

**Quarterly Accounts (Un-audited)
for the 3rd Quarter ended
31 March 2015**



Rupali Polyester Limited

Corporate Data

Board of Directors

Chairman / Chief Executive Officer

Nooruddin Feerasta

Directors

| | |
|---------------------------------------|--|
| Muhammad Rashid Zahir - Non-Executive | Muhammad Ali H. Sayani - Non-Executive |
| Sultan Ali Rajwany - Non-Executive | Amin A. Feerasta - Non-Executive |
| Shehzad Feerasta - Non-Executive | Abdul Hayee - Executive |

Audit Committee

| | |
|-------------------------------|--------------------------------|
| Sultan Ali Rajwany - Chairman | Muhammad Rashid Zahir - Member |
| Amin A. Feerasta - Member | |

Human Resource & Remuneration Committee

| | |
|-------------------------------|-----------------------------|
| Sultan Ali Rajwany - 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 Limited |
| 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 - Sheikhpura Road
Sheikhpura - 39350 PAKISTAN

Directors' Review

On behalf of the Board of Directors, I am pleased to present before you the Company's un-audited financial statements for the third quarter and nine months period ended 31 March 2015.

Financial Results

We take pride in reporting that with strenuous efforts, dedication and strong focus of the Management to upturn the Company towards its economic revival as a profit making unit, our phased out plans have been very successful to overcome the difficulties caused by energy crises, economic instability and law and order situation in the country. With our remedial measures, a gradual improvement in our financial results is encouraging. The loss in the third quarter ended March 2015 was Rs.161.68 million before-tax that compared to the quarter ended December 2014 was reduced by Rs.12.04 million. In addition to the trend of reduction in losses, there is a one time shutdown cost of Rs.20.67 million plus stock loss of Rs.25.00 million, which we do not expect to incur again. Had this not been impacted by shutdown cost and stock loss, our results would have been improved by Rs.46 million to loss before-tax of Rs.116.01 million. After incurring expenses for polymer modification and major overhaul the conversion cost has started improving. As a result, our monthly results of March 2015 are showing an improving trend. In the month of February, this loss was reduced to 35% despite the first week being shutdown period and in the month of March, the gross loss turned into profit, as a result of which the loss in the month of March remained only 5% against 60% in January 2015 which reflects a vivid improvement. The month wise sales in Q3 have witnessed a considerable growth viz-a-viz the sales in March were increased to Rs.483 million from Rs.302 million in January, showing a growing momentum.

During the nine-month period under review, our Polymer plant remained shut for two and a half months for modification. With the Blessings of Allah Almighty, plant operations remained smooth after its restart. The major causes of depressed profitability are attributable to subdued market conditions in textile sector, plunging selling prices of our products and less production during plant overhaul. In this quarter, production was less than normal resulting in lower sales and increase in fixed costs and financial charges. This is the major factor of revenue losses in Q3. During the third quarter under review, there was a heavy slide in prices of Polyester Staple Fiber (PSF) and Polyester Filament Yarn (PFY). Despite 168 percent increase in quantitative sale of PFY over corresponding quarter in 2014, the downfall in rates diluted the profit margin and the increased volume of PFY could not compensate the impacts of tumbled rates. Unviable pricing competition with dumped products continued to prejudice our sales and revenues jeopardizing our margins.

Energy outages have not been eased out and are still continuing with chronic impacts on industrial operations. Severe load shedding and shutdown of gas and power was faced all along the nine months under review.

Sales revenue for the nine months period ended 31 March 2015 decreased to Rs.3,388.57 million from Rs.4,759.94 million in corresponding period last year and for the current quarter ended March 2015, the sales revenue declined to Rs.1,097.04 million from Rs.1,297.60 million last year. Loss before-tax for nine months ended 31 March 2015 rose to Rs.473.57 million from Rs.214.51 million in the previous year and after-tax loss increased to Rs.458.32 million from Rs.249.89 million. Similarly, before-tax loss for Q3 was Rs.161.68 million compared to Rs.68.41 million in same quarter last year and after-tax loss was same as before-tax loss of Rs.161.68 million compared to Rs.81.38 million in the same quarter of the last year.

