Contents

Company Information

Board of Directors

Mr. Fawad Ahmed Mukhtar	(Chairman)
Mr. Fazal Ahmed Sheikh	(Chief Executive Officer)
Mr. Faisal Ahmed Mukhtar	
Mr. Fahd Mukhtar	
Mrs. Fatima Fazal	
Mrs. Farah Faisal	
Mr. Shahid Aziz	(Nominee NIT)

Audit Committee

Mr. Fawad Ahmed Mukhtar	Chairman
Mr. Faisal Ahmed Mukhtar	
Mrs. Fatima Fazal	
Mr. Basharat Hashmi	Secretary

Chief Financial Officer

Mr. Waheed Ahmed

Company Secretary

Mr. Amanullah

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountant, Lahore

Shares Office

CDC Pakistan Ltd.
2nd Floor, 307 Upper Mall Lahore
info@cdc.pak.com
basharat.hashmi@fatima-group.com

Bankers

Allied Bank Ltd
Bank of Khyber
First National Bank Mudarba
First Punjab Mudarba
Habib Bank Ltd
Habib Metropolitan Bank Ltd
MCB Bank Ltd
Meezan Bank Ltd
National Bank of Pakistan
Pak Brunei Investment Company Ltd
Saudi Pak Industrial & Agricultural Investment Company Ltd
Standard Chartered Bank (Pakistan) Ltd
Soneri Bank Ltd
United Bank Ltd

Registered Office

2nd Floor Trust Plaza, L.M.Q. Road, Multan.
Tel. No. 061-4512031-32, 061-4546238
Fax No. 061-4511677, 061-4584288
E-mail: waheed.mushtaq@fatima-group.com

Head Office

E-110, Khayaban-e-Jinah Lahore.
Tel. No. 061-042-35909449- 042-111-328-462
Fax No. 061-042-36621389

Website

www.fatima-group.com

Mills Address (Unit # 1, 2 & 4)

Fazalpur Khanewal Road, Multan.
Tel. No. 061-6740020-3
Fax. No. 061-6740039

Mills Address (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 economics strength of the country and function as a good corporate citizen.

Company Profile

The Fatima Group is one of Pakistan's foremost industrial conglomerates, employing about 10,000 employees and contributing to industrial development through the establishment of Textile, Fertilizers, Sugar, and export oriented industries. With investments in key sectors of the economy, the group is at the forefront of country's commerce and industry and is easily acknowledged as one of the nation's business leaders. This has been implemented through a clearly defined strategy of reinvesting for growth in projects aimed at achieving nationally articulated objectives of import substitution, backward integration and export promotion.

Reliance Weaving Mills Ltd (the Company) was founded by late Mr. Mukhtar Ahmed Sheikh more than two decades ago and is headquartered in Multan (Pakistan). The Company obtained certificate of Commencement of Business on 14 May, 1990. Initially it has started its production as weaving unit but later it also involved in manufacturing of yarn. At present the Company is a high profile set-up in the textile export industry of Pakistan having two weaving units consisting of 296 looms with fully equipped state-of-the-art computerized back process comprising of warping and sizing machines and two spinning units comprising 35,520 spindles to cater the international market and to achieve the highest point of quality control. The Company has carved a niche for itself in the textile industry. Having diversified into various types of yarn and fabrics, the Company has been setting in standards, quality and caters to diverse markets across the globe. Major activities of the Company include manufacturing and export of cotton and synthetic yarn, manufacture and export of woven and processed fabrics. The Company supplies its products to the residential and contract customers in the Pakistan, United States of America, Europe, Middle East, Far East, China and other Asian Countries to gratify the bulk requirements with an assurance of unblemished goods and timely delivery of the ordered goods to its customers. The Company is in the best position to cater the bulk requirements with an assurance of flawless finish and timely delivery of the ordered goods to its customers.

The Company has invested in the latest technology to produce cost effective and high quality Textile products in accordance with customers' needs. The Company's state of the art production facility in different locations is spread over land area of approx. 732 Kanal. Over the years, the plants have demonstrated an operational excellence which has become a reference for the engineering and advisory companies whose process technologies are used here. Delegations from China and Japan keep visiting the plant site for gaining firsthand knowledge for the quality of production and this practice has also been adopted before deciding to purchase a new plant. The Company Quality Assurance and Quality Control department stringent adherence to the quality system has resulted into providing quality products over the years in the domestic as well as in international markets. The Company has contributed tremendously to Textile industry in Pakistan but still has a long way to go. It foresees a bright future with its objectives to excel in quality, presentation and services to customers. The Company is striving hard for introduction of new product line, economical prices, more automation in production facilities & continuous improvements in quality and professionalism in every work aspect. It's confidence in future comes from the commitment and inspiration of its people.

Notice is hereby given that the Annual General Meeting of Members of Reliance Weaving Mills Limited (the Company) will be held on October 31, 2011 at 11:00 A.M at the Registered Office of the Company 2nd Floor Trust Plaza L.M.Q. Road Multan to transact the following business.

Ordinary Businesses:

1. To confirm the minutes of last Annual General Meeting held on October 30, 2010.

2. To receive consider & adopt the Audited Accounts of the Company for the year ended June 30, 2011 along with Auditors' Report and Directors' Report thereon.

3. To appoint the Auditors for the year ending June 30, 2012 and to fix their remuneration. Present retiring Auditors M/s KPMG Taseer Hadi & Company Chartered Accountants are being eligible offer themselves for re appointment.

4. To confirm the recommendations of the Board of Directors to Distribute 4,621,641 quoted shares of Fatima Fertilizer Company Limited to the shareholders of the Company as final dividend in the ratio of 1.5 :10 (1.5 shares of FATIMA for every 10 ordinary shares held of Reliance Weaving Mills Ltd.) This distribution has a book value of Rs. 76,904,099/- as on 30 June 2011 being 24.76% of the paid up capital of the Company.

5. To discuss any other business with the permission of the Chair.

Special Businesses:

1. To discuss the matter and approval of shareholder is sought to pass with or without modifications following resolution in compliance with section 208 of the Companies Ordinance 1984 in Associate Undertakings.

"Resolved by way of special resolution U/S 208 of the Companies Ordinance, 1984 Loans/Advances from time to time to following Associated Companies up to Rs. 100 million each for any other period mutually agreed by both managements commencing from issuance of loans to each Company at the mark up rate of one percent above the average borrowing cost of the Company.

I Reliance Commodities (Pvt) Ltd.
II Fatima Sugar Mills Ltd.

Also resolved that CEO, CFO or Company Secretary singly authorized on behalf of the Company to do all acts, deeds and things, take all actions necessary in relation to the investment in Associated Companies and to sign & execute such documents for the purpose of giving effect to the spirit and intent of above resolution."

BY THE ORDER OF THE BOARD

AMANULLAH
(COMPANY SECRETARY)

Place: Multan
Date: 10 October 2011

NOTES

1. The Share Transfer Books of the company will remain closed from 24 October 2011 to 31 October 2011 (both days inclusive). Transfers received at the close of business hours on dated 24 October 2011 will be treated in time for the purpose of transfer.
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. Copy of shareholders' CNIC (attested) must be attached with the proxy Form.
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.

STATEMENT OF MATERIAL FACTS U/S 160(1)(B) OF THE COMPANIES ORDINANCE 1984

The material facts relating to these loans/advances are as follows:

1. Name of the Company	Fatima Sugar Mills Ltd & Reliance Commodities (Pvt) Ltd.
2. Amount and extent of the investment	Upto Rs.100 (M) each .
3. The brief about the financial position	The Fatima Sugar Mills Ltd involves in manufacturing of Sugar & allied products. The Reliance Commodities (Pvt) Ltd involves in international trading by importing fertilizers and exporting sugar cane molasses, holding the title of largest molasses exporters for last 7 consecutive years.
4. Rate of mark-up to be charged	The mark-up will be charged @ 1% above average borrowing cost per anum of the company on outstanding amount.
5. Particulars of collateral security to be obtained from borrower and; if not needed, justification thereof:	No security is being obtained from associated companies, however personal Guarantee of Sponsor/Directors may be obtained if require.
6. Source of funds from where loan or advance will be given:	Retained Earnings
7. Repayment Schedule:	The loans/advances would be for the period mutually agreed but commencement period will be started from the issuance of loans/advances. Companies will make payment from time to time subject to availability of funds with in the stipulated period.
8. Purpose of loan and advance:	To meet working capital requirements for day to day activities.

9. Benefits likely to accrue to the company and the Shareholders from loans and advances:	By providing loans/advances the company earn mark up.

10. Miscellaneous information of Fatima Sugar Mills Ltd.

o Paid up capital	720.48	Million
o Accumulated profit/(loss)	2,937.25	Million
o Sponsors Loans	2.70	Million
o Surplus on revaluation of F/A	1,279.21	Million
o Long term loans & other Liabilities	1,033.39	Million
o Long term deposits	9,227.94	Million
o Net current Assets	4,859.63	Million
o Turn over	5,187.56	Million
o Profit & Loss after tax for the last 3 years		
2010	1,177	Million
2009	1,133	Million
2008	358	Million
o Current ratio	1.94:1	
o EPS	16.34	
o Break up value of shares	50.77	

11. Miscellaneous information of Reliance Commodities (Pvt) Ltd.

o Paid up capital	80	Million
o Accumulated profit/(loss)	3,223	Million
o Sponsors Loans	206	Million
o Surplus on revaluation of F/A	133	Million
o Long term loans & other Liabilities	2.5	Million
o Long term deposits	1.6	Million
o Net current Assets	2,913	Million
o Turn over	341	Million
o Profit & Loss after tax for the last 3 years		
2010	907	Million
2009	204	Million
2008	388	Million
o Current ratio	3.39:1	
o EPS	113.31	
o Break up value of shares	419	

Management Profile

The company's Board of Directors has the ultimate responsibility for the administration of the affairs of the Company. The company's Articles of Association provide for a Board of Directors of at least seven. As at June 30, 2011, the company's Board of Directors consisted of seven members, six from sponsors and one director representative of minorities shareholders' interest and nominated by NIT. All the directors having equal rights to participate in the matters of the company. Four members of the Board of Directors are Executive Directors and three members of the Board of Directors are non-executive Directors. The executive Directors are involved in the day to day operations of the company. The current Board of Directors are as follows:

Name	Position	Executive/Non-Executive
Mr. Fawad Ahmed Mukhtar	Chairman	Executive
Mr. Fazal Ahmed Sheikh	Chief Executive	Executive
Mr. Faisal Ahmed Mukhtar	Director	Executive
Mr. Fahd Mukhtar	Director	Executive
Mrs. Fatima Fazal	Director	Non-Executive
Mrs. Farah Faisal	Director	Non-Executive
Mr. Shahid Aziz	Nominee Director	Non-Executive

The Board of Directors meets regularly in every quarter. The Company complies with the code of corporate governance issued by the Securities and Exchange Commission of Pakistan ("SECP").

