Fatima Group

Annual Report 2016

Reliance Weaving Mills Limited

Contents

Company Information

Board of Directors

Execitive Directors
Mr. Fazal Ahmed Sheikh
Mr. Faisal Ahmed Mukhtar

Non-Execitive Directors
Mr. Fawad Ahmed Mukhtar Chairman
Mr. Fahd Mukhtar
Mrs. Fatima Fazal
Mrs. Farah Faisal

Independent Director
Dr. M. Shaukat Malik

Board Committees

Audit Committee

Mr. Fahd Mukhtar	Chairman
Mrs. Fatima Fazal	Member
Dr. M. Shaukat Malik	Member

HR & Remuneration Committee

Mr. Fahd Mukhtar	Chairman
Mr. Faisal Ahmed Mukhtar	Member
Dr. M. Shaukat Malik	Member

Executive Management Team

Chief Executive Officer
Mr. Fazal Ahmed Sheikh

Chief Financial Officer
Mr. Waheed Ahmed

Company Secretary
Mr. Aftab Qaiser

GM Marketing
Mr. Khawaja Sajid
Mr. Aqeel Saifi

GM Weaving
Mr. Ikram Azeem

GM Spinning (Rawat)
Mr. Hafeez ur Rehman

GM Spinning (Multan)
Mr. Muhammad Shoaib Alam

Bankers
Allied Bank Ltd
The bank of Khyber
Bank Al-Falah Ltd
Burj Bank Ltd
Dubai Islamic Bank (Pakistan) Ltd
First Habib Modaraba
Habib Bank Ltd
Habib Metropolitan Bank Ltd
MCB Bank Ltd
Meezan Bank Ltd
National Bank of Pakistan
NIB Bank Ltd
Pak Libya Holding Company (Pvt) Ltd
Pak Brunei Investment Company Ltd
Pak China Investment Company Ltd
Saudi Pak Industrial & Agricultural Investment Company Ltd
Sindh Bank Ltd
Soneri Bank Ltd
Standard Chartered Bank (Pakistan) Ltd
Orix Modaraba
Samba Bank Ltd
United Bank Ltd

Auditors & Share Registrar

External Auditors
Deloitte Yousuf Adil
Chartered Accountants,
Multan.

Shares Registrar
M/s CDC Pakistan Ltd.
2nd Floor 307-Upper Mall Lahore
info@cdc.pak.com
basharat.hashmi@fatima-group.com

Legal Advisor
Haji Muhammad Aslam Malik
Opposite canal Offices Near High Court Multan

Business Offices

Registered Office
2nd Floor Trust Plaza, LMQ Road, Multan.
Tel # 061-4512031-2, 061-4546238
Fax # 061-4511677, 061-4584288
e-mail: info@fatima-group.com

Head Office
E-110, Khyaban-e-Jinnah Lahore.
Tel # 042-35909449, 042-111-328-462
Fax: 042-36621389
Website: www.fatima-group.com

Sites Address

Unit # 1,2,4 & 5
Fazalpur Khanewal Road, Multan.
Tel. No. 061-6740020-3
Fax. No. 061-6740039

Unit # 3
Mukhtarabad, Chak Beli Khan Road, Rawat, Rawalpindi.
Tel. No. 051-4611579-81
Fax. No. 051-4611097

Vision

To be a Company recognized for its art of Textile and best business practices.

Mission & Values

The mission of company is to operate state of the art Textile plants capable of producing yarn and fabrics.

The company will conduct its operations prudently assuring customer satisfaction and will provide profits and growth to its shareholders through:

- Manufacturing of yarn and fabrics as per the customers' requirements and market demand.
- Exploring the global market with special emphasis on Europe, USA and Fareast.
- Keeping pace with the rapidly changing technology by continuously balancing, modernization and replacement (BMR) of plant and machinery.
- Enhancing the profitability by improved efficiency and cost controls.
- Recruiting, developing, motivating and retaining the personnel having exceptional ability and dedication by providing them good working conditions, performance based compensation, attractive benefit program and opportunity for growth.
- Protecting the environment and contributing towards the economic strength of the country and function as a good corporate citizen.

Notice of the 26th Annual General Meeting

Notice is hereby given that the 26th Annual General Meeting of the shareholders of Reliance weaving Mills Limited will be held at 2nd Floor Trust Plaza L.M.Q. Road Multan on October 31, 2016 at 11.30 hours to consider the following agenda:

1. To confirm the Minutes of the 25th (twenty fifth) Annual General Meeting held on October 31, 2015.
2. To receive, consider and approve the Audited Financial Statements of the Company together with the Directors' and Auditor's reports for the year ended June 30, 2016.
3. To approve the Cash Dividend @5% (Rs.0.5 per share) as recommended by the BOD for the year ended June 30, 2016.
4. To consider and approve if thought fit, the recommendations of Board of Directors for the new appointment of M/s Shinewing Hameed Chaudhry & Co., Chartered Accountants, Lahore for the next financial year ending 30th June, 2017 in place of the retiring auditors M/s Deloitte Yousuf Adil Chartered Accountants Multan in view of the notice U/s 253(1) received from the shareholder of the company and to fix the remuneration of new auditors as mutually agreed upon.
5. To transact any other ordinary business of the Company with the permission of the Chair.

By the order of the Board

Dated: 09.10.2016 Aftab Ahmed Qaiser
Place: Multan (Company Secretary)

Notes

1. The Share Transfer Books of the company will remain closed from October 25, 2016 to October 31, 2016(both days inclusive). Shares received in order to our Registrar on following address during the office hours dated October 24, 2016 will be treated in time for the transfer. **CDC Share Registrar Service 307- 2nd Floor Upper Mall, Lahore**
2. A member eligible to attend and vote at the Meeting may appoint another member as his/her proxy to attend, and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the meeting in the working hours.
3. Any individual beneficial owner of C.D.C. entitled to attend and vote at this meeting must bring his/her identity and in case of proxy must enclose an attested copy of his / her National Identity Card (NIC) or Passport. Representatives of corporate members should bring the usual documents required for such purposes.
4. Members are requested to notify any changes in their addresses immediately.
5. The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of
6. Dividend paid by the companies. These tax rates are as under:

   (i) For filers of income tax returns: 10%

   (ii) For non-filers of income tax returns: 15%
7. To enable the company to make tax deduction on the amount of cash dividend @ 10% instead of 15%, all the members whose names are not entered in the active tax-payers list (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before October 24, 2016 otherwise tax on their cash dividend will be deducted @ 15% instead of 10%.
8. With reference to the Securities and Exchange Commission of Pakistan (SECP) Notifications SRO 779 (I) dated August 18, 2011, and SRO 831 (I) 2012 dated July 05, 2012, which mandates that the dividend warrants should bear CNIC number of the registered member or their authorized person, except in case of minor(s) and corporate members. All those individual members holding physical shares who have not yet recorded their CNIC No. are once again reminded to immediately submit the copy of their CNIC to Company's Share Registrar and Members while sending CNIC must quote their respective folio numbers.
9. The corporate members having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate entities having physical shares should send a copy of their NTN certificate to Company's Share Registrar.
10. The corporate members while sending NTN or NTN certificates, as the case may be, must quote the company name and their respective folio numbers.
11. Annual accounts of the Company for the financial year ended have been provided on the Company's website - www.fatima-group.com.
12. Members are hereby informed that pursuant to SECP's S.R.O. 787(1)/2014 dated September 8, 2014 regarding electronic transmission of Annual Report and notice which falls in the ambit of sections 50, 158 and 233 of the Companies Ordinance 1984, we have attached the request form in the Annual Report and also uploaded on our Company's website.
13. Those members who want to avail this facility are requested to submit the request form duly filled to our Share Registrar
14. In pursuance to the directions given by SECP vide Circular No. 8(4)SM/CDC 2008 dated April 5, 2013 the members may authorize the Company to directly credit in their bank account the dividend declared in the annual general meeting. In view of that, you are hereby encouraged to provide a duly filled and signed dividend mandate for e-dividend facility. The dividend mandate form has been attached in the Annual Report.
15. Members having 10% or more shareholding can also avail video conferencing facility. The Members wish to avail such facility are requested to fill the following Form and submit to Registered address of the Company 10 days before holding of AGM.

Form

I /We,_______________ of ________being a member of Reliance Weaving Mills Ltd., holder of __________Ordinary Share(s) as per Register Folio No./CDC-Account No. __________ hereby opt for video conference facility at ____________.

Signature_________________________

CNIC / Passport No._______________________

Group Profile

Fatima Group

In 1988 a dynamic and radical person known as Mr. Mukhtar A. Sheikh conceptualized his revolutionary vision and laid the stone of a multi dimensional organization which commenced its business mainly in sugar. In subsequent years the untiring, dedicated and missionary zeal & zest of the founders of group woven the net of Companies into galaxy of shining Stars and named it Fatima Group. The substantial Strategic benefits of vertical integration led him and his associates to consider venturing into the manufacturing field of Textile, Sugar, Fertilizers, Molasses, Trading, Mining, Power Generation & Transmission, Air Line and Packaging.

Over the years and by the grace of almighty Allah the Fatima Group of Companies proudly stood unparalleled and peerless leader in business groups of Pakistan. It ranks amongst the top Business Groups of Pakistan. The group has strong presence in most important business sectors of the region. It also has the distinction of being one of the largest players In each sector. The Group has a remarkable position in the market as good as any multinationals operating locally in terms of its quality of products, services and management skills.

Textile

- **Reliance Weaving Mills Ltd,** the flagship company of the group was established in 1991. Its annual turnover approx. Rs.11 billion with the production facility of 61,920 spindles and 336 looms. It is listed on Karachi & Lahore Stock Exchanges of Pakistan.

Fertilizers

- **Pakarab Fertilizers Ltd** is the largest fertilizer complex in Pakistan with annual production capacity of 847,000 MT. It was put into operation in 1979. Under the privatization policy of Government of Pakistan, the management of the company was taken over by Fatima Group on July 14, 2005.

- **Fatima Fertilizer Company Ltd** was incorporated on 24 December 2003 as a Public Limited Company. Fatima Fertilizer is fully integrated fertilizer complex with annual production capacity of Urea 500,000, CAN 420,000, NP 244,000, Nitric Acid 500,000 and Amonia 500,000. It is listed on all the Stock Exchanges of Pakistan.

- **Fatimafert Limited** is the wholly owned subsidiary of Fatima Fertilizer Company Limited capacity of ammonia and urea plants were 625 MT per day and 1100 MT per day respectively.

Sugar

Fatima Sugar Mills Limited was incorporated as a public limited company in 1988. Current production capacity of the Company is 11,000 MT per day.

Trading

Reliance Commodities (Pvt) Limited is a private limited company incorporated in 1996 and deals in export of molasses, sugar, and other commodities.

Following companies are also part of Fatima Group:

1	Fatima Energy Ltd	(Power Generation)
2	Air One (Pvt) Ltd	(Air Line)
3	Pakistan Mining Ltd	(Mining & Exploration)
4	Reliance Sacks Ltd	(Packing Material)
5.	Fatima Transmission	
6	Fatima Holding Ltd	

Company Profile

Reliance Weaving Mills Ltd (RWML) is a public limited company listed on Pakistan Stock Exchange. It was incorporated on April 07, 1990 and Securities & Exchange Commission of Pakistan (SECP) granted certificate of Commencement of Business on May 14, 1990. The Company is established with the objective of setting-up a textile (Yarn & fabric) manufacturing plant. Initially it started its production as weaving unit but later on it also involved in manufacturing of yarn. The principal business of the Company is manufacture and sale of different types of yarn and grey woven fabrics.

Authorized Capital of the Company is to this level Rs.700 million which was gradually increased and subscribed share capital of the company stands at Rs.308 million. The production capacity of the Company is 81.503 million meter of Grey Cloth (50 PPI) & 19.721 million KGs of yam (20/S count per annum).

Over the years, plants have demonstrated operational excellence which has become a reference for engineering and technical advisory companies. Delegates from China and Japan keep visiting the plant site for gaining first hand knowledge about the quality of production.

Company has developed a special management team consisting of highly trained & skilled personals in their fields. Special management team is involved in monitoring plant performance, development of new projects, handling capital investment projects, advising management on technical matters and development of a technological base along with consultancy functions. Since 1990, special management team has made tremendous progress in the field of Plant Engineering, Project Management, Project Feasibilities and Project Development. The development of special management team has recognized the need to promote research and technological development activities.

Nearly half of the members are located at the plant to provide assistance to the manufacturing units and feeding vital plant data to the Head Office for immediate processing. Special management team is equipped with latest computing facilities along with world renowned ORACLE Financial ERP system. This technology enables special management team to provide most valuable assistance to all the departments within the company. The success achieved so far proves that the company now possesses requisite in house capabilities to ensure successful completion of large scale projects within allocated budgets and assigned project schedules.

This excellent performance is due to hard work and dedication of all employees and the progressive approach and support from the top management.

Management Profile

Board of Directors

Board of Directors of the company has the ultimate responsibility of administration of affairs. The Company's Board of Directors consist of seven members, six from sponsors and one director representative of minorities shareholders' interest. All the directors having equal rights to participate in the matters of the company. Two members of the Board of Directors are executive Directors, four members of the Board of Directors are non-executive Directors and one member of the board is independent director. The executive Directors are involved in the day to day operations of the Company. The current Directors of the Company are as follows:

Name	Position	Nature
Mr. Fawad Ahmed Mukhtar	Chairman	Non-Executive
Mr. Fazal Ahmed Sheikh	Chief Executive	Executive
Mr. Faisal Ahmed Mukhtar	Director	Executive
Mr. Fahd Mukhtar	Director	Non-Executive
Mrs. Fatima Fazal	Director	Non-Executive
Mrs. Farah Faisal	Director	Non-Executive
Mr. Dr. M. Shaukat Malik	Director	Independent

The Board of Directors meet regularly in every quarter. The company complies with the code of corporate governance issued by the Securities and Exchange Commission of Pakistan ("SECP"). Under its governance structure, the Board of Directors has established a fully functional internal audit team directly reporting to the Board of Directors.

Directors' Profile

Mr. Fawad Ahmed Mukhtar

Chairman

Mr. Fawad Ahmed Mukhtar is the Chairman of the Company and the Chairman of Fatima Group. The Group has witnessed immense growth under his leadership and investments have been made in the fertilizer, sugar, energy and mining sectors. The Group acquired Pakarab Fertilizers, in 2005, through a privatization process. In 2004 the Group participated in an investment of US$750 million for the establishment of a state of the art fertilizer complex -Fatima Fertilizer. He also holds the following portfolios:

Chairman Fatima Energy Ltd.
Reliance Commodities (Pvt) Ltd.

CEO Fatima Fertilizer Company Ltd.
Pakarab Fertilizers Ltd.
Fatimafert Ltd.

Director Fazal Cloth Mills Ltd.
Fatima Sugar Mills Ltd.
Air One (Pvt) Ltd.
Fatima Trading Company (Pvt) Ltd.
Fatima Holding Ltd.
Farrukh Trading Company (Pvt) Ltd.
Fatima Transmission Company Ltd.

Mr. Fazal Ahmed Sheikh

CEO

Mr. Fazal Ahmed Sheikh is the CEO of the Company. He holds a degree in Economics from the University of Michigan, Ann Arbor, USA. He plays an important role in matters related to financial management, marketing and information technology, across the Group companies. He also holds the following portfolios:

CEO Fatima Energy Ltd.

Director Fatima Fertilizer Company Ltd.
Pakarab Fertlizers Ltd.
Fazal Cloth Mills Ltd.
Fatima Sugar Mills Ltd.
Air One (Pvt) Ltd.
Fatima Trading Company (Pvt) Ltd.
Fatima Holding Ltd.
Reliance Commodities (Pvt) Ltd.
Fatimafert Ltd.
Fatima Transmission Company Ltd.

Directors' Profile

Mr. Faisal Ahmed Mukhtar

Director

Mr. Faisal Ahmed Mukhtar is a Director of the company. He holds a Law degree from Bahauddin Zakariya University, Multan. He also holds the following portfolios:

CEO	Fatima Sugar Mills Ltd Fatima Holding Ltd
Director	Fatima Fertilizer Company Ltd Pakarab Fertlizers Ltd Fazal Cloth Mills Ltd Air One (Pvt) Ltd Fatima Trading Company (Pvt) Ltd Furrukh Trading Company (Pvt) Ltd Reliance Commodities (Pvt) Ltd Fatimafert Ltd
Member	Syndicate of BZU Multan Provincial finance Commission Steering Committee of Southern Punjab Development Project Decentralization support Program

Mr. Fahd Mukhtar

Director

Mr. Fahd Mukhtar is a Director of the Company. He holds a Bachelor of Economics Degree from the Philadelphia University of USA. He also holds the following portfolios:

CEO	Reliance Sacks Ltd
Director	Fazal Cloth Mills Ltd.

Dr. M. Shaukat Malik

Independent Director

Dr. Muhammad Shaukat Malik has done Ph.D in the subject of Business Administration and MBA from IBA Karachi in the year 1990. He posses rich experience of 23 years in the field of Budgeting, Finance, H.R and Corporate Affairs in various renowned Institutions. He has been on Board of Directors (Syndicate) of BZU for three years. Presently he is the Professor & Director of Institute of Banking & Finance and Director H.R. Development in BZU. He is also the member of Senate and Finance & Planning Committee of BZU, advisor of Punjab Public Service Commission and Member of Selection and Recruitment committee of different institutions and Universities of Pakistan. He is an author of more than 50 research papers published in National & International Journal & Newspapers of repute on Business related issues.

Profile of the Executive Officers

Mr. Waheed Ahmed

Chief Financial Officer

Mr. Waheed Ahmed is qualified Chartered Accountant having more than 16 years' experience of handling the operational, Accounting, tax and Financial Matters of Listed companies. He is with Reliance Weaving Mills Ltd since August, 2008.

Mr. Jawad Ahmad Affi Bhutta

Sr. Manager Accounts and ERP

Mr. Jawad is qualified Chartered Accountant, completed his article ship from M. Yousuf Adil Saleem and Co. a member firm of Deloitte International. He is supervising Accounts and ERP functions of the Company. During this tenure he successfully got implemented Oracle ERP system in liaison with external consultant as a functional head and continuously working on improvement of the system. He is also handling different tax and operational matter of the company. He managed to win best corporate report award of ICAP and ICMAP for the company.

Mr. Aftab Qaiser

Company Secretary

Mr. Aftab Ahmed Qaiser is a qualified Chartered Accountant from the Institute of Chartered Accountants of England & Wales UK.; A Fellow Member of Institute of Chartered Accountants of Pakistan & a Certified Director of Corporate Governance from the Institute of Corporate Governance. Mr. Qaiser has over 36 years of industrial experience in the fields of Financial Management, Internal Audit, Taxation and Legal & Corporate Affairs of listed Companies. He joined the Company on March 2014.

Mr. Aqeel Saifi

General Manager Marketing

Mr. Aqeel Saifi holds a Master's degree in Business Administration from Imperial College of Business Studies and B.Sc (hons) Degree in Computer Sciences from FAST – NUCES. He has been attached to the textile industry for over 13 years, working with well reputed textiles organizations of Pakistan. He is with Reliance Weaving Mills Ltd. Since August, 2015.

Profile of the Executive Officers

Mr. Ikram Azeem

General Manager Weaving

Mr. Ikram Azeem is holding B.Sc, Textile Engineering Degree from National College of Textile Engineering Faisalabad (Specialization in Weaving). He has vast experience of textile sector in renowned textile mills of the country on different kind of weaving machines like Sulzer Toyoda and Tsudakoma Air Jet Looms.

Mr. Muhammd Shoaib Aalam

General Manager (Spinning Multan)

Mr. Muhammd Shoaib Aalam is having B.Sc. Textile (Spinning) Degree from University of Engineering and Technology (UET) Lahore. He was Vice-President of Spinning Society. He is part of this group since the erection of this Unit. He has experience of managing coarse and fine count mills, ranging from 6/1 to 120/1 on various type of machinery setups, and producing different types of yarn from GIZA, PIMA and Brazilian Cotton. He also got training for blow room and card from Reiter in Winterthur, Switzerland.

Mr. Hafeez ur Rehman

General Manager (Spinning Rawat)

Mr. Hafeez ur Rehman is BSc Textile Engineer from National Textile University (1995~1999) , Faisalabad and serving as G.M. Spinning Unit No. 3 at Rawat. He has worked in Major textile Groups of Pakistan SAPPHIRE and CRESENT Group. He is specialist of running MELANGE , DYED , PC ,CVC, SIRO, SLUB, LYCRA and FANCY yarn.(Coarse and Fine Counts)
He has also experience of running cottons like PIMA, GIZA
Brazilian Cotton etc,

Mr. Khawaja Sajid

General Manager Marketing

Mr. Khawaja Sajid is the General Manager of Marketing Department. He holds Master Degree in Business Administration from Baha-Ud-zakriya University Multan and have 23 years of working experience in this portfolio with the reputed Textile companies of Pakistan. He joined Reliance Weaving Mills Ltd in 2004 and remains devoted till today.

Chairman's Review

It gives me great pleasure to welcome you to the 26th Annual General Meeting of the Company and to present the Audited Financial Statement along with the Auditors Report thereon for the year ended June 30, 2016.

The Company operated in difficult circumstances during this financial year and earned after tax net profit of Rs. 3 million which shows improvement as compared to loss of Rs 97 million in preceding financial year. Gross profit ratio moved to 8.83 percent of sales which is 1.09% higher than last year's ratio of 7.74%.

The board is confident that the company will overcome the economic & other challenges and will deliver sustainable results in future. We are determined to improve the situation to bring about a step shift in the performance through well thought out strategy to create shareholders value in due course.