Administrative and general expenses were kept under strict control and remained comparable with corresponding periods of financial year 2014. Finance cost in the quarter Jan-March 2015 increased to Rs.43.83 million from Rs.34.79 million in the same quarter of the previous year because of short-term borrowings for stop-gap cash flow till sales revenues generate upon full production after plant shutdown.

Future Outlook

With capital expenditures in polymer modification and coal-fired heaters, we hope that in future the conversion cost will reduce to have positive impact on our profitability while the markets were to remain at the current levels. The Management is tirelessly working to make the operations more economically viable provided the raw material prices remain stabilized and local market conditions are responsive to producing cost.

At the Government front, efforts are needed for creation of conducive and enabling environment to assuage the miseries for industry revival. Heavy influx of PSF and PFY from China and other far eastern countries has made indigenous products highly uncompetitive which should be put under cap. Protection to local industry needs to be provided by way of adequate level of anti-dumping duty on imports from China. National Tariff Commission should immediately impose anti-dumping duty on PSF dumped from China in order to provide relief and protection to local industry.

The Management is committed to continue growth momentum to transform Company's production facility into an operationally and economically sound manufacturing unit.

We are thankful to our valued customers, stakeholders, commercial banks and DFIs for their confidence in the Company. We also appreciate continued hard work by the Management and Staff of the Company.

On behalf of the Board

Nooruddin Feerasta
Chief Executive Officer

Lahore

21 April 2015

Condensed Interim Balance Sheet (Un-audited)

as at 31 March 2015

| | Note | Un-Audited 31 March 2015 | Audited 30 June 2014 |
|---|------|-----------------------------|-------------------------|
| Rupees in thousand | | | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 1,744,223 | 1,630,402 |
| Investment property | 6 | 300,000 | - |
| Long term deposits | | 4,361 | 4,361 |
| | | <u>2,048,584</u> | <u>1,634,763</u> |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 832,595 | 802,530 |
| Stock-in-trade | | 615,902 | 894,259 |
| Trade debts | | 61,442 | 4,748 |
| Loans and advances | | 18,530 | 17,197 |
| Trade deposits and short term prepayments | | 8,726 | 1,557 |
| Other receivables | | 439,690 | 385,121 |
| Taxation - net | | 198,652 | 181,955 |
| Cash and bank balances | | 6,639 | 132,923 |
| | | <u>2,182,176</u> | <u>2,420,290</u> |
| | | <u>4,230,760</u> | <u>4,055,053</u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised share capital: 35,000,000 (30 June 2014: 35,000,000) ordinary shares of Rs.10 each | | <u>350,000</u> | <u>350,000</u> |
| Issued, subscribed and paid-up capital: 34,068,514 (30 June 2014: 34,068,514) ordinary shares of Rs.10 each | | 340,685 | 340,685 |
| Capital reserve | | 71,490 | 71,490 |
| General reserve | | 1,664,125 | 1,664,125 |
| Accumulated loss | | (1,071,830) | (613,511) |
| | | <u>1,004,470</u> | <u>1,462,789</u> |
| Surplus on revaluation of property, plant and equipment | | 293,388 | - |
| NON-CURRENT LIABILITIES | | | |
| Long term borrowings | 7 | 283,315 | 146,315 |
| Staff retirement benefits - gratuity | | 89,066 | 85,362 |
| Deferred taxation | | 269,629 | 284,876 |
| Liability against asset subject to finance lease | 8 | 992 | - |
| | | <u>643,002</u> | <u>516,553</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 807,760 | 592,128 |
| Short term borrowings | | 1,443,311 | 1,457,948 |
| Current portion of long term liabilities | | 212 | - |
| Accrued mark-up | | 38,617 | 25,635 |
| | | <u>2,289,900</u> | <u>2,075,711</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 9 | <u>4,230,760</u> | <u>4,055,053</u> |

