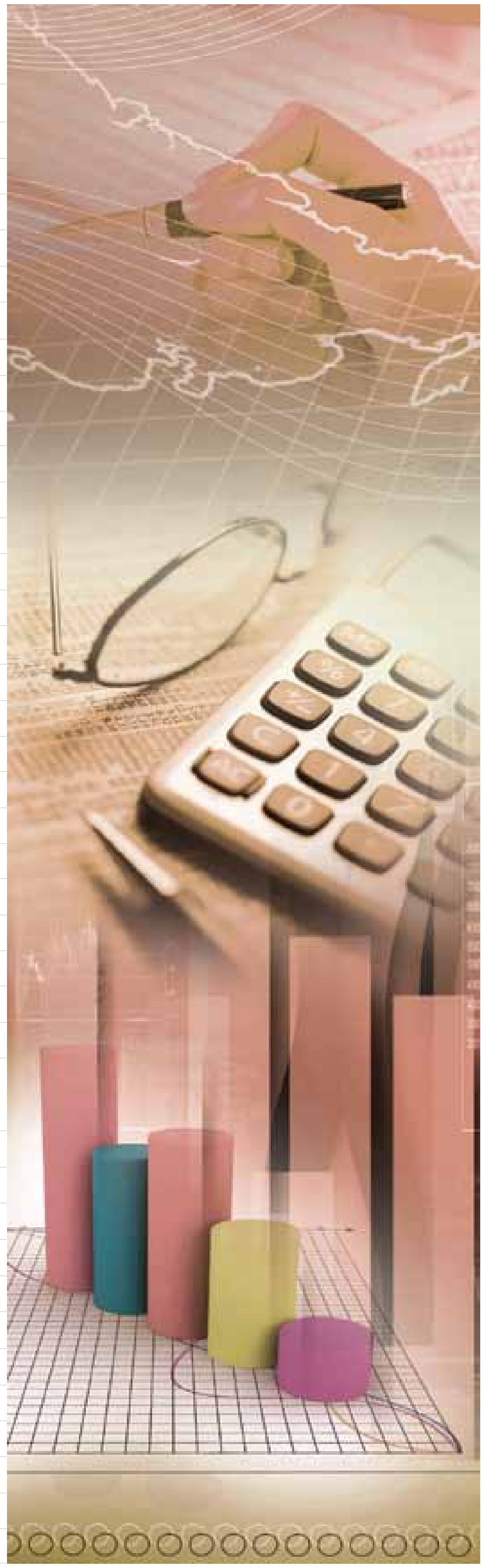
The Company gives high priority to customers' satisfaction, tries to maintain uninterrupted supply of its products and provides after sales services, technical support for trouble shooting.

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.

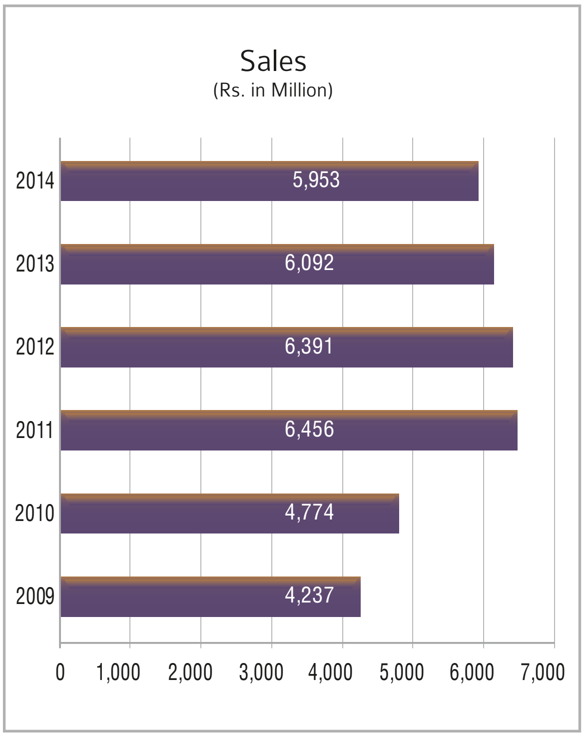
Financial Highlights

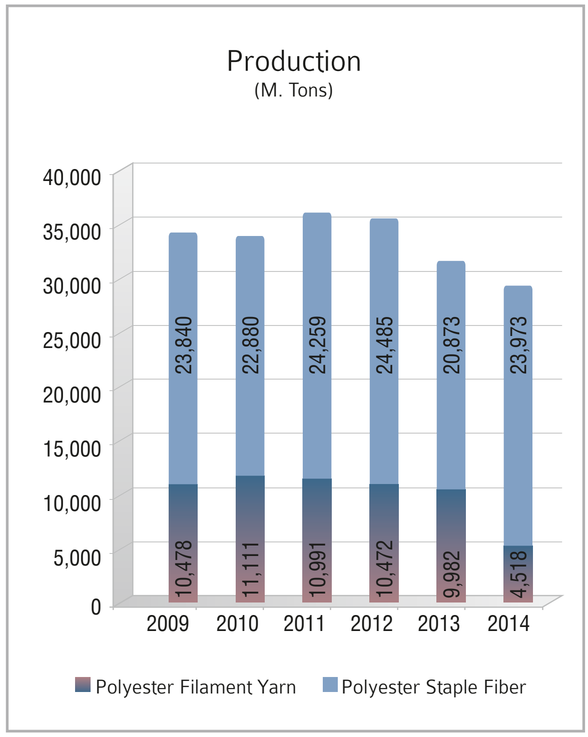
	UOM	2014	2013	2012
Profit and Loss Account				
Sales - Net	Rs. in thousand	5,952,659	6,091,802	6,390,922
Cost of Goods Sold	Rs. in thousand	6,219,222	6,317,322	6,175,904
Gross Profit	Rs. in thousand	(266,563)	(225,520)	215,018
Operating profit	Rs. in thousand	(361,421)	(275,782)	125,266
Profit before tax	Rs. in thousand	(479,858)	(357,747)	81,750
Profit after tax	Rs. in thousand	(403,284)	(436,600)	20,939
Income tax - current	Rs. in thousand	-	30,459	63,909
- prior years	Rs. in thousand	(30,459)	565	(33,233)
- deferred	Rs. in thousand	(46,115)	47,829	30,135
Dividend				
Cash dividend	Rs. in thousand	-	-	34,068
Cash dividend rate	Percentage	-	-	10
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	(613,511)	(210,227)	259,657
Shareholders equity	Rs. in thousand	1,462,789	1,866,073	2,335,957
No. of ordinary shares	Numbers	34,068,514	34,068,514	34,068,514
Non-current liabilities	Rs. in thousand	516,553	411,166	365,068
Current liabilities	Rs. in thousand	2,075,711	1,393,461	1,400,079
Property, Plant and Equipment	Rs. in thousand	1,630,402	1,578,010	1,311,704
Capital work-in-progress	Rs. in thousand	98,324	37,110	226,909
Long term investments/loans/deposits	Rs. in thousand	4,361	4,281	4,281
Current assets	Rs. in thousand	2,420,290	2,088,409	2,558,210
Net current assets	Rs. in thousand	344,579	694,948	1,158,131
Total liabilities	Rs. in thousand	4,055,053	3,670,700	4,101,104
Total Assets	Rs. in thousand	4,055,053	3,670,700	4,101,104
Ratios Analysis				
Gross profit	Percentage	(4.47)	(3.70)	3.36
Net profit	Percentage	(6.77)	(7.17)	0.33
Inventory turnover	Times	7	6	4
Cash dividend per share	Rupees	-	-	1.00
Debt : equity ratio		9 : 91	0 : 100	0 : 100
Break-up value per share	Rupees	42.94	54.77	68.40
Market value per share at the end of the year	Rupees	17.10	23.30	25.66
Production volume				
Production capacity	M. Tons	22,100	22,100	22,100
Production achieved	M. Tons	28,491	30,855	34,957
Capacity utilization	Percentage	129	140	158
Employees	Numbers	968	1,001	1,238