The Members of the BOD are persons of integrity having commitment and transparency for discharging their fiduciary responsibilities

I acknowledge & thank the Directors for their valuable contribution towards the progress of the company. During the year under review the Board Audit & HR & Remuneration Committees met on regular intervals and continued to provide the Board with necessary assurance to approve the recommendations forwarded by Board Committees.

Our strength lies in our employees. Their commitment to the company's core values under pins the performance of the company. I would like to thanks all cadre employees on behalf of the Board for their relentless efforts and contribution towards the progress of the company as we believe that the company is only as good as its people.

I would like to express my thanks to the Shareholders, Financial Institutions, Banks, Insurance Companies, Suppliers and other stakeholders for their contribution towards the progress of the Company. I am also thankful to SECP, PSX, FBR and other Regulators for their continuous support & co-operation.

I look forward to welcome as many as possible of our shareholders at the forthcoming Annual General Meeting scheduled to be held on Monday, the 31st October 2016.

Directors' Report to the Shareholders

It gives me great pleasure to present my review of our company's performance for the year 2015-16.

1. Financial Results

The Company operated in difficult circumstances during this financial year and earned after tax net profit of Rs. 3 million which shows improvement as compared to loss of Rs 97 million in preceding financial year. Gross profit ratio moved to 8.83 percent of sales which is 1.09% higher than last year's ratio of 7.74%. Improvement in results is primarily attributable to following factors:

1) Power and fuel cost showed downward trend and depicted 17% reduction from last year. Availability of RLNG in the last quarter of the year contributed positively to the bottom line.
2) Distribution and marketing cost was 34% lower than the last year.
3) Finance cost was also contributed positively towards the net profit which was 22% lower than the comparative period of the last year.

2. Future Outlook

The new fiscal year started with depressed textile exports. The downtrend was witnessed primarily on account of disappointing non-value added exports. Cotton prices increased due to delayed crop sowing in India and expected lower global stock levels. Cotton auction by China resulted in down ward pressure in the international cotton price. In the local scenario, lower yield expectations might continue the upward pressure on prices. In case there is again shortfall in cotton crop in Pakistan, further increase in cotton price not followed by yarn price will result in squeezing the spinners' margins. There may be a surge in their margins in near term as last season procurement price clocked in at PKR 5,500/maund. The value added segment, on the other hand, will bear the brunt of increasing cotton and yarn prices, resulting in contraction of margins for the segment.

As an important step in conformity with Textile policy (2014-19) announced by the Federal Government declaring zero rated Sales tax on textile sector chain in current fiscal year; this incentive would likely to support the industry to grow and help to reduce huge tax refunds piled up since past many years.

Apart from other factors, round the clock availability of fuel and power at cheaper cost per unit is vital for the industry to remain competitive in term of cost of production. Government should make arrangement to provide continuous supply of power to the industry at minimum possible price.

Directors' Report to the Shareholders

3. Overview of the Economy

The Global economy disappointed in terms of growth, with deceleration of activity in key emerging and developing economies like China, Brazil and Russia. Deceleration was accompanied by declines in commodity prices, subdued global trade, bouts of financial market vitality and weakening capital flows. The recovery is projected to strengthen in financial year 2017 and beyond, driven primarily by emerging market and developing economies, as conditions in stressed economies start gradually to normalize.

Pakistan's economy has maintained higher and broad based economic growth in the fiscal year 2015-16. The industrial sector contributed 21% in GDP, which was major source of tax revenues for the Government and also contributes significantly in the provision of job opportunities to the labor force. Industrial sector started revival and recorded remarkable growth at 6.8% as compared to 4.8% last year. Pakistan's economy is semi-industrialized and is rapidly developing country despite of number of internal and external challenges like war on terror, energy crisis along with disastrous floods and earthquakes. The country has high potential to become one of the world's largest economies in the 21st century.

Pakistan's economy has faced numerous internal and external shocks. Economic performance has been affected, mainly from the devastating floods, internal security challenges, energy crisis and ballooning inflation. The country could not achieve targeted growth rate due to lower growth of agriculture mainly due to decrease in production of cotton and rice. The lower production of crops also affected the industrial economy.

4. Corporate And Financial Reporting Framework

The Board of Directors of the Company are fully cognizant of its responsibilities as laid down in the code of corporate governance issued by the Securities & Exchange Commission of Pakistan. The following statements are a manifestation of its commitment toward compliance with best practices of Code of Corporate Governance.

- The financial statements together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984. We are equal opportunity employer and invest statements prepared by the management of the Company present fairly

Directors' Report to the Shareholders

its state of affairs the results of its operations cash flows & changes in equity.

- The Company has maintained Proper books of account as required by the Companies Ordinance, 1984.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the company's ability to continue as a going concern:
- There has been no material departure from the best practice of corporate Governance, as detailed in Listing Regulations:
- As required by Code of Corporate Governance, we have included the following information in this report;
- Statement of Pattern of shareholding has been given separately in the annual report.
- Statement of shares held by Associated Undertakings and related persons has been given separately.
- Statement of Board Meeting held during the year and attendance of each Director Key operating and financial statistics for the last six years have been given separately.

5. Material Changes In Financial Statements

Sr.#	Particulars	Unit	30.06.2016	30.06.2015
A	Gross profit	%	8.83	7.73
B	Return on sales	%	0.03	(0.89)
C	Earnings/(Loss) per share	Rs.	0.10	(3.18)
D	Market value of a share	Rs.	25.18	32.52
E	Balance sheet footing	Rs. In Million	10,151	10,136

6. MODERNIZATION & EXPANSION

Company is committed to modernize and expand production line according to rapidly changing technology in order to produce international quality products. The company has established letter of credit for 45 wider looms to diversify its product and market mix.

7. Company's Assets

The total assets of the Company as on June 30, 2016 stood at Rs. 10,151 million as against Rs. 10,137 million depicting an increase of 0.14% over the last year.

8. Outstanding Taxes And Duties

Details of outstanding taxes and duties are given in the financial statements.

9. Contribution To National Exchequer

Your company contributes substantially to the national economy in terms of taxes and duties and the contribution is increasing as the company is growing. This year the Company contributed in the National Exchequer in the form of Federal Excise Duty, Sales Tax, Custom Duties, Income Tax, etc.

10. Corporate Social Responsibility (csr)

Your company considers CSR as a fundamental sustainable business practice to contribute voluntarily towards better society.

Reliance Weaving Mills Ltd (RWML) strives to be a good corporate citizen. We have always shown strong commitment and support for public health and promotion of education that's why your company is a permanent donor of reputable charity organizations including Mukhtar A. Sheikh

Directors' Report to the Shareholders

Trust. Which contributes towards the well-being of deprived people by setting-up Hospitals, Medical camps etc. The free medical camps are set up in far flung areas of the Country where healthcare is very hard to access. Patients avail free medical check-up along with medicines.

More than 50% population of our country is illiterate and government expenditure on education stood 2.3% of GDP. Your Directors feels that there is an urgent need to establish educational institutions. With this vision in mind, we joined hands with The Mukhtar A. Sheikh Trust to build its own schools & technical education campuses' in different areas in order to promote quality education at the grass-roots level so that the people can become useful part of the society by contributing towards the economic development of the Country.

11. Outstanding Statutory Payments

All outstanding payments are of normal and of routine nature.

12. Earnings Per Share

Your Company's post-tax profit of RS 3 million translates into profit per share Rs. 0.10 as compared loss per shares of Rs. (3.18) last year.

13. Dividend

The directors has recommended dividend for the year ended June 30, 2016 Rs. 0.50 per share.

14. Succession Management

There are many reasons why organizations need to be thinking about Succession Management. The most important reason, of course, is that we rely on staff to carry out our missions, provide services and meet our organization's goals. We need to think about what would happen to those services or our ability to fulfill our mission if a key staff member leaves.

15. Attendance Of Board Of Directors' & Board Committee Meetings

During the year, four board meetings were held. The number of meetings attended by each Director is given hereunder:

Sr #	Name of Directors/Members	Board of Directors	Audit Committee	HR & R Committee
A	Mr. Fawad Ahmed Mukhtar	4/4	NA	NA
B	Mr. Fazal Ahmed Sheikh	4/4	NA	NA
C	Mr. Faisal Ahmed Mukhtar	4/4	NA	1/1
D	Mr. Fahd Mukhtar	4/4	4/4	1/1
E	Mrs. Fatima Fazal	3/4	4/3	NA
F	Mrs. Farah Faisal	4/4	NA	1/1
G	Mr. Shahid Aziz	4/4	4/4	NA
H	Prof. Dr. M. Shaukat Malik	0/0	0/0	0/0

16. Human Resources

Your company fully understands the importance of skilled and developed human resource towards the success of any organization. Your company took various steps to add value to its current HR practices. We devised a performance management policy which ensures a performance

Directors' Report to the Shareholders

driven culture and values the contribution of your company's employees. A comprehensive role clarification initiative was taken to assess the job description of key management roles in each department, which has resulted in an increase in performance across the board. Your company is committed to develop a skilled work force that can not only achieve organizational goals but individual goals as well.

17. Annual Evaluation Of Board Performance

Pursuant to caption V(e) of CCG 2012, the Board has determined a method of performance evaluation for Directors individually and for the Board. The method specifies the criteria to be used in evaluating performance.

- Board Composition and organization.
- The board's term of reference.
- Skills & expertise of Board Members
- Strategic Planning
- The efficiency of Board meeting & the decision making process.
- Availability of Guide Line to the Management
- Regular follow up to measure the impact of board decisions.
- The quality of communication between the Board & the Company
- Board Procedure
- Appropriate constitution of Board Committees with members possessing adequate technical knowhow and experience.
- Split of Chairman & CEO role.
- Quality of management reports received from Board Committees
- Board & CEO effectiveness
- Risk mitigation

18. Management Committee

The purpose of management committee is to improve the coordination and review of operational issues, opportunities and threats to facilitate timely decision making to improve performance and operating efficiency. The Committee will oversee, monitor and scrutinize the strategy to judge the performance of various facets of organization.

The committee is responsible for the following:-

- Review of the results of monthly operations
- Review of material prices changes
- Review of selling prices in view of changing market scenarios
- Review of annual budget and recommendation to the board for approval.
- Set training needs
- Review customers credit limits
- Review & monitor products yields & identifying means to improve the same
- To review & monitor the quantum of raw material W.I.P. and finished goods inventories and take action to control the same.

Directors' Report to the Shareholders

19. Changes In The Board Of Directors

Mr. Shahid Aziz tendered his resignation from the Board & in his place Dr. Shaukat Malik was appointed as a Director on the Board. The Board recorded its appreciation for in-valuable contribution made by the retiring Director Mr. Shahid Aziz. The Board also welcomed Mr. Shaukat Malik as new Member and felt that the new incoming Director shall lend a fresh prospective and spirit towards the progress of the Company.

20. Changes in Board Audit Committee

Dr. Muhammad Shaukat Malik was appointed as the member of the Audit Committee in place of Mr. Shahid Aziz. The statutory composition remained intact with this stage. In compliance with the Code Board Audit Committee, comprising two non-executives & one independent Director to assist the Board to discharge its responsibilities. The Committee met four times during the year ended June 30, 2016 pre notified period. The meetings of the committee were held prior to approval of annual results for Financial Year and interim results for 1st, 2nd & 3rd Quarters as required by the Code of Corporate Governance (CCG).

21. Changes In The Hr & Remuneration Committee

Dr. Muhammad Shaukat Malik was appointed as the member of the HR & Remuneration Committee in place of Mrs. Farah Faisal who resign from the Committee. The statutory composition remained intact with this stage. The HR & R Committee comprising of three directors majority of whom are non-executive directors including Chairman of the Committee. The purpose of the Committee is to assist the Board to fulfill its responsibility to shareholders to ensure that human resource policy and practices support company in achieving its commercial and stakeholder goals.

22. Statement Of Ethics & Business Practices

The Statement of Business Ethics and Core Values provide the framework on which the Company conducts its business. The Board of Directors and the employees of the Company are the custodians of the excellent reputation for conducting our business according to the highest principles of business ethics.

The following principles constitute the business ethics & the core values of the Company.

- Demonstrate Honesty integrity, fairness and ethical behavior when interacting within or outside the organization.
- Compliance with all Laws & Regulations as a good corporate citizen.
- Commitment to run the business in an environment that is sound & sustainable.
- Belief in the principles of reliability, credibility

Directors' Report to the Shareholders

and transparency in business transactions.

- To be an equal opportunity employer
- Safeguard shareholders interest.
- Ensure Health & Safety environment to protect our people, neighbors, customers & visitors.
- Encourage the business challenges.
- Investment in Human Capital.
- Proper Financial disclosure of the conflict of interest transactions if any.
- Accountability & responsibility.
- Good & effective public rationing.
- Promotion of culture of excellence by exceeding the expectations of all stakeholders.
- Customer satisfaction essential for continued growth
- Encourage employees to be creative & innovative
- Respect for all stakeholders
- Reliable & dependable supplier
- Enhancement of profitability to benefit shareholders, employees and the Government

23. Information Technology

In the current global scenario rapid changes in technology has opened wide the doors of information, readily accessible to every individual. Importance of information in right time and right perspective has become high. In this situation information technology plays a vital role in the progress of any organization. Management of your company is very much aware of the importance of information technology. The Company has successfully implemented payroll module in Oracle financial system completed the fixed assets module on Oracle financial ERP system.

24. Salient Aspects Of Company's Control And Reporting Systems

The Company complies with all the requirements of the Code of Corporate Governance as contained in the listing regulations of the Stock Exchanges. The Board's primary role is the protection and enhancement of long term shareholders' value. To fulfill this role, the Board is responsible to implement overall corporate governance in the Company including approval of the strategic direction as recommended by the Management, approving and monitoring capital expenditure, appointing, removing and creating succession policies for the senior management, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and Management Information Systems. It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for operation and administration of the Company to the Chief Executive. Responsibilities are delineated by formal authority delegations.

Directors' Report to the Shareholders

25. Internal Control

Your Company has adequate internal control procedures commensurate with the size of operations and the nature of the business. These controls ensure efficient use and protection of Company's financial and non-financial resources. Regular internal audit and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them, from time to time.

26. Trading in Company's Shares

Chief Executive Officer, Chief Financial Officer, Head of internal Audit and Company Secretary, and their spouses and minor children have not carried out any trading in the shares of the Company during the year except Directors Dr. Shaukat Malik acquired 5 shares of the Company from the Market.

27. Market Capitalization

At the close of the year, the market capitalization of the Company stood at Rs.776 million as against Rs. 1,188 million as at June 30, 2015.

28. HSE at RWML

Our HSE policy is an important ingredient of our overall code of business conduct. It states that RWML will ensure:

- The health of its employees, contractors, customers and public is protected.
- All activities are carried out safely.
- Environment is protected.
- Comply with Pakistan's relevant laws and regulations.
- Ensure that all its activities are carried out in accordance with the Company's Health, Safety and Environmental Standards and Procedures.
- Ensure that environmental performance meets legislative requirements.
- Require every employee to exercise personal responsibility in preventing harm to self or others and to the environment.
- Maintain public confidence in the integrity of its operations by openly reporting its performance to all stakeholders who work with the Company.
- Provide appropriate Health, Safety and Environment training/information to employees, contractors and other stakeholders who work with the Company.
- Integrate Risk Assessment with all business processes.
- Promote prevention of pollution and proper handling and disposal of wastes.
- Continuously improve our performance by improving the leadership, capability and capacity of our organization.

29. Statutory Compliance

During the year the Company has complied with all applicable provision, filed all returns / forms and furnished all the relevant `information as required under the Companies Ordinance 1984 and allied laws and rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the Listing Regulations.

30. Secretarial Compliance Certificate

The Company Secretary has furnished a Secretarial Compliance Certificate a part of the Annual Return filed with the Commission to certify that the Secretarial & Corporate requirements of the Companies Ordinance, 1984, Memorandum & Articles of Association of the Company and the Listing Regulations has been duly complied with.

Directors' Report to the Shareholders

31. Management Objectives & Strategies

RWML aims to attain corporate leadership by adherence to strategic objectives and upholding values and business ethics principles in every action and decision. RWML maintains cohesiveness among all stakeholders and ensures effective communication within the organization to promote team work and recognize individual contributions at every level. RWML encourages creative ideas from all stakeholders. RWML promotes a culture of health, safety and environment.

32. Business Continuity Planning And Safety Procedures For Data Protection

RWML has a comprehensive disaster recovery plan in place which entails backup facilities at different areas. This system is also subject to regular system checks to ensure continued effectiveness and uptime in case of any emergency.
Detailed Standard Operating Procedures (SOPs) and ready reference checklists have also been developed wherein situations/areas of high risk that could hamper company operations have been identified and explored in detail. Accordingly action plans have been prepared to manage strategic business risks of the company considering the general economic conditions, competitive realities and possible scenarios and ensuring that risk management process and culture are embedded throughout the company.

33. IT Governance

In line with its objective of ensuring transparency and oversight across the organization, RWML is in the progress developing an IT Governance policy. Which will define the scope of governance and outlines the chain of responsibility, authority and communication across the Company.

34. Investor Grievance Policy

RWML continuously engages with its investors through Company's secretariat and responds to their queries and request for information and their concerns / grievances. RWML's registrar also timely addresses investors grievances.

35. Website

The Company's web site www.fatima-group.com offers a detailed overview and information of the following aspects of your company:

- Business lines, its operational aspects and current activities
- Management team
- Corporate Information
- Procurement activities
- Periodical financial results and other financial information
- Human Resource recruitment
- Media engagement
- It is also highlighted here that the RWML's website fulfills the mandatory requirements as laid down by the SECP for all listed companies,

36. Whistle Blowing:

As per Whistle Blowing Policy approved by BOD, the Committee is entrusted with the responsibility to monitor the effectiveness of the whistle blowing policy. Report on the Complaints received vis-a-vis the action taken presented in the Committee meetings at regular intervals.

37. Pattern of Shareholding

A statement showing pattern of shareholding of the Company and additional information as at June 30, 2016 is annexed with report.

Directors' Report to the Shareholders

38. External Auditors

The present Auditors of the Company, M/s Deloitte Yousuf Adil, Chartered Accountants, are retiring at the conclusion of the forthcoming AGM on October 31, 2016..

The Company has received a notice u/s 253(1) of the Companies Ordinance, 1984 from a Director Dr. Shaukat Malik for the appointment of M/s Shinewing Hameed Chaudhri & Co., Chartered Accountants, as Auditors of the Company for the next financial year 2016-17. Consent from M/s Shinewing Hameed Chaudhri and Co., Chartered Accountants to act as Auditors of the Company has also been received.

The Audit Committee has recommended the appointment of the M/s Shinewing Hameed Chaudhri & Co., Chartered Accountants to the Board and the Board also agreed and recommended to the shareholder for final approval.

The aforesaid audit firm has confirmed that they have been awarded satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by the ICAP.

The consent will be placed in the forthcoming Annual General Meeting of the Company to be held on October 31, 2016 for consideration of shareholders.

39. Acknowledgment

The Directors of your Company would like to take this opportunity to thank the Securities & Exchange Commission of Pakistan (SECP), banks and financial institutions and insurance companies for their continued support and cooperation.

The Directors would also like to express their gratitude and appreciation for the support provided by our valued customers and suppliers. We also thank our shareholders, who continue to place their trust and confidence in the Company and assure them our best efforts to ensure optimum utilization of their investment in the Company. Finally the Directors also wish to place on record their appreciation for the devotion, loyalty and hard work of all cadres of employees toward the growth wellbeing and success of the company.