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

 Nooruddin Feerasta
Chief Executive Officer

 Abdul Hayee
Director

Condensed Interim Profit and Loss Account (Un-audited) for the nine months ended 31 March 2015

| | Quarter Ended March 2015 | Quarter Ended March 2014 | Nine Months Ended March 2015 | Nine Months Ended March 2014 |
|--|-----------------------------|-----------------------------|---------------------------------|---------------------------------|
| | Rupees in thousand | | | |
| Sales | 1,097,036 | 1,297,599 | 3,388,570 | 4,759,939 |
| Cost of goods sold | (1,187,869) | (1,306,242) | (3,649,320) | (4,821,801) |
| Gross loss | (90,833) | (8,643) | (260,750) | (61,862) |
| Selling and distribution expenses | (2,633) | (2,473) | (7,502) | (7,982) |
| Administrative and general expenses | (32,765) | (31,477) | (98,203) | (96,746) |
| Other operating charges | - | - | (6) | - |
| Other operating income | 8,386 | 8,975 | 24,130 | 30,938 |
| Operating loss | (117,845) | (33,618) | (342,331) | (135,652) |
| Finance cost | (43,832) | (34,787) | (131,235) | (78,858) |
| Loss before taxation | (161,677) | (68,405) | (473,566) | (214,510) |
| Taxation | - | (12,976) | 15,247 | (35,383) |
| Loss after taxation | (161,677) | (81,381) | (458,319) | (249,893) |
| | Amount in Rupees | | | |
| Loss per share- basic and diluted | (4.75) | (2.39) | (13.45) | (7.34) |

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Nooruddin Feerasta
Chief Executive Officer

Abdul Hayee
Director

Condensed Interim Statement of Comprehensive Income (Un-audited) for the nine months ended 31 March 2015

| | Quarter Ended March 2015 | Quarter Ended March 2014 | Nine Months Ended March 2015 | Nine Months Ended March 2014 |
|----------------------------|-----------------------------|-----------------------------|---------------------------------|---------------------------------|
| | Rupees in thousand | | | |
| Loss after Taxation | (161,677) | (81,381) | (458,319) | (249,893) |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive loss | <u>(161,677)</u> | <u>(81,381)</u> | <u>(458,319)</u> | <u>(249,893)</u> |

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Nooruddin Feerasta
Chief Executive Officer

Abdul Hayee
Director

Condensed Interim Cash Flow Statement (Un-audited)

for the nine months ended 31 March 2015

| | March 2015 | March 2014 |
|--|--------------------|------------------|
| | Rupees in thousand | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (473,566) | (214,510) |
| Adjustments for non-cash and other items | | |
| Depreciation | 109,771 | 107,280 |
| Amortization of prepayments | - | 2,840 |
| Staff retirement benefits | 10,168 | 10,534 |
| (Profit) / loss on disposal of property, plant and equipment | 6 | (727) |
| Mark-up / interest income | (1,550) | (2,196) |
| Finance cost | 131,235 | 78,858 |
| | <u>249,630</u> | <u>196,589</u> |
| Effect on cash flow due to working capital changes | | |
| (Increase) / Decrease in current assets | | |
| Stores, spares and loose tools | (30,064) | (46,618) |
| Stock-in-trade | 278,357 | (547,890) |
| Trade debts | (56,693) | (5,227) |
| Loans and advances | (1,333) | 2,751 |
| Trade deposits and short term prepayments | (7,169) | (5,634) |
| Other receivables | (54,570) | (119,827) |
| | <u>128,528</u> | <u>(722,445)</u> |
| Decrease In current liabilities | | |
| Trade and other payables | 215,634 | 485,299 |
| | <u>215,634</u> | <u>485,299</u> |
| Cash used in operations | 120,226 | (255,067) |
| Finance cost paid | (118,252) | (65,773) |
| Income tax paid | (16,696) | (22,001) |
| Mark-up / interest income received | 1,550 | 2,196 |
| Staff retirement benefits paid | (6,465) | (6,513) |
| | <u>(19,637)</u> | <u>(347,158)</u> |
| Net Cash outflow from operating activities | <u>(19,637)</u> | <u>(347,158)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Capital expenditure | (231,095) | (97,544) |
| Long term deposits and prepayments | - | (80) |
| Proceeds from disposal of operating assets | 885 | 770 |
| | <u>(230,210)</u> | <u>(96,854)</u> |
| Net cash outflow from investing activities | <u>(230,210)</u> | <u>(96,854)</u> |