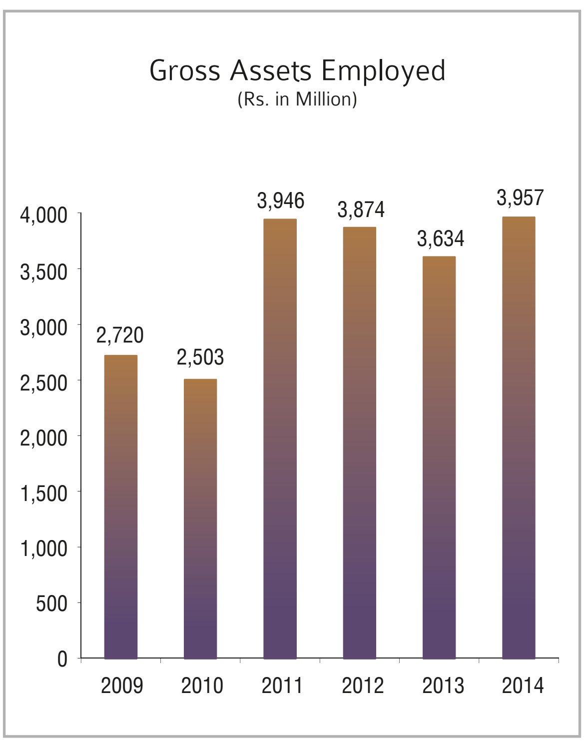
2011	2010	2009	2008	2007
6,455,848	4,774,324	4,237,268	4,224,019	4,115,381
5,804,892	4,301,276	3,937,467	3,965,886	3,910,332
650,956	473,048	299,801	258,133	205,049
515,795	288,930	264,307	229,752	167,705
503,881	286,005	261,092	227,539	165,044
332,262	207,802	196,632	171,023	103,038
116,219	107,860	90,972	56,428	19,879
(3,230)	(22,197)	(4,210)	(52,002)	-
58,630	(7,460)	(22,302)	52,090	42,127
187,377	136,274	136,274	102,206	85,171
55	40	40	30	25
340,685	340,685	340,685	340,685	340,685
1,735,615	1,735,615	1,735,615	1,495,615	1,495,615
420,502	224,514	152,986	298,560	212,708
2,496,802	2,300,814	2,229,286	2,134,860	2,049,008
34,068,514	34,068,514	34,068,514	34,068,514	34,068,514
329,253	261,634	263,293	279,678	219,965
1,146,577	240,394	230,032	516,869	457,856
1,192,889	907,586	969,334	986,262	847,485
26,998	300,143	2,845	6,271	96,470
4,281	36,334	140,984	133,427	124,606
2,748,464	1,558,779	1,609,448	1,805,447	1,658,268
1,601,887	1,318,385	1,379,416	1,288,578	1,200,412
3,972,632	2,802,842	2,722,611	2,931,407	2,726,829
3,972,632	2,802,842	2,722,611	2,931,407	2,726,829
10.08	9.91	7.08	6.11	4.98
5.15	4.35	4.64	4.05	2.50
4	7	5	5	5
5.50	4.00	4.00	3.00	2.50
0 : 100	0 : 100	0 : 100	0 : 100	0 : 100
73.29	67.53	65.44	62.66	60.14
41.50	33.00	29.45	42.00	42.50
22,100	22,100	22,100	22,100	22,100
35,250	33,991	34,318	35,072	36,334
160	154	155	159	164
1,239	1,186	1,249	1,288	1,256