Mr. Fawad Ahmed Mukhtar

Mr. Fawad Ahmed Mukhtar is the Chairman of the Company. 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 is also the Chairman of Fatima Group and holds the following portfolios:

Chairman	Fatima Energy Ltd Reliance Commodities (Pvt) Ltd.	Director	Fazal Cloth Mills Ltd. Fatima Sugar Mills Ltd. Air One (Pvt) Ltd. Fatima Trading Company (Pvt) Ltd. Farrukh Trading Company (Pvt) Ltd. Reliance Sugar Mills Ltd.
CEO	Fatima Fertilizer Company Ltd. Pakarab Fertilizers Ltd.		

Mr. Fazal Ahmed Sheikh

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 holds the following portfolios:

CEO	Fatima Energy Ltd.	
Director	Fatima Fertilizer Company Ltd Pakarab Fertlizers Ltd Fazal Cloth Mills Limited Fatima Sugar Mills Limited	Air One (Private) Limited Fatima Trading Company (Private) Limited Reliance Commodities (Pvt) Ltd Reliance Sugar Mills Ltd

Mr. Faisal Ahmed Mukhtar

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

Mr. Fahd Mukhtar

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. Reliance Sugar Mills Ltd.

Profile of the Executive Officers of the Company

Mr. Amanullah Khan

Mr. Amanullah Khan is the Company Secretary of the Company. He joined Reliance Weaving Mills Ltd. in April 1990. He has been looking after the affairs of the Company Secretariat from the incorporation of the Company in May 1990. He also participates in meetings of Board of Directors.

Mr. Waheed Ahmed

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

Mr. Ikram Azeem

Mr. Ikram Azeem is Currently working as General Manager RWML Unit-1 & 2 and he 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 Looms and Tsudakoma Air Jet Looms.

Mr. Muhammd Shoaib Aalam

Mr. Muhammd Shoaib Aalam is performing as General Manager (Spinning Unit-4) having B.Sc. Textile (Spinning) Degree from University of Engineering and Technology (UET) Lahore. He is 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 type of yarn from GIZA, PIMA and Brazilian Cotton. He also got training for blow room and card from Reiter in Winterthur, Switzerland.

Mr. Imran Malik

Mr. Imran Malik is BSc Textile Engineer from National Textile University, Faisalabad and serving as G.M. Spinning Unit No. 3 at Rawat. He has worked in Major textile Groups of Pakistan. He has vast experience of running cottons like PIMA, GIZA and Brazilian Cotton etc, also of production of variety of yarns like LYCRA, SLUB, SIRO, Combed of coarse and fine counts.

Mr. Khawaja Sajid

Mr. Khawaja Sajid is the General Manager of Marketing Department. He holds Master Degree in Business Administration from Baha-Ud-din Zakriya University Multan and have 19 years of working experience in his port folio with the reputed Textile companies of Pakistan. He joined Reliance Weaving Mills Ltd in 2004 and remains devoting till today.

Directors' Report to the Shareholders

For the Year ended 30 June 2011

The Directors are pleased to present the annual report along with audited financial statements for the year ended June 30, 2011.

Review of Operations

The global economy kicked off a sputtering growth during the period under review with developed economies showing faint signs of revival. The main engine of global growth, the United States, moved into a recovery mode. This growth was accompanied by huge surge in world commodity prices. Cotton prices were buoyed by strong global fundamentals. Although global cotton demand dipped, however, import demand from China rose substantially. Both developments were mainly due to supply constraints and global price rationing following a decline in china's cotton output. Extremely tight global end-season stocks underpinned prices and stock to use ratio also at the lowest level of all time. The boom in prices was also fuelled by speculative trading in commodities which increased prices beyond fundamentals. In line with cotton prices, cotton yarn and fabric prices also continued to remain high. This increase was in fact more than the increase in cotton prices due to pent up demand in the system where the yarn stock was at very low levels and also due to increase in demand from a recovering global economy.

However, the cotton prices crashed at end of the year this affected the profitability of the company substantially. The company has to account for loss on cotton stock, which was at higher cost than market price. Secondly, some of our buyers did not honour their contracts and asked for renegotiation, or cancelled the orders, which led to substantial losses for the company.

Financial Review

During the year under review, the Company's revenues increased by 47% to Rs. 9,993 million (2010: Rs.6,773 million). Gross profit increased to Rs. 1,351 million (2010: Rs.1,163 million) is due to substantial increases in the price of finished goods during the period under review. Operating profit for the year under review was recorded at Rs. 602 million (2010: Rs.478 million). The Company made an after tax profit of Rs. 504 million (2010: Rs.403 million).

The last quarter of period under review presented hard challenges for the weaving segment. The main reason was the rising trend in the yarn prices. While sales went up, both in volume and dollar terms, profit margins were difficult to maintain as increase in yarn price was not completely absorbed at the customer end. As a result of these developments and fierce competition from regional players weaving segment profitability did not remain impressive. The Company entered into contracts with several customers at time when input costs of yarn was significantly higher. The finished goods, when manufactured and ready to delivered, contract were cancelled or company had to offer big discounts which led to a decline in the Company's gross profit.

We successfully implemented our BMR plan, 92 of our old model looms were replace with new state of the art Air jet Looms during the period. This has helped us to increase our production by about 25 percent from 3.8 million to about 4.8 million metres per month.

Future Outlook

Overall, the world market is expected to remain structurally tight, but this will not fully apparent until later in the season when the new crop stocks are drawn down. Global cotton production is expected to increase by about 13%. The closing stock of 2011-2012 is also expected higher than last 2 years but still lower than normal closing stock levels in the past. The stock to use ration is expected to improve but will still be lower than the normal in the past.

In anticipation of bumper cotton crop, global cotton prices have already crashed. Global yarn prices are decreasing in line with the cotton prices. The anticipation in the market is that prices may come off further and therefore demand of yarn and fabric has reduced as buyers are waiting for lower of prices to buy. Overall, this year is likely to be turbulent and may have adverse impact on the operations of the industry at large.

Energy crises is at its peak and SNGPL initially decided to close two days in a week but subsequently changed to three days closure, whereas, WAPDA load shedding even up to 6 hours a day. On the other side Sui Gas and WAPDA tariff increased several times in this year.

Dividend Announcement

It has been recommended by the Board of Directors to Distribute 4,621,641 quoted shares of Fatima Fertilizer Company Limited to the shareholders of the Company as final dividend in the ratio of 1.5 :10 (1.5 shares of FATIMA for every 10 ordinary shares held of Reliance Weaving Mills Ltd.) This distribution has a book value of Rs. 76,904,099/- as on 30 June 2011 being 24.76% of the paid up capital of the Company.

Information Technology

In order to further reduce inventory costs and overheads, the Company has begun a complete overhaul of its inventory and order management systems with the goal of automation and real-time inventory monitoring.

Human Resource

The Company has embarked on a massive campaign to substantially improve productivity and has already managed to significantly reduce total labour cost through improvements in efficiency and productivity. This is an ongoing exercise through which the Company hopes to build one of the most productive and effective workforces in the industry.

Remuneration of Directors

The Board of Directors has revised the monthly remuneration of Mr. Fahd Mukhtar (Director) of the Company to Rs. 235,110/- per month, which includes house rent and utilities, w.e.f 01 July 2010. Other benefit remains unchanged.

Quality Management System

The Company continues to enjoy a reputation as a high-quality supplier and owes its current business, in large part, to this reputation. Quality control checks occur at all points during the production chain, starting from the delivery of raw material till supply to the factories.

Safety, Health and Environment

The Company continues to meet and exceed the health and safety standards required for SA 8000 certification. Frequent audits are conducted by customers, regulatory agencies, and the Company's own audit teams in order to ensure compliance with these standards and those set by the Company's customers.

Liquidity Management

The Company has imposed strict controls on inventory, including and especially cotton and greige fabric stock. The Company has adopted policy of purchasing and storing only that raw material which will be consumed in the near-term.

Compliance Of Code Of Corporate Governance

The Board of Directors periodically reviews the Company's strategic direction. Business plans and targets are set by the Chief Executive and reviewed by the Board. The Board is committed to maintain a high standard of corporate governance. The Board has reviewed the Code of Corporate Governance and confirms that:

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
b) Proper books of account of the Company have been maintained.
c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from, has been adequately disclosed.
e) The system of internal control is sound in design and has been effectively implemented and monitored.
f) There are no significant doubts upon the Company's ability to continue as a going concern.
g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations of the stock exchanges.
h) Outstanding taxes and other government levies are given in related note(s) to the audited accounts.
i) Key operating and financial data of last six years is annexed.

Directors and Board Meetings

During the year under review, four meetings of the Board of Directors were held and the attendance of Directors was as under:

Name of Directors	Meetings Attended
Mr. Fawad Ahmed Mukhtar	4
Mr. Fazal Ahmed Sheikh	4
Mr. Faisal Mukhtar	4
Mr. Fahd Mukhtar	4
Mrs. Fatima Fazal	3
Mrs. Farah Faisal	3
Mr. Shahid Aziz	3

Leave of absence was granted to Directors who could not attend the meetings.

Criteria to Evaluate Board Performance

Following are main criteria:

1. Financial policies reviewed and updated;
2. Capital and operating budgets approved annually;
3. Board receives regular financial reports;
4. Procedure for annual audit;
5. Board approves annual business plan;
6. Board focuses on goals and results;
7. Availability of board's guideline to management;
8. Regular follow up to measure the impact of board's decisions;
9. Assessment to ensure compliance with code of ethics and corporate governance.

By virtue of election of Directors, the Board has reconstituted the composition of Audit Committee as under:

Name	Designation
Mr. Fawad Ahmed Mukhtar	4
Mr. Faisal Mukhtar	4
Mrs. Fatima Fazal	3

The Main terms of reference of the Audit Committee of the Company include the following:

a) Determination of appropriate measures to safeguard the Company's assets;
b) Review of preliminary announcements of results prior to publication;
c) Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:
   - Major judgemental areas;
   - Significant adjustments resulting from the audit;
   - The going-concern assumption;
   - Any changes in accounting policies and practices;
   - Compliance with applicable accounting standards; and
   - Compliance with listing regulations and other statutory and regulatory requirements.
d) Ensuring coordination between the internal and external auditors of the Company;
e) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
f) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
g) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors;
h) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
i) Consideration of any other issue or matter as may be assigned by the Board of Directors.