For and on behalf of the Board

FAZAL AHMED SHEIKH
(Chief Executive Officer)

Place: Lahore
Dated: October 07, 2016

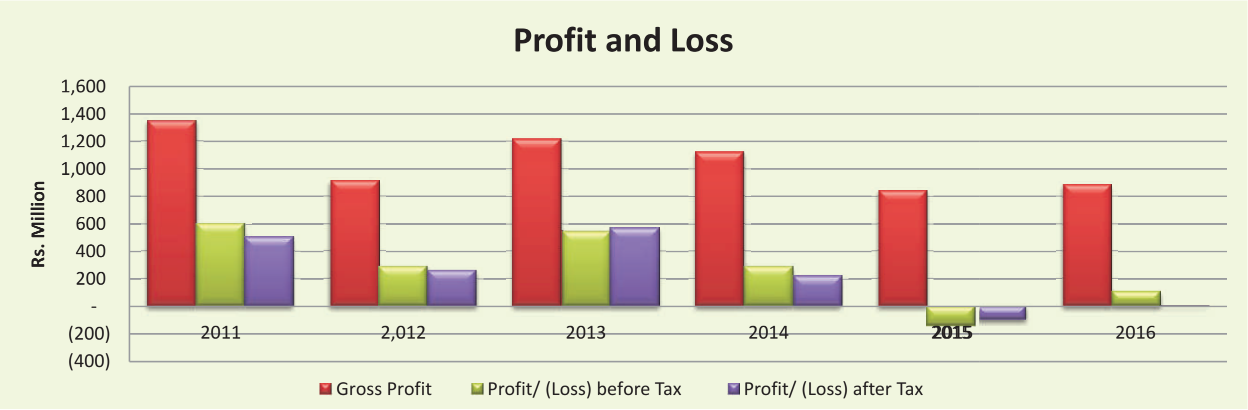
Financial Highlights

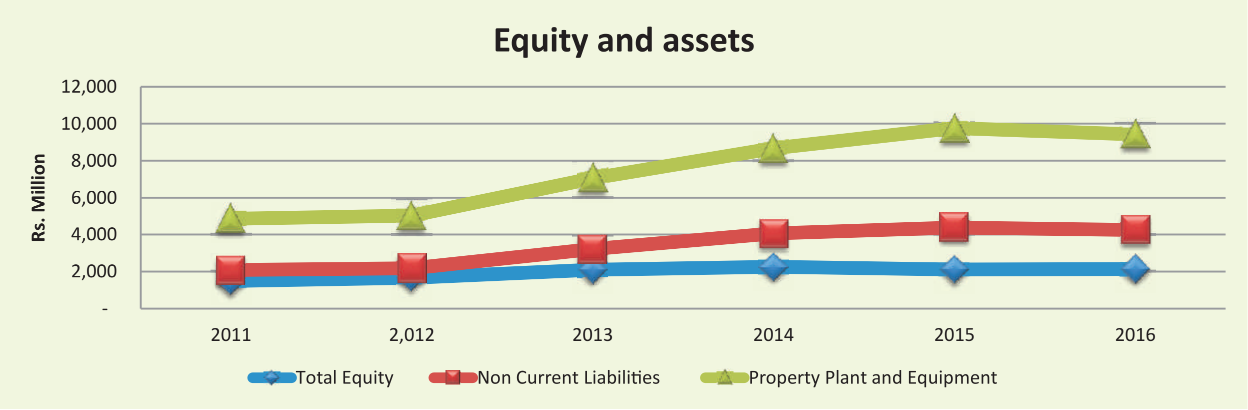
6 Years Growth at a Glance

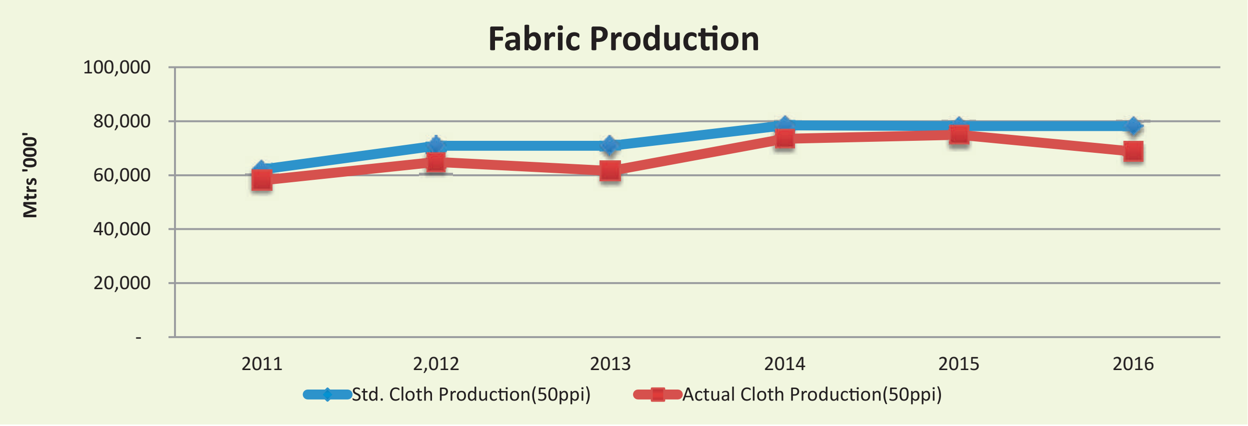
		2016	2015	2014	2013	2012	2011
PROFIT AND LOSS:							
Net Sales	Rs. M	10,049	10,878	11,412	9,514	8,699	9,394
Gross Profit	Rs. M	886	842	1,121	1,217	914	1,351
Profit/ (Loss) before Tax	Rs. M	107	(142)	290	549	289	602
Profit/ (Loss) after Tax	Rs. M	3	(98)	219	570	260	504
ASSETS AND LIABLITIES							
Total Equity	Rs. M	2,139	2,109	2,261	2,094	1,663	1,492
Non Current Liabilities	Rs. M	2,102	2,272	1,805	1,130	508	596
Property Plant and Equipment	Rs. M	5,171	5,384	4,596	3,814	2,859	2,772
Current Assets	Rs. M	4,117	3,862	4,720	4,299	3,094	2,801
Current Liabilities	Rs. M	5,276	5,121	4,989	4,455	3,401	3,057
OPERATIONAL PERFORMANCE:							
Weaving							
Number of Looms Installed	Number	336	336	336	296	296	274
Std. Cloth Production(50ppi)	Mtrs '000'	78,197	78,197	78,450	70,930	70,930	62,090
Actual Cloth Production(50ppi)	Mtrs '000'	68,770	74,916	73,518	61,621	64,881	58,088
Spinning							
Number of Spindles Installed	Number	61,920	61,920	48,720	35,520	35,520	35,520
Installed Capacity (@ 20 S)	Kgs '000'	19,722	18,639	15,930	11,963	11,963	11,963
Actual Yarn Production (@20 S)	Kgs '000'	16,295	15,122	11,258	8,504	9,268	9,819
SALES BREAKUP							
Export Sale	Rs. M	4,947	6,979	7,451	5,879	6,506	5,951
Local Sale	Rs. M	5,090	4,032	4,033	3,651	2,197	4,020
Wast sale	Rs. M	144	105	109	110	120	151
INVESTOR INFORMATION :							
Book Value per share	Rs./ share	68.21	68.46	73.38	68.65	54	48.40
Market Value per Share		25.18	32.52	38.57	34.00	9	11.25
Earning Per Share		0.1	(3.18)	7.12	18.67	8	16.35
Cash Dividend	%	5%	0%	15%	20%		
Specie Dividend	%					10%	20%
FINANCIAL RATIOS:							
Gross Profit Ratio	%	8.83	7.74	9.83	12.84	10.50	13.52
Net Profit Ratio	%	0.03	(0.90)	1.92	6.05	2.99	5.04
Current Ratio		0.78	0.75	0.95	0.96	0.91	0.94
Acid Test(Quick) Ratio		0.30	0.41	0.39	0.37	0.42	0.37
Interest Cover Ratio	Times	1.20	1.20	1.58	2.30	1.67	2.25
Inventory turnover	Times	4.67	4.67	4.24	4.19	4.93	6.56
Fixed Asset turnover	Times	1.90	1.90	2.71	2.85	3.09	3.60
Total Asset turnover	Times	0.99	0.99	1.28	1.34	1.50	1.79

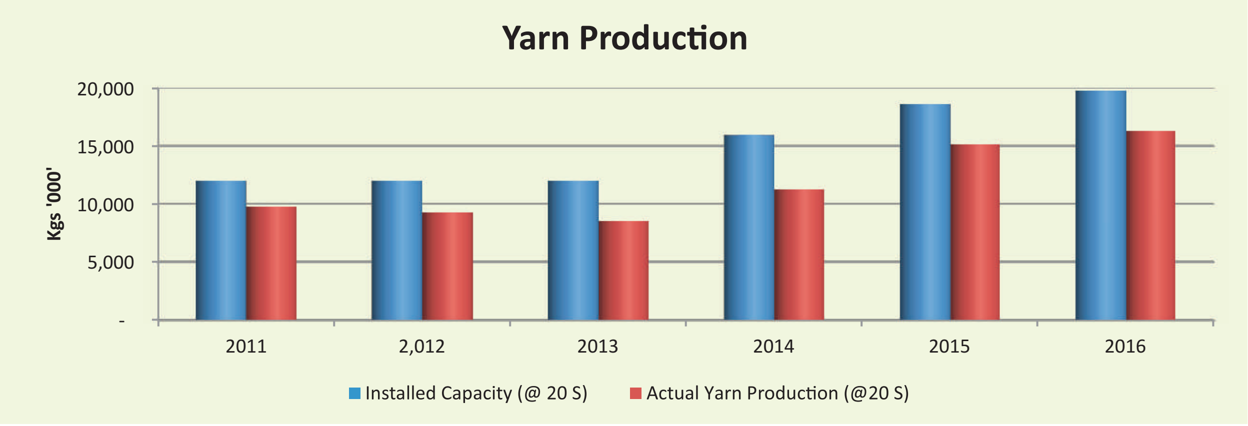
Financial Highlights

6 Years Growth at a Glance



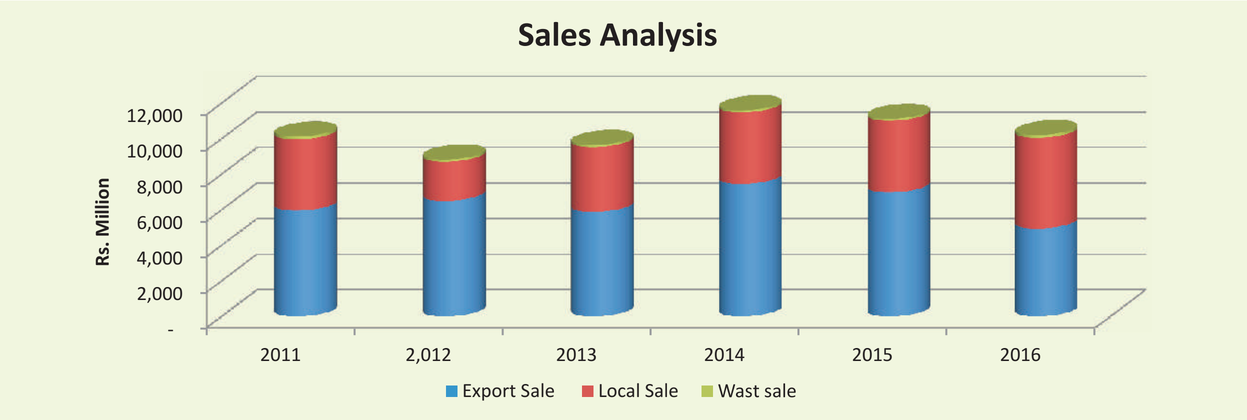


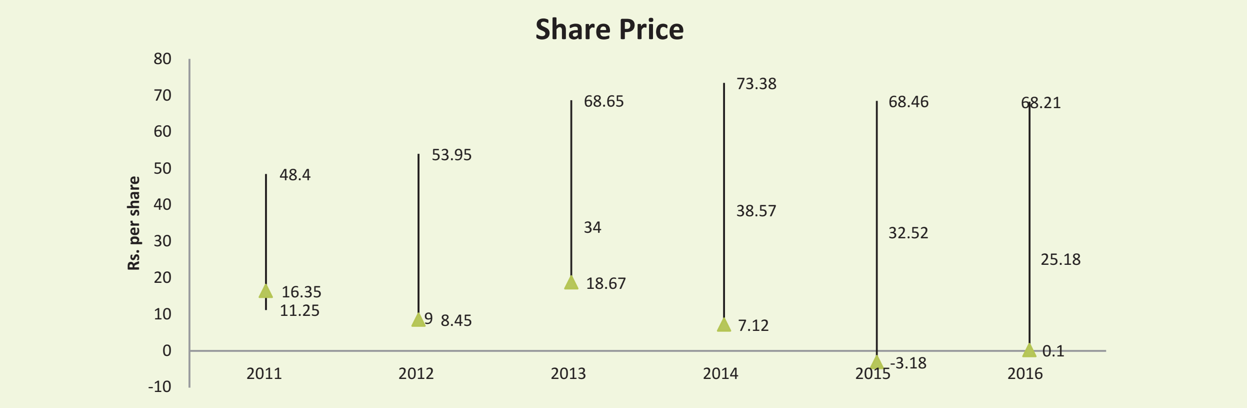


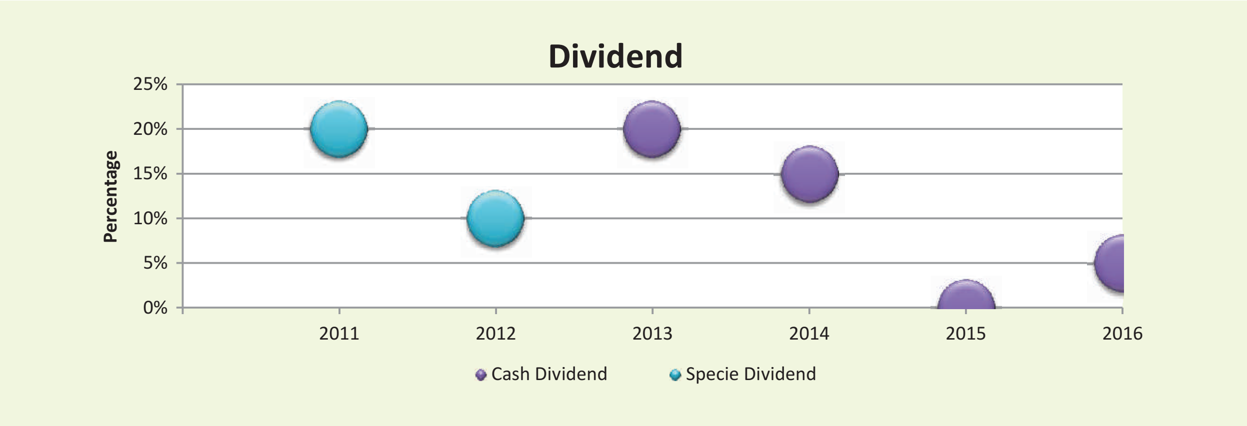


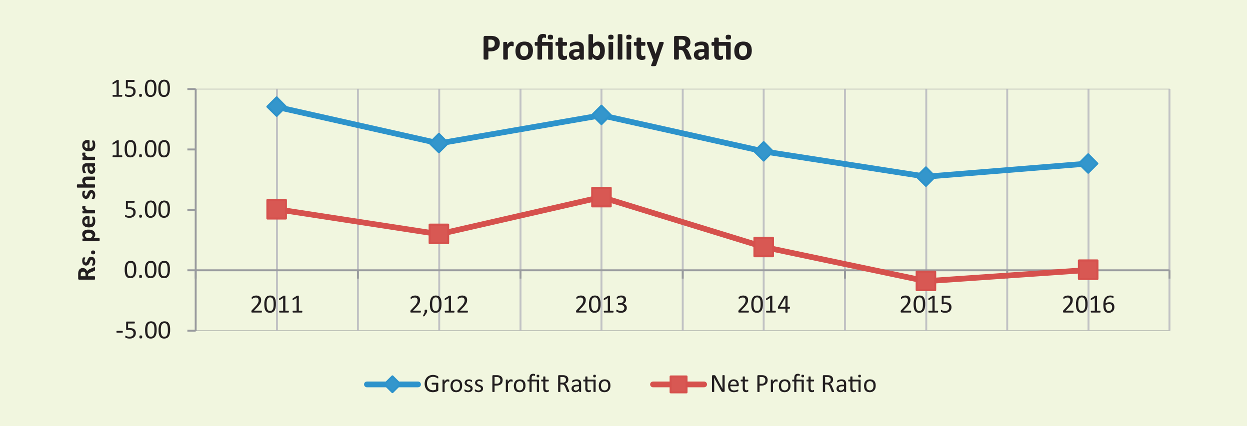
Financial Highlights

6 Years Growth at a Glance



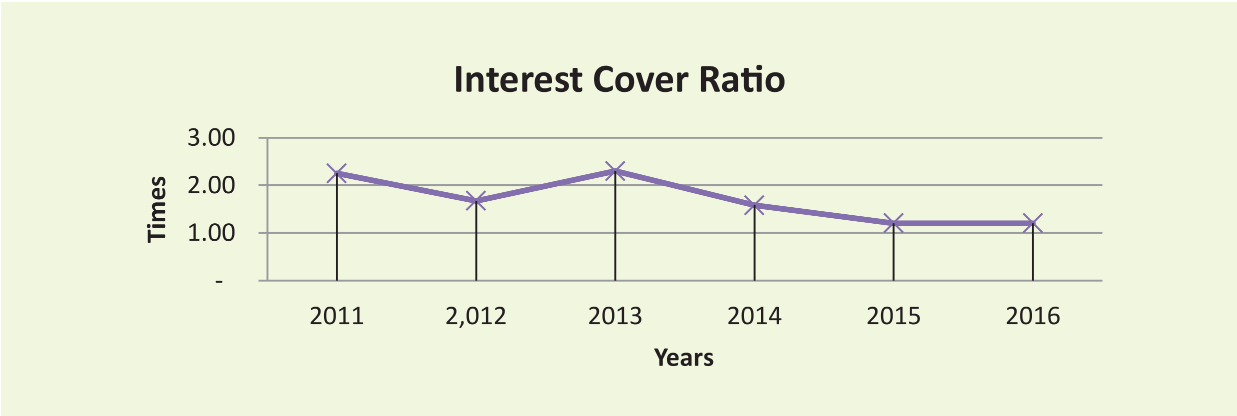


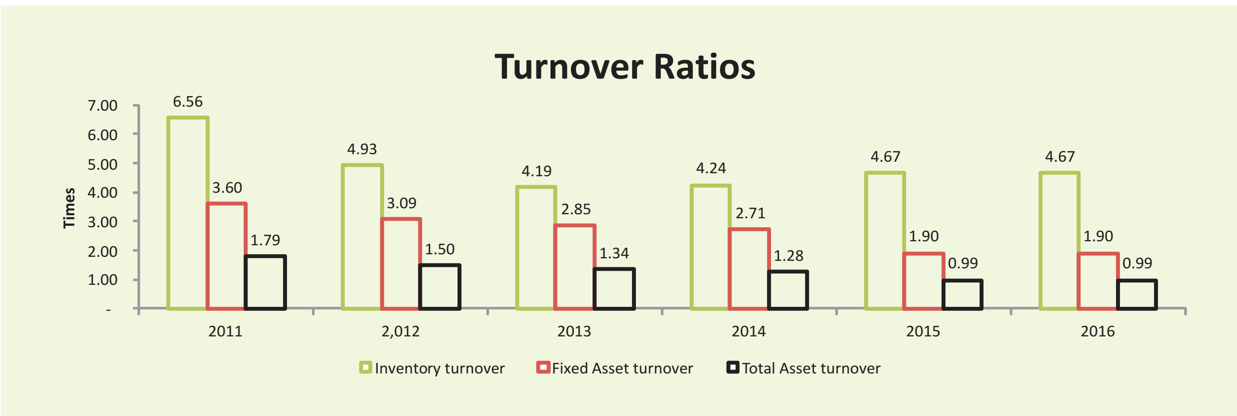


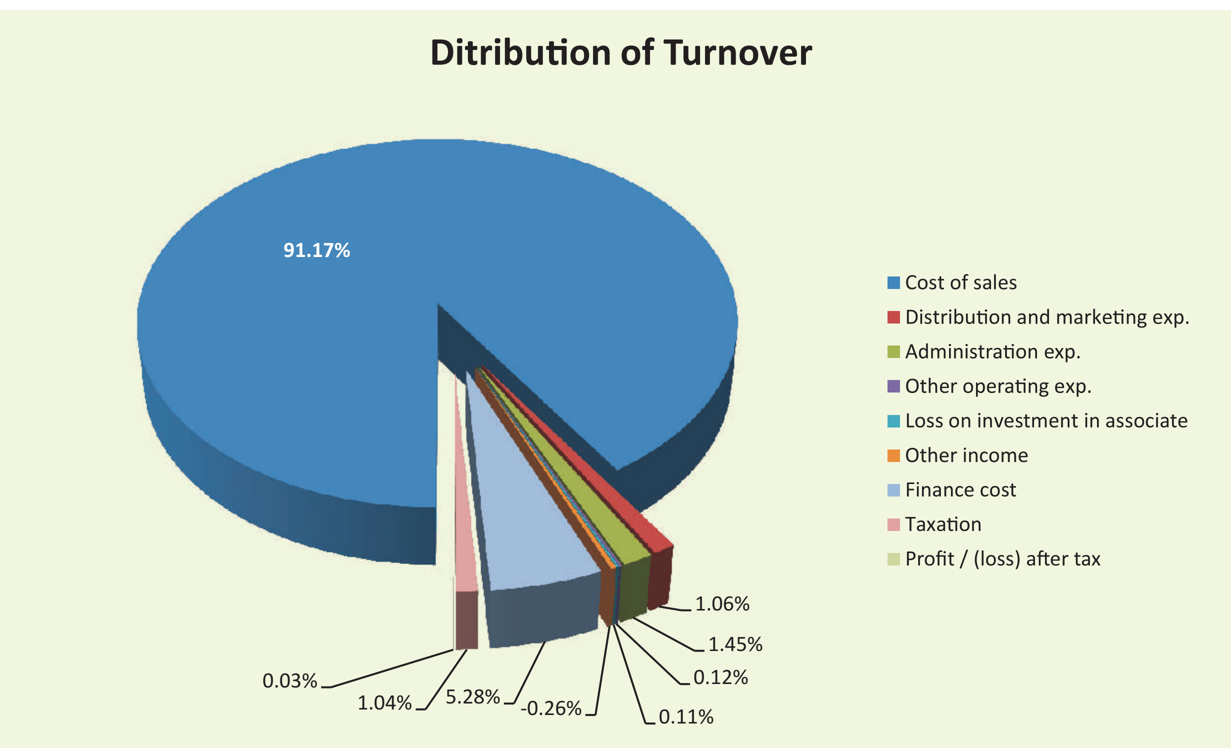


Financial Highlights

6 Years Growth at a Glance







Pattern of Shareholding

As at June 30, 2016

S.No.	Name of shareholder	Number of shares	Per %
Directors and their spouse(s) and minor children			
1	FAZAL AHMED SHEIKH	7,925,722	25.72
2	FAWAD AHMED MUKHTAR	7,854,550	25.49
3	FAISAL AHMED MUKHTAR	7,886,071	25.60
4	FATIMA FAZAL	140,625	0.46
5	FARAH FAISAL	112,500	0.37
6	FAHD MUKHTAR	25,000	0.08
7	DR. MUHAMMAD SHAUKAT MALIK	5	0.00
8	AMBREEN FAWAD	115,625	0.38
		24,060,098	**78.09**
Associated companies, undertakings and related parties			
1	RELIANCE COMMODITIES (PVT) LTD	845,708	2.74
		845,708	**2.74**
Executive			
	NIL		-
	-	-	-
Public sector companies and corporations			
1	NATIONAL DEVELOPMENT FINANCE	984	0.00
2	INVESTMENT CORP. OF PAKISTAN	1,460	0.00
3	NATIONAL BANK OF PAKISTAN	276	0.00
4	NATIONAL BANK OF PAKISTAN	333	0.00
		3,053	**0.01**
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds			
1	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	54,182	0.18
		54,182	**0.18**
Mutual Funds			
1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	592,645	1.92
		592,645	**1.92**
Foreign Investor			
	NIL		-
	-	-	-
Others			
1	M/S PYRAMID INVESTMENT(PVT)LTD	3,900	0.01
2	BAWA SECURITIES (PVT.) LTD.	2,175	0.01
3	KARACHI,LAHORE STOCK EXCHANGES	2	0.00
4	PRUDENTIAL SECURITIES LIMITED	400	0.00
5	Y.S. SECURITIES & SERVICES (PVT) LTD.	555	0.00
6	ROOMI ENTERPRISES (PVT) LIMITED.	1,044,500	3.39
7	AMIR FINE EXPORTS (PVT) LTD.	24,250	0.08
8	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1,901	0.01
9	S.H. BUKHARI SECURITIES (PVT) LIMITED	150	0.00
10	PYRAMID INVESTMENTS (PVT) LTD.	2,850	0.01
11	ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED	400	0.00
12	MUHAMMAD AHMAD NADEEM SECURITIES (SMC-PVT.) LIMITED	13,000	0.04
13	SEVEN STAR SECURITIES (PVT.) LTD.	27,000	0.09
14	MOHAMMAD ARIF PARVAIZ CHOUDHRY	2	0.00
15	FIKREE'S (SMC-PVT) LTD.	1,500	0.00
		1,122,585	**3.64**
General Public	SHAREHOLDERS IN PUBLIC	**4,132,666**	**13.41**
G.Total	**1622**	**30,810,937**	**100.00**