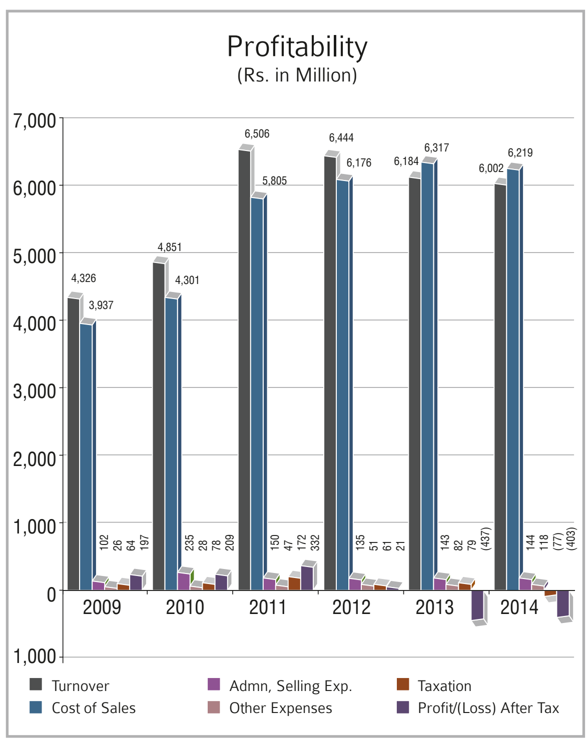


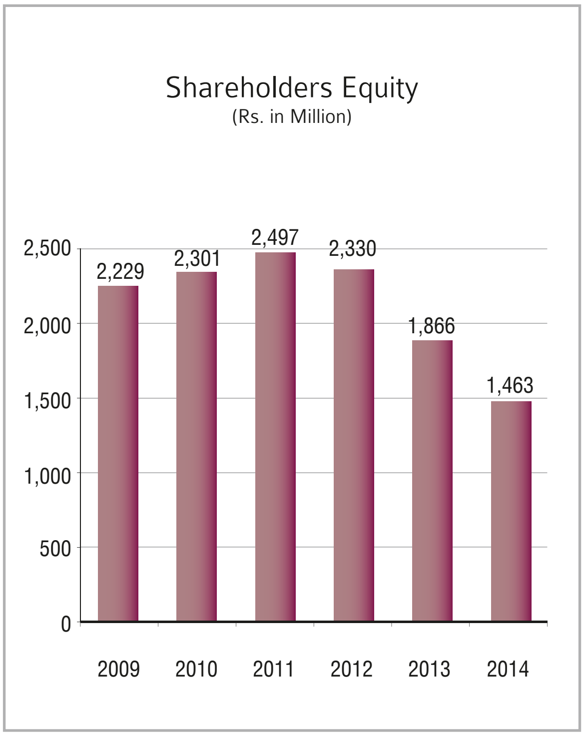
Graphical Presentation

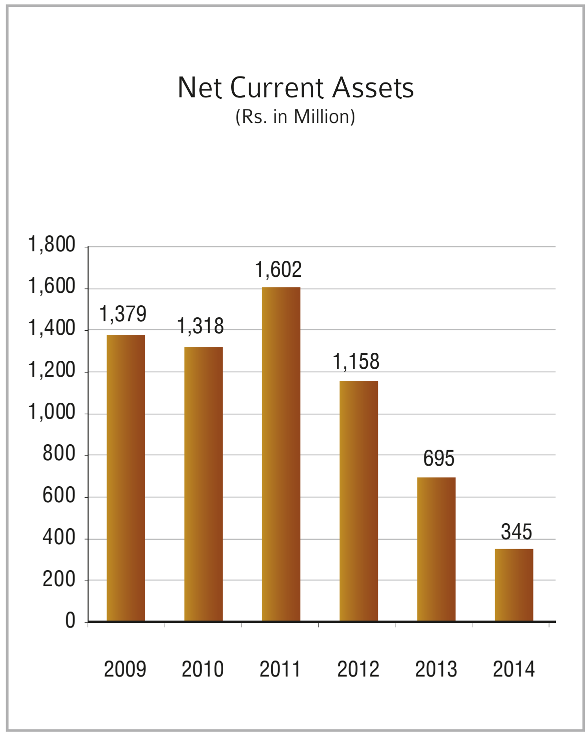


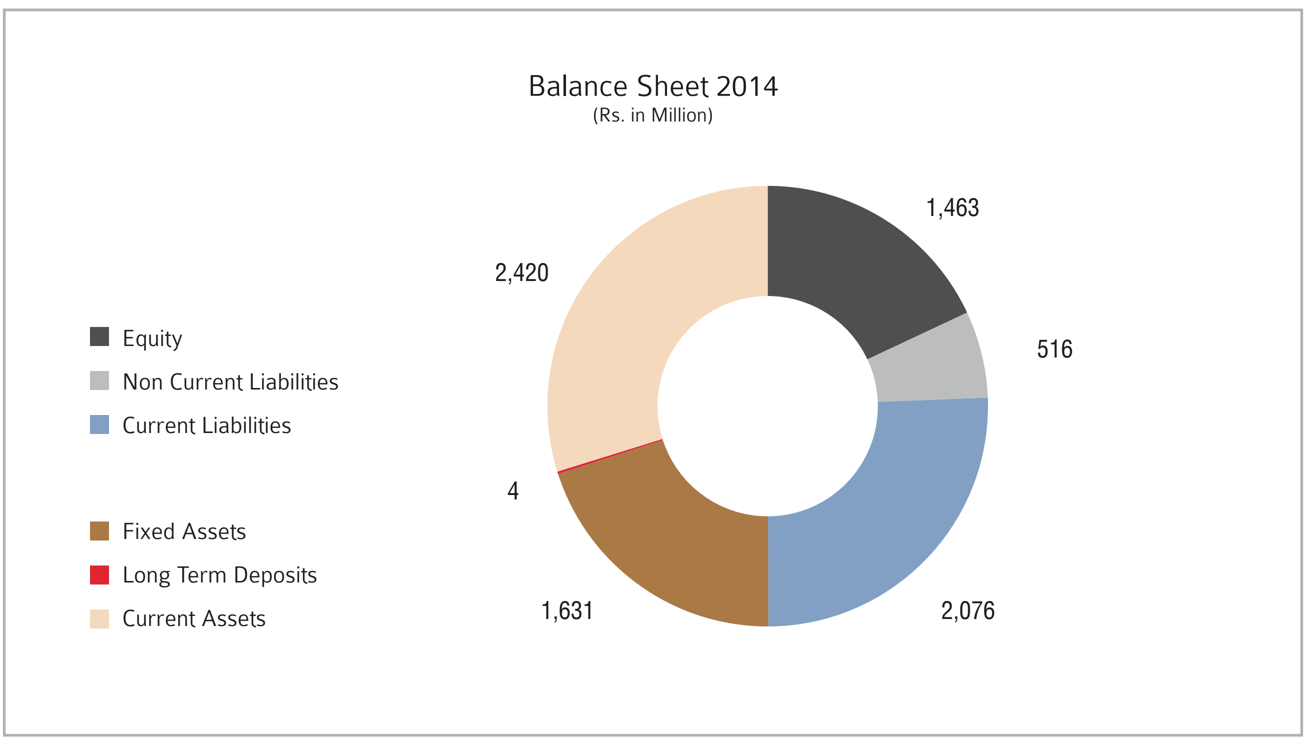







Shareholders Equity
(Rs. in Million)
2,500
2,000
1,500
1,000
500
0
2,229
2,301
2,497
2,330
1,866
1,463
2009
2010
2011
2012
2013
2014


Net Current Assets
(Rs. in Million)
1,800
1,600
1,400
1,200
1,000
800
600
400
200
0
1,379
1,318
1,602
1,158
695
345
2009
2010
2011
2012
2013
2014

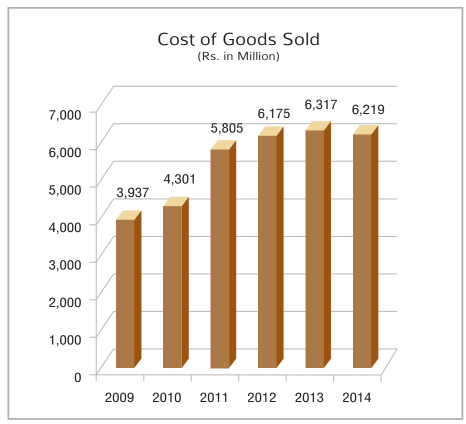

Balance Sheet 2014
(Rs. in Million)
Equity
Non Current Liabilities
Current Liabilities
Fixed Assets
Long Term Deposits
Current Assets
1,463
516
2,076
1,631
4
2,420

Directors' Report
to the Shareholders

On behalf of the Board of Directors of the Company, I am pleased to welcome you to the thirty-fourth annual general meeting and present the Annual Report and the audited financial statements of the Company for the year ended 30 June 2014 together with the Auditors' report.

Financial Results:

	Rupees in thousand
Loss before taxation	(479,858)
Taxation	76,574
Loss after taxation	(403,284)
	Rupees
Earnings per share – Basic and Diluted	(11.84)



Overview

The financial year 2014 was very challenging but the Company sustained its resilience. Manufacturing cost went up and gross margins were squeezed further. This situation was caused mainly by energy shortages and non-responsiveness of Polyester Filament Yarn (PFY) prices to increase in manufacturing cost and lower demand by downstream users due to influx of cheaper Yarn from China and India. As a result, sales revenue of PFY dropped both in quantitative and monetary terms causing negative results and huge losses. The situation was made worst by a fall in Polyester Staple Fiber (PSF) prices due to stiff competition in the market.

In Punjab, wide-spread energy shortages are a major problem for the producing units to maintain their operations at optimal levels. The supplies of electricity and gas were far less than demand exposing the textile units to great hardship in keeping their production schedules intact. The public utilities have failed to rise to the occasion. It is due to their inability to supply enough energy that textile exports have lagged and GSP Plus facility could not be fully availed.

During the year appreciation of Pak Rupee against US dollar not only hampered export competitiveness but also provided additional incentive to importers of Yarn and Fabric causing serious jeopardy to local Yarn sale and consumption in downstream textile units.

The Gas Infrastructure Development Cess (GIDC) has been abnormally increased in the Finance Act 2014-15 thus overburdening the industrial units. High gas tariff is relatively much higher than the neighboring countries. It will cripple the entire industry. The rate for general industry has been increased from Rs.100/MMBTU to Rs.150/MMBTU, which would cause heavy escalation in cost.

The electricity woes have hit the industry hard. The unabated electricity and gas load shedding has jeopardized the production capacities of textile units in Punjab. It is deplorable that energy supply to the industry has not been prioritized resulting in closure of a significant segment of this vital industry. The electricity load shedding was merely four hours a day in 2011 against 10 hours a day in 2014. The gas load shedding was only seven hours a day in 2011 which has jumped to 16 hours a day in 2014. Textile industry is the mainstay of Pakistan's economy and apart from its major contribution to manufacturing, GDP and exports, millions of work force is directly and indirectly connected with this industry. The Punjab-based industry is being discriminated. Textile sector's operations are in limbo. There has been no acceptable improvement towards protecting the local industry. The concerned quarters should address the structural problems plaguing the economy.

In a bid to explore alternate energy-efficient ways we have installed imported coal fired steam boilers to replace existing boilers. These coal fired steam boilers have become operational this year which have reduced the steam cost considerably. We are further planning to convert our present heating plant based on furnace oil to coal. It is hoped that this investment will contribute in reducing our production cost.

The raw material prices during the year 2014 remained erratic. The MEG price which in July 2013 was US$1,020 per M.Ton showed a soaring trend till April 2014 when it declined to US$975 per M.Ton and in June 2014 it was US$985 per M.Ton. The price of PTA in July 2013 was US$1,110 per M.Ton which was softened in March 2014 to US$940 but again rose to US$1,025 in June 2014.

The Company posted a gross loss of Rs.266.563 million as against Rs.225.520 million in 2013. Operating loss grew to Rs.361.421 million from Rs.275.782 million in the last year owing to inflationary pressure. Other income also decreased to Rs.48.887 million from Rs.92.368 million in 2013. Before tax loss rose to Rs.479.858 million from Rs.357.747 million in the year 2013 and after tax loss clocked in at Rs.403.284 million compared to Rs.436.600 million in the last year. Finance cost for the year rose in line with KIBOR rates adding extra stress on bottom line. The main reasons for losses are decline in sales and higher input cost led by fuel cost due to severe energy crisis and high prices of raw material i.e. PTA and MEG.

Future Outlook

The future of Fiber and Yarn industry is co-related with the activity in downstream textile chain which is damaged by the energy and other issues. Dumping of PSF from China is extensively injurious to local PSF industry. We had filed an application with the National Tariff Commission (NTC) for imposing anti-dumping duty on PSF dumped from China which is still pending with NTC. This is a matter of high significance, therefore, NTC should consider it on preference basis because any further delay will affect the sustainability of the Polyester Staple Fiber producers.

Recent rains and floods in northern and central Pakistan have devastated the roads and infra-structure particularly in Punjab and its impact on standing crops especially cotton crop as well as the rehabilitation of flood-ravaged population will adversely affect the country's economy. Cotton production may diminish and its price to go up. This may increase the Polyester demand. Besides, political uncertainty during preceding months deepened poverty and exacerbated un-employment in the country.

New taxation structure in the National Budget 2014-15 has increased problems for manufacturing industries. A major budgetary measure to restrict the input tax adjustment only to the extent of goods and services actually used in manufacturing / sales of the taxable activity has created misunderstanding between the FBR and the manufacturers. This regime will give rise to several practical difficulties as seeking input tax adjustment only on goods directly consumed for manufacturing process would be very difficult for the businessmen. Our huge amount of over Rs.137 million is pending with FBR on account of Sales Tax refunds since December 2012 and further delay in these refunds is also adding to cash crunch.