Trade of Company's Shares

The shares of the Company are listed on Karachi & Lahore Stock Exchanges and the Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company during the year.

Pattern of Shareholding

The statement of shareholding of the Company in accordance with Code of Corporate Governance and Companies Ordinance, 1984 as at June 30, 2011 is annexed.

Auditors

The present auditors of the Company M/s. KPMG Taseer Hadi & Company, Chartered Accountants audited the financial statements of the Company and have issued report to the members. The auditors will retire at the conclusion of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

The Board has recommended the appointment of KPMG Taseer Hadi & Company, Chartered Accountants, as auditors for the ensuing year as suggested by the Audit Committee subject to approval of the members in the forthcoming Annual General Meeting.

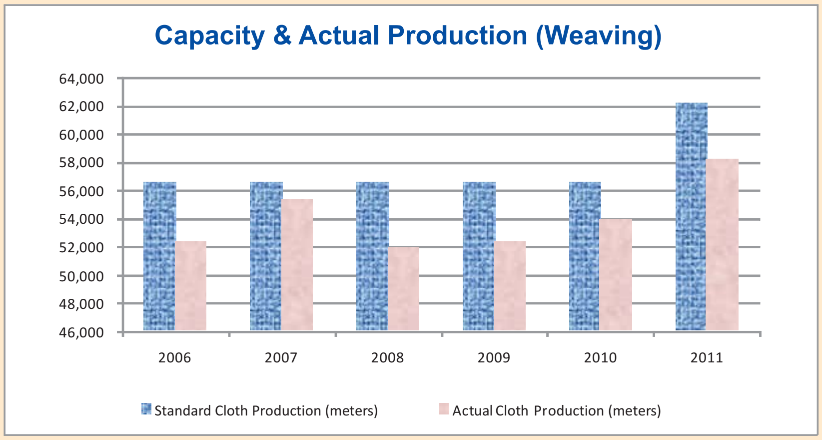
Acknowledgment

The Directors are grateful to the Company's members, financial institutions and customers for their cooperation and support. They also appreciate hard work and dedication of all the employees working at various divisions.

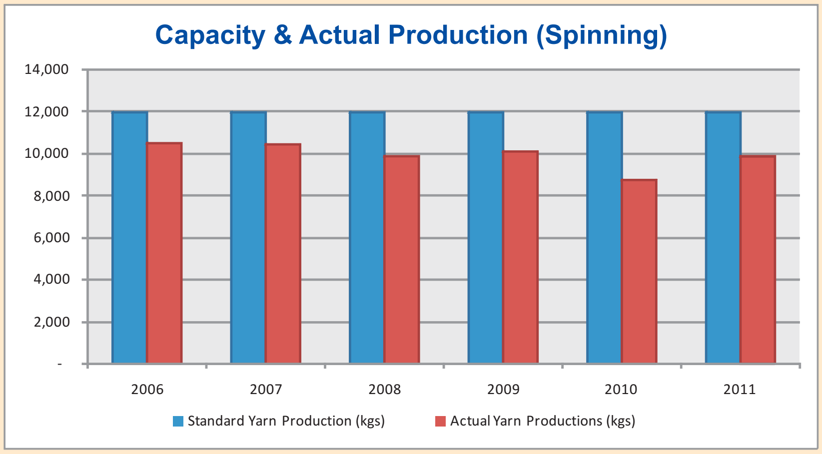
Place: Multan
Date: 08 October 2011

FAZAL AHMED SHEIKH
(CHIEF EXECUTIVE OFFICER)

6 Years Growth at a Glance



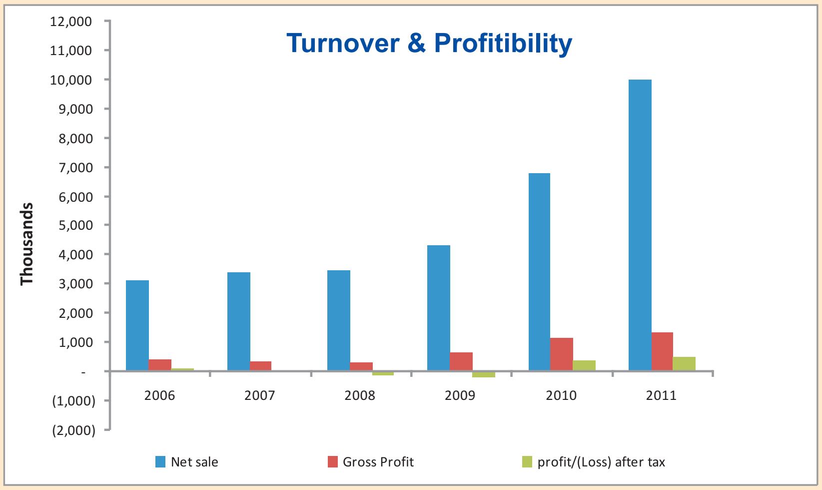
Year	2006	2007	2008	2009	2010	2011
No. of Looms Installed	295	295	295	295	295	274
Standard Cloth Prod (meters in "000")	56,508	56,508	56,508	56,508	56,508	62,090
Actual Cloth Prod (meters in "000")	52,229	55,190	51,845	52,261	53,820	58,088



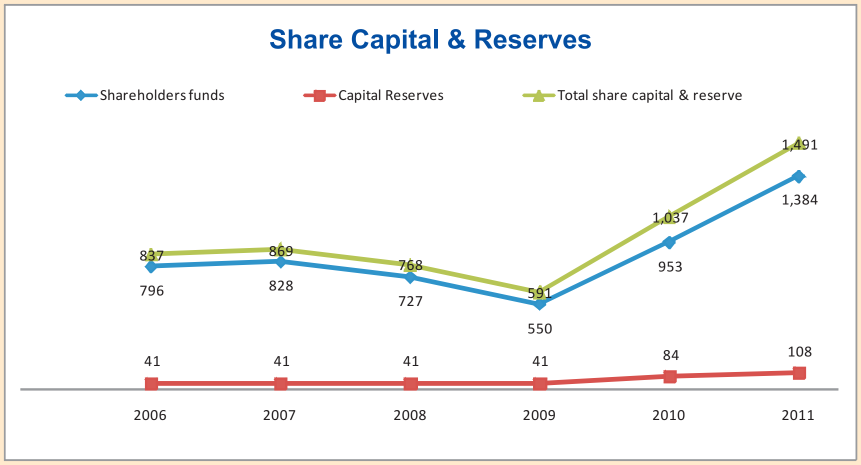
Year	2006	2007	2008	2009	2010	2011
No. of Spindles Installed	35,520	35,520	35,520	35,520	35,520	35,520
Standard Yarn Prod (kgs in "000")	11,963	11,963	11,963	11,963	11,963	11,963
Actual Yarn Prod (Kgs in "000")	10,525	10,448	9,894	10,085	8,724	9,819

Financial Highlights

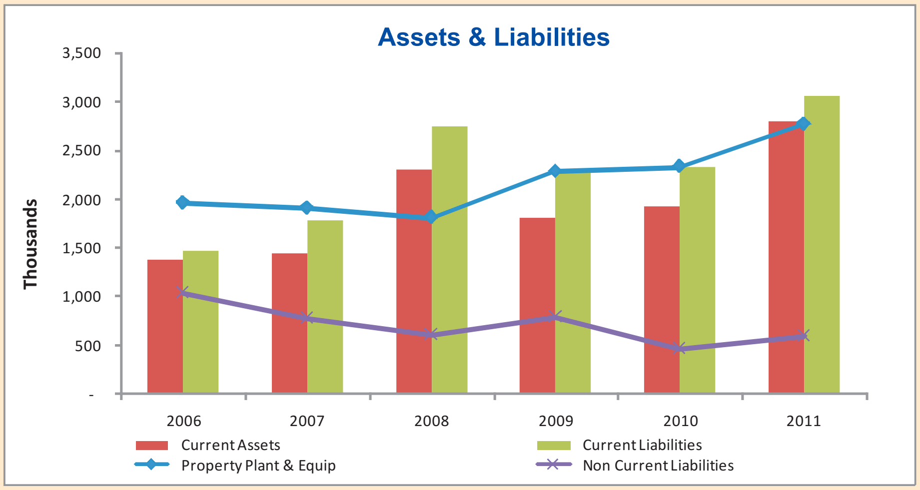
6 Years Growth at a Glance



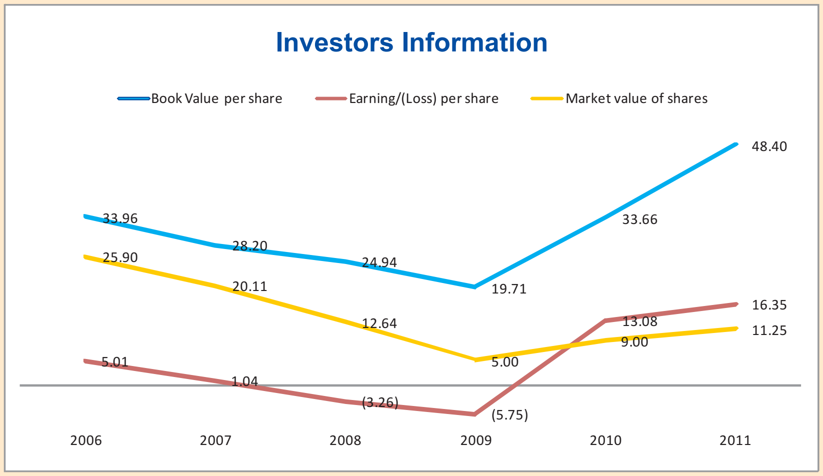
Year	2006	2007	2008	2009	2010	2011
Turnover(Rs in "000")	3,122,414	3,400,998	3,465,709	4,337,454	6,773,392	9,993,573
Gross Profit (Rs in "000")	422,566	346,405	315,768	672,287	1,163,377	1,350,804
profit/(Loss) before tax (Rs in "000")	143,962	47,365	(80,843)	(174,388)	478,708	602,476
profit/(Loss) after tax (Rs in "000")	123,529	31,918	(100,565)	(177,039)	403,153	503,699