Form 34

As at June 30, 2016

# Of Shareholders	Shareholdings'Slab			Total Shares Held
184	1	to	100	6,193
651	101	to	500	148,245
503	501	to	1000	440,349
182	1001	to	5000	439,149
31	5001	to	10000	257,225
25	10001	to	15000	319,584
9	15001	to	20000	164,587
6	20001	to	25000	144,849
3	25001	to	30000	80,010
3	40001	to	45000	130,434
2	45001	to	50000	96,000
3	50001	to	55000	162,432
1	90001	to	95000	90,310
1	95001	to	100000	98,342
1	100001	to	105000	102,750
2	110001	to	115000	225,125
2	115001	to	120000	235,157
1	140001	to	145000	140,625
1	150001	to	155000	154,000
1	165001	to	170000	169,000
1	185001	to	190000	185,925
1	195001	to	200000	200,000
1	225001	to	230000	225,950
1	455001	to	460000	459,500
1	590001	to	595000	592,645
1	845001	to	850000	845,708
1	1040001	to	1045000	1,044,500
1	7850001	to	7855000	7,854,550
1	7885001	to	7890000	7,886,071
1	7910001	to	7915000	7,911,722
1622				30,810,937

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
FAZAL AHMED SHEIKH	1	7,925,722	25.72
FAWAD AHMED MUKHTAR	1	7,854,550	25.49
FAISAL AHMED MUKHTAR	1	7,886,071	25.60
FATIMA FAZAL	1	140,625	0.46
FARAH FAISAL	1	112,500	0.37
FAHD MUKHTAR	1	25,000	0.08
DR. MUHAMMAD SHAUKAT MALIK	1	5	0.00
AMBREEN FAWAD	1	115,625	0.38
	8	24,060,098	78.09
Associated Companies, undertakings and related parties			
RELIANCE COMMODITIES (PVT) LTD	1	845,708	2.74
Executives	-	-	-
Public Sector Companies and Corporations	4	3,053	0.01
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	1	54,182	0.18
Mutual Funds			
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	592,645	1.92
Others	15	1,122,585	3.64
General Public			
a. Local	1592	4,132,666	13.41
Foreign Investor	-	-	-
Totals	1622	30,810,937	100

Share holders holding 5% or more	Shares Held	Percentage
FAZAL AHMED SHEIKH	7,925,722	25.72
FAISAL AHMED MUKHTAR	7,886,071	25.60
FAWAD AHMED MUKHTAR	7,854,550	25.49

Statement of Compliance

With the Best Practice of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Rules book of Pakistan Stock Exchange 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.

Reliance Weaving Mills Limited (the Company) has applied the principles contained in the Code of Corporate Governance in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors (the Board). At present, the Board includes:

Sr. No	Category	Name of Directors
1	Independent Director	1. Dr. Muhammad Shaukat Malik
2	Executive Directors	1. Mr. Fazal Ahmed Sheikh 2. Mr. Faisal Ahmed Mukhtar
3	Non-Executive Directors	1. Mr. Fawad Ahmed Mukhtar 2. Mr. Fahd Mukhtar 3. Mrs. Fatima Fazal 4. Mrs. Farah Faisal

*The Independent Director meets the requirements as prescribed in PSX Rules Book.

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

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange

4. One casual vacancy occurring on the Board during the year was filled up with in the stipulated period.

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.

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

Statement of Compliance

With the Best Practice of Corporate Governance

circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with the criteria specified in the clause (xi) of the CCG-2012 four Directors of the Company are exempt from the requirement of the DTP due to the 14 years education and fifteen years of experience on the Board of the listed Company. One Director Mrs. Farah Faisal has completed DTP organized/arranged by PICG the duly approved Training Institute of the SECP. The other Director will participate in DTP with in specified time.

10. No new appointment of CFO/Company Secretary has been made during the year.

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

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

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

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

15. The Board has re-constituted an Audit Committee. It comprises of three members, of whom two are non-executive directors and one independent director. The chairman of the committee is a non-executive 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 Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has re-constituted an HR and Remuneration Committee. It comprises of three members, of whom executive, non-executive and Independent Director each. The Chairman of the committee is a non-executive director.

18. The boards has set up an effective internal audit function managed by suitably qualified & experienced personnel on full time basis and are conversant with policies and procedures of the Company.

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

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 process has been implemented as per CCG 2012

24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

On behalf of the Board

FAZAL AHMED SHEIKH
(CEO)

Place: Lahore
Dated: October 07, 2016

Financial Statements

Reliance Weaving Mills Limited

As at June 30, 2016

Review Report to the Members on Statement of Compliance

With Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Reliance Weaving Mills Limited (the Company) for the year ended June 30, 2016 to comply with the Listing Regulations of the Pakistan Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended June 30, 2016.

Deloitte Yousuf Adil
Chartered Accountants
Engagement Partner
(Talat Javed)

Place: Multan.
Date: October 07, 2016

Auditors' Report to the Members

We have audited the annexed balance sheet of Reliance Weaving Mills Limited (the Company) as at June 30, 2016 and the related profit and loss account, statement of other 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 misstatements. 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 Company's business; and

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

(c) In our opinion, and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the 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 June 30, 2016 and of the profit, its cash flows and changes in 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 Central Zakat Fund established under section 7 of that Ordinance.

Deloitte Yousuf Adil
Chartered Accountants

Place: Multan.
Date: October 07, 2016

Engagement Partner
(Talat Javed)

Balance Sheet

	Note	2016 Rupees	2015 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
40,000,000 (2015: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
30,000,000 (2015: 30,000,000) preference shares of Rs. 10 each		300,000,000	300,000,000
		700,000,000	700,000,000
Issued, subscribed and paid up capital	5	308,109,370	308,109,370
Reserves	6	179,977,706	191,534,188
Unappropriated Profit		1,651,175,945	1,609,792,284
		2,139,263,021	2,109,435,842
Surplus on revaluation of fixed assets		634,324,622	634,324,622
Non-current liabilities			
Long term finance	7	1,943,687,503	2,077,763,923
Liabilities against assets subject to finance lease	8	2,951,747	24,159,376
Deferred liability	9	154,870,599	170,383,383
		2,101,509,849	2,272,306,682
Current Liabilities			
Current portion of non-current liabilities		744,035,075	730,302,318
Finances under mark up arrangements and other credit facilities	10	3,559,807,898	3,592,816,725
Trade and other payables	11	868,988,009	689,189,195
Markup accrued	12	103,341,124	108,569,795
		5,276,172,106	5,120,878,033
Contingencies and commitments	13		
		10,151,269,598	10,136,945,179

The annexed notes 1 to 45 form an integral part of these financial statements.

S/d-
Chief Executive Officer

As at June 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	14	5,166,040,134	5,377,184,256
Intangible assets	15	5,566,298	6,512,528
Long term investments	16	795,659,234	812,369,953
Long term deposits		15,572,179	21,485,470
Deferred tax asset	17	50,958,382	57,217,478
		6,033,796,227	6,274,769,685
Current assets			
Stores, spares and loose tools	18	182,572,254	183,564,019
Stock in trade	19	2,346,348,668	1,576,370,718
Trade debts	20	528,177,761	953,668,369
Loans and advances	21	392,010,201	385,795,701
Trade deposits and prepayments	22	27,833,569	2,709,932
Other receivables	23	3,262,618	24,271,704
Other financial assets	24	110,577,868	124,044,975
Tax refunds and due from the government	25	449,300,370	540,943,099
Cash and bank balances	26	77,390,062	70,806,977
		4,117,473,371	3,862,175,494
		10,151,269,598	10,136,945,179

S/d-
Director

Profit and Loss Account

For the Year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales - net	27	10,049,388,785	10,878,061,963
Cost of sales	28	(9,162,496,775)	(10,036,195,878)
Gross profit		886,892,010	841,866,085
Distribution and marketing expenses	29	(106,735,773)	(162,883,030)
Administrative expenses	30	(145,757,397)	(148,971,212)
Other operating expenses	31	(12,221,365)	(18,966,387)
Finance cost	32	(530,198,820)	(688,184,829)
Other income	33	26,271,716	38,370,052
Share of loss from associate	16.1	(11,032,679)	(3,594,547)
Profit / (loss) before taxation		107,217,692	(142,363,868)
Taxation	34	(104,025,100)	44,445,125
Profit / (loss) after taxation		3,192,592	(97,918,743)
Earning / (loss) per share - basic and diluted	40	0.10	(3.18)

The annexed notes 1 to 45 form an integral part of these financial statements.

S/d-
Chief Executive Officer

S/d-
Director

Statement of Comprehensive Income

For the Year ended June 30, 2016

	2016 Rupees	2015 Rupees
Profit / (loss) for the year	3,192,592	(97,918,743)
Other comprehensive Income:		
Items that may be reclassified subsequently to profit and loss account		
(Loss) / Gain on remeasurement of available-for-sale investment	(13,467,107)	26,435,432
Share of other comprehensive income of associate	2,208,837	4,697
Deferred Tax impact	(298,212)	-
	(11,556,482)	26,440,129
Items that will not be reclassified to profit or loss account		
Remeasurement on defined benefit obligation	44,151,953	(38,285,637)
Deferred Tax impact	(5,960,884)	4,533,019
	38,191,069	(33,752,618)
Total comprehensive Income / (loss) for the year	29,827,179	(105,231,232)

The annexed notes 1 to 45 form an integral part of these financial statements.

S/d-
Chief Executive Officer

S/d-
Director

Cash Flow Statement

For the Year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
Cash flows from operating activities			
Cash generated from operations	39	859,368,078	1,760,995,758
Finance cost paid		(525,317,678)	(694,680,907)
Taxes paid - net		(96,080,941)	(120,849,445)
Staff retirement benefits paid		(24,550,828)	(14,424,716)
Net cash generated from operating activities		213,418,631	931,040,690
Cash flows from investing activities			
Fixed capital expenditure		(33,875,187)	(1,033,194,542)
Proceeds from disposal of fixed assets		1,120,350	4,164,063
Long term deposits		5,913,291	1,093,740
Long term investment		15,905,462	(487,139,352)
Net cash used in investing activities		(10,936,084)	(1,515,076,091)
Cash flows from financing activities			
Proceeds from long term finances		500,000,000	1,091,921,850
Repayment of long term finances		(612,886,516)	(344,844,455)
Decrease in lease liabilities		(28,664,776)	(16,330,477)
Dividend paid		(21,339,343)	(24,393,499)
Finance under mark up arrangements - net		(33,008,827)	(166,596,186)
Net cash (used in) / generated from financing activities		(195,899,462)	539,757,233
Net increase / (decrease) in cash and cash equivalents		6,583,085	(44,278,168)
Cash and cash equivalents at beginning of the year		70,806,977	115,085,145
Cash and cash equivalents at end of the year		77,390,062	70,806,977

The annexed notes 1 to 45 form an integral part of these financial statements.

S/d-
Chief Executive Officer

S/d-
Director

Statement of Changes in Equity

For the Year ended June 30, 2016

		Capital reserve		Revenue reserve		
	Share capital	Share premium	Fair Value reserve	General reserve	Unappropriated profit	Total
	------------------------------------ Rupees ------------------------------------					
Balance as at 30 June 2014	308,109,370	41,081,250	49,840,850	74,171,959	1,787,680,051	2,260,883,480
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(97,918,743)	(97,918,743)
Other comprehensive income	-	-	26,440,129	-	(33,752,618)	(7,312,489)
Total comprehensive income for the year	-	-	26,440,129	-	(131,671,361)	(105,231,232)
Transactions with owners of the company recognized directly in equity						
Cash dividend @ Rs.1.50 per share for the year ended June 30, 2014	-	-	-	-	(46,216,406)	(46,216,406)
Balance as at 30 June 2015	308,109,370	41,081,250	76,280,979	74,171,959	1,609,792,284	2,109,435,842
Total comprehensive income for the year						
Profit for the year	-	-	-	-	3,192,592	3,192,592
Other comprehensive income	-	-	(11,556,482)	-	38,191,069	26,634,587
Total comprehensive income for the year	-	-	(11,556,482)	-	41,383,661	29,827,179
Balance as at 30 June 2016	308,109,370	41,081,250	64,724,497	74,171,959	1,651,175,945	2,139,263,021

The annexed notes 1 to 45 form an integral part of these financial statements.

S/d-
Chief Executive Officer

S/d-
Director

Notes to the Financial Statements

For the Year ended June 30, 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

Reliance Weaving Mills Limited ("the Company") was incorporated in Pakistan as a public limited company on 7 April 1990 under the Companies Ordinance, 1984 and its shares are quoted on Pakistan Stock Exchange (formerly Karachi Stock Exchange and Lahore Stock Exchange). The Company commenced its operations on 14 May 1990 and is principally engaged in the manufacture and sale of yarn and fabric. The registered office of the Company is situated at Second Floor, Trust Plaza, L.M.Q. Road, Multan.

1.1 These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

2 STATEMENT OF COMPLIANCE

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

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2016

The following standards, amendments and interpretations are effective for the year ended June 30, 2015. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 10 - Consolidated Financial Statements	Effective from accounting period beginning on or after July 01, 2015

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

Amendments to IFRS 11 - Joint Arrangements	Effective from accounting period beginning on or after January 01, 2015

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint

Notes to the Financial Statements

For the Year ended June 30, 2016

arrangementsunder IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

IFRS 12 - Disclosure of Interests in Other Entities — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

IFRS 13 - Fair Value Measurement — **Effective from accounting period beginning on or after January 01, 2015**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

IAS 27 (Revised 2011) - Separate Financial Statements — **Effective from accounting period beginning on or after January 01, 2015**

The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. Subsequently, IASB issued amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

IAS 28 (Revised 2011) - Investments in Associates Joint Ventures — **Effective from accounting period beginning on or after January 01, 2015**

Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

Certain annual improvements have also been made to a number of IFRSs.

3.2 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are

Notes to the Financial Statements

For the Year ended June 30, 2016

not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	**Effective from accounting period beginning on or after January 01, 2018**

The amendments relate to the following areas :

- The accounting for the effects of vesting conditions on cash-settled share-based payment transactions;

- The classification of share-based payment transactions with net settlement features for withholding tax obligations; and

- The accounting for a modification to the terms and conditions of a share-based payment that changes the transactions from cash-settled to equity-settled.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	**Effective date is deferred indefinitely. Earlier adoption is permitted.**

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. IAS 28 and IFRS 10 are amended, as follows:

IAS 28 has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investors' interests in the associate or joint venture.

- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.

IFRS 10 has been amended to reflect the following:

- Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or join venture. similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associated or joint venture.

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with earlier application permitted.

Ammendments to IFRS 10 'Consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' - Investment Entities: Applying the consolidation exception	**Effective from accounting period beginning on or after January 01, 2016.**

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption

Notes to the Financial Statements

For the Year ended June 30, 2016

from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.
The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interests in Other Entities.

The amendments apply retrospectively.

Amendments to IFRS 11 'Joint Arrangements' - Accounting for acquisitions of interests in Joint operations	**Effective from accounting period beginning on or after January 01, 2016**

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Ammendments to IAS 1 'Presentation of Financial Statements' - Disclosure initiative	**Effective from accounting period beginning on or after January 01, 2016.**

The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgment. Certain key highlights in the amendments are as follows:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.

- In the other comprehensive income, section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following terms:
• the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and
• the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

Notes to the Financial Statements

For the Year ended June 30, 2016

Ammendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	**Effective from accounting period beginning on or after January 01, 2017**

The amendments are part of the IASB's Disclosure Initiative project and introduce additional disclosure requirements intended to address investors' concerns that financial statements do not currently enable them to understand the entity's cash flows; particularly in respect of the management of financing activities.

The amendments require disclosure of information enabling users financial statements to evaluate changes in liabilities arising from financing activities. The amendments do not define financing activities, instead they clarify that financing activities are based on the existing definition used in IAS 7.

Although there is no specific format required to comply with the new requirements, the amendments include illustrative examples to show how an entity can meet the objective to these amendments.

The amendments are to be applied prospectively. Entities are not required to present comparative information for earlier periods.

Amendments to IAS 12 'Income Taxes' -Recognition of deferred tax assets for unrealised losses	**Effective from accounting period beginning on or after January 01, 2017**

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that:
- The carrying amount of an assets does not limit the estimation of probable future taxable profits; and that
- when comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences.

The amendments are to be applied retrospectively.

Amendments to IAS 16 'Property Plant and Equipment' and IAS 38 'Intangible Assets' - Clarification of acceptable methods of depreciation and amortization	**Effective from accounting period beginning on or after January 01, 2015**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example, a contract may allow the extraction of gold mine until the total cumulative revenue from the sale of goods reaches CU 2 billion) and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset; or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible assets are highly correlated.

Notes to the Financial Statements

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The amendments apply prospectively.

Amendments to IAS 16 'Property Plant and Equipment' and IAS 41 'Agriculture - Measurement of bearer plants — **Effective from accounting period beginning on or after January 01, 2016**

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

On the initial application of the amendments, entities are permitted to use the fair value of the items of bearer plants as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognized in opening retained earnings at the beginning of the earliest period presented.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

Amendments to IAS 27 'Separate Financial Statements' - Equity method in separate financial statements — **Effective from accounting period beginning on or after January 01, 2016**

The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost
- in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9); or
- Using the method as described in IAS 28 Investments in Associates and Joint ventures.

The same accounting must be applied to each category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

The amendments apply retrospectively.

Other than the aforesaid standards, interpretations and amendments, 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:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except for land and investments classified as available for sale which are stated at fair value and obligations in respect of gratuity schemes which are measured at present value.

4.2 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards,

Notes to the Financial Statements

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as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

a Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

b Investment stated at fair value

Management has determined fair value of investment by using quotations from active market conditions and information about the financial instrument. These estimates are subjective in nature and involve some uncertainties and matters of judgment and therefore, cannot be determined with precision.

c Fixed assets

<u>Property, plant and equipment</u>

The Company's management determines the estimated useful lives and related depreciation charge for its plant and equipment. The Company also reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

<u>Intangible assets</u>

The Company reviews the rate of amortization and value of intangible assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of intangible assets with a corresponding effect on the amortization charge and impairment.

d Stock-in-trade and stores and spares

The Company reviews the net realizable value of stock-in-trade and stores, spares and loose tools to assess any diminution in their respective carrying values. Any change in the estimates in future years might affect the carrying amounts of stock-in-trade and stores, spares and loose tools with a corresponding effect in profit and loss account of those future years. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

e Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements for actuarial valuation of present value of defined benefit obligations. Changes in these assumptions in future years may affect the liability under the scheme in

Notes to the Financial Statements

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those years.

f Trade debts

The Company reviews its doubtful debts at each reporting dates to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimates of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on certain assumptions whereas actual results may differ, resulting in future changes to the provisions.

4.3 Summary of accounting policies

4.3.1 Fixed assets

a) Operating property, plant and equipment - owned

These are stated at cost less accumulated depreciation and impairment losses, if any, except freehold land, which is stated at revalued amount.

Depreciation is charged, on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the asset's economic benefits are consumed by the Company, at the rates specified in note 14.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month prior to disposal.

Surplus on revaluation of land is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized.

Normal repair and maintenance are charged to profit and loss as and when incurred. Gains and losses on disposal of assets, if any, are included in profit and loss currently.

The assets' residual values and useful lives are continually reviewed by the Company and adjusted if impact on depreciation is significant. The Company's estimate of residual values of property, plant and equipment as at 30 June 2015 has not required any adjustment as its impact is considered insignificant.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

b) Assets subject to finance lease

The Company accounts for property, plant and equipment obtained under finance leases by recording the asset and the related liability. These amounts are determined on the basis of discounted value of minimum lease payments at inception of lease or fair value whichever is lower. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on lease assets is charged, on a systematic basis over the useful life of the assets, on reducing balance method, which reflects the patterns in which the asset's economic benefits are consumed by the Company, at the rates specified in note 14.1. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month prior to disposal.

Notes to the Financial Statements

For the Year ended June 30, 2016

c) Intangible assets

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged using the straight line method over assets estimated useful life at the rates specified in note 15 after taking into account residual value, if any. The residual values, useful lives and amortization methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Amortization on additions is charged from the month the assets are put to use while no amortization is charged in the month in which the assets are disposed off.

Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

d) Capital work-in-progress (CWIP)

Capital work in progress is stated at cost including, where relevant, related financing costs less impairment losses, if any. These costs are transferred to fixed assets as and when assets are available for use.

4.3.2 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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's 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.

4.3.3 Borrowings

Interest bearing borrowings are recognized initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

4.3.4 Taxation

Income tax on profit or loss for the year comprises current and deferred tax.

a) Current

Charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or

Notes to the Financial Statements

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provisions of minimum tax, or provisions of alternative corporate tax. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

b) Deferred

Deferred tax is recognized using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base (the amounts used for taxation purposes). In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release - 27 of Institute of Chartered Accountants of Pakistan .

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax liabilities are generally recognised for all taxable temporary difference. Deferred tax assets and liabilities are based on the expected tax rates applicable at the time of reversal.

4.3.5 Employee retirement benefit - gratuity

The main features of the scheme operated by the Company for its employees are as follows:

4.3.6 Defined benefit plan

The Company operates an unfunded gratuity scheme for all employees according to the terms of employment subject to a minimum qualifying period of service. Annual provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits irrespective of the qualifying period.

The latest actuarial valuation for gratuity scheme was carried out as at June 30, 2015. Projected Unit Credit Method, based on the following significant assumptions is used for valuation of the scheme:

	2016	2015
- Discount rate	7.8%	9.8%
- Expected increase in eligible salary	6.3%	8.8%
- Average expected remaining working life time	7 years	7 years
- Mortality rate	SLIC 2001-2005	SLIC 2001-2005

4.3.7 Trade and other payables

Financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently at amortized cost using effective interest rate method.

Other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

4.3.8 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.3.9 Derivative financial instruments and hedging activities

These are initially recorded at fair value on the date on which a derivative contract is

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entered into and subsequently measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an on going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items. Derivatives are carried as asset when the fair value is positive and liabilities when the fair value is negative.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in other comprehensive income are recognized in profit and loss account in the periods when the hedged item will effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in other comprehensive income are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Any gains or losses arising from change in fair value derivatives that do not qualify for hedge accounting are taken directly to profit and loss account.

4.3.10 Investments

Investments in equity instruments of associated companies

Associated companies, where the Company holds 20% or more of the voting power of the investee company and where the Company has significant influence, but not control, over the financial and operating policies, are accounted for using the equity method.

Investment at fair value through profit and loss

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer margin are classified as "investment at fair value through profit or loss", these are initially recognized on trade date at cost being the fair value of the consideration given and derecognized by the Company on the date it commits to sell them off. Transaction costs are charged to profit and loss account as and when incurred. At each balance sheet date, fair value is determined on the basis of year-end bid prices obtained from stock exchange quotations. Any resultant increase/(decrease) in fair value is recognized in the profit and loss account for the year.

Held to maturity

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held to maturity investments are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method.

Available for sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. Available for sale investments are recognized initially at fair value plus any directly attributable

Notes to the Financial Statements

For the Year ended June 30, 2016

transaction costs. After initial recognition, these are stated at fair values unless fair values can not be measured reliably, with any resulting gains and losses being taken directly to equity until the investment is disposed or impaired. At each reporting date, these investments are remeasured at fair value, unless fair value cannot be reliably measured. At the time of disposal, the respective surplus or deficit is transferred to profit and loss account. Fair value of quoted investments is their bid price on Karachi Stock Exchange at the balance sheet date. Unquoted investments, where active market does not exist, are carried at cost as it is not possible to apply any other valuation methodology.

Investments intended to be held for less than twelve months from the balance sheet date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognized on the trade date which is the date that the company commits to purchase or sell the investment.

Available for sale, investments are tested for impairment at each reporting date. Investments are considered to be impaired if there is a significant or prolonged decline in the fair value of the investment at the reporting date.

4.3.11 Stores, spares and loose tools

Usable stores, spares and loose tools are valued principally at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

4.3.12 Stock in trade

These are stated at the lower of cost and net realizable value except for waste stock which is valued at net realizable value.

Cost has been determined as follows:

- Raw materials	Weighted average cost
- Work in process and finished goods	Cost of direct materials, labour and appropriate manufacturing overheads.

Materials in transit comprises of invoice value plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

4.3.13 Trade debts

Trade debts and other receivables are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method if applicable, less provision for impairment, if any. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Trade debts and receivables are written off when considered irrecoverable.

4.3.14 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as component of cash and cash equivalents for the purpose of cash flow statement.

Notes to the Financial Statements

For the Year ended June 30, 2016

4.3.15 Financial instruments

a) Initial recognition

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. At the time of initial recognition all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it.

b) Derecognition of financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. If an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the 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 the respective carrying amounts is recognized in profit and loss account.

4.3.16 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when the risks and rewards of ownership are transferred i.e. on dispatch in case of local sales and on preparation of bill of lading in case of exports and when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and applicable rate of return.

Mark up income is accrued on a time proportionate basis, by reference to the principal outstanding and at the agreed mark up rate applicable.

Dividend income is recognized when the right to receive payment is established.

4.3.17 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the profit and loss account.

4.3.18 Borrowing cost

Borrowing costs incurred on long term finances directly attributable for the construction/ acquisition of qualifying assets are capitalized up to the date the respective assets are available for intended use. All other mark-up, interest and other related charges are taken to the profit and loss account.

4.3.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the company that makes strategic decisions.

Segment results, assets and liabilities include items directly attributable to segment as

Notes to the Financial Statements

For the Year ended June 30, 2016

well as those that can be allocated on a reasonable basis. Segment assets consist primarily of property, plant and equipment, intangibles, stores and spares, stock in trade and trade and other debts. Segment liabilities comprise of operating liabilities and exclude items such as taxation and corporate.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

4.3.20 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are approved.

4.3.21 Related party transactions

The Company enters into transactions with related parties on agreed commercial terms. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

4.3.22 Earnings per share

The Company presents basic and diluted earnings per shares (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to share holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to share holders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016	2015		Note	2016	2015
Number of shares				Rupees	Rupees
17,801,875	17,801,875	Ordinary shares of Rs. 10/- each fully paid in cash		**178,018,750**	178,018,750
13,009,062	13,009,062	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares		**130,090,620**	130,090,620
30,810,937	30,810,937			**308,109,370**	308,109,370

5.1 These includes ordinary shares 845,708 (2015: 845,708) held by Reliance Commodities (Pvt) Limited, an associated undertaking of the company.

6 RESERVES

Composition of reserves is as follows:

	Note	2016	2015
Capital reserve			
- Share premium	6.1	**41,081,250**	41,081,250
Revenue reserve			
- General reserve		**74,171,959**	74,171,959
- Fair value reserve	6.2	**64,724,497**	76,280,979
		138,896,456	150,452,938
		179,977,706	191,534,188

6.1 This reserve can be utilized by the Company only for the purposes specified in section 83 (2) of the Companies Ordinance, 1984.

6.2 This reserve relates to surplus on remeasurement of available for sale financial assets.

Notes to the Financial Statements

For the Year ended June 30, 2016

7 LONG TERM FINANCE - secured	Note	2016 Rupees	2015 Rupees
Secured loan from Banking Companies / Financial Institutions			
National Bank of Pakistan (LTF III)	7.1	38,750,000	54,250,000
Saudi Pak Industrial and Agricultural Investment Company Limited (LTFF-I)	7.2	-	31,140,848
Pak Brunei Investment Company (LTFF)	7.3	37,516,000	62,512,000
MCB Bank Limited (LTFF)	7.4	-	4,590,000
Allied Bank Limited (LTFF)	7.5	-	19,350,643
Bank of Khyber (DF)	7.6	150,000,000	225,000,000
Bank Al Falah Limited (TF-I)	7.7	82,475,423	112,466,486
Meezan Bank Limited (Diminishing Musharkah 241 M)	7.8	144,540,540	192,720,720
Saudi Pak Industrial and Agricultural Investment Company Limited (LTFF)	7.9	245,452,903	272,725,447
National Bank of Pakistan (DF-IV)	7.10	115,595,577	135,206,263
Allied Bank Limited (TL-2)	7.11	291,666,672	350,000,005
Bank Al Falah Limited (TF-2)	7.12	124,989,065	174,984,691
Meezan Bank Limited (Diminishing Musharkah 350 M)	7.13	293,223,221	347,148,814
Pak China Investment Company Limited (TF)	7.14	375,000,000	500,000,000
United Bank Limited	7.15	270,000,000	300,000,000
Pak Brunei Investment Company (TF)	7.16	300,000,000	-
Pak Libya Holding Company (TF)	7.17	200,000,000	-
		2,669,209,401	2,782,095,917
Current portion classified under current liabilities		(725,521,898)	(704,331,994)
		1,943,687,503	2,077,763,923
Current portion of long term loan			
National Bank of Pakistan (LTF III)		15,500,000	15,500,000
Saudi Pak Industrial and Agricultural Investment Company Limited (LTFF-I)		-	31,140,097
Pak Brunei Investment Company (LTFF)		24,996,000	24,996,000
MCB Bank Limited (LTFF)		-	4,590,000
Allied Bank Limited (LTFF)		-	19,350,643
Bank of Khyber (DF)		75,000,000	75,000,000
Bank Al Falah Limited (TF)		29,991,065	29,991,065
Meezan Bank Limited (Diminishing Musharkah 241 M)		48,180,180	48,180,180
Saudi Pak Industrial and Agricultural Investment Company Limited		81,817,622	54,545,078
National Bank of Pakistan (DF IV)		25,458,071	22,534,378
Allied Bank Limited (TL-2)		58,333,334	58,333,334
Bank Al Falah Limited (TF-2)		49,995,626	49,995,626
Meezan Bank Limited (Diminishing Musharkah 350 M)		70,000,000	53,925,593
Pak China Investment Company Limited (TF)		156,250,000	156,250,000
United Bank Limited		90,000,000	60,000,000
Pak Brunei Investment Company (TF)		-	-
Pak Libya Holding Company (TF)		-	-
		725,521,898	704,331,994

7.1 National Bank of Pakistan (LTF III)

This finance has been obtained to retire import LC sight. It contains mark up at the rate 12.70 % (2015: 12.70%) and is repayable in 12 equal half yearly instalments. The loan is secured by 1st pari passu charge on fixed assets of the company at 25 % margin & personal guarantees of sponsoring directors of the company.

Notes to the Financial Statements

For the Year ended June 30, 2016

7.2 Saudi Pak Industrial and Agricultural Investment Company Limited (LTFF-I)

This loan was obtained to finance expansion plan of company. It contained mark up at the rate 11.10 % (2015: 11.10%) and was repayable in 8 half yearly instalments. The loan was secured by 1st pari passu charge on all present and future fixed assets of the company with 25 % margin. The loan has been fully repaid in the year.

7.3 Pak Brunei Investment Company (LTFF)

This finance has been obtained to finance import of 40 sets air jet looms and generator sets by Reliance Weaving Mills Limited eligible under the facility. It contains mark up at the rate 10.70% (2015: 10.70%) and is repayable in 12 equal half yearly instalments. The loan is secured by a 1st pari passu charge on present and future fixed assets of the company with 25 % margin.

7.4 MCB Bank Limited (LTFF)

This finance was obtained to retire/finance gas generator imported via MCB at weaving unit, Khanewal Road, Multan. It contained mark up at the 11.10% (2015: 11.10%) and was repayable in 10 equal semi annual instalments. The loan was secured by 1st exclusive hypothecation charge of Rs. 62 million over specific gas generator imported via MCB, along with accessories. This loan has been fully repaid during the year.

7.5 Allied Bank Limited (LTFF)

This loan was obtained to finance the textile machinery for expansion in the spinning unit of the company. It contains mark up at the 6M KIBOR + 1.75% (2015: 6M KIBOR + 1.75%) and was repayable in 4 equal semi annual instalments. The loan was secured by a 1st pari passu charge over present & future fixed assets of the company for Rs. 67 million. This loan was repaid during the year.

7.6 Bank of Khyber (DF)

This finance has been obtained for retirement of LC II for purchase of plant and equipment. It contains mark up at the rate 3 M KIBOR + 150 bps (2015: 3 M KIBOR + 200 bps) and is repayable in 8 equal semi annual instalments. The loan is secured by a 1st pari passu charge on all the present and future fixed assets of the company with 25 % margin and personal guarantees of directors.

7.7 Bank Al Falah Limited (TF-I)

This finance has been obtained to finance capital expenditure in spinning unit of the Company. It contains mark up at the rate 6 M KIBOR + 1.50% (2015: 6 M KIBOR + 1.50%) and is repayable in 19 equal quarterly instalments in arrears. The loan is secured by 1st registered pari passu/JPP charge over fixed assets of the company for Rs. 200 million with 25% margin and personal guarantees of some directors of the company.

7.8 Meezan Bank Limited (Musharkah 241 M)

This finance has been obtained to finance imported plant and machinery. It contains mark up at the rate 6 M KIBOR + 125 bps (2015: 6 M KOIBOR + 125 bps) and is repayable in 20 equal quarterly instalments. The loan is secured by exclusive charge over underlying plant and machinery against disbursed amount and additional pari passu charge over fixed assets of the company to cover margin up to 25%.

7.9 Saudi Pak Industrial and Agricultural Investment Company Limited (LTFF)

This finance has been obtained to finance expansion plan of company. It contains mark up at the rate 11.4 % (2015: 11.4%) and is repayable in 11 half yearly instalments. The loan is secured by 1st pari passu charge on all present and future fixed assets of the company with 25 % margin.

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For the Year ended June 30, 2016

7.10 National Bank of Pakistan (DF-IV)

This finance has been obtained to retire import LC sight for import of miscellaneous spinning machinery to be installed at spinning unit no 4 of the Company. It contains mark up at the rate 3 M KIBOR + 2.25% (2015: 3 M LIBOR + 2.25%) and is repayable in 24 equal quarterly instalments. The loan is secured by 1st pari passu charge on all present and future fixed assets of the company & personal guarantees of all sponsoring directors of the company.

7.11 Allied Bank Limited (TL-2)

This finance has been obtained to finance the textile machinery for expansion in the spinning unit of the company. It contains mark up at the 6 M KIBOR + 1.6% (2015: 6 M KIBOR + 1.6%) and is repayable with one year grace period in 12 equal semi annual instalments starting from October 6, 2015. The loan is secured by a 1st pari passu charge over present & future fixed assets of the company for Rs. 467 million.

7.12 Bank Al Falah Limited (TF-2)

This finance has been obtained to finance current portion of the long term loans availed by the company from different Financial Institution which is falling due during the period from October 2013 to September 2014. It contains mark up at the rate 6 M KIBOR + 2.00% (2015: 6 M KIBOR + 2.00%) and is repayable 16 equal quarterly instalments. The loan is secured by 1st registered pari passu/JPP charge on fixed assets of the company for Rs. 267 million and personal guarantees of some directors of the company.

7.13 Meezan Bank Limited (Diminishing Musharkah 350 M)

This finance has been obtained to finance imported plant and machinery. It contains mark up at the rate 6 M KIBOR + 125 bps (2015: 6 M KIBOR + 125 bps) and is repayable in 20 equal quarterly instalments. The loan is secured by exclusive charge over underlying plant and machinery against disbursed amount and additional pari passu charge over fixed assets of the company to cover margin up to 25 %. Further the loan is secured by personal guarantees of directors.

7.14 Pak China Investment Company Limited (TF)

This finance has been obtained to reduce the funding gap/mismatch from usage of short term debt for financing long term assets and would free up existing short term working capital lines already utilised for capital expenditure. It contains mark up at the rate 3 M KIBOR + 150 bps (2015: 3 M KIBOR + 150 bps) and is repayable in 16 equal quarterly instalments. The loan is secured by first pari passu hypothecation/mortgage charge over all present and future fixed assets of the borrower with 25% margin & personal guarantee of directors.

7.15 United Bank Limited

This finance has been obtained to refinance expansion / BMR done through company's own sources. It contains markup at the rate 6 M KIBOR + 150 bps (2015: 6 M KIBOR + 150 bps) and is repayable in 10 equal semiannual installments. The loan is secured by first pari passu charge of Rs. 400 million over all present and future fixed assets of Reliance Weaving Mills Limited by way of equitable mortagage of land & building and hypothecation of plant and machinery.

7.16 Pak Brunei Investment Company (TF)

This finance has been obtained to finance the mismatch from usage of short term debt for financing long term assets. It contains markup at the rate 3 M KIBOR + 175 bps (2015: nil) and is repayable in 15 equal quarterly installments with 15 months grace period. The loan is secured by ranking charge on all present and furture fixed assets of the company (including land and building) with 25% margin to be upgraded to first parri passu within 90 days from the first drawndown and personal guarantees of sponsoring directors of the company.

Notes to the Financial Statements

For the Year ended June 30, 2016

7.17 Pak Libya Holding Company (TF)

This finance has been obtained to reduce the funding gap from usage of short term debt for financing long term assets and to create cushion in existing short term working capital lines. It contains markup at the rate 6 M KIBOR + 2% per annum (2015: nil) and is repayable in 10 equal semiannual installments with 1 year grace period. The finance is secured against pari passu charge on fixed assets of the company with 25% margin over the facility amount. Initially ranking charge is registered which will be upgraded to pari passu charge within 120 days from the date of disbursement and personal guarantees of all sponsored directors.

	Note	2016 Rupees	2015 Rupees
8 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments	8.3	21,464,924	50,129,700
Current portion shown under current liabilities		(18,513,177)	(25,970,324)
		2,951,747	24,159,376

8.1 The minimum lease payments have been discounted at implicit interest rates ranging from 3 months KIBOR plus 2.25% to 6 month KIBOR plus 2.00% (2015: 3 months KIBOR plus 2.25% to 6 month KIBOR plus 2.00%) to arrive at their present value. Rentals are payable in quarterly/monthly instalments. The Company has the option to purchase the assets after expiry of the lease term and has the intention to exercise such option. There are no financial restrictions imposed by lessor.

8.2 Taxes, repairs and insurance costs are to be borne by the Company. In case of termination of the agreement, the Company is liable to pay the entire outstanding amount for the unexpired period of lease agreement.

8.3 The amount of future minimum lease payments along with their present value and the period during which they will fall due are:

	2016		2015	
	Minimum Lease payment Rupees	Present Value Rupees	Minimum Lease payment Rupees	Present Value Rupees
Not later than one year	19,778,330	18,513,177	30,570,602	25,970,324
Later than one year and not - later than five years	3,901,558	2,951,747	31,877,723	24,159,376
	23,679,888	21,464,924	62,448,325	50,129,700
Less: amount representing - finance charges	(2,214,964)	-	(12,318,625)	-
Present value of - minimum lease payments	21,464,924	21,464,924	50,129,700	50,129,700

	Note	2016 Rupees	2015 Rupees
9 DEFERRED LIABILITY			
Staff retirement benefits - gratuity	9.1	154,870,599	170,383,383
9.1 Amount recognised in the balance sheet			
Present value of defined benefit obligation	9.3	154,870,599	170,383,383
Net liability as at June 30		154,870,599	170,383,383

Notes to the Financial Statements

For the Year ended June 30, 2016

		Note	2016 Rupees	2015 Rupees
9.2	**Movement in liability for defined benefit obligation**			
	Liability as at July 01		170,383,383	96,055,426
	Charge for the year		53,189,997	50,467,036
	Remeasurement changes chargeable to other comprehensive income		(44,151,953)	38,285,637
	Benefits paid during the year		(24,550,828)	(14,424,716)
	Liability as at June 30		154,870,599	170,383,383
9.3	**Change in present value of defined benefit obligation**			
	Opening present value of defined benefit obligations		170,383,383	96,055,426
	Current service cost for the year		42,964,440	38,695,329
	Interest cost for the year		15,415,527	11,771,707
	Benefits paid during the year		(24,550,828)	(14,424,716)
	Gains and losses arising on plan settlements		(5,189,970)	-
	Remeasurement of plan obligation		(44,151,953)	38,285,637
	Closing present value of defined benefit obligations		154,870,599	170,383,383
9.4	**Charge for the year**			
	Current service cost		42,964,440	38,695,329
	Gains and losses arising on plan settlements		(5,189,970)	-
	Interest cost		15,415,527	11,771,707
			53,189,997	50,467,036
9.5	**Charge for the year has been allocated as follows:**			
	Cost of sales	28.2	48,596,486	44,404,019
	Administrative expenses	30.1	4,593,511	6,063,017
			53,189,997	50,467,036
9.6	**Total remeasurement chargeable to other comprehensive income**			
	Remeaurement of plan obligation:			
	Experience adjustments		(44,151,953)	(38,285,637)
			(44,151,953)	(38,285,637)

9.7 Sensitivity analysis

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	%age	Rupees	Rupees
Discount rate	1	(144,131,577)	167,358,329
Salary growth rate	1	167,358,329	(143,942,348)

9.8 Expected contribution for the next year

The expected contribution to the gratuity scheme for the year ending 30 June 2017 works out to Rs. 54,631,976. The average duration of the defined benefit obligation is 7 years (2016: 7 years).

		Note	2016 Rupees	2015 Rupees
10	FINANCES UNDER MARK UP ARRANGEMENTS AND OTHER CREDIT FACILITIES			
	Short term finances - secured	10.1	3,172,648,851	2,628,219,464
	Export finances - secured	10.2	387,159,047	935,990,838
		10.3	3,559,807,898	3,564,210,302
	Finance from associated company - unsecured	10.4	-	28,606,423
			3,559,807,898	3,592,816,725

Notes to the Financial Statements

For the Year ended June 30, 2016

10.1 Short term finances are available from different commercial banks under mark up arrangements amounting to Rs. 10,730 million (2015: 10,436 million). The rates of mark up range from 6.64% to 8.34% (2015: 6.81% to 12.80%) on the outstanding balance.