Apart from above concerns, the illegal dumping of Fiber, Yarn and Fabrics in the country has made the local Yarn and Fiber totally uncompetitive and local

industry is at the brink of total collapse. Energy constraints have halted the industrial wheel and high production cost has affected the competitive edge of textile exports in international market.

Even though the profitability for last 2-3 years has been swallowed, the Company has optimistic BMR and energy related plans for the coming times which will serve as a catalyst for cost savings and earnings of the Company. Rupali's expansion plans and up-gradation projects include refurbishment of production lines and coal-based operations.

The Company is ensuring consistent production of excellent quality products through vigorous technological development and innovative efforts. However, lingering power crises still remain a concerning factor for the Company and might result in further shrinking of margins. The Management is determined in arresting the energy-related cost factors exploring the best and optimally workable solutions. Efforts are also being made to explore new customer base by emphasizing market as well as product development.

Board of Directors

Since election held in 2012, there was no change in composition of the Board of Directors of the Company.

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 2014-15.

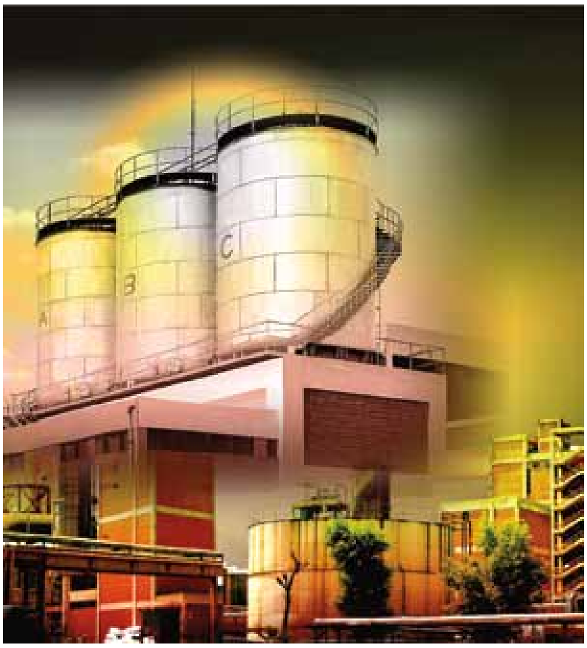
Pattern of Shareholding

A statement showing the pattern of shareholding in the Company as at 30 June 2014 appears on Page 57.

Disclosure Requirements as per Code of Corporate Governance

Good Corporate Governance has always been the focal point of the Board of Directors of the Company. I am happy to report that your Company by the Grace of ALLAH, meets the standard set in the guidelines for good corporate governance and is in compliance with the relevant regulations and following specific statements are being given hereunder:

- The Company has maintained its books of account as per statutory requirements.
- The 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 there from 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. However, the gas and power shortages disturbed our targeted production and sales schedules. 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 2014 (Unaudited)	30 June 2013 (Audited)
24,640	23,809

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. Sultan Ali Rajwany	Chairman	4
2.	Mr. Muhammad Rashid Zahir	Member	3
3.	Mr. Amin A. Feerasta	Member	4

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

Total number of HR and Remuneration Committee Meetings held during the year under review: 4

Attendance by each Member:

1.	Mr. Jafferali M. Feerasta	Chairman	4
2.	Mr. Nooruddin Feerasta	Member	4
3.	Mr. Amin A. Feerasta	Member	4

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

Corporate Social Responsibility (CSR)

Your Company gives high priority to its social responsibilities and is committed to the highest standards of corporate behavior. 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 as deemed preferred and surplus funds availability. Our CSR may include 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 2014.

There was no reportable occupational illness to our employees or contracted manpower in 2014.

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 2014 were approved and authorized for their issuance by the Board of Directors on 27 September 2014.

Investment in Associated Company

The shareholders in their last annual general meeting had given approval for an investment upto Rs.200 million in Associated Company namely Rupafil PowerGen (Pvt.) Limited under Section 208 of the Companies Ordinance, 1984 with validity of three years. However, owing to some alternate energy-related plans, including BMR of in-house power generation facilities and other workable solutions for energy cost control, the Company kept the investment in Associated Company in abeyance and during the year ended 30 June 2014 no funds were released to the Associated Company.

A Note of Gratitude

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

On behalf of the Board

Jafferali M. Feerasta
Chairman

Lahore:

27 September 2014

Notice of Meeting

Notice is hereby given that the Thirty Fourth Annual General Meeting of Rupali Polyester Limited ("the Company") will be held at Rupali House, 241-242 Upper Mall Scheme, Anand Road, Lahore on Friday, 31 October 2014 at 10:00 a.m. to transact the following business:

Ordinary Business:

1) To confirm the minutes of Thirty Third Annual General Meeting of the Company held on 31 October 2013.

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 2014.

3) 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.

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

By order of the Board

Lahore

27 September 2014

S. Ghulam Shabbir Gilani
Company Secretary

Notes:

1) Share transfer books of the Company will remain closed from 22 October 2014 to 31 October 2014 (both days inclusive).

2) 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.

3) 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.

4) Submission of copy of CNIC (Mandatory):

   In order to comply with the directives of the Securities and Exchange Commission of Pakistan (SECP) issued from time to time, the shareholders are requested to kindly send photocopy of their CNICs to us immediately at our address "Rupali House, 241-242 Upper Mall Scheme, Anand Road, Lahore-54000 or our Share Registrar M/s. THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi – 75530". The shareholders who have already provided CNIC number to us need not re-submit it unless the CNIC is expired. Corporate shareholders are requested to provide their National Tax Numbers (NTN).

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

Statement under Rule 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Name of the investee Company	Rupafil PowerGen (Pvt.) Limited
Total Investment Approved	Upto Rupees Two Hundred Million was approved by the members in their meeting held on 31 October 2013 for a period of three (3) years.
Amount of investment made to date	NIL
Reason for not having made complete investment so far where resolution required it to be implemented in specified time.	Owing to some alternate energy-related plans, including BMR of in-house power generation facilities and other workable solutions for energy cost control, the Company kept the investment in Associated Company in abeyance and during the year ended 30 June 2014 no funds were released to the Associated Company.
Material Change in financial statement of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	NIL

Statement of Compliance
with the Code of Corporate Governance

Name of Company - Rupali Polyester Limited
Year Ended - 30 June 2014

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	Mr. Sultan Ali Rajwany
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

   The independent director meets the criteria of independence under clause i(b) of CCG.

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 is an independent director.

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 a non-executive director.

18. The board has set-up an effective internal audit function.

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. The board evaluation is being implemented.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board of Directors

Nooruddin Feerasta
Chief Executive Officer

Lahore:

27 September 2014

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 2014 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, Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges requires the Company to place before the board of directors for their consideration and approval its 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 2014.

Lahore:

27 September 2014

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 2014 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 2014 and of the loss, 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:

27 September 2014

Qavi & Co.
Chartered Accountants
Engagement partner: Ghulam Abbas

Balance Sheet
as at 30 June 2014

	Note	2014	2013
		Rupees in thousand	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,630,402	1,578,010
Long term deposits	6	4,361	4,281
CURRENT ASSETS			
Stores, spares and loose tools	7	802,530	792,495
Stock-in-trade	8	894,259	862,427
Trade debts	9	4,748	8,162
Loans and advances	10	17,197	30,410
Trade deposits and short term prepayments	11	1,557	3,105
Other receivables	12	385,121	255,328
Taxation - net	13	181,955	124,325
Cash and bank balances	14	132,923	12,157
		2,420,290	2,088,409
		4,055,053	3,670,700
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
35,000,000 (2013: 35,000,000) ordinary shares of Rs. 10 each		350,000	350,000
Issued, subscribed and paid-up capital	15	340,685	340,685
Capital reserve		71,490	71,490
General reserve		1,664,125	1,664,125
Accumulated loss		(613,511)	(210,227)
		1,462,789	1,866,073
NON-CURRENT LIABILITIES			
Long term borrowings	16	146,315	-
Staff retirement benefits - gratuity	17	85,362	80,175
Deferred taxation	18	284,876	330,991
		516,553	411,166
CURRENT LIABILITIES			
Trade and other payables	19	592,128	446,153
Short term borrowings	20	1,457,948	933,967
Accrued mark-up		25,635	13,341
		2,075,711	1,393,461
CONTINGENCIES AND COMMITMENTS	21		
		4,055,053	3,670,700