Year	2006	2007	2008	2009	2010	2011
Bonus Share %	25	-	-	-	-	-
Specie Dividend %	-	-	-	-	25	15
Shareholders funds (Rs in "000")	795,990	827,908	727,342	550,303	953,456	1,383,670
Capital Reserves (Rs in "000")	41,081	41,081	41,081	41,081	83,711	107,708
Total share capital & reserve (Rs in "000")	**837,071**	**868,989**	**768,423**	**591,384**	**1,037,167**	**1,491,378**



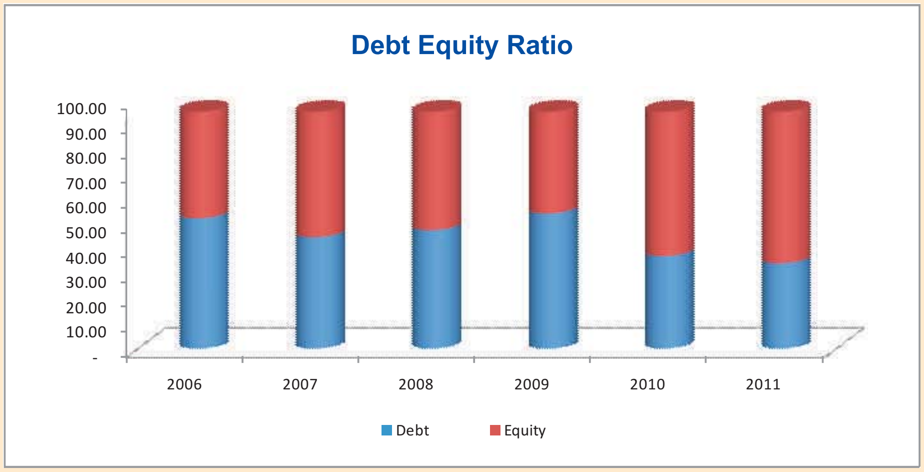
Year	2006	2007	2008	2009	2010	2011
Property Plant & Equip (Rs in "000")	1,963,229	1,906,641	1,807,456	2,284,500	2,335,125	2,772,402
Non Current Liabilities (Rs in "000")	1,041,905	783,878	610,426	792,918	465,905	596,071
Current Assets (Rs in "000")	1,379,689	1,449,914	2,309,154	1,806,017	1,928,688	2,800,870
Current Liabilities (Rs in "000")	1,466,364	1,777,143	2,741,102	2,290,148	2,326,607	3,057,085



Year	2006	2007	2008	2009	2010	2011
Book Value per share	33.96	28.20	24.94	19.71	33.66	48.40
Earning/(Loss) per share	5.01	1.04	(3.26)	(5.75)	13.08	16.35
Market Value of share	25.90	20.11	12.64	5.00	9.00	11.25

Financial Highlights

6 Years Growth at a Glance



	2006	2007	2008	2009	2010	2011
Debt Equity Ratio	55:45	47:53	50:50	57:43	39:61	36:64

Year	2006	2007	2008	2009	2010	2011
Other Financial Ratios						
GP Ratio	13.53	10.19	9.11	15.50	17.18	13.52
NP Ratio	3.96	0.94	(2.90)	(4.08)	5.95	5.04
Current Ratio	0.94	0.82	0.84	0.79	0.83	0.92
Acid Test Ratio	0.35	0.31	0.30	0.24	0.40	0.37
Interest Cover Ratio	1.72	1.20	0.78	0.73	2.06	2.25
Price Earning Ratio	5.17	19.41	-	-	0.69	0.69
Inventory Turnover	3.72	4.02	2.98	3.51	5.38	6.56
F/A Turnover	1.98	1.83	1.87	2.12	2.88	3.60
Total Assets Turnover	0.93	1.00	0.92	1.05	1.60	1.79

Categories Detail As at 30 June 2011

Sr. #	NAME	SHARES HELD	%AGE
	DIRECTORS	**23,944,468**	**77.7142**
1	Mr. FAWAD AHMED MUKHTAR	7,854,550	25.4927
2	Mr. FAZAL AHMED SHEIKH	7,925,722	25.7237
3	Mr. FAISAL AHMED MUKHTAR	7,886,071	25.5950
4	Mr. FAHD MUKHTAR	25,000	0.0811
5	Mrs. FARAH FAISAL	112,500	0.3651
6	Mrs. FATIMA FAZAL	140,625	0.4564
	ASSOCIATED COMPANY	**530,097**	**1.7205**
7	RELIANCE COMMODITIES (PVT) LTD.	530,097	1.7205
	SPOUSE HOLDING	**115,625**	**0.3753**
8	Mrs. AMBREEN FAWAD	115,625	0.3753
	FINANCIAL INSTITUTIONS	**118,642**	**0.3851**
9	NATIONAL DEVELOPMENT FINANCE	984	0.0032
10	IDBP (ICP UNIT)	730	0.0024
11	FAYSAL BANK LIMITED	45,250	0.1469
12	NATIONAL BANK OF PAKISTAN	56,416	0.1831
13	NATIONAL INVESTMENT TRUST	15,262	0.0495
	ICP & NIT	**594,381**	**1.9291**
14	INVESTMENT CORP. OF PAKISTAN	1,460	0.0047
15	NATIONAL BANK OF PAKISTAN	276	0.0009
16	NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)	592,645	1.9235
	INDIVIDUAL	**4,573,025**	**14.8422**
	INVESTMENT COMPANIES	**6,750**	**0.0002**
17	M/S PYRAMID INVESTMENT (PVT) LTD	6,750	0.0002
	JOINT STOCK COMPANIES	**918,947**	**2.9825**
18	BAWA SECURITIES (PVT) LTD.	2,175	0.0071
19	PRUDENTIAL SECURITIES LIMITED	400	0.0013
20	ARIF HABIB SECURITIES LIMITED	165,000	0.5355
21	Y.S. SECURITIES & SERVICES (PVT) LTD.	555	0.0018
22	AMIR FINE EXPORTS (PVT) LTD.	24,250	0.0787
23	S.H. BUKHARI SECURITIES (PVT) LTD.	150	0.0005
24	H M INVESTMENTS (PVT) LIMITED	540	0.0018
25	EXCEL SECURITIES (PVT) LTD.	220	0.0007
26	ACE SECURITIES (PVT) LIMITED	500	0.0016
27	STOCK MASTER SECURITIES (PRIVATE) LTD.	1,000	0.0032
28	DARSON SECURITIES (PVT) LIMITED	992	0.0032
29	ARIF HABIB CORPORATION LIMITED	648,215	2.1038
30	AXIS GLOBAL LIMITED	150	0.0005
31	AWJ SECURITIES (SMC-PRIVATE) LTD.	800	0.0026
32	ISMAIL ABDUL SHAKOOR SECURITIES (PVT) LTD.	400	0.0013
33	MUHAMMAD AHMAD NADEEM SECURITIES (SMC-PVT) LTD.	13,000	0.0422
34	INVESTMENT MANAGERS SECURITIES (PVT) LTD.	42,500	0.1379
35	MAZHAR HUSSAIN SECURITIES (PVT) LTD.	16,000	0.0519
36	LBC (PVT) LIMITED	2,100	0.0068
	MODARABA COS.	**9,000**	**0.0292**
37	B.F.MODARABA	9,000	0.0292
	STOCK EXCHANGE	**2**	**0.0000**
38	KARACHI LAHORE STOCK EXCHANGES	2	0.0000
	GRAND TOTAL	**30,810,937**	**100%**
	PERSONS HAVING MORE THAN 10% SHARES	**23,666,343**	**76.8115**
39	FAWAD AHMAD MUKHTAR	7,854,550	25.4927
40	FAZAL AHMAD SHEIKH	7,925,722	25.7237
41	FAISAL AHMAD MUKHTAR	7,886,071	25.5950

Form 34

As at 30 June 2011

Number of Shareholders	From		To	Total Number of Shares Held	Percentage of Total Capital
162	1	-	100	5,976	0.02
665	101	-	500	145,416	0.47
584	501	-	1000	508,153	1.65
204	1001	-	5000	489,844	1.59
45	5001	-	10000	347,713	1.13
15	10001	-	15000	180,995	0.59
15	15001	-	20000	266,080	0.86
7	20001	-	25000	164,929	0.54
4	25001	-	30000	105,794	0.34
1	30001	-	35000	35,000	0.11
1	35001	-	40000	35,250	0.11
2	40001	-	45000	87,500	0.28
6	45001	-	50000	287,997	0.93
2	50001	-	55000	103,500	0.34
5	55001	-	60000	289,645	0.94
1	70001	-	75000	75,000	0.24
1	95001	-	100000	98,342	0.32
1	100001	-	105000	102,750	0.33
2	110001	-	115000	225,125	0.73
2	115001	-	120000	235,625	0.76
1	140001	-	145000	140,625	0.46
1	160001	-	165000	165,000	0.54
1	165001	-	170000	170,000	0.55
1	175001	-	180000	177,807	0.58
2	185001	-	190000	371,375	1.21
1	195001	-	200000	200,000	0.65
1	350001	-	355000	352,293	1.14
1	545001	-	550000	550,000	1.79
1	590001	-	595000	592,645	1.92
1	645001	-	650000	648,215	2.10
1	7850001	-	7855000	7,854,550	25.49
1	7885001	-	7890000	7,886,071	25.60
1	7910001	-	7915000	7,911,722	25.68
1,739				**30,810,937**	**100.00**

Type of Shareholders	No. of Shareholders	Shares Held	Percentage of Capital
Individual	1,701	4,573,025	14.8422
Spouse	1	115,625	0.3753
Associated Companies	1	530,097	1.7205
Investment Companies	1	6,750	0.0219
Financial	5	118,642	0.3851
Joint Stock	19	918,947	2.9825
Modaraba Cos.	1	9,000	0.0292
Stock Exchange	1	2	0.0000
Directors	6	23,944,468	77.7142
ICP & NIT	3	594,381	1.9291
Grand Total	**1,739**	**30,810,937**	**100.0000**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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. No casual vacancies occurred in the Board during the year 2011.

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

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

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

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

9. The Board arranged one orientation course for its directors during the year 2011 to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises four members, three of whom are non-executive directors including the chairman of the committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final

results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

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

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

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

20. The Quarterly Un-Audited Financial Statements of the Company are circulated along with the report of Directors as per Companies Ordinance, 1984. Financial statements for the year ended 30 June, 2011 have been audited and will be circulated in accordance with the clause (xxii) of the code.

21. All material information as required under the relevant rules has been provided to the stock exchange and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.

22. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and the Board of Directors. These transactions are duly reviewed and approved by the Audit Committee and the Board of Directors.