10.1.1 Out of the aggregate facility of Rs. 1,130 million (2015: Rs. 640 million) for opening letters of credit and Rs. 265 million (2015: Rs. 637 million) for guarantees being the sub limit of finances mentioned in note 10.1, the amount utilized as at 30 June 2016 was Rs. 58.8 million (2015 Rs. 480.6 million) and Rs. 129.6 million (2015: Rs. 118.3 million) respectively.

10.2 The Company has obtained export finance facilities from commercial banks aggregating to Rs. 3,605 million (2015: Rs. 2,395 million).Out of total facility, the amount utilized was Rs.387 million (2015: Rs. 936 million). The rates of mark up range from 1.00% to 2.16% (2015: 1.54% to 4.00%) on the outstanding balance.

10.3 The aggregate facilities are secured by pledge of stock (cotton, yarn, polyester and fabric), hypothecation / pari passu charge on all present and future current assets of the Company including stock in trade, trade debts and lien on export bills.

10.4 This represents short term loan received from Fatima Sugar Mills Limited and carries mark-up at 1 month KIBOR plus 3 % per annum.

	Note	2016 Rupees	2015 Rupees
11 TRADE AND OTHER PAYABLES			
Trade creditors	11.1	563,292,642	320,763,540
Accrued liabilities		270,003,305	322,127,199
Workers' profit participation fund payable		19,614,540	18,285,062
Unclaimed dividend		4,942,513	26,281,856
Others		11,135,009	1,731,538
		868,988,009	689,189,195
11.1 This includes following balances due to related parties;			
Fatima Fertilizer Company Limited		19,058,980	15,300,535
Fatima Sugar Mills Limited		228,018,067	-
Pak Arab Fertilizers Limited		5,698,195	223,402
Fazal Cloth Mills Limited		-	1,967,794
		252,775,242	17,491,731
12 MARK UP ACCRUED			
Long term finances - secured		56,569,370	52,627,720
Liabilities against assets subject to finance lease		113,637	215,793
Finances under mark-up arrangements - secured		46,658,117	55,726,282
		103,341,124	108,569,795

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

(i) The Company has arranged bank guarantees from Habib Bank Limited and Meezan Bank Limited favouring Sui Northern Gas Pipelines Limited of Rs. 76.492 million (2015: Rs. 53.439 million) and Rs. nil (2015: Rs. 7.121 million) respectively against payment of sui gas dues. The Company has also arranged bank guarantee favouring MEPCO from Bank Al-Falah Limited of Rs. 33.674 million (2015: Rs. 19.519 million) for payment against electricity dues. The Company has also arranged bank guarantee from Meezan Bank Limited, Habib Bank Limited, National Bank of Pakistan and Bank Al-Falah Limited favouring Director Excise and Taxation of Rs. 17.486 million (2015: Rs. 17.486 million), Rs. 15.00 million (2015: Rs.15.00 million), Rs. 3.743 million (2015: Rs. 3.743 million) and Rs. 2.00 million (2015: Rs. 2.00 million) respectively.

Notes to the Financial Statements

For the Year ended June 30, 2016

(ii) The Company is contingently liable for Rs. 1.4 million Iqra surcharge on account of non-compliance of the provisions of SRO. 1140(1) 97 in respect of 1,320 bales of raw cotton imported in the year 2001. However, all the contingencies previously attached to the particular case have already been decided in favour of the Company. The management is confident, since Alternate Dispute Resolution Committee recommendations and subsequent decisions by FBR were in favour of the Company, that the liability of Iqra surcharge on account of exportation of goods so manufactured from imported cotton, will be positively waived off.

(iii) The Company challenged the imposition of infrastructure cess at the rate of 0.85% by the Director Excise and Taxation Karachi vide Sindh Finance Act, in the High Court. The High Court decided that 50% of the demand amounting to Rs. 5.5 million shall be paid by the Company while for remaining 50%, guarantees shall be issued in favour of Excise and Taxation Karachi. The Company although paid the said amount and issued guarantees, has challenged the said order in Supreme Court and the management is confident that the decision will be decided in their favour and accordingly no provision has been made in the financial statements.

(iv) Foreign bills discounted outstanding as at 30 June 2016 aggregated to Rs. 809.304 million (2015: Rs. 1,541.744 million).

	Note	2016 Rupees	2015 Rupees
13.2 Commitments			
13.2.1 Commitments in respect of forward foreign exchange contracts			
Sale		1,550,000	3,752,500
13.2.2 Letters of credit for:			
Capital expenditures		-	18,227,697
Other than capital expenditures		58,878,091	462,352,639
		58,878,091	480,580,336
13.2.3 Stand by letters of credit for:			
Commitment to inject equity in Fatima Energy Ltd.		1,750,000,000	2,250,000,000

The company has commitment of Rs. 1,750 million (2015: Rs. 2,250 million) in the form of standby letter of credits to inject equity in Fatima Energy Limited. These standby letter of credits were initially issued by five commercial banks. The purpose of these standby letters of credit is favouring lenders of Fatima Energy Limited to honour the commitment of injection/ investment in the equity of Fatima Energy Limited by the Reliance Weaving Mills Limited (the company). All standby letter of credits were issued during previous years and have expiry within next twelve months from reporting date.

14 PROPERTY, PLANT AND EQUIPMENT

	Note	2016 Rupees	2015 Rupees
Operating fixed assets	14.1	5,138,451,473	5,349,600,505
Capital work in progress	14.2	27,588,661	27,583,751
		5,166,040,134	5,377,184,256

Notes to the Financial Statements

For the Year ended June 30, 2016

14.1 Operating fixed assets

Particulars	Owned assets										Leased			
Cost	Freehold land	Buildings	Plant and machinery	Electric installations	Factory equipment	Office equipment	Electric appliances	Furniture and fixtures	Vehicles	Subtotal	Plant and machinery	Vehicles leased	Subtotal	Grand total
	Rupees													
Balance at 1 July 2014	750,266,000	588,995,292	4,264,692,629	240,249,122	28,560,550	32,044,192	17,551,890	15,551,519	69,994,565	6,007,905,759	59,163,037	44,169,054	103,332,091	6,111,237,850
Additions	2,673,000	130,317,591	917,630,676	87,203,218	4,096,596	5,260,451	2,714,908	751,544	3,549,628	1,154,197,612	73,061,220	11,383,990	84,445,210	1,238,642,822
Transfers in from leased assets	-	-	50,788,037	-	-	-	-	-	21,984,789	72,772,826	(50,788,037)	(21,984,789)	(72,772,826)	-
Adjustments	-	2,103,823	(91,139,373)	54,334,439	(1,943,439)	(4,763,596)	(4,144,499)	(1,375,896)	4,215,007	(42,713,534)	42,739,166	(25,632)	42,713,534	-
Disposals	-	-	(4,176,847)	-	-	(195,687)	-	-	(5,431,677)	(9,804,211)	-	-	-	(9,804,211)
Balance at 30 June 2015	752,939,000	721,416,706	5,137,795,122	381,786,779	30,713,707	32,345,360	16,122,299	14,927,167	94,312,312	7,182,358,452	124,175,386	33,542,623	157,718,009	7,340,076,461
Balance at 1 July 2015	752,939,000	721,416,706	5,137,795,122	381,786,779	30,713,707	32,345,360	16,122,299	14,927,167	94,312,312	7,182,358,452	124,175,386	33,542,623	157,718,009	7,340,076,461
Additions	-	3,113,010	13,823,678	6,753,609	60,000	1,205,992	1,039,394	339,868	4,592,026	30,927,577	-	2,942,700	2,942,700	33,870,277
Transfers in from leased assets										-			-	-
Adjustments	-	-	-	-	-	-	-	-	10,230,986	10,230,986	-	(10,230,986)	(10,230,986)	-
Disposals	-	-	-	-	-	-	-	-	(2,727,006)	(2,727,006)	-	-	-	(2,727,006)
Balance at 30 June 2016	**752,939,000**	**724,529,716**	**5,151,618,800**	**388,540,388**	**30,773,707**	**33,551,352**	**17,161,693**	**15,267,035**	**106,408,318**	**7,220,790,009**	**124,175,386**	**26,254,337**	**150,429,723**	**7,371,219,732**
Rate	-	5%	5%	5%	5%	10%	10%	10%	20%		5%	20%		
Depreciation														
Balance at 1 July 2014	-	202,133,735	1,410,242,441	53,226,413	11,217,048	11,488,862	7,780,761	7,284,283	26,721,251	1,730,094,794	10,446,908	14,783,915	25,230,823	1,755,325,617
Adjustment for disposal	-	-	(1,713,678)	-	-	(96,954)	-	-	(4,041,033)	(5,851,665)	-	-	-	(5,851,665)
Transfers in from leased assets	-	-	9,995,006	-	-	-	-	-	11,535,720	21,530,726	(9,995,006)	(11,535,720)	(21,530,726)	
Adjustment	-	(287,176)	(15,384,713)	15,890,419	(308,024)	(3,133,449)	(1,335,985)	(739,081)	2,280,881	(3,017,128)	2,760,484	256,644	3,017,128	
Depreciation for the year	-	23,947,951	179,038,650	13,448,652	904,632	2,226,379	1,060,399	844,456	9,682,328	231,153,447	4,146,548	5,702,009	9,848,557	241,002,004
Balance at 30 June 2015	-	225,794,510	1,582,177,706	82,565,484	11,813,656	10,484,838	7,505,175	7,389,658	46,179,147	1,973,910,174	7,358,934	9,206,848	16,565,782	1,990,475,956
Balance at 1 July 2015	-	225,794,510	1,582,177,706	82,565,484	11,813,656	10,484,838	7,505,175	7,389,658	46,179,147	1,973,910,174	7,358,934	9,206,848	16,565,782	1,990,475,956
Adjustment for disposal	-	-	-	-	-	-	-	-	(1,612,918)	(1,612,918)	-	-	-	(1,612,918)
Transfers in from leased assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	4,373,772	4,373,772	-	(4,373,772)	(4,373,772)	-
Depreciation for the year	-	24,859,539	177,868,371	15,112,678	946,753	2,239,521	926,977	767,125	12,320,470	235,041,434	6,150,750	2,713,037	8,863,787	243,905,221
Balance at 30 June 2016	**-**	**250,654,049**	**1,760,046,077**	**97,678,162**	**12,760,409**	**12,724,359**	**8,432,152**	**8,156,783**	**61,260,471**	**2,211,712,462**	**13,509,684**	**7,546,113**	**21,055,797**	**2,232,768,259**
Carrying amounts														
At 30 June 2015	752,939,000	495,622,196	3,555,617,416	299,221,295	18,900,051	21,860,522	8,617,124	7,537,509	48,133,165	5,208,448,278	116,816,452	24,335,775	141,152,227	5,349,600,505
At 30 June 2016	**752,939,000**	**473,875,667**	**3,391,572,723**	**290,862,226**	**18,013,298**	**20,826,993**	**8,729,541**	**7,110,252**	**45,147,847**	**5,009,077,547**	**110,665,702**	**18,708,224**	**129,373,926**	**5,138,451,473**

14.1.1 The Company carried out the revaluation of land on 17 April 2014. The valuation was conducted by an independent valuer, K.G. Traders (Private) Limited. Land was revalued on the basis of fair market value. Revaluation of land resulted in surplus of Rs. 634.324 million.

Notes to the Financial Statements

For the Year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
14.1.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	28	225,494,380	222,475,138
Administrative expenses	30	18,410,841	18,526,866
		243,905,221	241,002,004

Had there been no revaluation, the net book value of land would have been Rs.115.94 million.

14.1.5 Disposal schedule of operating property, plant and equipment:

Particulars	2016						
	Cost	Accumulated depreciation	Book value	Claim/sales proceeds	Gain/(loss)	Mode of disposal	Sold to
	Rupees						
Vehicles							
Suzuki Cultus MN-11-5427	940,883	527,520	413,363	413,363	-	Company policy	Mr. Aftab Shahid
Daihatsu Coure MN-11-4804	845,133	507,049	338,084	344,346	6,262	Company policy	Mr. Akhtar Malik
Suzuki Cultus MN-11-5426	940,990	578,349	362,641	362,641	-	Company policy	Mr. Ismail
	2,727,006	1,612,918	1,114,088	1,120,350	6,262		

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For the Year ended June 30, 2016

Particulars	2015						
	Cost	Accumulated depreciation	Book value	Claim/sales proceeds	Gain/(loss)	Mode of disposal	Sold to
	-----------------	-----------------	Rupees	-----------------	-----------------		
Office equipment							
Black Berry	25,000	7,975	17,025	5,000	(12,025)	Company Policy	Mr. Asad Jan
Photocopy Machine	170,687	88,979	81,708	20,000	(61,708)	Negotiation	Premier Office Products
Plant & Machinery							
Vision Shield	4,176,847	1,713,678	2,463,169	2,700,000	236,831	Negotiation	Imperial Textile Mills Limited
Vehicles							
Toyota Corrolla LEF-8365	1,885,906	1,403,702	482,204	472,237	(9,967)	Company policy	Mr. Khawaja Sajid
Toyota Corrolla MNA-08-6324	1,335,816	994,210	341,606	333,112	(8,494)	Company policy	Mr. Ikram Azeem
Toyota Corrolla MNA-08-6381	1,335,815	994,209	341,606	333,112	(8,494)	Company policy	Mr. Shoaib Alam
Suzuki Saloon MLN-5303	613,000	510,798	102,202	102,202	-	Company policy	Mr. Zafar Iqbal
MNN-7667 (CD 70)	72,900	3,605	69,295	72,900	3,605	Negotiation	Fatima Sugar Mills Limited
MNK-9839 (CD 70)	56,590	45,883	10,707	27,000	16,293	Company policy	Mr. Ali Raza
MNQ-2653 (CD 70)	66,200	42,158	24,042	66,500	42,458	Insurance Claim	Premier Insurance Company Limited
MNN-09-5293 (CD 70)	65,450	46,468	18,982	32,000	13,018	Company policy	Mr. Nadeem Ahmad
	9,804,211	5,851,665	3,952,546	4,164,063	211,517		

		2016 Rupees	2015 Rupees
14.2	Capital work in progress		
	Civil works and buildings	4,238,722	4,233,812
	Land	23,349,939	23,349,939
		27,588,661	27,583,751
14.2.1	The reconciliation of the carrying amount is as follows;		
	Opening balance	27,583,751	233,032,031
	Addition during the year	6,626,475	835,420,847
	Transfer during the year	(6,621,565)	(1,040,869,127)
	Closing balance	27,588,661	27,583,751

Notes to the Financial Statements

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	Note	2016 Rupees	2015 Rupees
15 INTANGIBLE ASSETS			
Computer software			
Cost			
Balance at the beginning of the year		**9,462,295**	9,462,295
Additions during the year		**-**	-
Balance at the end of the year		**9,462,295**	9,462,295
Accumulated amortization			
Balance at the beginning of the year		**2,949,767**	2,003,537
Amortization for the year	30	**946,230**	946,230
Balance at the end of the year		**3,895,997**	2,949,767
Carrying amount	15.1	**5,566,298**	6,512,528

15.1 The rate of amortisation of intangible assets is 10%.

	Note	2016 Rupees	2015 Rupees
16 LONG TERM INVESTMENTS			
Investment in associate	16.1	**795,659,234**	812,369,953
Advance against shares	16.2	**-**	-
		795,659,234	812,369,953

16.1 Investment in associate - Fatima Energy Limited (FEL) At equity method

		Note	2016 Rupees	2015 Rupees
Cost		16.3	**800,054,340**	769,934,400
Share of post acquisition loss			**(14,627,226)**	(3,594,547)
Advance for issue of shares		16.4	**-**	46,025,403
Share of other comprehensive income			**2,213,534**	4,697
Gain on dilution of investment in associate		16.5	**8,018,586**	-
Carrying amount of investment			**795,659,234**	812,369,953
No. of shares held	Number		**80,016,370**	77,004,376
Ownership interest	Percent		**14.11%**	39.15%

Summarised financial information in respect of the investee company is set out below:

	2016 Rupees	2015 Rupees
Non-Current Assets	**21,410,360,000**	15,695,035,000
Current Assets	**2,205,861,000**	2,798,094,000
	23,616,221,000	18,493,129,000
Non-Current Liabilities	**17,016,900,000**	13,206,041,000
Current Liabilities	**993,794,000**	889,792,000
	18,010,694,000	14,095,833,000
Net assets including share deposit money	**5,605,527,000**	4,397,296,000
Share deposit money	**(30,000)**	(2,492,624,000)
Net assets excluding share deposit money	**5,605,497,000**	1,904,672,000
Revenue	**-**	-
Loss for the year	**17,719,000**	(9,912,000)
Other comprehensive income	**15,635,000**	12,000
Company’s share in FEL’s loss for the year	**(11,032,679)**	(3,594,547)
Company's share in FEL's other comprehensive income for the year	**2,208,837**	4,697

Notes to the Financial Statements

For the Year ended June 30, 2016

	2016 Rupees	2015 Rupees
Adjusted net assets of the associate	5,605,497,000	1,904,672,000
Share of net assets	791,075,589	745,679,088
Goodwill	4,583,645	13,615,625
Advance for share	-	46,025,403
Prior year's adjustment of loss	-	7,049,837
Carrying amount of investment	795,659,234	812,369,953

Due to non availability of annual audited financial statements of Fatima Energy Limited at the date of authorization for issue of these financial statements, equity method has been applied on un-audited financial statements for the year ended June 30, 2016. The difference in share of loss of Rs. 7 million of un-audited financial statements and audited financial statements of Fatima Energy Limited for the previous year has been incorporated during current year.

16.2 The company has invested in Fatima Energy Limited during the year in the form of shares, advance for issue of shares and Standby Letter of Credit (SBLCs).

The limit for investment in Fatima Energy Limited as approved by members of the company is Rs. 4,000 million.

16.3 The Company has acquired 9,938 ordinary shares @ RS. 10 each (28.40% holding) at 14 March 2014 and 998 ordinary shares @ Rs. 10 each (2.85% holding) at 13 May 2014, of Fatima Energy Limited resulting in total 10,936 ordinary shares (31.25% holding) as at 30 June 2014 and 34,693,441 ordinary shares @ RS. 10 each (1.41% holding) at 24 July 2014 and 42,299,999 ordinary shares @ Rs. 10 each (6.49% holding) at 04 December 2014, of Fatima Energy Limited resulting in total 77,004,376 ordinary shares (39.15% holding) as at 30 June 2015 (2014: 31.25% holding). During the current year the Company has acquired further 3,011,994 ordinary shares @ Rs. 10 (0.50% holding) at 31 May 2016, of Fatima Energy Limited resulting in total 80,016,370 ordinary shares (14.11% holding) as at 30 June 2016.

16.4 Advance for issue of shares has been provided, for which Fatima Energy Limited has subsequently issued shares to the company, and the markup is being charged (1 month KIBOR plus 2.5%) until the date shares are issued against this advance.

16.5 It represents gain recognized on dilution of investment during the year. Fatima Energy Limited has issued shares to third parties during the year, due to which percentage holding of Reliance Weaving Mills Limited is decreased. As per IAS-28, the changes in Investee's equity have been incorporated and resultant gain is recognized in profit and loss.

16.6 The company has commitment of Rs. 1,750 million (2015: Rs. 2,250 million) in the form of standby letter of credit to inject equity in Fatima Energy Limited, as disclosed in note 13.2.3.

17 DEFERRED TAX ASSET

Deferred tax asset is arising on account of the following;

For the year June 30, 2016	Opening balance	Charge / reversal for the year: Other Comprehensive Income	Charge / reversal for the year: Profit & loss	Closing balance
On taxable temporary differences				
Accelerated tax depreciation	(302,923,871)	-	(19,285,974)	(322,209,845)
Assets subject to finance lease	(10,894,591)	-	(3,674,030)	(14,568,621)
On deductible temporary differences				
Unabsorbed tax losses and tax credits	350,642,557	-	15,592,084	366,234,641
Provision for retirement benefits	20,393,383	(5,960,884)	6,476,332	20,908,831
Investment in associate	-	(298,212)	891,588	593,376
	57,217,478	(6,259,096)	-	50,958,382

Notes to the Financial Statements
For the Year ended June 30, 2016

Deferred tax asset is arising on account of the following;

For the year June 30, 2015	Opening balance	Charge / reversal for the year: Other Comprehensive Income	Charge / reversal for the year: Profit & loss	Closing balance
<u>On taxable temporary differences</u>				
Accelerated tax depreciation	(265,118,648)	-	(37,805,223)	(302,923,871)
Assets subject to finance lease	(1,456,383)	-	(9,438,208)	(10,894,591)
<u>On deductible temporary differences</u>				
Unabsorbed tax losses and tax credits	254,557,812	-	96,084,745	350,642,557
Provision for retirement benefits	12,017,219	4,533,019	3,843,145	20,393,383
	-	4,533,019	52,684,459	57,217,478

17.1 Deferred tax asset on unabsorbed tax losses and tax credits are recognised to the extent that the realisation of related tax benefits through future taxable profits is probable.

		Note	2016 Rupees	2015 Rupees
18	STORES, SPARES AND LOOSE TOOLS			
	Stores		68,818,158	67,543,730
	Spares		113,873,026	116,137,327
	Loose tools		111,092	112,984
			182,802,276	183,794,041
	Less: Provision for obsolete items		(230,022)	(230,022)
			182,572,254	183,564,019
19	STOCK IN TRADE			
	Raw materials	19.1	1,510,244,103	731,658,887
	Work in process		166,946,118	158,036,210
	Finished goods	19.2	601,016,330	645,220,370
	Waste		68,142,117	41,455,251
			2,346,348,668	1,576,370,718

19.1 Stock-in-trade includes raw material costing Rs. nil (2015: Rs. 642.65 million) stated at their net realisable values of Rs. nil (2015: Rs. 549.63 million). The amount charged to the profit and loss account in respect of raw material written down to their net realisable values is Rs. nil (2015: Rs. 93.02 million).