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

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

Profit and Loss Account
for the year ended 30 June 2014

	Note	2014	2013
		Rupees in thousand	
Sales	22	5,952,659	6,091,802
Cost of goods sold	23	(6,219,222)	(6,317,322)
Gross loss		(266,563)	(225,520)
Selling and distribution expenses	24	(10,538)	(15,706)
Administrative and general expenses	25	(133,207)	(126,904)
Other operating charges	26	-	(20)
Other operating income	27	48,887	92,368
Operating loss		(361,421)	(275,782)
Finance cost	28	(118,437)	(81,965)
Loss before taxation		(479,858)	(357,747)
Taxation	29	76,574	(78,853)
Loss after taxation		(403,284)	(436,600)
		Rupees	
Earnings per share - basic and diluted	30	(11.84)	(12.82)

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 2014

	2014	2013
	Rupees in thousand	
Loss after taxation	(403,284)	(436,600)
Other comprehensive income		
Remeasurement gain on defined benefit obligation - (net of tax)	-	785
Total comprehensive loss	(403,284)	(435,815)

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 2014

	Note	2014	2013
		Rupees in thousand	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash used in operations	31	(209,649)	(11,856)
Finance cost paid		(106,143)	(81,731)
Income tax paid		(27,171)	(30,735)
Staff retirement benefits paid		(10,152)	(19,185)
Net Cash outflow from operating activities		(353,115)	(143,507)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(197,127)	(179,875)
Proceeds from disposal of property, plant and equipment		770	125
Long term deposits		(80)	-
Net cash outflow from investing activities		(196,437)	(179,750)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term borrowings		146,315	-
Dividend paid		-	(34,069)
Net cash outflow from financing activities		146,315	(34,069)
Net decrease in cash and cash equivalents		(403,237)	(357,326)
Cash and cash equivalents at the beginning of the year		(921,810)	(564,485)
Effect of exchange rate fluctuations		22	1
Cash and cash equivalents at the end of the year	32	(1,325,025)	(921,810)

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 2014

Rupees in thousand

		Capital Reserve	Revenue Reserves			
	Issued Subscribed and Paid-up Capital	Share Premium	General Reserve	Un-appropriated Profit/(Accumulated Loss)	Total Reserves	Total Equity
Balance as on 01 July 2012	340,685	71,490	1,664,125	259,657	1,995,272	2,335,957
Final dividend for the year ended 30 June 2012 @ 10%	-	-	-	(34,069)	(34,069)	(34,069)
Loss for the year ended 30 June 2013	-	-	-	(436,600)	(436,600)	(436,600)
Other comprehensive income for the year ended 30 June 2013	-	-	-	785	785	785
Balance as on 30 June 2013	340,685	71,490	1,664,125	(210,227)	1,525,388	1,866,073
Balance as on 01 July 2013	340,685	71,490	1,664,125	(210,227)	1,525,388	1,866,073
Final dividend for the year ended 30 June 2013	-	-	-	-	-	-
Loss for the year ended 30 June 2014	-	-	-	(403,284)	(403,284)	(403,284)
Other comprehensive income for the year ended 30 June 2014	-	-	-	-	-	-
Balance as on 30 June 2014	340,685	71,490	1,664,125	(613,511)	1,122,104	1,462,789

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 2014

1. Legal status and nature of business

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

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and requirements of 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 become effective during the year ended 30 June 2014

There were certain new amendments to the approved accounting standards and a new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.3 The International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

	Effective for Periods Beginning on or after
IFRS 1 - First Time Adoption of International Financial Reporting Standards	01 January 2013
IFRS 9 - Financial Instruments	01 January 2015
IFRIC 21 - Levies	01 January 2014

2.4 The following interpretations issued by IASB have been waived off by Securities and Exchange Commission of Pakistan (SECP) effective 16 January 2012:

IFRIC 4 - Determining whether an arrangement contains lease
IFRIC 12 - Service concession arrangements

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 disclosed 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 Company conducts actuarial valuation after every two years and the latest actuarial valuation being carried out at 30 June 2013 (refer note 17).

4.1.2 Defined Contribution Plan - Provident Fund

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

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 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 less 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 in the month of addition, whereas no depreciation is charged in the month of disposal or deletion of assets. Rates of depreciation, which are disclosed in note 5, 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. Gains/losses on disposal of assets are recognised in income/expense 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 is stated at cost and consists of expenditure incurred, advances made and other directly attributable costs in respect of operating fixed assets in the course of their construction and installation. Transfers are made to relevant operating fixed assets category as and when assets are available for use.

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 assets fair value less costs to sell and value in use. Impairment losses are charged to profit and loss.

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

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) 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. Property, plant and equipment

	Note	30 June 2014	30 June 2013
		Rupees in thousand	
Operating fixed assets	5.1	1,532,078	1,540,900
Capital work -in- progress	5.4	98,324	37,110
		1,630,402	1,578,010

5.1 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 2014											
Opening net book value (NBV)	27,784	66,986	16,463	169,965	1,644	1,212,869	13,365	3,962	24,965	2,897	1,540,900
Additions (at cost)	-	396	-	481	-	128,910	122	2,889	3,025	90	135,913
Disposals / write offs (at NBV)	-	-	-	-	-	-	-	(37)	(10)	-	(47)
Depreciation Charge	-	(6,712)	(823)	(8,508)	(82)	(123,169)	(1,340)	(1,139)	(2,620)	(295)	(144,688)
Closing net book value (NBV)	27,784	60,670	15,640	161,938	1,562	1,218,610	12,147	5,675	25,360	2,692	1,532,078
Gross carrying value basis											
As at 30 June 2014											
Cost	27,784	218,476	25,188	220,873	4,838	3,072,262	30,158	17,729	75,287	6,801	3,699,396
Accumulated depreciation	-	(157,806)	(9,548)	(58,935)	(3,276)	(1,853,652)	(18,011)	(12,054)	(49,927)	(4,109)	(2,167,318)
Net book value (NBV)	27,784	60,670	15,640	161,938	1,562	1,218,610	12,147	5,675	25,360	2,692	1,532,078
Depreciation rate p.a (%)	-	10	5	5	5	10	10	20	10	10	-
Net carrying value basis											
Year ended 30 June 2013											
Opening 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
Additions (at cost)	-	253	-	-	-	366,908	521	136	1,856	-	369,674
Disposals / write offs (at NBV)	-	-	-	-	-	(1)	-	(97)	(42)	(5)	(145)
Depreciation Charge	-	(7,432)	(867)	(8,946)	(87)	(117,626)	(1,460)	(960)	(2,633)	(322)	(140,333)
Closing net book value (NBV)	27,784	66,986	16,463	169,965	1,644	1,212,869	13,365	3,962	24,965	2,897	1,540,900
Gross carrying value basis											
As at 30 June 2013											
Cost	27,784	218,080	25,188	220,392	4,838	2,943,352	30,036	15,948	72,341	6,711	3,564,670
Accumulated depreciation	-	(151,094)	(8,725)	(50,427)	(3,194)	(1,730,483)	(16,671)	(11,986)	(47,376)	(3,814)	(2,023,770)
Net book value (NBV)	27,784	66,986	16,463	169,965	1,644	1,212,869	13,365	3,962	24,965	2,897	1,540,900
Depreciation rate p.a (%)	-	10	5	5	5	10	10	20	10	10	-

5.2 The depreciation charge has been allocated as follows:

	Note	2014	2013
		Rupees in thousand	
Cost of Goods Sold	23	130,258	125,467
Selling and Distribution Expenses	24	721	743
Administrative and General Expenses	25	13,709	14,123
		144,688	140,333

5.3 Disposal of Operating Fixed Assets:

The following assets were disposed off during the year:

Rupees in thousand

Particulars of Assets	Cost	Accumu-lated Depreciation	Book Value	Sale Proceeds	Gain / (Loss) on Disposal	Mode of Disposal	Particulars of Buyers
Vehicles							
Mazda van	699	684	15	450	435	Negotiation	Muhammad Faraz
Coure Car	409	387	22	320	298	Negotiation	Muhammad Shakeel
	1,108	1,071	37	770	733		
Office equipment							
Air conditioners	62	57	5	-	(5)	Salvage	-
Electric water cooler	16	11	5	-	(5)	Salvage	-
	78	68	10	-	(10)		
2014	1,186	1,139	47	770	723		
2013	567	422	145	125	(20)		