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

On behalf of the Board

Place: Multan
Date: 08 October 2011

Chief Executive Officer

Financial Statements

Review Report to the Members on Statement of Compliance

with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Reliance Weaving Mills Limited ("the Company")** to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2011.

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Place: Lahore
Date: 08 October 2011

We have audited the annexed balance sheet of **Reliance Weaving Mills Limited ("the Company")** as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Place: Lahore
Date: 08 October 2011

Balance Sheet

As at 30 June

	Note	2011 Rupees	2010 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
40,000,000 (2010: 40,000,000) ordinary shares of Rs 10 each		**400,000,000**	400,000,000
30,000,000 (2010: 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	7	**308,109,370**	308,109,370
Reserves	8	**288,223,673**	337,711,742
Unappropriated profit		**895,045,191**	391,345,945
		1,491,378,234	1,037,167,057
Surplus on revaluation of fixed assets		**452,271,382**	452,271,382
Non-current liabilities			
Long term finances	9	**543,464,674**	382,912,500
Loans from related parties - subordinated loan	10	**3,800,000**	37,000,000
Liabilities against assets subject to finance lease	11	**26,242,911**	32,266,635
Deferred liability	12	**22,563,810**	13,725,541
		596,071,395	465,904,676
Current Liabilities			
Current portion of non-current liabilities - secured		**258,498,220**	244,317,841
Finances under mark up arrangements and other credit facilities - secured	13	**2,296,531,238**	1,759,218,920
Trade and other payables	14	**400,852,130**	238,037,985
Markup accrued	15	**101,203,541**	85,032,085
		3,057,085,129	2,326,606,831
Contingencies and commitments	16		
		5,596,806,140	4,281,949,946

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer

Balance Sheet

As at 30 June

	Note	2011 Rupees	2010 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	17	**2,772,401,688**	2,335,124,974
Intangible assets	18	**574,217**	689,061
Long term deposits		**15,713,425**	15,400,340
		2,788,689,330	**2,351,214,375**
Deferred tax asset	19	**7,246,805**	2,047,584
Current assets			
Stores, spares and loose tools	20	**184,565,485**	138,241,056
Stock in trade	21	**1,672,003,501**	962,680,922
Trade debts	22	**574,724,095**	365,827,339
Loans and advances	23	**122,929,033**	119,544,047
Trade deposits and prepayments	24	**711,879**	399,990
Other receivables	25	**649,837**	3,019,541
Short term investments	26	**171,856,384**	225,923,857
Tax refunds due from the government	27	**53,987,361**	76,976,959
Cash and bank balances	28	**19,442,430**	36,074,276
		2,800,870,005	1,928,687,987
		5,596,806,140	4,281,949,946

Director

Profit and Loss Account

For the Year ended 30 June

	Note	2011 Rupees	2010 Rupees
Sales - net	29	**9,993,572,791**	6,773,391,678
Cost of sales	30	**(8,642,769,149)**	(5,610,014,716)
Gross profit		**1,350,803,642**	1,163,376,962
Distribution and marketing expenses	31	**(111,078,025)**	(112,388,244)
Administrative expenses	32	**(101,888,570)**	(70,276,753)
Other operating expenses	33	**(60,789,658)**	(52,658,966)
Finance cost	34	**(481,594,268)**	(449,962,287)
Other operating income	35	**7,022,733**	617,084
Profit before taxation		**602,475,854**	478,707,796
Taxation	36	**(98,776,608)**	(75,555,242)
Profit after taxation		**503,699,246**	403,152,554
Earning per share - basic and diluted	43	**16.35**	13.08

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer **Director**

Statement of Comprehensive Income

For the Year ended 30 June

	Note	2011 Rupees	2010 Rupees
Profit for the year		**503,699,246**	403,152,554
Other comprehensive Income:			
Gain on remeasurement of investment at fair value		**21,265,266**	45,361,239
Deferred tax	19	**2,730,747**	(2,730,747)
		23,996,013	42,630,492
Total comprehensive income for the year		**527,695,259**	445,783,046

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer **Director**

Cash Flow Statement

For the Year ended 30 June

	Note	2011 Rupees	2010 Rupees
Cash flows from operating activities			
Cash generated from operations	41	**400,304,501**	1,044,258,871
Finance cost paid		**(450,863,142)**	(485,536,038)
Taxes paid - net		**(82,986,827)**	(53,816,423)
Staff retirement benefits paid		**(9,692,349)**	(8,226,305)
Net cash (used in) / generated from operating activities		**(143,237,817)**	496,680,105
Cash flows from investing activities			
Fixed capital expenditure		**(589,124,158)**	(110,579,788)
Proceed from disposal of property, plant and equipment		**37,981,543**	5,588,884
Long term deposits		**(313,085)**	(8,520,000)
Short term investment made		**-**	(881,250)
Net cash used in investing activities		**(551,455,700)**	(114,392,154)
Cash flows from financing activities			
Proceeds from long term finances		**445,025,755**	-
Repayment of long term finances		**(271,076,402)**	(74,459,166)
Repayment of long term finances - related party		**(33,200,000)**	(100,000,000)
Net cash generated from / (used in) financing activities		**140,749,353**	(174,459,166)
Net (decrease)/ increase in cash and cash equivalents		**(553,944,164)**	207,828,785
Cash and cash equivalents at beginning of the year		**(1,723,144,644)**	(1,930,973,429)
Cash and cash equivalents at end of the year	42	**(2,277,088,808)**	(1,723,144,644)

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer **Director**

Statement of Changes in Equity

For the Year ended 30 June

	Share capital	Capital reserve: Share premium	Capital reserve: Fair Value reserve	Revenue reserve: General reserve	Revenue reserve: Unappropriated profit/(loss)	Total
	---------- Rupees ----------					
Balance as at 1 July 2009	308,109,370	41,081,250	-	254,000,000	(11,806,609)	591,384,011
Total comprehensive income for the year						
Profit for the year	-	-	-	-	403,152,554	403,152,554
Other comprehensive income	-	-	42,630,492	-	-	42,630,492
Total comprehensive income for the year	-	-	42,630,492	-	403,152,554	445,783,046
Balance as at 30 June 2010	**308,109,370**	**41,081,250**	**42,630,492**	**254,000,000**	**391,345,945**	**1,037,167,057**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	503,699,246	503,699,246
Other comprehensive income	-	-	23,996,013	-	-	23,996,013
Total comprehensive income for the year	-	-	23,996,013	-	503,699,246	527,695,259
Transactions with owners of the Company recognized directly in equity						
Specie dividend	-	-	-	(73,484,082)	-	(73,484,082)
Balance as at 30 June 2011	**308,109,370**	**41,081,250**	**66,626,505**	**180,515,918**	**895,045,191**	**1,491,378,234**

The annexed notes 1 to 47 form an integral part of these financial statements.

Chief Executive Officer **Director**

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 Karachi and Lahore Stock Exchanges. 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.

2 **Basis of preparation and 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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

3 **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 **Use of estimates and judgments**

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

- **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.

- **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.

- **Property, plant and equipment**

  The Company reviews the rate of depreciation, useful life, residual values and values of 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 effect on the depreciation charge and impairment.

- **Intangible assets**

  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.

- **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 on the provision charge and impairment. Net realizable value is determined with respect to estimated selling price less estimated expenditure to make the sale.

- **Staff retirement benefits**
  Certain actuarial assumptions have been adopted as disclosed in note 6.8 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Changes in these assumptions in future years may affect the liability under these schemes in those years.

5 Initial application of new standards, interpretations or amendments to existing standards and forthcoming requirements

5.1 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective, however, the amendments or interpretations did not have any material effect on the financial statements of the Company.

5.2 New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2011;

- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment has no impact on Company's financial statements.

- Improvements to IFRSs 2010 – In May 2010 the IASB issued improvements to IFRSs 2010 which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 1 January 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements, add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.

6 Summary of significant accounting policies

6.1 Property, plant and equipment

Property, plant and equipment (except freehold land and capital work-in-progress) are stated at cost less accumulated depreciation and any identified impairment losses, if any. Freehold land is stated at revalued amount. Capital work-in-progress is stated at cost. Cost in relation to certain property, plant and equipment signifies historical cost and borrowing cost as reflected in note 6.20.

Depreciation charge is based on the reducing balance method whereby the cost or revalued amount of an asset is written off to profit and loss account over its estimated useful life after taking into account the residual value if material. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month proceeding the disposal respectively.

The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

Maintenance and normal repairs are charged to income as and when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and the assets so replaced, if any, are derecognised.

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 recongnised as an income or expense.

Where the carrying amount of assets exceeds its estimated recoverable amount it is written down immediately to its recoverable amount.

6.2 Intangible assets

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight-line method over a period of ten years.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which that asset is disposed off.

6.3 Leases

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance leases

Leases in terms of which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to income over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on the reducing balance method at the rates given in note 17. Depreciation of leased assets is charged to income.

Residual value and the useful life of an asset are reviewed at least at each financial year-end.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired, while no depreciation is charged for the month in which the asset is disposed off.

6.4 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determined whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognised if the carrying amount exceed its estimated recoverable amount.

6.5 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.

6.6 Functional and presentation currency

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

6.7 Taxation

Income tax expense comprises current and deferred tax. Income tax is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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 assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

6.8 Employee retirement benefit- gratuity

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

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, 2011. Projected Unit Credit Method, based on the following significant assumptions is used for valuation of the scheme:

	2011	2010
- Discount rate	**14%**	12%
- Expected increase in eligible salary	**13%**	11%
- Average expected remaining working life time	**8 years**	8 years
- Mortality rate	**EFU (61-66) mortality table**	

The Company's policy with regard to actuarial gains/ losses is to follow minimum recommended approach under IAS 19.

6.9 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.

6.10 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.

6.11 Derivative financial instruments and hedging activities

These are initially recorded at fair value on the date on which a derivative contract is entered into and subsequently measured at fair value. The method of recognising 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 ongoing 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 recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

Amounts accumulated in equity are recognised 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 equity 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.

6.12 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 recognised on trade date at cost being the fair value of the consideration given and derecognised 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 recognised 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 recognised initially at fair value plus any directly attributable 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 currently. 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 recognised 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.

6.13 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.

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

6.15 Trade debts
Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

6.16 Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, 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.

6.17 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company looses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The particular measurement methods adopted are disclosed in the individual policy statements associated with each item of financial instruments.

6.18 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 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.

6.19 Foreign currencies

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 income currently.