19.2 Stock-in-trade also includes finished goods costing Rs. nil (2015: Rs. 659.35 million) stated at their net realisable values of Rs. nil (2015: Rs. 645.22 million). The amount charged to the profit and loss account in respect of finished goods written down to their net realisable values is Rs. nil (2015: Rs. 14.13 million).

		Note	2016 Rupees	2015 Rupees
20	TRADE DEBTS			
	Considered good			
	Export - secured		192,735,707	701,553,423
	Local - unsecured		335,442,054	252,114,946
	Considered doubtful - unsecured		7,140,648	7,140,648
			535,318,409	960,809,017
	Less: Provision for doubtful debts		(7,140,648)	(7,140,648)
			528,177,761	953,668,369
21	LOANS AND ADVANCES			
	Advances - considered good			
	- To employees	21.1	123,569,813	103,728,751
	- To suppliers		76,753,333	116,354,795
	Due from related parties	21.2	53,408,886	4,714,004
	Letters of credit - margins, deposits, opening charges, etc.		138,278,169	160,998,151
			392,010,201	385,795,701

Notes to the Financial Statements

For the Year ended June 30, 2016

21.1 It includes amount of Rs. 533,871 (2015: Rs. 823,368) due from executives.

	Note	2016 Rupees	2015 Rupees
21.2 Due from related parties			
Multan Cloth Finishing Factory		**3,497,666**	3,093,618
Reliance Commodities (Pvt) Limited	21.2.1	**2,858,755**	1,511,011
Fatima Transmission Company Limited		**46,918,365**	109,375
		53,274,786	4,714,004

21.2.1 This represents short term loan given to Reliance Commodities (Pvt) Limited and carries mark-up at 1 month KIBOR plus 3 % per annum.

22 TRADE DEPOSITS AND PREPAYMENTS

	Note	2016 Rupees	2015 Rupees
Trade deposits and prepayments		**27,833,569**	2,709,932
		27,833,569	2,709,932

23 OTHER RECEIVABLES

	Note	2016 Rupees	2015 Rupees
Accrued mark-up	23.1	**2,618,268**	23,635,240
Others		**644,350**	636,464
		3,262,618	24,271,704

23.1 This represents mark-up on long term advance to Fatima Energy Limited and short term loan to Reliance Commodities (Pvt) Limited (Refer to note. 33.2).

24 OTHER FINANCIAL ASSETS

	Note	2016 Rupees	2015 Rupees
Short term investment - available for sale			
- Fatima Fertilizer Company Limited	24.1	**89,098,168**	102,565,275
Short term investment - others			
- Multan Real Estate Company (Private) Limited	24.2	**21,479,700**	21,479,700
		110,577,868	124,044,975

	2016 Rupees	2015 Rupees
24.1 Fatima Fertilizer Company Limited		
Carrying amount of 2,625,167 (2015:2,625,167) fully paid ordinary shares of Rs.10 each	**102,565,275**	76,129,843
Fair value adjustment	**(13,467,107)**	26,435,432
Closing market value of 2,625,167 (2015:2,625,167) shares	**89,098,168**	102,565,275

Fatima Fertilizer Company Limited (FFCL) is an associate of the Company through common directorship of 3 directors. However, the Company does not have a significant influence to participate in the financial and operating decisions of FFCL. Therefore, investment in FFCL is not accounted for using the equity method.

24.2 The company has acquired 214,797 ordinary share having nominal value of Rs.100 each as at 29 November, 2014 against advance for issuance of shares resulting in shareholding of 9.9 % as at 30 June, 2015.

25 TAX REFUNDS AND DUE FROM GOVERNMENT

	2016 Rupees	2015 Rupees
Export rebate	**11,030,617**	13,323,089
Income tax	**223,140,289**	127,059,346
Tax credit u/s 65B - net of provision for taxation	**29,026,173**	133,051,274
Sales tax	**177,683,268**	250,464,169
Special Excise duty	**8,420,023**	17,045,221
	449,300,370	540,943,099

Notes to the Financial Statements

For the Year ended June 30, 2016

		Note	2016 Rupees	2015 Rupees
26	**CASH AND BANK BALANCES**			
	Balance at banks			
	Current accounts:			
	- Pak rupee		71,430,951	65,278,849
	- Foreign currency - US $ 43,880 (2015: US $ 329)		1,237,518	33,833
			72,668,469	65,312,682
	Saving accounts			
	- Pak rupee	26.1	785,216	742,724
	Cash in hand		3,936,377	4,751,571
			77,390,062	70,806,977

26.1 Effective mark up rate in respect of saving accounts ranges from 2.40% to 3.75% (2015: 5.50% to 8.10%) per annum.

		Note	2016 Rupees	2015 Rupees
27	**SALES - NET**			
	Export		4,947,414,308	6,979,445,640
	Local		5,090,395,338	4,031,451,574
	Waste		143,639,884	105,328,653
			10,181,449,530	11,116,225,867
	Less: Commission		101,842,474	144,524,090
			10,079,607,056	10,971,701,777
	Add: Weaving, doubling, sizing income		123,187,011	2,544,135
	Export rebate income		1,977,729	-
			125,164,740	2,544,135
			10,204,771,796	10,974,245,912
	Less: Sale tax		155,383,011	96,183,949
			10,049,388,785	10,878,061,963
28	**COST OF SALES**			
	Raw material consumed	28.1	6,892,431,286	7,353,075,611
	Stores and spares consumed		253,556,265	259,851,197
	Packing material consumed		83,394,509	85,617,883
	Salaries, wages and other benefits	28.2	696,459,389	629,406,641
	Fuel and power		913,342,919	1,104,350,459
	Insurance		26,579,230	28,967,256
	Repairs and maintenance		18,294,477	17,641,870
	Depreciation on property, plant and equipment	14.1.4	225,494,380	222,475,138
	Utilities		476,587	514,898
	Other expenses		43,860,467	37,772,988
			9,153,889,509	9,739,673,941
	Opening stock of work in process		158,036,210	173,575,703
	Closing stock of work in process		(166,946,118)	(158,036,210)
			(8,909,908)	15,539,493
	Cost of goods manufactured		9,144,979,601	9,755,213,434
	Opening stock - Finished goods		645,220,370	946,332,552
	- Waste		41,455,251	21,325,513
			686,675,621	967,658,065
	Closing stock - Finished goods		(601,016,330)	(645,220,370)
	- Waste		(68,142,117)	(41,455,251)
			(669,158,447)	(686,675,621)
			17,517,174	280,982,444
			9,162,496,775	10,036,195,878

Notes to the Financial Statements

For the Year ended June 30, 2016

28.1 Raw materials consumed include Rs. 269,210,235 (2015:Rs. 381,566,799) relating to the cost of polyester which were sold during the year.

28.2 Salaries, wages and other benefits include Rs.48,596,486 (2015: Rs.44,404,019) in respect of staff retirement benefits.

		Note	2016 Rupees	2015 Rupees
29	DISTRIBUTION AND MARKETING EXPENSES			
	Ocean freight and shipping		19,106,028	47,323,151
	Local freight		37,825,346	55,024,521
	Export development surcharge		12,726,490	18,238,895
	Forwarding and clearing expenses		23,696,617	27,633,220
	Marketing expenses		10,093,076	7,229,749
	Other expenses		3,288,216	7,433,494
			106,735,773	162,883,030
30	ADMINISTRATIVE EXPENSES			
	Salaries, wages and other benefits	30.1	71,299,636	65,140,480
	Printing and stationery		1,849,207	2,200,807
	Motor vehicles running		7,481,246	7,606,091
	Traveling and conveyance		14,990,500	19,739,331
	Rent, rates and taxes		3,529,368	3,770,393
	Telephone and postage		4,149,624	7,207,584
	Fee, subscription and periodicals		4,733,406	5,947,996
	Utilities		993,142	1,315,157
	Insurance		1,928,518	1,784,203
	Repairs and maintenance		8,935,201	8,023,584
	Entertainment		1,382,726	1,771,611
	Advertisement		539,380	249,966
	Depreciation on property, plant and equipment	14.1.4	18,410,841	18,526,866
	Amortization of intangible assets	15	946,230	946,230
	Professional services	30.2	2,758,945	2,424,934
	Other expenses		1,829,427	2,315,979
			145,757,397	148,971,212

30.1 Salaries, wages and other benefits include Rs.4,593,511 (2015: Rs.6,063,017) in respect of staff retirement benefits.

30.2 Auditors' remuneration

The charges for professional services include the following in respect of auditors' remuneration:

	2016 Rupees	2015 Rupees
Statutory audit	1,000,000	1,000,000
Half yearly review	175,000	175,000
Out of pocket expenses	339,000	303,934
	1,478,934	1,478,934

		Note	2016 Rupees	2015 Rupees
31	OTHER OPERATING EXPENSES			
	Donations	31.1	12,221,365	18,966,387
			12,221,365	18,966,387

31.1 Donations

Names of donees in which a director or his spouse has an interest:

	2016 Rupees	2015 Rupees
Mian Mukhtar Trust, Multan (Mian Faisal, Director is the Trustee)	10,900,000	17,700,000

Notes to the Financial Statements

For the Year ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
32 FINANCE COST			
Interest and mark up on:			
- Long term finances		222,606,928	275,740,725
- Lease finance		3,825,991	6,620,840
- Finances under mark up arrangements		235,310,946	318,169,016
- Workers profit participation fund		1,329,478	1,849,051
Markup on associates		3,836,773	3,425,940
Exchange loss		8,780,335	6,957,620
Realized gain on forward foreign exchange contracts		(1,678,646)	(1,239,659)
Bank charges and commission		56,187,015	76,661,296
		530,198,820	688,184,829
33 OTHER INCOME			
Income from financial assets:			
Dividend Income	33.1	-	7,219,207
Mark up on loans to associates	33.2	13,723,335	27,103,975
Doubtful debts recovered		-	3,438,400
Gain on dilution of investment in associate		8,018,586	-
		21,741,921	37,761,582
Income from non financial assets:			
Gain on sale of operating assets	14.1.5	6,262	211,517
Others		4,523,533	396,953
		4,529,795	608,470
		26,271,716	38,370,052

33.1 This represents dividend received on short term investment from Fatima Fertilizer Company Limited.

33.2 This represents mark-up amounting to Rs. 12,110,151 (2015: 5,376,959) on advance against issue of shares given to Fatima Energy Limited and Rs.45,646 (2015: 124,797) and Rs. 1,567,538 (2015: nil) on short term loan given to Reliance Commodities (Pvt) Limited and Fatima Transmission Company (Pvt) Limited. This also includes commission fee amounting Rs. nil (2015: Rs. 21,602,219) of stand by letter of credit.

	Note	2016 Rupees	2015 Rupees
34 TAXATION			
For the year			
- Current			
Current taxation	34.1	104,025,100	111,261,943
Tax credit u/s 65B		-	(100,893,049)
		104,025,100	10,368,894
- Deffered		-	(52,684,459)
Prior year adjustment		-	(2,129,560)
		104,025,100	(44,445,125)

34.1 The provision for current taxation represents the minimum tax liability under section 113 and final tax on exports under section 169 of the Income Tax Ordinance, 2001.

34.2 Relationship between tax expense and accounting profit / (loss)

	2016 Rupees	2015 Rupees
Accounting Profit / (loss) before tax	(107,217,692)	(142,363,868)
Applicable tax rate	32%	33%
Tax on accounting rate	33,414,423	(46,980,076)
Income chargeable to tax at lower rate	104,025,100	111,261,943
Effect on applicability of other tax credits	(33,414,423)	(5,704,383)
Tax credit u/s 65B	-	(100,893,049)
Prior year adjustment	-	(2,129,560)
	104,025,100	(44,445,125)

Notes to the Financial Statements

For the Year ended June 30, 2016

35 REMUNERATION OF DIRECTORS AND EXECUTIVES

35.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the director and executives of the Company is as follows:

	Directors		Executives	
	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
Managerial remuneration	**3,331,497**	2,707,854	**16,477,653**	14,878,832
House rent allowance	**-**	-	**2,734,880**	2,469,516
Utility allowance	**-**	-	**1,196,510**	1,080,413
Bonus	**-**	-	**1,701,214**	2,062,150
	3,331,497	2,707,854	**22,110,257**	20,490,911
Number of key executives	**3**	3	**15**	15
Number of non-executive directors	**4**	4	**-**	-

The Company also provides the directors and executives with free use of company maintained cars and allowances for utility bills.

35.2 Remuneration to other director

Meeting fee amounting to Rs. 120,000 (2015: Rs. 105,000) was paid to a non executive director during the year.

36 SEGMENT REPORTING

36.1 Reportable Segments

The management has determined the operating segments of the Company on the basis of products produced.

The Company's reportable segments are as follows:

- Spinning segment - production of different qualities of yarn using natural and artificial fibres
- Weaving segment - production of different qualities of greige fabric using yarn

Information regarding the Company's reportable segments is presented below. Performance is measured based on segment profit before tax, as management believes that such information is the most relevant in evaluating the results of certain segments relative to other companies that operate within these industries.

36.2 Information about reportable segments

	Spinning		Weaving		Total	
	2016	2015	2016	2015	2016	2015
External revenue	**3,354,494,779**	2,943,223,903	**6,694,894,006**	7,934,838,060	**10,049,388,785**	10,878,061,963
Intersegment revenue	**3,040,964,421**	3,446,751,855	**-**	-	**3,040,964,421**	3,446,751,855
Cost of sales	**(6,061,037,786)**	(6,000,426,828)	**(3,101,458,989)**	(4,035,769,050)	**(9,162,496,775)**	(10,036,195,878)
Intersegment cost of sales	**-**	-	**(3,040,964,421)**	(3,446,751,855)	**(3,040,964,421)**	(3,446,751,855)
Distribution and marketing expense	**(19,845,818)**	(30,175,063)	**(86,889,955)**	(132,707,967)	**(106,735,773)**	(162,883,030)
Administrative expense	**(70,756,391)**	(66,643,250)	**(75,001,006)**	(82,327,962)	**(145,757,397)**	(148,971,212)
Other expense	**(4,013,800)**	(2,900,608)	**(8,207,565)**	(16,065,779)	**(12,221,365)**	(18,966,387)
Finance cost	**(285,982,253)**	(353,869,535)	**(244,216,567)**	(334,315,294)	**(530,198,820)**	(688,184,829)
Other operating income	**14,138,196**	17,504,245	**12,133,520**	20,865,807	**26,271,716**	38,370,052
Profit / (loss) before tax	**(32,038,652)**	(46,535,281)	**150,289,023**	(92,234,040)	**118,250,371**	(138,769,321)

36.2.1 The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 4 to the financial statements. Administrative expenses, distribution & marketing expenditures, other operating expenses and income are allocated on the basis of actual amounts incurred for the segments. Finance cost relating to long term loan is also allocated on the basis of purpose of loan for which it is obtained and finance cost relating to

Notes to the Financial Statements

For the Year ended June 30, 2016

short term loan is allocated on the basis of working capital requirements of the segments. This is the measure reported to management for the purposes of resource allocation and assessment of segment performance.

	2016 Rupees	2015 Rupees
36.3 Reconciliation of reportable segment revenues and profits		
Total revenue from reportable segments	13,090,353,206	14,324,813,818
Elimination of inter segment revenue	(3,040,964,421)	(3,446,751,855)
	10,049,388,785	10,878,061,963
Profit or loss		
Total profit or loss of reportable segments	118,250,371	(138,769,321)
Share of loss from associate	(11,032,679)	(3,594,547)
Tax for the year	(104,025,100)	44,445,125
Consolidated profits / (loss)	3,192,592	(97,918,743)

36.4 Segment assets and liabilities

36.4.1 Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Spinning	Weaving	Total
For the year ended 30 June 2016:	--------------------------Rupees----------------------		
Segment assets for reportable segment			
- Operating fixed assets	3,141,175,167	1,978,568,082	5,119,743,249
- Stores, spares and loose tools	116,558,950	66,013,304	182,572,254
- Stocks in trade	1,510,248,043	836,100,625	2,346,348,668
	4,767,982,160	2,880,682,011	7,648,664,171
Unallocated corporate assets			2,502,605,427
Total assets as per balance sheet			10,151,269,598
Segment liabilities for reportable segment	3,522,497,921	2,727,984,302	6,250,482,223
Unallocated corporate liabilities			1,127,199,732
Total liabilities as per balance sheet			7,377,681,955
For the year ended 30 June 2015:			
Segment assets for reportable segment			
- Operating fixed assets	3,184,452,061	2,023,694,837	5,208,146,898
- Stores, spares and loose tools	100,660,679	82,903,340	183,564,019
- Stocks in trade	803,974,222	772,396,496	1,576,370,718
	4,089,086,962	2,878,994,673	6,968,081,635
Unallocated corporate assets			3,168,863,544
Total assets as per balance sheet			10,136,945,179
Segment liabilities for reportable segment	3,724,521,431	2,700,520,911	6,425,042,342
Unallocated corporate liabilities			968,142,373
Total liabilities as per balance sheet			7,393,184,715

36.4.2 For the purposes of monitoring segment performance and allocating resources between segments

- operating property, plant & equipment, stocks in trade and stores, spares and loose tools are allocated to reportable segments while all other assets are held under unallocated corporate assets; and
- long term loans, finance under markup arrangement and liabilities against assets subject to finance lease are allocated to reportable segment and all other liabilities (i.e.) deferred liabilities, trade and other payables, and accrued mark up are held under unallocated corporate assets.

Notes to the Financial Statements

For the Year ended June 30, 2016

	2016 Rupees	2015 Rupees
36.5 Gross revenue from major products and services		
Fabric export sales	4,715,512,056	6,446,426,134
Yarn export sales	231,902,251	533,019,506
Fabric local sales	1,878,356,558	1,574,812,240
Yarn local sales	2,777,437,212	1,962,620,601
Cotton and polyester local sale	286,882,486	400,096,604
Waste local sales	139,563,927	103,116,718
	10,029,654,490	11,020,091,803
36.6 Gross revenue from major customers		
Spinning	1,934,911,207	772,423,686
Weaving	3,823,883,900	4,742,709,374
	5,758,795,107	5,515,133,060

36.7 Geographical information

36.7.1 The Company's gross revenue from external customers by geographical location is detailed below:

	2016 Rupees	2015 Rupees
Pakistan	5,082,240,183	4,040,646,163
Asia	4,144,634,363	5,912,647,869
Europe	802,779,944	1,066,797,771
	10,029,654,490	11,020,091,803

36.7.2 All non-current assets of the Company as at 30 June 2016 are located and operating in Pakistan.

36.8 Other segment information

	Spinning	Weaving	Total
	-------------------- Rupees --------------------		
For the year ended 30 June 2016:			
Capital expenditure	22,716,902	11,153,375	33,870,277
Depreciation			
Cost of sales	143,976,085	81,518,295	225,494,380
Administrative expenses	11,522,276	6,888,565	18,410,841
	155,498,361	88,406,860	243,905,221
For the year ended 30 June 2015:			
Capital expenditure	1,184,479,791	54,163,031	1,238,642,822
Depreciation			
Cost of sales	135,720,973	86,754,165	222,475,138
Administrative expenses	10,640,691	7,886,175	18,526,866
	146,361,664	94,640,340	241,002,004

37 TRANSACTION WITH RELATED PARTIES

The related parties comprise associated undertakings and key management personnel. The Company in the normal course of business carries out transactions with various related parties at agreed terms. Amounts due from and to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 35. Other significant transactions with related parties are as follows:

Notes to the Financial Statements

For the Year ended June 30, 2016

Description of transaction	Nature of relationship	2016 Rupees	2015 Rupees
Fazal Cloth Mills Limited	Associate		
Purchase of goods and services		99,397,306	19,480,700
Sale of goods and services		1,998,612	-
Fatima Fertilizer Company Limited	Associate		
Dividend Income		-	7,219,207
Reliance Sacks (Pvt) Limited	Associate		
Store purchase		5,812,340	5,260,500
Reliance Commodities (Pvt) Limited	Associate		
Markup -Income		45,645	124,797
Advance issued		1,347,744	-
Advance received		-	2,100,000
Fatima Sugar Mills Limited	Associate		
Purchase of fixed assets		1,303,490	-
Sale of fixed assets		-	72,900
Mark up - Expense		3,836,772	3,425,940
Advance received		204,550,000	18,245,549
Fatima Energy Limited	Associate		
Mark up - Income		12,110,151	26,979,178
Purchase of ordinary shares		30,119,940	769,934,400
Advance for issue of shares		-	46,025,403
Multan Cloth Finishing Factory	Related Party		
Advance issued		404,048	393,104
Fatima Transmission Company Limited	Related Party		
Advance issued		46,808,990	109,375
Mark up - Income		1,567,538	-
Mian Mukhtar Trust, Multan	Associate		
Donations		10,900,000	17,700,000

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

38 CAPACITY AND PRODUCTION

	2016	2015
Unit 1 (Weaving)		
Number of looms installed	92	92
Capacity after conversion into 50 picks - Meters	18,902,376	18,902,376
Actual production of fabric after conversion into 50 picks - Meters	6,940,311	17,354,275
Weaving conversion 50 picks - Meters	4,320,640	-
Unit 2 (Weaving)		
Number of looms installed	204	204
Capacity after conversion into 50 picks - Meters	48,640,896	48,640,896
Actual production of fabric after conversion into 50 picks - Meters	47,779,066	47,458,857
Unit 5 (Weaving)		
Number of looms installed	40	40
Capacity after conversion into 50 picks - Meters	10,653,513	10,653,513
Actual production of fabric after conversion into 50 picks - Meters	9,746,561	10,102,437

Under utilization of available weaving capacity is due to:

- Electricity / shut downs
- Change of articles required
- Width loss due to specification of the cloth
- Due to normal maintenance

Notes to the Financial Statements

For the Year ended June 30, 2016

	2016	2015
Unit 3 (Spinning)		
Number of spindles installed	14,400	14,400
Capacity after conversion into 20 count - Kgs	4,586,454	4,586,454
Actual production of yarn after conversion into 20 count - Kgs	3,003,966	3,363,943
Unit 4 (Spinning)		
Number of spindles installed	47,520	47,520
Capacity after conversion into 20 count - Kgs	15,135,298	14,052,560
Actual production of yarn after conversion into 20 count - Kgs	13,291,721	11,757,720

Under utilization of available spinning capacity is due to:

- Electricity / shut downs
- Processing mix of coarser and finer counts

Over utilization of available spinning capacity of Unit 3 is due to:

- Increased efficiency

39 CASH GENERATED FROM OPERATIONS

	2016 Rupees	2015 Rupees
Profit / (Loss) before taxation	107,217,692	(142,363,868)
Adjustments for non cash charges and other items:		
Depreciation of fixed assets	243,905,221	241,002,004
Amortization of intangible assets	946,230	946,230
Staff retirement benefits accrued	53,189,997	50,467,036
Gain on disposal of fixed assets	(6,262)	(211,517)
Share of loss from associate	11,032,679	3,594,547
Gain on dilution of investment in associate	(8,018,586)	-
Interest on worker's profit participation fund	1,329,478	1,849,051
Finance cost (excluding exchange (Gain) / loss)	520,089,007	679,378,158
Profit before working capital changes	929,685,456	834,661,641
Effect on cash flow due to working capital changes:		
Decrease / (increase) in current assets		
- Stores and spares	991,765	47,557,244
- Stock in trade	(769,977,950)	807,228,405
- Trade debts	425,490,608	75,006,282
- Loans and advances	(6,214,500)	(30,725,535)
- Trade deposits and prepayments	(25,123,637)	45,825,226
- Other receivables	21,009,086	(1,058,863)
- Tax refunds due from government (excluding income tax)	83,698,571	(86,200,897)
	(270,126,057)	857,631,862
Increase in current liabilities		
- Trade and other payables (excluding worker's profit participation fund)	199,808,679	68,702,255
Cash generated from operations	859,368,078	1,760,995,758

40 EARNINGS PER SHARE

40.1 Basic

		2016	2015
Earnings / (Loss) for the year	Rupees	3,192,592	(97,918,743)
Weighted average number of ordinary shares	Number	30,810,937	30,810,937
Basic earnings / (loss) per share	Rupees	0.10	(3.18)

40.2 Diluted

There is no dilution effect on the basic earnings / (loss) per share as the Company has no such commitments.