	2014	2013
	Rupees in thousand	
5.4 Capital work-in-progress		
Civil works	12,810	-
Plant and machinery	85,173	1,877
Office equipment	111	647
Furniture and fixture	230	70
Other assets	-	43
	98,324	2,637
Advances for plant and machinery	-	33,434
Advances for civil works	-	1,039
	98,324	37,110
6. Long term deposits		
Security Deposits	4,361	4,281
	4,361	4,281
7. Stores, spares and loose tools		
Stores		
- In hand	126,042	131,814
- In transit	5,002	4,222
	131,044	136,036
Spares		
- In hand	656,890	633,803
- In transit	8,696	16,648
	665,586	650,451
Loose tools		
- In hand	5,900	6,008
	802,530	792,495

	Note	2014	2013
		Rupees in thousand	
8. Stock-in-trade			
Raw and packing materials			
- In hand		286,272	412,567
- In transit		-	-
		286,272	412,567
Work-in-process		18,942	51,584
Finished goods	8.1	589,045	398,276
		894,259	862,427

8.1 Finished Goods of Rs. 518.668 million (2013: 237.700 million) are being carried at net realisable value and an amount of Rs. 26.123 million (2013: 21.641 million) has been charged to cost of goods sold.

	Note	2014	2013
9. Trade debts			
Considered Good - Unsecured		4,748	8,162
		4,748	8,162
10. Loans and advances - Considered good			
Loans due from			
- Executives	10.1	77	147
- Non-Executives	10.1	990	1,047
		1,067	1,194
Advances due from			
- Staff against expenses		196	358
- Suppliers and contractors		15,934	28,858
		16,130	29,216
		17,197	30,410

10.1 Loans have been granted under staff loan policy, as temporary financial assistance, to staff. These are secured against the gratuity payable to employees and are recoverable in 36 equal monthly instalments. These loans carry mark-up at the rate of 14.00% (2013: 17.00%) per annum. The maximum aggregate amount of loans and advances due from executives at the end of any month during the year was Rs. 0.188 million (2013: Rs. 0.443 million). None of these loans are outstanding for more than 3 years.

	Note	2014	2013
		Rupees in thousand	
11. Trade deposits and short term prepayments			
Deposits - Considered good			
Margin on bank guarantees		265	265
Prepayments - Considered good			
Prepaid rent		-	2,228
Prepaid insurance		495	288
Other prepayments		797	324
		1,557	3,105
12. Other Receivables			
Considered good			
Due from associated companies	12.1	40	-
Due from other related parties	12.2	41,595	42,348
Insurance claim receivable		202	386
Sales tax refundable		323,354	193,320
Others		2,407	1,741
		367,598	237,795
Considered doubtful			
Sales tax refundable		28,513	28,513
Less: Provision for doubtful receivables	12.3	(26,821)	(26,821)
		1,692	1,692
Others		15,831	15,841
		385,121	255,328

12.1 Maximum amount due from associated companies at the end of any month during the year was Rs. 33.857 million (2013: Rs. 2.554 million). The amount due from associated companies are in the normal course of business and are interest free.

12.2 Maximum amount due from other related parties at the end of any month during the year was Rs. 42.347 million (2013: Rs. 58.477 million). The amount due from other related parties are in the normal course of business and are interest free.

12.3 This includes provision for doubtful receivable amounting to Rs. 24.204 million (2013: Rs. 24.204 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	2014	2013
		Rupees in thousand	
13. Taxation - Net			
Advance Tax		181,955	154,784
Provision for Taxation	29	-	(30,459)
		181,955	124,325
14. Cash and bank balances			
Balance with banks			
- Current accounts		90,292	3,704
- PLS Accounts			
- Local currency	14.1	42,540	8,408
- Foreign currency	14.2	18	11
		132,850	12,123
Cash in hand			
- Local currency		61	30
- Foreign currency		12	4
		73	34
		132,923	12,157

14.1 The balances in PLS accounts carry mark-up rate ranging between 6.00% to 9.80% (2013: 5.00% to 10.50%) for local currency and Nil (2013: Nil) for foreign currency.

14.2 Cash at banks in PLS accounts include US $ 181.12 (2013: US $ 111.12).

15. Issued, subscribed and paid-up capital

2014	2013		Note	2014	2013
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

	Note	2014	2013
16. Long term borrowings			
Long term finance	16.1	146,315	-
		146,315	-

16.1 The Company has obtained a term finance facility of Rs. 500 million from MCB Bank Limited for the purpose of import of plant and machinery, spare parts and related civil works. The facility is secured by way of first charge over fixed assets aggregating to Rs. 667 million, lien over import documents and promissory note of Rs. 975 million and carries a mark-up of 6 month KIBOR + 0.5% to be reset on biannual basis. The loan is repayable in 10 equal half yearly instalments starting from May 2016.

17. Staff retirement benefits - gratuity

17.1 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 (Revised) - 'Employee Benefits' as of 30 June 2014, using the Projected Unit Credit Method.

	2014	2013
17.2 Principal actuarial assumptions		
Following are a few important actuarial assumptions used in valuation:		
Discount rate (%) per annum	10	10
Expected rate of salary increase in future years (%) per annum	9	9
Average expected remaining working life time of employees (years)	7	7

	Note	2014	2013
		Rupees in thousand	
17.3 The amount recognized in the balance sheet			
Present value of defined benefit obligation		85,362	80,175
Liability recognized in the balance sheet		85,362	80,175
17.4 Movement in liability recognized in the balance sheet			
Present value of defined benefit obligation at the beginning of the year		80,175	82,328
Charge for the year - Profit and loss account	17.5	15,339	18,240
Charge for the year - Other comprehensive income		-	(1,208)
Payments made during the year		(10,152)	(19,185)
Present value of defined benefit obligation at the end of the year		85,362	80,175
17.5 Charge for the year			
Current service cost		7,321	5,509
Net interest cost		8,018	12,731
		15,339	18,240

		Note	2014	2013
			Rupees in thousand	
17.6	Charge for the year has been allocated as follows:			
	Cost of goods sold	23	10,538	12,531
	Selling and distribution expenses	24	240	222
	Administrative and general expenses	25	4,561	5,487
			15,339	18,240

18. Deferred taxation

	Note	2014	2013
Deferred tax liability on taxable temporary differences			
Accelerated tax depreciation allowance		313,899	330,991
Deferred tax asset on unused tax losses	18.1	(29,023)	-
		284,876	330,991

18.1 The Company has unutilised tax losses of Rs. 935.362 million to be off set against future taxable profits and deferred tax asset arising thereon amounts to Rs. 318.023 million. Based on the forecast provided by the management deferred tax asset of Rs. 29.023 million, only to the extent of anticipated future taxable profits of Rs. 85.362 million, has been recognised.

19. Trade and other payables

	Note	2014	2013
Creditors		537,008	364,894
Due to associated companies	19.1	39	5,382
Accrued liabilities		39,449	51,208
Advances from customers		1,039	2,817
Retention money		2,135	267
Payable to provident fund		345	289
Income tax deducted at source		280	846
Workers' profit participation fund	19.2	7,508	7,538
Workers' welfare fund		-	11,229
Unclaimed dividend		1,114	1,115
Other payables		3,211	568
		592,128	446,153

19.1 Due to associated companies

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

19.2 Workers' profit participation fund

	2014	2013
Balance at the beginning of the year	7,538	11,163
Allocation for the year	-	-
	7,538	11,163
Less: Amount paid to the trustees of the fund	30	3,625
Deposited with the government	-	-
	30	3,625
Balance at the end of the year	7,508	7,538

	Note	2014	2013
		Rupees in thousand	
20. Short term borrowings			
Secured - from banking companies			
Running finances under mark-up arrangements from banks	20.1 & 20.2	1,024,948	500,967
Term finances under mark-up arrangements from banks	20.1	433,000	433,000
		1,457,948	933,967

20.1 The aggregate finance facilities available from various commercial banks amounted to Rs. 1,700 million (2013: Rs. 1,900 million). These carry mark-up at the rates ranging from 9.26% to 10.94% (2013: 9.25% to 12.45%) p.a. and are secured against hypothecation charge on current assets of Rs. 2,074.265 million (2013: Rs. 2,314.821 million) and promissory notes of Rs. 2,061.356 million (2013: Rs. 2,319.28 million) respectively. Maximum amount utilised during the year ended 30 June 2014 amounted to Rs. 1,070.109 million.