6.20 Borrowing cost

Borrowing costs incurred on long term finances directly attributable for the construction/ acqusition 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 currently.

6.21 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

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

6.22 Dividend

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

6.23 Related party transactions

The Company enters into transactions with related parties on an arm's length basis. 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.

			Note	2011 Rupees	2010 Rupees
7 Issued, subscribed and paid up capital					
2011 Number of shares	2010 Number of shares				
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

	Note	2011 Rupees	2010 Rupees
8 Reserves			
Composition of reserves is as follows:			
Capital reserve			
- Share premium	8.1	**41,081,250**	41,081,250
- Fair value reserve - net of tax		**66,626,505**	42,630,492
		107,707,755	83,711,742
Revenue reserve			
- General reserve		**180,515,918**	254,000,000
		288,223,673	337,711,742

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

	Note	2011 Rupees	2010 Rupees
9 Long term finance			
These are composed of:			
Loan from banking companies - secured			
Long term loans	9.1	**795,846,329**	621,896,976
Less: Current portion		**252,381,655**	238,984,476
		543,464,674	382,912,500

9.1 Long term loans

Loan # Lender - Nature	2011 Rupees	2010 Rupees	Rate of interest per annum	Number of remaining installments	Interest payable
1. National Bank of Pakistan (DF II)	**189,000,000**	252,000,000	3 M KIBOR + 1.75%	6 equal half yearly installment ending December 2013	Quarterly
2. Habib Bank Limited (LTF II)	**6,133,000**	12,263,000	7%	2 equal half yearly installment ending January 2012	Quarterly
3. Habib Bank Limited (LTF III)	**29,629,500**	59,229,500	7%	2 equal half yearly installment ending January 2012	Quarterly
4. Habib Bank Limited (FAF II)	**-**	3,454,476	6 M KIBOR + 1%		Quarterly
5. United Bank Limited (DF I)	**11,150,000**	33,450,000	3 M KIBOR + 2.25%	2 equal quarterly installment ending December 2011	Quarterly
6. United Bank Limited (DF III)	**82,500,000**	165,000,000	3 M KIBOR + 1.85%	3 equal half yearly installment ending December 2012	Quarterly
7. First National Bank Modaraba (Morabaha)	**14,500,000**	29,000,000	3 M KIBOR + 1.25%	4 equal quarterly installment ending June 2012	Quarterly
8. Standard Chartered Bank Limited (Term Loan)	**22,500,000**	67,500,000	3 M KIBOR +2%	2 equal quarterly installment ending October 2012	Quarterly
9. MCB Bank Limited (LTFF)	**41,310,000**	-	11.10%	9 equal half yearly installment ending December 2015	Quarterly
10. Saudi Pak Industrial and Agricultural Investment Company Limited (LTFF)	**249,125,829**	-	11.10%	8 equal half yearly installment ending July 2015	Quarterly
11. Pak Brunei Investment Company (LTFF)	**149,998,000**	-	10.70%	12 equal half yearly installment ending October 2017	Quarterly
	795,846,329	621,896,976			

Security

Loan No. 1
This loan is secured by a first charge over the assets of Unit 4 (Spinning) of the Company.

Loan No. 2, 3 and 4
These are secured by a first pari passu charge on all fixed assets of Unit 2 (Weaving) and Unit 4 (Spinning) of the Company.

Loan No. 5
This loan is secured by a first charge on fixed assets of Unit 3 (Spinning) of the Company.

Loan No.6
This loan is secured by a first pari passu charge on all fixed assets of Unit 4 (Spinning) of the Company.

Loan No. 7
This loan is secured by a first pari passu charge on all present and future fixed assets and personal guarantees of the directors.

Loan No. 8
This loan is secured by hypothecation pari passu charge over all present and future fixed assets of the Company.

Loan No. 9
This loan is secured by first exclusive registered charge over gas generator

Loan No. 10
This loan is secured by a first pari passu charge over present and future fixed assets.

Loan No. 11
This loan is secured by a first pari passu charge over present and future fixed assets.

	Note	2011 Rupees	2010 Rupees
10 Loans from related parties - subordinated loan			
Unsecured			
Faisal Ahmed Mukhtar		**3,800,000**	37,000,000

This represents interest free subordinated loan obtained from the director of the Company.

	Note	2011 Rupees	2010 Rupees
11. Liabilities against assets subject to finance lease			
Present value of minimum lease payments	11.3	**32,359,476**	37,600,000
Less: Current portion shown under current liabilities		**6,116,565**	5,333,365
		26,242,911	32,266,635

11.1 The minimum lease payments have been discounted at an implicit interest of 3 months kibor plus 400 basis points (2010: 3 months kibor plus 400 basis points) to arrive at their present value. Rentals are paid in quarterly installments. 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.

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

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

	Minimum lease payments	Future finance charge	Present value of lease liability 2011	Present value of lease liability 2010
	----------	---------- Rupees	----------	----------
Years				
Not later than one year	**11,474,008**	**5,357,443**	**6,116,565**	5,333,365
Later than one year and not later than five year	**34,422,024**	**8,179,113**	**26,242,911**	32,266,635
	45,896,032	**13,536,556**	**32,359,476**	37,600,000

	Note	2011 Rupees	2010 Rupees
12 Deferred liabilities			
Staff retirement benefits - gratuity	12.1	**22,563,810**	13,725,541
12.1 Staff retirement benefits-gratuity			
Present value of defined benefit obligation	12.1.2	**42,070,887**	23,712,397
Unrecognised actuarial (loss)/gain	12.1.3	**(19,507,077)**	(9,986,856)
Liability as at June 30		**22,563,810**	13,725,541
12.1.1 Change in present value of net staff gratuity			
Liability as at July 01		**13,725,541**	9,937,745
Charge to profit and loss account		**18,530,618**	12,014,101
Payments made during the year		**(9,692,349)**	(8,226,305)
Liability as at June 30		**22,563,810**	13,725,541

	2011 Rupees	2010 Rupees
12.1.2 Movement in liability for defined benefit obligation		
Opening present value of defined benefit obligations	**23,712,397**	11,582,208
Current service cost for the year	**14,733,178**	10,624,236
Interest cost for the year	**2,845,488**	1,389,865
Benefit paid during the period	**(9,692,349)**	(8,226,305)
Actuarial loss on present value of defined benefit obligation	**10,472,173**	8,342,393
Closing present value of defined benefit obligations	**42,070,887**	23,712,397
12.1.3 Movement in unrecognised actuarial (losses)/gains		
Opening unrecognised acturial gains/ (losses)	**(9,986,856)**	(1,644,463)
Gains recognised during the year	**951,952**	-
Actuarial losses arising during the year	**(10,472,173)**	(8,342,393)
Closing unrecognised actuarial gains/(losses)	**(19,507,077)**	(9,986,856)
12.1.4 Charge for the year		
Current service cost for the year	**14,733,178**	10,624,236
Interest cost for the year	**2,845,488**	1,389,865
Acturial gains recognised	**951,952**	-
	18,530,618	12,014,101

12.1.5 Historical Information for gratuity plan

	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees
Present value of defined benefit obligation	**42,070,887**	23,712,397	11,582,208	7,453,859	2,909,747
Experience adjustment arising on plan liabilities	**10,472,173**	8,342,393	2,100,291	41,213	(1,357,871)

12.1.6 Expected contribution for the next year

The expected contribution to the gratuity scheme for the year ending 30 June 2012 works out to Rs. 25,167,914 (2011: Rs. 18,530,618).

	Note	2011 Rupees	2010 Rupees
13 Finances under mark up arrangements and other credit facilities - secured			
Short term finances	13.1	**1,749,306,016**	1,289,293,846
Export finances	13.2	**547,225,222**	469,925,074
		2,296,531,238	1,759,218,920

13.1 Short term finances are available from different commercial banks under mark up arrangements amount to Rs. 4,960 million (2010: Rs. 3,612 million). The rates of mark up range from 14.72% to 15.79% (2010: 13.53% to 20%) on the outstanding balance.

13.2 The Company has obtained export finance facilities from commercial banks aggregating to Rs. 3,190 million (2010: Rs. 2,255 million) being the sub limit of the finance mentioned in note 13.1. The rates of mark up range from 2.46% to 3.55% (2010 : 2.01% to 6.10 %) on the outstanding balance.

13.3 Of the aggregate facility of Rs. 1,850 million (2010: Rs. 1,455 million) for opening letter of credits and Rs. 163 million (2010: Rs. 340 million) for guarantees being the sub limit of finances mentioned in note 13.1, the amount utilized as at June 30, 2011 was Rs. 134 million (2010: Rs. 503 million) and Rs. 58.096 million (2010: Rs. 52.569 million) respectively.

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

	Note	2011 Rupees	2010 Rupees
14 Trade and other payables			
Trade creditors		**202,689,475**	121,127,785
Accrued liabilities		**103,493,542**	70,741,285
Advances from customers		**-**	5,930,633
Due to related parties	14.1	**12,142,580**	1,028,887
Workers' profit participation fund payable		**61,496,676**	25,583,908
Unclaimed dividend		**3,541,624**	3,547,817
Others		**17,488,233**	10,077,670
		400,852,130	238,037,985
14.1 Due to related parties			
Fatima Sugar Mills Limited		**7,914,376**	-
Fazal Cloth Mills Limited		**3,378,156**	-
Reliance Cotton (Private) Limited		**850,048**	1,028,887
		12,142,580	1,028,887

This relates to normal business of the Company and is interest free.

		2011 Rupees	2010 Rupees
15 Mark up accrued			
Long term finances - secured		**22,043,299**	13,036,243
Liabilities against assets subject to finance lease		**929,280**	860,171
Finances under mark-up arrangements and other credit facilities - secured		**78,230,962**	71,135,671
		101,203,541	85,032,085

16 Contingencies and commitments

16.1 Contingencies

(i) The Company has provided bank guarantees from Habib Bank Limited and Meezan Bank Limited in favour of Sui Northern Gas Pipelines Limited amounting to Rs. 58.096 million (2010: Rs. 52.569 million) on account of payment of dues against gas sales etc.

(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 infrasrtucture 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% amounting to Rs. 5.5 million shall be paid by the Company while for remaining 50%, gurantees shall be issued in favour of Excise and Taxation Karachi. The Company although paid the said amount and issued gurantees, 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 accounts.

Foreign bills discounted outstanding as at 30 June 2011 aggregated Rs. 366.976 million (2010: Rs. 629.104 million).