Condensed Interim Cash Flow Statement (Un-audited) for the nine months ended 31 March 2015

| | March 2015 | March 2014 |
|--|--------------------|--------------------|
| | Rupees in thousand | |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Finance lease | 1,204 | - |
| Long term borrowings | 137,000 | - |
| Dividend paid | (3) | - |
| | <u>138,201</u> | <u>-</u> |
| Net cash outflow from financing activities | 138,201 | - |
| Net decrease in cash and cash equivalents | (111,646) | (444,012) |
| Cash and cash equivalents at the beginning of the period | (1,325,026) | (921,810) |
| Cash and cash equivalents at the end of the period | <u>(1,436,672)</u> | <u>(1,365,822)</u> |

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Nooruddin Feerasta
Chief Executive Officer

Abdul Hayee
Director

Condensed Interim Statement of Changes in Equity (Un-audited) for the nine months ended 31 March 2015

Rupees in thousand

| | Issued Subscribed and Paid - up Capital | Capital Reserve | Revenue Reserves | | Total Equity and Reserves | Total Revaluation Surplus | |
|--|--|--------------------|--------------------|---------------------|---------------------------------|---------------------------------|-------------------|
| | | Share Premium | General Reserve | Accumulated Loss | | | Total Reserves |
| 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 nine months ended 31 March 2014 | - | - | - | (249,893) | (249,893) | (249,893) | - |
| Other comprehensive income for the nine months ended 31 March 2014 | - | - | - | - | - | - | - |
| Balance as on 31 March 2014 | 340,685 | 71,490 | 1,664,125 | (460,120) | 1,275,495 | 1,616,180 | - |
| Balance as on 01 April 2014 | 340,685 | 71,490 | 1,664,125 | (460,120) | 1,275,495 | 1,616,180 | - |
| Loss for last quarter ended 30 June 2014 | - | - | - | (153,391) | (153,391) | (153,391) | - |
| Other comprehensive income for the last quarter 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 | - |
| Balance as on 01 July 2014 | 340,685 | 71,490 | 1,664,125 | (613,511) | 1,122,104 | 1,462,789 | - |
| Final dividend for the year ended 30 June 2014 | - | - | - | - | - | - | - |
| Loss for the nine months ended 31 March 2015 | - | - | - | (458,319) | (458,319) | (458,319) | - |
| Other comprehensive income for the nine months ended 31 March 2015 | - | - | - | - | - | - | 293,388 |
| Balance as on 31 March 2015 | 340,685 | 71,490 | 1,664,125 | (1,071,830) | 663,785 | 1,004,470 | 293,388 |

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

Nooruddin Feerasta
Chief Executive Officer

Abdul Hayee
Director

Notes to the Condensed Interim Financial Information (Un-audited) for the nine months ended 31 March 2015

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

This condensed interim financial information is un-audited and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the Company for the quarter ended 31 March 2015 has been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of any directives issued under the Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all the information required for full annual financial statements and, therefore, should be read in conjunction with audited annual financial statements of the Company for the year ended 30 June 2014.

3 Significant accounting policies

The accounting policies and the methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company for the year ended 30 June 2014.