20.2 The facilities for opening letter of credit from various commercial banks as at 30 June 2014 aggregates to Rs. 2,350 million (2013: Rs. 3,022 million) of which the amount remained unutilised at the year-end was Rs. 1,662.828 million (2013: Rs. 2,657.018 million).

21. Contingencies and commitments

21.1 Contingencies:

21.1.1 Guarantees issued to different organizations in the normal course of business amounted to Rs. 66.314 million (2013: Rs. 66.314 million).

21.1.2 No outstanding guarantees were given on behalf of related parties as at 30 June 2014 and 2013.

21.2 Commitments:

21.2.1 Contracts for capital expenditure commitments outstanding as at 30 June 2014 amounted to Rs. 217.263 million (2013: Rs. 210.821 million).

21.2.2 Commitments against irrevocable letters of credit as at 30 June 2014 amounted to Rs. 687.172 million (2013: Rs. 364.982 million).

	2014	2013
22. Sales	Rupees in thousand	
Gross sales		
- Local sales	6,084,455	6,152,547
- Export sales	-	-
	6,084,455	6,152,547
Less:		
- Commission / discount	(11,836)	(23,791)
- Sales Tax	(119,960)	(36,954)
	(131,796)	(60,745)
	5,952,659	6,091,802

	Note	2014	2013
		Rupees in thousand	
23. Cost of goods sold			
Raw and packing materials consumed		5,029,799	4,407,474
Stores and spares consumed		52,863	86,416
Salaries, wages and amenities	23.1	198,279	202,848
Fuel and power		906,721	957,615
Repair and maintenance		26,110	4,546
Running and maintenance of vehicles		14,687	14,979
Insurance		15,610	14,006
Depreciation	5.2	130,258	125,467
Rent, rates and taxes		859	528
Other expenses		2,163	2,627
		6,377,349	5,816,506
Add: Opening work-in-process		51,584	106,639
Less: Closing work-in-process		(18,942)	(51,584)
		6,409,991	5,871,561
Add: Opening finished goods		398,276	844,037
Less: Closing finished goods		(589,045)	(398,276)
		6,219,222	6,317,322

23.1 Salaries, wages and amenities include Rs. 10.538 million (2013: Rs. 12.531 million) in respect of staff retirement benefits and Rs. 0.704 million (2013: Rs. 0.664 million) in respect of provident fund contribution.

	Note	2014	2013
24. Selling and distribution expenses			
Salaries, wages and amenities	24.1	4,011	3,816
Rent, rates and taxes		152	139
Electricity, gas and water charges		267	287
Postage, telephone and fax		95	105
Printing and stationery		157	209
Books and subscription		29	42
Running and maintenance of vehicles		109	85
Repair and maintenance		162	190
Travelling expenses		226	100
Entertainment		44	44
Insurance		85	102
Depreciation	5.2	721	743
Freight and forwarding		4,480	9,844
		10,538	15,706

24.1 Salaries, wages and amenities include Rs. 0.240 million (2013: Rs. 0.222 million) in respect of staff retirement benefits and Rs. 0.048 million (2013: Rs. 0.041 million) in respect of provident fund contribution.

	Note	2014	2013
		Rupees in thousand	
25. Administrative and general expenses			
Salaries, wages and amenities	25.1	78,781	72,507
Director's remuneration		4,967	4,722
Rent, rates and taxes		2,878	2,635
Electricity, gas and water charges		5,065	5,449
Postage, telephone and fax		1,807	1,997
Printing and stationery		2,988	3,968
Books and subscription		544	792
Running and maintenance of vehicles		2,063	1,615
Repair and maintenance		3,087	3,619
Legal and professional charges		9,191	9,384
Travelling expenses		4,300	1,901
Entertainment		841	831
Auditor's remuneration	25.2	800	800
Insurance		1,609	1,937
Advertisement		370	324
Depreciation	5.2	13,709	14,123
Miscellaneous expenses		207	300
		133,207	126,904

25.1 Salaries, wages and amenities include Rs. 4.561 million (2013:Rs.5.487 million) in respect of staff retirement benefits and Rs.0.912 million (2013:Rs.0.783 million) in respect of provident fund contribution.

		2014	2013
25.2 Auditor's remuneration			
Audit fee		475	475
Certification and review		85	85
Taxation services		240	240
Other professional services		-	-
		800	800

	Note	2014	2013
26. Other operating charges			
Workers' profit participation fund	19.2	-	-
Loss on disposal of operating fixed assets	5.3	-	20
		-	20

	Note	2014	2013
		Rupees in thousand	
27. Other operating income			
Income from financial assets			
Mark-up / Interest income	27.1	2,795	2,566
Exchange gain		22	1
		2,817	2,567
Income from non-financial assets			
Scrap, waste and other sales - net	27.2	31,575	38,262
MEG handling income		-	3,853
Remission of liabilities		2,378	2,658
Profit on disposal of operating fixed assets	5.3	723	-
Other misc. income		11,394	45,028
		46,070	89,801
		48,887	92,368
27.1 Mark-up / Interest income			
Interest income from banks		2,386	2,079
Mark-up income on:			
- Staff loans		210	216
- Credit sales		199	271
		2,795	2,566
27.2 Scrap, waste and other sales - net			
Gross sales		34,868	40,938
Less: Sales tax		(3,293)	(2,676)
		31,575	38,262
28. Finance cost			
Mark-up on short term borrowings		117,906	78,546
Bank commission and other charges		531	3,419
		118,437	81,965
29. Taxation.			
Current			
- for the year	29.1	-	30,459
- prior years		(30,459)	565
		(30,459)	31,024
Deferred			
Origination and reversal of temporary differences		(7,635)	47,829
Un-utilised tax losses		(29,023)	-
Impact of change in tax rate		(9,457)	-
		(46,115)	47,829
		(76,574)	78,853

29.1 According to the Income Tax Ordinance, 2001 if the Company has declared gross loss before set off of depreciation and other inadmissible expenses, minimum income tax is not chargeable to the Company. Since the company is incurring losses and minimum tax is not chargeable to the Company, provision for current taxation is, therefore, nil.

29.2 Reconciliation between the applicable tax rate and average effective tax rate is as follows:

	Note	2014 %	2013 %
Applicable tax rate	29.1	-	35.00
Tax effect of:			
- Change in prior year tax		6.35	(0.16)
- Change in deferred tax liability		1.59	(13.37)
- Change in statutory tax rate for next year		1.97	-
- Un-utilised tax losses		6.05	-
- Non-deductible expenses in determining taxable profit		-	(43.51)
		15.96	(57.04)
Average effective tax rate		15.96	(22.04)

30. Earnings per share

30.1 Earnings per share - basic

	Note	2014	2013
Loss for the year after taxation attributable to ordinary shareholders (Rupees in thousand)		(403,284)	(436,600)
Weighted average ordinary shares in issue during the year (No. of shares)	15	34,068,514	34,068,514
Basic earnings per share (Rupees)		(11.84)	(12.82)

30.2 Earnings per share - diluted

There is no dilutive potential ordinary shares outstanding as at 30 June 2014 and 2013.

	Note	2014	2013
		Rupees in thousand	
31. Cash used in operations			
Loss before taxation		(479,858)	(356,962)
Adjustments for non-cash and other items			
Depreciation	5.2	144,688	140,333
(Profit) / Loss on disposal of property, plant and equipment	5.3	(723)	20
Staff retirement benefits expense		15,339	17,032
Exchange gain	27	(22)	(1)
Remission of liabilities	27	(2,378)	(2,658)
Finance cost	28	118,437	81,965
		275,341	236,691
		(204,517)	(120,271)
Effect on cash flow due to working capital changes (Increase) / Decrease in current assets			
Stores, spares and loose tools		(10,035)	(45,359)
Stock-in-trade		(31,832)	492,449
Trade debts		3,414	28,459
Loans and advances		13,213	9,075
Trade deposits and short term prepayments		1,548	(237)
Other receivables		(129,793)	(76,984)
		(153,485)	407,403
Decrease / (Increase) in current liabilities			
Trade and other payables		148,353	(298,988)
Cash used in operations		(209,649)	(11,856)
32. Cash and cash equivalents			
Cash and bank balances	14	132,923	12,157
Short term borrowings	20	(1,457,948)	(933,967)
		(1,325,025)	(921,810)

33. Financial risk management

33.1 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 minimise 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 and Euro. Currently, the Company's foreign exchange risk exposure is restricted to bank balances and the amounts receivable from / payable to the foreign entities.