	2011 Rupees	2010 Rupees
16.2 Commitments		
16.2.1 Commitments in respect of forward foreign exchange contracts		
Sale	**149,685,000**	-
16.2.2 Letter of credits for:		
Capital expenditures	**117,372,066**	431,957,030
Other than capital expenditures	**16,746,940**	71,476,703
	134,119,006	503,433,733

16.2.3 Ijarah

The Company has entered into car Ijarah arrangements with a commercial bank. The lease term of these arrangements is three years (2010: Nil).

The total amount of future ijarah payments under Ijarahs are as follows:

	2011 Rupees	2010 Rupees
Not later than one year	**2,846,290**	-
Later than one year and not later than five years	**5,207,592**	-
	8,053,882	-
Year-wise ijarah payments are as follows:		
2012	**2,846,290**	-
2013	**2,603,796**	-
2014	**2,603,796**	-
	8,053,882	-

17		Note	2011 Rupees	2010 Rupees
	Property, plant and equipment			
	Operating property, plant and equipment	17.1	**2,768,840,533**	2,322,904,792
	Capital work in progress	17.5	**3,561,155**	12,220,182
			2,772,401,688	2,335,124,974

17.1 Operating property, plant and equipment

Particulars	Reconciliation of net carrying value					Reconciliation of gross carrying value			
	Net book value as at 1 July 2010	Additions	Disposals (at NBV)	Depreciation charge	Net book value as at 30 June 2011	Cost as at 30 June 2011	Accumulated depreciation as at 30 June 2011	Net book value as at 30 June 2011	Depreciation rate (% per annum)
	Rupees					Rupees			
Owned									
Freehold land	486,972,575	-	-	-	486,972,575	486,972,575	-	486,972,575	-
Buildings	259,774,193	18,061,309	-	(13,121,547)	264,713,955	420,653,847	(155,939,892)	264,713,955	5
Plant and machinery	1,398,055,545	561,008,354	(34,199,968)	(86,057,104)	1,838,806,827	2,951,269,071	(1,112,462,244)	1,838,806,827	5
Electric installations	73,219,764	15,000	-	(3,661,051)	69,573,713	106,209,179	(36,635,466)	69,573,713	5
Factory equipment	18,833,611	142,608	-	(945,999)	18,030220	26,608,696	(8,578,476)	18,030,220	5
Office equipment	9,819,961	1,970,461	-	(1,083,859)	10,706,563	17,611,816	(6,905,253)	10,706,563	10
Electric appliances	5,868,207	2,589,179	-	(684,238)	7,773,148	13,051,136	(5,277,988)	7,773,148	10
Furniture and fixtures	6,055,684	901,929	-	(657,816)	6,299,797	11,273,179	(4,973,382)	6,299,797	10
Vehicles	14,140,710	7,853,822	(267,457)	(3,419,655)	18,307,420	38,431,824	(20,124,404)	18,307,420	20
Leased									
Plant and machinery	50,164,542	-	-	(2,508,227)	47,656,315	50,788,037	(3,131,722)	47,656,315	5
2011	2,322,904,792	592,542,662	(34,467,425)	(112,139,496)	2,768,840,533	4,122,869,360	(1,354,028,827)	2,768,840,533	

Particulars	Reconciliation of net carrying value					Reconciliation of gross carrying value			
	Net book value as at 1 July 2009	Additions	Disposals (at NBV)	Depreciation charge	Net book value as at 30 June 2010	Cost as at 30 June 2010	Accumulated depreciation as at 30 June 2010	Net book value as at 30 June 2010	Depreciation rate (% per annum)
	Rupees					Rupees			
Owned									
Freehold land	486,972,575	-	-	-	486,972,575	486,972,575	-	486,972,575	-
Buildings	272,990,389	130,308	-	(13,346,504)	259,774,193	402,592,538	(142,818,345)	259,774,193	5
Plant and machinery	1,390,290,069	81,367,871	(4,210,103)	(69,392,292)	1,398,055,545	2,567,150,589	(1,169,095,044)	1,398,055,545	5
Electric installations	75,981,963	994,377	-	(3,756,576)	73,219,764	106,194,179	(32,974,415)	73,219,764	5
Factory equipment	12,424,789	7,219,519	-	(810,697)	18,833,611	26,466,088	(7,632,477)	18,833,611	5
Office equipment	9,135,828	1,626,101	-	(941,968)	9,819,961	15,641,355	(5,821,394)	9,819,961	10
Electric appliances	5,165,034	1,265,514	-	(562,341)	5,868,207	10,461,957	(4,593,750)	5,868,207	10
Furniture and fixtures	6,210,863	451,721	-	(606,900)	6,055,684	10,371,250	(4,315,566)	6,055,684	10
Vehicles	13,414,713	4,030,737	(814,152)	(2,490,588)	14,140,710	32,421,885	(18,281,175)	14,140,710	20
Leased									
Plant and machinery	-	50,788,037	-	(623,495)	50,164,542	50,788,037	(623,495)	50,164,542	5
2010	2,272,586,223	147,874,185	(5,024,255)	(92,531,361)	2,322,904,792	3,709,060,453	(1,386,155,661)	2,322,904,792	

17.2 The Company carried out the revaluation of land on 1 December 2008. The valuation was conducted by an independent valuer, Dimen Associates (Private) Limited. Land was revalued on the basis of fair market value.

Revaluation of land resulted in surplus of Rs. 452.271 million.

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

	Note	2011 Rupees	2010 Rupees
Cost of sales	30	**106,978,166**	88,491,905
Administrative expenses	32	**5,161,330**	4,039,456
		112,139,496	92,531,361

Had there been no revaluation, the net book value of land would have been amounting to Rs.34.70 million.

17.4 Disposal schedule of operating property, plant and equipment:

Particulars	Cost	Accumulated depreciation	Book Value	Claim/Sales proceeds	Gain/ (loss)	Mode of disposal	Sold to
	Rupees						
Plant and machinery							
59 Tsudakoma airjet looms	102,573,750	85,940,412	16,633,338	20,367,101	3,733,763	Sale	Hashmani Ind. Khi. & NMK Sons Fsd.
Warping machine	10,460,612	8,607,510	1,853,102	500,000	(1,353,102)	Sale	Nazuk Hussain Khi.
Sizing machine	19,121,712	14,259,040	4,862,672	5,000,000	137,328	Sale	Nazuk Hussain Khi.
24 Tsudakoma airjet looms	44,733,798	33,882,942	10,850,856	11,400,000	549,144	Sale	Moin Ahmed Khi., Yawar Saeed Fsd. Mehtab Ahmed Fsd., Tanveer Hussain Khi., Ubaid Malik Fsd., Abdul Hameed Fsd.
Vehicles							
Motor Bike MNL 4696	50,490	19,478	31,012	25,250	(5,762)	Sold to Employee	Mr. Irfan Rasul
Mazda Van MNV 9536	815,000	801,481	13,519	465,000	451,481	Sale	Sarfraz Hyder Khan
Toyota Corola MNZ-99	912,993	743,801	169,192	169,192	-	Sold to employee	Mr. Amanullah
MNN 1973 Motor Bike	65,400	11,666	53,734	55,000	1,266	Insurance Claim	EFU Insurance
2011	**178,733,755**	**144,266,330**	**34,467,425**	**37,981,543**	**3,514,118**		

Particulars	Cost	Accumulated depreciation	Book Value	Claim/Sales proceeds	Gain/(loss)	Mode of disposal	Sold to
	Rupees						
Plant and machinery							
Generator set	12,547,400	8,337,297	4,210,103	4,210,103	-	Sale	Fatima Sugar Mills Limited
Vehicles							
Vehicle MLD-5054 (CULTUS)	600,800	433,461	167,339	167,339	-	Sold to employee	Mr. Hamid - Fatima Fertilizer Company Ltd.
Vehicle VEH-8345 (COURE)	475,990	244,721	231,269	231,269	-	Sale	Mr. Asif - Fatima Sugar Mills Ltd.
Vehicle MNV-8 (TOYOTA COROLA)	1,089,970	980,857	109,113	300,012	190,899	Sold to employee	Mr. Anjum Jamil
Vehicle MLF-1620 (COURE)	601,000	382,777	218,223	601,000	382,777	Sale	Pakarab Fertilizers Limited
HONDA CD 70 MLN-6343	49,207	22,786	26,421	24,604	(1,817)	Sold to employee	Mr. Nadeem Ghafoor
HONDA CD 70 MNM-8682	52,490	19,130	33,360	26,245	(7,115)	Sold to employee	Mr. Wakeel Ahmad
HONDA CD 70 MNM-9814	56,625	28,198	28,427	28,312	(115)	Sold to employee	Mr. Zulfiqar Ali
2010	**15,473,482**	**10,449,227**	**5,024,255**	**5,588,884**	**564,629**		

17.5 Capital work in progress

	2011 Rupees	2010 Rupees
Civil works and buildings	1,333,261	11,913,288
Plant and machinery	328,894	291,894
Electric Installation	-	15,000
Advances	1,899,000	-
	3,561,155	**12,220,182**

	2011 Rupees	2010 Rupees
18 Intangible assets		
Computer software - License fee		
Net carrying value basis		
Opening net book value	**689,061**	803,905
Amortization during the year	**(114,844)**	(114,844)
	574,217	689,061
Gross carrying value basis		
Cost	**1,148,440**	1,148,440
Accumulated amortization	**(574,223)**	(459,379)
	574,217	689,061
Rate of amortization	**10%**	10%

The amortization for the year has been allocated to administrative expenses.