Notes to the Financial Statements

For the Year ended June 30, 2016

41 FINANCIAL RISK MANAGEMENT

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

41.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted and arises principally from trade receivables and investment in debt securities. Out of the total financial assets of Rs. 2,399.78 million (2015: Rs. 2,936.36 million), the financial assets which are subject to credit risk amounted to Rs.1,918.71 million (2015: Rs.2,387.69 million).

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Sales tenders and credit terms are approved by the tender approval committee. Where considered necessary, advance payments are obtained from certain parties. Export sales made to major customers are secured through letters of credit. The management has set a maximum credit period of 15 days in respect of yarn and fabric parties to reduce the credit risk.

All investing transactions are settled / paid for upon delivery as per the advice of investment committee. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	2016 Rupees	2015 Rupees
Long term investments	**795,659,234**	812,369,953
Loans and advances	**392,010,201**	385,795,701
Trade debts	**528,177,761**	953,668,369
Long term deposits	**15,572,179**	21,485,470
Other receivables	**3,262,618**	24,271,704
Other financial assets	**110,577,868**	124,044,975
Bank balances	**73,453,685**	66,055,406
	1,918,713,546	2,387,691,578

The Company believes that it is not exposed to major concentration of credit risk.

<u>Trade debts</u>

The maximum exposure to credit risk for trade debt at the reporting date by geographical region was as follows:

Foreign	**192,735,707**	708,694,071
Domestic	**342,582,702**	252,114,946
	535,318,409	960,809,017

The maximum exposure to credit risk before any credit enhancements for trade receivables at the reporting date by type of counterparty was:

Notes to the Financial Statements

For the Year ended June 30, 2016

	2016 Rupees	2015 Rupees
Fabric customer against exports	192,735,707	635,434,348
Yarn customers against exports	-	66,119,075
Fabric customers against local sales	68,288,818	107,879,977
Yarn customers against local sales	274,293,884	151,375,617
	535,318,409	960,809,017

Impairment Losses

The aging of trade receivables at the reporting date is:

	2016 Rupees	2015 Rupees
Neither past due nor impaired	192,735,707	583,865,069
Past due 0-30 days	168,574,363	270,774,172
Past due 30-150 days	166,520,669	83,975,784
Past due 150-360 days	347,022	15,053,344
Past due 360 days	7,140,648	7,140,648
	535,318,409	960,809,017

The total allowance against impaired trade debts as at 30 June 2016 amounts to Rs. 7.14 million (2015: Rs. 7.14 million).

Out of total trade debts, 36% comprise of foreign debtors that are secured against letters of credit. Local trade debts include companies with very good credit history and are regular in their payments. The management continuously monitors the repayment capacity and intention of their debtors and extends the credit periods to their customers according to their credit history.

Bank balances

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

	Rating		Rating	2016	2015
	Short term	Long Term	Agency	Rupees	Rupees
Allied Bank Limited	A1+	AA+	PACRA	65,652	5,108,087
Askari Commercial Bank Limited	A1+	AA+	JCR-VIS	566,100	125,522
Bank Al Habib Limited	A1+	AA+	PACRA	608,290	1,298,615
Dubai Islamic Bank	A-1	A+	JCR-VIS	460,947	918,634
Faysal Bank Limited	A1+	AA	PACRA	647,344	234,687
Habib Bank Limited	A-1+	AAA	PACRA	511,549	6,467,891
MCB Bank Limited	A1+	AAA	PACRA	1,793,349	359,437
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	9,363,132	30,479,444
National Bank of Pakistan	A1+	AAA	PACRA	486,635	997,358
NIB Bank Limited	A1+	AA-	PACRA	7,044,579	8,464
Standard Chartered Bank Limited	A1+	AAA	JCR-VIS	33,104	216,319
Summit Bank Limited	A1	A	JCR-VIS	105,937	514,935
Bank Al-Falah Limited	A1+	AA+	PACRA	38,235,021	3,643,286
The Bank of Khyber	A1	A	PACRA	154,174	59,909
United Bank Limited	A-1+	AA+	JCR-VIS	951,417	3,693,353
Meezan Bank Limited	A-1+	AA	JCR-VIS	3,473,793	1,374,476
Sindh Bank Limited	A-1+	AA	JCR-VIS	5,595,667	1,610,720
Bank Islami Pakistan Limited	A1	A+	PACRA	155,775	2,655,950
Burj Bank Limited	A-2	A-	JCR-VIS	3,201,139	6,288,239
Saudi Pak Industrial and Agriculture Corporation	A-1+	AA+	JCR-VIS	81	80
				73,453,685	66,055,406

Based on past experience the management believes no impairment allowance is necessary in respect of loans, advances and other receivables past due as some receivables have been recovered subsequent to the year end and for other balances, there are reasonable grounds to believe that the amounts will be recovered in due course.

Notes to the Financial Statements

For the Year ended June 30, 2016

41.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained running finance facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2016						
	Carrying amount	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Above five year
	Rupees						
Financial Liabilities							
Long term finance	2,669,209,401	2,669,209,401	408,484,061	317,037,837	741,599,671	1,162,087,832	40,000,000
Liabilities against assets subject to finance lease	21,464,924	23,679,888	6,525,419	13,252,911	1,815,468	2,086,090	-
Trade and other payables	849,373,469	849,373,469	849,373,469	-	-	-	-
Mark-up accrued	103,341,124	103,341,124	103,341,124	-	-	-	-
Finance under markup arrangements	3,559,807,898	3,559,807,898	3,559,807,898	-	-	-	-
	7,203,196,816	7,205,411,780	4,927,531,971	330,290,748	743,415,139	1,164,173,922	40,000,000

	2015						
	Carrying amount	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Above five year
	Rupees						
Financial Liabilities							
Long term finance	2,782,095,917	3,347,976,173	603,219,744	537,143,983	1,219,783,094	919,227,526	68,601,826
Liabilities against assets subject to finance lease	50,129,700	62,448,325	17,317,691	13,252,911	19,987,910	11,889,813	-
Trade and other payables	670,904,133	670,904,133	670,904,133	-	-	-	-
Mark-up accrued	108,569,795	108,569,795	108,569,795	-	-	-	-
Finance under markup arrangements	3,592,816,725	3,592,816,725	3,592,816,725	-	-	-	-
	7,204,516,270	7,782,715,151	4,992,828,088	550,396,894	1,239,771,004	931,117,339	68,601,826

41.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

41.3.1 Currency risk

The Company is exposed to currency risk on import of raw materials and stores and spares and export of goods mainly denominated in US dollars and on foreign currency bank accounts.

The Company’s exposure to currency risk is as fellows :

	2016 Rupees	2015 Rupees
Foreign debtors	192,735,707	701,553,423
Foreign currency bank account	1,237,518	33,833
Export finances	(387,159,047)	(935,990,838)
Gross balance sheet exposure	(193,185,822)	(234,403,582)
Outstanding letters of credit	(58,878,091)	(480,580,336)
Forward foreign exchange contracts	(1,550,000)	(3,752,500)
Net exposure	(253,613,913)	(718,736,418)

Notes to the Financial Statements

For the Year ended June 30, 2016

The following significant exchange rate has been applied:

Average rate Reporting date rate

	Average rate		Reporting date rate	
	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
USD to PKR	103.10	98.85	104.50	101.70

Sensitivity analysis

At reporting date, if the PKR had strengthened / weaken by 10% against the US Dollar with all other variables held constant, Pre-tax loss / profit for the year would have been lower/higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of export finances, foreign debtors, outstanding letters of credit and forward foreign exchange contracts.

	2016 Rupees	2015 Rupees
Effect on profit or loss		
USD	25,361,391	71,873,642
Effect on balance sheet		
USD	19,318,582	23,440,358

The sensitivity analysis prepared is not necessarily indicative of the effects on profit / (loss) for the year and assets / liabilities of the Company.

41.3.2 Interest rate risk

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	Effective rate		Carrying amount	
	2016 %	2015 %	2016 Rupees	2015 Rupees
Financial Liabilities				
Fixed rate instruments:				
Long term loan	11.40	11.49	321,718,903	444,568,938
Financial liabilities				
Variable rate instruments:				
Long term loan	5.00-12.70	8.39-12.70	2,347,490,498	2,337,526,979
Liabilities against assets subject to finance lease	8.03-12.41	12.17-12.42	21,464,924	50,129,700
Short term finance	6.64-8.34	6.81-12.08	3,172,648,851	2,628,219,464
Export finances	1.00-2.16	1.54-4.00	387,159,047	935,990,838

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 and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

Notes to the Financial Statements

For the Year ended June 30, 2016

	Profit and loss 100 bp	
	Increase Rupees	Decrease Rupees
As at 30 June 2016		
Cash flow sensitivity - Variable rate financial liabilities	**(59,287,633)**	**59,287,633**
As at 30 June 2015		
Cash flow sensitivity - Variable rate financial liabilities	(59,518,670)	59,518,670

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/ (loss) for the year and assets / liabilities of the Company.

41.3.3 Other price risk

Other price risk is 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). Other price risk arises from the Company's investment in ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company actively monitors the key factors that affect stock price movement.

Sensitivity analysis

A 10% increase/decrease in share prices at year end would have decreased/increased the surplus on re-measurement of investments in 'available for sale' investments as follows:

	2016 Rupees	2015 Rupees
Effect on equity	**11,057,787**	12,404,498

The sensitivity analysis prepared is not necessarily indicative of the effects on profit/equity and assets of the Company.

41.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. The carrying value of all financial assets and liabilities on the balance sheet approximate to their fair value.

a) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	---------- Rupees ----------			
Financial assets				
Other financial assets	**110,577,868**	**110,577,868**	124,044,975	124,044,975
Loans and advances	**176,978,699**	**176,978,699**	108,442,755	108,442,755
Trade debts	**528,177,761**	**528,177,761**	953,668,369	953,668,369
Long term deposits	**15,572,179**	**15,572,179**	21,485,470	21,485,470
Other receivables	**3,262,618**	**3,262,618**	24,271,704	24,271,704
Cash and bank balances	**77,390,062**	**77,390,062**	70,806,977	70,806,977
	911,959,187	**911,959,187**	1,302,720,250	1,302,720,250

Notes to the Financial Statements

For the Year ended June 30, 2016

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities	---------- Rupees ----------			
Long term finance	2,669,209,401	2,669,209,401	2,782,095,917	2,782,095,917
Loan from related parties	-	-	28,606,423	28,606,423
Liabilities against assets subject to finance lease	21,464,924	21,464,924	50,129,700	50,129,700
Trade and other payables	849,373,469	849,373,469	642,297,710	642,297,710
Mark-up accrued	103,341,124	103,341,124	108,569,795	108,569,795
Finance under markup arrangements	3,559,807,898	3,559,807,898	3,592,816,725	3,592,816,725
	7,203,196,816	7,203,196,816	7,204,516,270	7,204,516,270

b) **Valuation of financial instruments**

The Company follows the revaluation model for its freehold land. The fair value measurement as at April 17, 2014 was performed by KG Traders (Private) Limited, independent valuer not related to the Company. KG Traders (Private) Limited is on panel of Pakistan Banks Association as 'Any Amount' asset valuator. It is also on the panel of the State Bank of Pakistan and the possesses appropriate qualification and recent experience in the fair value measurements in the relevant locations. Fair market value of the land was assessed through inquires from various estate agents and brokers keeping in view the location of the property, size, status, utilization and current trends in prices of real estate in the vicinity of the property.

In case of equity instruments, the Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Information about fair value hierarchy and assets classified under the hierarchy are as follows:

Level 1: Quoted market price (unadjusted) in an active market.

Level 2: Valuation techniques based on observable inputs.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data.

Fair values of financial assets that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques used by the Company include discounted cash flow model. Assumptions and inputs used in valuation techniques include risk-free rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the balance sheet date that would have been determined by market participants acting at arm's length.

Valuation models for valuing securities for which there is no active market requires significant unobservable inputs and a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued and selection of appropriate discount rates, etc.

The table below analyses equity instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

	2016			2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	---------- Rupees ----------					
Property, plant and equipment						
- Freehold lands	-	752,939,000	-	-	752,939,000	-
Other financial assets						
- Short term investment - available for sale	89,098,168	-	-	102,565,275	-	-

There were no transfers between levels of fair value hierarchy during the year.

Notes to the Financial Statements

For the Year ended June 30, 2016

c) Accounting classifications and fair values

	2016				
	Trading	Designated at fair value through profit or loss	Available for sale	Loans and receivables	Total carrying amount
	---------- Rupees ----------				
Financial assets					
Other financial assets	-	-	110,577,868	-	110,577,868
Loans and advances	-	-	-	176,978,699	176,978,699
Trade debts	-	-	-	528,177,761	528,177,761
Long term deposits	-	-	-	15,572,179	15,572,179
Other receivables	-	-	-	3,262,618	3,262,618
	-	-	-	77,390,062	77,390,062
	-	-	110,577,868	801,381,319	911,959,187

	2016				
	Trading	Designated at fair value through profit or loss	Loans and receivables	Available for sale	Total carrying amount
	---------- Rupees ----------				
Financial liabilities					
Long term finance	-	-	2,669,209,401	-	2,669,209,401
Liabilities against assets subject to finance lease	-	-	21,464,924	-	21,464,924
Trade and other payables	-	-	849,373,469	-	849,373,469
Mark-up accrued	-	-	103,341,124	-	103,341,124
Finance under markup arrangements	-	-	3,559,807,898	-	3,559,807,898
	-	-	7,203,196,816	-	7,203,196,816

	2015				
	Trading	Designated at fair value through profit or loss	Available for sale	Loans and receivables	Total carrying amount
	---------- Rupees ----------				
Financial assets					
Short term investments	-	-	124,044,975	-	124,044,975
Loans and advances	-	-	-	108,442,755	108,442,755
Trade debts	-	-	-	953,668,369	953,668,369
Long term deposits	-	-	-	21,485,470	21,485,470
Other receivables	-	-	-	24,271,704	24,271,704
	-	-	-	70,806,977	70,806,977
	-	-	124,044,975	1,178,675,275	1,302,720,250

	2015				
	Trading	Designated at fair value through profit or loss	Loans and receivables	Available for sale	Total carrying amount
	---------- Rupees ----------				
Financial liabilities					
Long term finance	-	-	2,782,095,917	-	2,782,095,917
Liabilities against assets subject to finance lease	-	-	50,129,700	-	50,129,700
Trade and other payables	-	-	670,904,133	-	670,904,133
Mark-up accrued	-	-	108,569,795	-	108,569,795
Finance under markup arrangements	-	-	3,592,816,725	-	3,592,816,725
	-	-	7,204,516,270	-	7,204,516,270

Notes to the Financial Statements

For the Year ended June 30, 2016

The financial instruments not accounted for at fair value are those financial assets and liabilities whose carrying amounts approximate to fair value.

41.5 Capital management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

ii) to provide an adequate return to shareholders.

The Company monitors capital on the basis of the debt-to-equity ratio - calculated as a ratio of total debt to equity.

The debt-to-equity ratios as at 30 June were as follows:

	2016 Rupees	2015 Rupees
Total debt	6,250,482,223	6,425,042,342
Total equity and debt	8,389,745,244	8,534,478,184
Debt-to-equity ratio	75%	75%

Neither there were any changes in the Company's approach to capital management during the year nor the Company is subject to externally imposed capital requirements.

42 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

Board of Directors of the Company has recommended to distribute 5% cash dividend i.e. Rs. 0.5 for every share held by the shareholder of the company as a final cash dividend in its meeting held on October 07, 2016. Total amount of cash dividend amounting to Rs.15,405,469. These financial statements do not include the effect of this announcement and will be accounted for in subsequent financial year.

43 NUMBER OF EMPLOYEES

Total number of employees as at June 30, 2016 were 2,064 (2015: 2,033) while average number of employees during the year were 1,993 (2015: 1,887).

44 DATE OF AUTHORIZATION

These financial statements are authorized for issue on October 07, 2016 by the board of directors of the Company.

45 GENERAL

Figures in these financial statements have been rounded off to nearest rupee.

S/d-
Chief Executive Officer

S/d-
Director

DIVIDEND MANDATE FORM

Dear members

It is to inform you that U/s 250 of the Companies Ordinance, 1984 a shareholder may, if so desire, direct the company to pay dividend through his/ her/ its bank Account.

In pursuance of directions given by the SECP Vide circular No. SMD/CIW/Misc/19/2009 dated June 05, 2012 we request Mr./Mrs./Ms. ______________________________

S/o/D/o W/o ______________________________(where applicable) being the registered shareholder of Reliance Weaving Mills Ltd holding __________ shares having F.No./CDC A/c No. ________________________ hereby given the opportunity to authorize the company to directly credit in your bank account cash dividend (if any declared by the company in future.

Note:-(Please note that Dividend Mandate is optional & not compulsory, in case you don't wish your dividend to be directly credited into your bank A/c then the same shall be paid to you through Dividend Warrant.)

Do you wish the cash dividend declared by the company, if any, is directly credited in your bank account, instead of issue of Dividend warrants. Please tick any one of the following.

YES **NO**

If yes then please provide the following information.

Transfer Detail

Title of Bank Account	
Bank Account number	
Name of the Bank	
Branch address	
Cell No. of transfree	
Land line number of transfree	

INCOME TAX RETURN FILING STATUS

Confirmation for filing status of Income Tax return for application of revised rates pursuant to the provisions of Finance Act, 2015.

The Company Secretary
Reliance Weaving Mills Ltd
2nd Floor Trust Plaza L.M.Q. Road
Multan

Dear Sir

I, Mr./Mrs./Ms ________________________ S/O, D/O, W/O ________________________ hereby confirm that I am registered as National Tax Payer and my relevant detail is given below:-

Folio No./CDC A/c No.	Name	NTN No.	CNIC # in case of Individual & CUIN in case of Company	Income Tax return for the year ______ filed

It is stated that the above mentioned information is correct.

____

Signatures of Shareholder

Note:

- Shareholders are also requested to communicate aforesaid information to relevant members of Stock Exchange & CDC (in case of CDC Account holders).
- Please attach attested copy of CNIC and receipt of Income Tax return filed.

Form of Proxy

I/We ____

of ____

in the district of ____________________ being a member of RELIANCE WEAVING MILLS LIMITED

holding ______________________________________ ordinary shares

hereby appoint ____

of ____________________ or failing him / her ____________________

of ____

As my/our proxy in my/our absence to attend & vote for me/us and on my/our behalf at the twenty sixth Annual General Meeting of the company to be held on October 31, 2016 and at any adjournment thereof.

As witness my/our hand/seal this __________ day of ______________ 2016.

Signed by ____

In the presence of following witnesses

Signatures ____________________ Signatures ____________________

Name ____________________ Name ____________________

Adress ____________________ Address ____________________

.

Shareholders F.No./CDC A/c No. Please affix Revenue stamps of Rs. 5/-

Here

____

Notes:

1. Proxies, in order to be effective, must be received at the Company's Registered Office 2nd Floor, Trust Plaza, L.M.Q Road Multan not later than 48 hours before the time for the meeting and must be duly stamped, signed and witnessed.

2. Any individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her NIC or Passport, to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her NIC or Passport, Representatives of corporate members should bring the usual documents required for such purpose.

Reliance Weaving Mills Limited

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