The provision for taxation for the nine months ended 31 March 2015 has been made using the tax rate that would be applicable to expected total annual earnings.

4 Accounting estimates, judgments and financial risk management

In preparing this condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited annual financial statements as at and for the year ended 30 June 2014, with the exception of changes in estimates that are required in determining the provision for income taxes.

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended 30 June 2014.

5 Investment property

Property held to earn rentals or for capital appreciation or for both is classified as investment property. Investment property comprises freehold land. Investment property is carried at fair value.

Investment property of the Company has been valued by independent professionally qualified valuers. The fair value of the investment property is based on active market price.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and fair value of this item at the date of transfer is recognised in equity as a revaluation reserve for investment property. However, if fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through profit and loss account.

If an investment property becomes owner-occupied or stock-in-trade, it is reclassified as property, plant and equipment or stock-in-trade and its fair value at the date of reclassification becomes its cost for accounting purpose for subsequent recording.

6 Investment property

| | Un-Audited 31 March 2015 | Audited 30 June 2014 |
|---------------------------------|-----------------------------|-------------------------|
| | Rupees in thousand | |
| Opening net book value | - | - |
| Transfer from owned assets | 300,000 | - |
| Disposal of investment property | - | - |
| Fair value gain/(loss) | 300,000 | - |
| | - | - |
| Fair value as at 31 March 2015 | <u>300,000</u> | <u>-</u> |

The Company transferred a piece of land measuring five kanals out of property, plant and equipment and designated it as an investment property because of change in its usage. The resulting difference between the carrying amount and the fair value of such land at the date of transfer has been recognised as revaluation reserve in accordance with the requirement of IAS-40 'Investment Properties'.

7 Long term borrowings

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. The loan is repayable in ten equal bi-annual installments starting from May 2016 and carries mark-up of 6 months KIBOR plus 0.5 percent to be reset on semi annual basis.

8 Liability against asset subject to finance lease

| | Not later than one year | Later than one and less than five years | Total | Not later than one year | Later than one and less than five years | Total |
|---|-------------------------|---|-------|-------------------------|---|-------|
| Lease rentals | 551 | 1,002 | 1,553 | - | - | - |
| Residual value | - | - | - | - | - | - |
| Minimum lease payments | 551 | 1,002 | 1,553 | - | - | - |
| Future finance charges | 339 | 10 | 349 | - | - | - |
| Present value of minimum lease payments | 212 | 992 | 1,204 | - | - | - |

Minimum lease payments have been discounted using the effective interest rate of 11.44% implicit in the lease to arrive at the present value. Rentals are payable in advance in monthly installments. The lease contains a bargain purchase option exercisable at the end of the lease and it is reasonably certain that the Company will exercise this option at maturity.

9 Contingencies and commitments

9.1 Contingencies:

Guarantees issued to different organizations in the normal course of business amounted to Rs. 66.314 million (30 June 2014: Rs. 66.314 million).

Outstanding guarantees given on behalf of related parties amounted to Rs. Nil (30 June 2014: Rs. Nil).

9.2 Commitments:

Contracts for Capital expenditure commitments outstanding as at 31 March 2015 amounted to Rs.248.377 million (30 June 2014: Rs. 217.723 million).

Commitments against irrevocable letters of credit as at 31 March 2015 amounted to Rs.555.569 million (30 June 2014: Rs. 687.172 million).

10 Transactions with related parties

The related parties include Associated Undertakings, Other Related Group Companies, Directors of the Company, Key Management Personnel and Defined Contribution Plan (Provident Fund). There are no transactions with key management personnel other than under their terms of employment.

11 Date of authorization for issue

These condensed interim financial statements were authorized for issue on 21 April 2015 by the Board of Directors of the Company.

12 General

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

Nooruddin Feerasta
Chief Executive Officer

Abdul Hayee
Director



Rupali Polyester Limited
www.rupaligroup.com