5% strengthening of Pak rupees against the following currencies at 30 June 2014 would have decreased 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	(160)	(242)
Japanese Yen	(13)	(19)
Euro	(28)	(43)

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

(ii) Interest rate risk

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

The Company has no significant 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:

	2014	2013
	Rupees in thousand	
Fixed rate instruments		
Financial assets		
Loan against instalments	1,067	1,194
Financial liabilities	-	-
Net exposure	1,067	1,194
Floating rate instruments		
Financial assets		
Bank balances - savings accounts	42,558	8,419
Financial liabilities		
Short term borrowings	(1,457,948)	(933,967)
Net exposure	(1,415,390)	(925,548)

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 1.514 million (2013: Rs. 0.969 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate instruments.

(iii) Other price risk

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

(b) Credit risk

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

(i) Exposure to credit risk

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

	2014	2013
	Rupees in thousand	
Trade debts	4,748	8,162
Advances, deposits and other receivables	408,236	290,284
Bank balances	132,923	12,157
	545,907	310,603

There is no impairment loss of trade receivables as at 30 June 2014 and 2013.

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 reorganisation, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognised 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	2014	2013
	Short term	Long term	Agency	Rupees in thousand	
Efu General Life Insurance Limited	-	AA+	JCR-VIS	203	288
Citibank N.A.	P-2	A3	Moody's	-	437
Habib Bank Limited	A1+	AAA	JCR-VIS	471	1,884
National Bank of Pakistan	A1+	AAA	JCR-VIS	321	336
NIB Bank Limited	A1+	AA-	PACRA	-	-
Faysal Bank Limited	A1+	AA	PACRA	-	143
Bank Al-Habib Limited	A1+	AA+	PACRA	43,404	904
MCB Bank Limited	A1+	AAA	PACRA	46,099	1
Soneri Bank Limited	A1+	AA-	PACRA	42,559	8,420
Bank Al-Falah Limited	A1+	AA	PACRA	-	-
				133,057	12,413

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 2014	Carrying amount	Less than one year	One to five years	More then five years
	Rupees in thousand			
Short term borrowings	1,457,948	1,457,948	-	-
Trade and other payables	592,128	592,128	-	-
	2,050,076	2,050,076	-	-
At 30 June 2013				
Short term borrowings	933,967	933,967	-	-
Trade and other payables	446,153	446,153	-	-
	1,380,120	1,380,120	-	-

33.2 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.

33.3 Financial instruments by categories

	2014	2013
	Rupees in thousand	
(a) Loans and receivables		
Assets as per balance sheet		
Trade debts	4,748	8,162
Advances, deposits and other receivables	408,236	290,284
Cash and bank balances	132,923	12,157
	545,907	310,603
(b) Financial liabilities at amortised cost		
Liabilities as per balance sheet		
Short term borrowings	1,457,948	933,967
Trade and other payables	592,128	446,153
	2,050,076	1,380,120

33.4 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.

33.5 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.

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

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

During the year, the Company reviewed its capital risk management policy and obtained a long term finance to adjust its capital structure. The Company believe that such policy will help minimize its overall cost of capital and better utilisation of funds.

34. 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	
	2014	2013	2014	2013	2014	2013
Managerial remuneration	-	-	3,297	3,073	25,111	20,802
House rent	-	-	989	922	7,533	6,240
Utilities	-	-	330	307	2,511	2,080
Medical expenses	-	-	330	307	2,511	2,080
Retirement benefits	-	-	-	-	569	383
Others	-	-	21	28	478	768
	-	-	4,967	4,637	38,713	32,353
Number of person(s)	1	1	1	1	27	23

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

35. Transactions with related parties

The related parties comprises 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:

35.1 Details of transactions with related parties

Name	Nature of Relationship	Nature of Transactions	2014	2013
			Rupees in thousand	
Rupafil Limited	Associated undertaking	- Sales of goods and services	898,811	66,037
		- Purchase of goods and services	707,533	1,296,961
Rupali Nylon (Pvt.) Limited	Associated undertaking	- Sales of goods and services	-	-
		- Purchase of goods and services	4,921	4,661
Soneri Bank Limited	Associated undertaking	- Profit on bank deposits	2,368	2,079
Spintex Limited	Other related party	- Sales of goods and services	-	-
		- Purchase of goods and services	4,126	963
Provident Fund Trust	Defined contribution plan	- Contribution to Provident Fund	1,664	1,489

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.

	2014	2013
	Rupees in thousand	
35.2 Amount due from/(outstanding to) related parties		
Rupafil Limited		
- Sale of goods and services	21	-
- Purchase of goods and services	-	(5,345)
Rupali Nylon (Pvt.) Limited		
- Sale of goods and services	-	-
- Purchase of goods and services	(39)	(37)
Spintex Limited		
- Sale of goods and services	41,595	42,348

36. Plant capacity and actual production

	2014	2013
	In Metric Tons	
Annual capacity (in three shifts)		
- Yarn	10,100	10,100
- Fiber	12,000	12,000
Actual production		
- Yarn	4,518	9,982
- Fiber	23,973	20,873

37. Staff strength

	2014	2013
	Number of Employees	
Number of employees as at 30 June	968	1,001

38. Date of authorization for issue

These financial statements were authorized for issue on 27 September 2014 by the Board of Directors of the Company.

39. Corresponding figures

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

39.1 Capital work in progress has been reclassified from face of balance sheet to note 5.4.

39.2 In Auditor's remuneration, certifcation and review charges has been reclassified from audit fee.

40. General

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

Jafferali M. Feerasta
Chairman

Nooruddin Feerasta
Chief Executive Officer

Pattern of Shareholding
as at 30 June 2014

Number of Shareholders	Shareholding From		Shareholding To	Total Shares held
184	1	-	100	6,575
116	101	-	500	37,215
97	501	-	1,000	68,705
93	1,001	-	5,000	213,991
21	5,001	-	10,000	156,230
7	10,001	-	15,000	86,701
1	15,001	-	20,000	20,000
4	20,001	-	25,000	91,689
2	25,001	-	30,000	56,379
2	30,001	-	35,000	69,000
1	75,001	-	80,000	80,000
1	85,001	-	90,000	89,500
2	110,001	-	115,000	230,000
1	140,001	-	145,000	142,500
1	145,001	-	150,000	146,482
1	150,001	-	155,000	153,045
1	205,001	-	210,000	209,490
1	215,001	-	220,000	216,223
1	225,001	-	230,000	230,000
1	285,001	-	290,000	286,000
1	350,001	-	355,000	352,811
2	430,001	-	435,000	863,323
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	1,260,001	-	1,265,000	1,260,500
1	1,315,001	-	1,320,000	1,319,582
1	2,240,001	-	2,245,000	2,240,641
1	4,510,001	-	4,515,000	4,511,760
1	8,515,001	-	8,520,000	8,519,800
1	9,060,001	-	9,065,000	9,064,623
552		Total		34,068,514

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	523	3,474,375	10.20
Joint Stock Companies	-	-	-
Investment Companies	-	-	-
Directors, Chief Executive Officer and their Spouses and minor Children	10	3,401,321	9.98
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. Sultan Ali Rajwany		21,345	0.06
Mr. Amin A. Feerasta		500	0.00
Mr. Abdul Hayee		1,150	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:		3,401,321	9.98
Executives			
National Bank of Pakistan, Trustee Deptt.	5	2,229,505	6.54
Investment Corporation of Pakistan	1	200	0.00
Associated Companies, undertakings and related parties			
Public Sector Companies and Corporations			
Banks, DFIs, NBFIs, Insurance Companies, Modaraba & Mutual Funds	7	591,799	1.74
Foreign Investors	1	8,519,800	25.01
Co-operative Societies	-	-	-
Trusts	5	15,851,514	46.53
Others			
Total:	552	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	9,098,623	26.71
Deutsche Bank Investments (Guernsey) Limited	8,519,800	25.01
Trustees Feerasta Senior Trust	4,512,250	13.24
Trustees ALNU Trust	2,240,641	6.58
National Bank of Pakistan - Trustee Department NI(U)T Fund	2,229,505	6.54
Total:	26,600,819	78.08

Proxy Form 34th 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 / on our behalf at the 34th Annual General Meeting of the Company to be held on 31 October 2014 or at any adjournment thereof.

Revenue Stamp

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

Dated this ____ day of October 2014

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

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