19 Deferred tax asset/(liability)

	2011		
	Opening	**Charge/(reversal)**	**Closing**
	------------ Rupees ------------		
Taxable temporary difference			
Accelerated tax depreciation	**(57,173,906)**	**(113,594,025)**	**(170,767,931)**
Available for sale securities	**(2,730,747)**	**2,730,747**	**-**
Assets subject to finance lease	**(123,747)**	**(1,910,732)**	**(2,034,479)**
Deductible temporary difference			
Unabsorbed tax losses and tax credits	**61,244,828**	**115,803,400**	**177,048,228**
Provision for retirement benefits	**831,156**	**2,169,831**	**3,000,987**
	2,047,584	**5,199,221**	**7,246,805**

	2010		
	Opening	**Charge/(reversal)**	**Closing**
	------------ Rupees ------------		
Taxable temporary difference			
Accelerated tax depreciation	(68,404,969)	11,231,063	(57,173,906)
Available for sale securities	-	(2,730,747)	(2,730,747)
Assets subject to finance lease	-	(123,747)	(123,747)
Deductible temporary difference			
Unabsorbed tax losses	93,445,076	(32,200,248)	61,244,828
Provision for retirement benefit	3,478,211	(2,647,055)	831,156
	28,518,318	(26,470,734)	2,047,584

		2011 Rupees	2010 Rupees
20 Stores, spares and loose tools			
Stores		**81,620,451**	70,014,503
Spares		**103,047,411**	68,362,825
Loose tools		**127,645**	93,750
		184,795,507	138,471,078
Less: Provision for obsolete items		**230,022**	230,022
		184,565,485	138,241,056

20.1 Stores and spares include items which may result in fixed capital expenditure but are not distinguishable.

	Note	2011 Rupees	2010 Rupees
21 Stock in trade - net			
Raw materials	21.1	**914,690,986**	640,800,743
Work in process		**140,160,491**	104,223,423
Finished goods		**602,854,629**	202,675,708
Waste		**14,297,395**	14,981,048
		1,672,003,501	962,680,922

21.1 This includes items in-transit as at 30 June 2011 amounting to Rs. 5.63 million (2010: Rs. 9.7 million).

21.2 During the year, due to decline in the prices of cotton, the company tested the related product line for impairment and wrote down the related inventories to their net realizable value, which resulted in a loss of Rs. 85.801 million.

	Note	2011 Rupees	2010 Rupees
22 Trade debts			
Considered good			
Export - secured		**307,921,108**	207,481,587
Local - unsecured		**266,802,987**	158,345,752
Considered doubtful - unsecured		**6,017,453**	690,748
		580,741,548	366,518,087
Less: Provision for doubtful debts		**6,017,453**	690,748
		574,724,095	365,827,339
23 Loans and advances			
Advances - considered good			
- To employees	23.1	**47,211,252**	39,990,196
- To suppliers		**62,025,694**	49,851,715
Advances for issue of shares - related party	23.2	**8,352,010**	8,352,010
Due from related parties	23.3	**4,814,248**	6,977,495
Letters of credit - margins, deposits, opening charges, etc.		**525,829**	14,372,631
		122,929,033	119,544,047

23.1 It includes amount of Rs. 396,652 (2010: Rs. 383,407) due from executives.

23.2 Advance for issuance of shares has been given to Fatima Fertilizer Company Limited.

		2011 Rupees	2010 Rupees
23.3 Due from related parties			
Fatima Fertilizer Company Limited		**539,144**	534,114
Gadoon Packing Limited		**1,048,350**	914,950
Reliance Fabrics Limited		**-**	19,997
Pakarab Fertilizers Limited		**29,973**	741,754
Fazal Cloth Mills Limited		**-**	3,405,784
Multan Cloth Finishing Factory		**1,631,025**	1,360,896
Pakistan Mining Company Limited		**33,887**	-
Reliance Commodities (Pvt) Limited		**1,531,869**	-
		4,814,248	6,977,495

These relate to normal business of the Company and are interest free.

Maximum aggregate amount due from associated undertakings at any month end during the year was Rs. 4.814 million (2010: Rs. 12.015 million).

		2011 Rupees	2010 Rupees
24 Trade deposits and prepayments			
Security deposits		**171,840**	171,840
Prepayments		**540,039**	228,150
		711,879	399,990
25 Other receivables			
Short weight claims		**-**	2,479,482
Others		**649,837**	540,059
		649,837	3,019,541
26 Short term investment - *available for sale*			
Fatima Fertilizer Company Limited			
18,030,636 (2010: 18,030,636) fully paid ordinary shares of Rs. 10 each		**225,923,857**	179,681,368
Shares transferred as specie dividend 7,702,734 (2010: Nil) ordinary shares	26.2	**(75,332,738)**	-
Addition through purchase at market price - 62,500 shares		**-**	881,250
Fair value adjustment		**21,265,265**	45,361,239
		171,856,384	225,923,857

26.1 Fatima Fertilizer Company Limited is an associated undertaking as per Companies Ordinance, 1984 however, for the purpose of measurement this has been classified as available for sale as the Company cannot exercise significant influence over the operating and financial decisions of this associate.

	2011 Rupees	2010 Rupees
26.2 Specie dividend		
Fair value of the shares at the date of approval by the shareholders	**73,484,082**	-
Change in fair value upto the date of disbursement - charged to profit and loss account	**1,848,656**	-
	75,332,738	-

During the year the Company distributed 7,702,734 shares of Fatima Fertilizer Company Limited (FFCL), having face value of Rs. 10 each, to the share holders as specie dividend in the ratio of 2.5 shares of FFCL, for every 10 shares held of the Company.

	2011 Rupees	2010 Rupees
27 Tax refunds due from the government		
Export rebate	**6,640,292**	8,347,576
Income tax	**3,961,228**	26,943,475
Sale tax	**36,914,069**	38,711,502
Special Excise duty	**6,471,772**	2,974,406
	53,987,361	76,976,959

	2011 Rupees	2010 Rupees
28 Cash and bank balances		
Balances at banks		
Current accounts:		
- Pak rupee	**16,931,061**	26,011,462
- Foreign currency - US $ 924.60 (2010: US $ 924.60)	**79,377**	78,961
	17,010,438	26,090,423
Saving accounts		
- Pak rupee	**106,970**	7,977,948
Cash in hand	**2,325,022**	2,005,905
	19,442,430	36,074,276

28.1 Effective mark up rate in respect of saving accounts ranges from 5% to 5.3% (2010: 5% to 5.5%) per annum.

	2011 Rupees	2010 Rupees
29 Sales - net		
Export	**5,951,110,486**	4,669,534,444
Local	**4,020,434,237**	2,039,845,056
Waste	**151,332,941**	149,758,299
	10,122,877,664	6,859,137,799
Less: Commission	**131,638,272**	90,223,289
	9,991,239,392	6,768,914,510
Add: Doubling income	**1,642,600**	1,870,200
Export rebate	**690,799**	2,606,968
	2,333,399	4,477,168
	9,993,572,791	6,773,391,678

	Note	2011 Rupees	2010 Rupees
30 Cost of sales			
Raw material consumed	30.1	**7,877,494,151**	4,372,088,332
Stores and spares consumed		**182,979,925**	143,846,821
Packing material consumed		**50,792,416**	51,442,889
Salaries, wages and other benefits	30.2	**333,457,447**	286,038,957
Fuel and power		**485,015,922**	394,715,255
Insurance		**9,344,377**	7,917,833
Repairs and maintenance		**12,268,536**	10,127,749
Depreciation on property, plant and equipment	17.3	**106,978,166**	88,491,905
Utilities		**546,165**	610,426
Other expenses		**19,324,380**	16,490,377
		9,078,201,485	5,371,770,544
Opening stock of work in process		**104,223,423**	71,770,350
Closing stock of work in process		**(140,160,491)**	(104,223,423)
		(35,937,068)	(32,453,073)
Cost of goods manufactured		**9,042,264,417**	5,339,317,471
Opening stock - Finished goods		**202,675,708**	469,350,685
- Waste		**14,981,048**	19,003,316
		217,656,756	488,354,001
Closing stock - Finish goods		**(602,854,629)**	(202,675,708)
- Waste		**(14,297,395)**	(14,981,048)
		(617,152,024)	(217,656,756)
		(399,495,268)	270,697,245
		8,642,769,149	5,610,014,716

30.1 Raw material consumed include Rs. 303,230,672 (2010: Nil) relating to the cost of cotton and polyester which were sold during the period.

30.2 Salaries, wages and other benefits include Rs. 16,905,944 (2010: Rs. 11,472,526) in respect of staff retirement benefits.

	2011 Rupees	2010 Rupees
31 Distribution and marketing expenses		
Ocean freight and shipping	**39,817,703**	41,086,593
Local freight	**34,641,176**	35,025,500
Export development surcharge	**14,022,375**	11,113,608
Forwarding and clearing expenses	**12,530,326**	18,133,998
Marketing expenses	**4,443,008**	3,210,894
Other expenses	**5,623,437**	3,817,651
	111,078,025	112,388,244

		Note	2011 Rupees	2010 Rupees
32	**Administrative expenses**			
	Salaries, wages and other benefits	32.1	**40,532,316**	30,280,788
	Printing and stationery		**1,865,051**	1,665,410
	Motor vehicles running		**3,790,769**	2,955,290
	Traveling and conveyance		**13,925,442**	9,105,704
	Rent, rates and taxes		**2,675,234**	2,212,072
	Telephone and postage		**8,972,898**	6,625,908
	Fee, subscription and periodicals		**3,299,138**	1,334,700
	Utilities		**1,713,046**	1,049,783
	Insurance		**696,620**	288,454
	Repairs and maintenance		**8,901,666**	4,557,480
	Entertainment		**1,266,646**	683,392
	Advertisement		**44,950**	34,440
	Provision on doubtful debts		**5,326,705**	-
	Depreciation on property, plant and equipment	17.3	**5,161,330**	4,039,456
	Amortization of intangible	18	**114,844**	114,844
	Professional services	32.2	**2,863,501**	4,911,144
	Other expenses		**738,414**	417,888
			101,888,570	70,276,753

32.1 Salaries, wages and other benefits include Rs. 1,624,674 (2010: Rs. 541,573) in respect of staff retirement benefits.

		Note	2011 Rupees	2010 Rupees
32.2	**Professional services**			
	The charges for professional services include the following in respect of auditors' remuneration for:			
	KPMG Taseer Hadi & Co.			
	Statutory audit		**600,000**	500,000
	Half yearly review		**150,000**	150,000
	Taxation services		**122,000**	100,000
	Other services		**150,000**	-
	Out of pocket expenses		**120,000**	50,000
			1,142,000	800,000
33	**Other operating expenses**			
	Unrealised loss on derivative financial instruments		**248,630**	-
	Loss on remeasurement of specie dividend	26.2	**1,848,656**	-
	Mark up on associate		**722,552**	8,943,771
	Provision for WPPF/ WWF		**44,392,958**	35,263,915
	Donations	33.1	**13,576,862**	8,451,280
			60,789,658	52,658,966

		2011 Rupees	2010 Rupees
33.1	**Donations**		
	Names of donees in which a director or his spouse has an interest:		
	Farrukh Mukhtar Hospital, Multan (Mian Faisal, Director is the Trustee)	**143,060**	587,000
	Mian Mukhtar Trust, Multan (Mian Faisal, Director is the Trustee)	**13,433,802**	7,556,000

	Note	2011 Rupees	2010 Rupees
34 Finance cost			
Interest and mark up on:			
- Long term finances		**102,021,112**	53,556,788
- Lease finance		**6,052,861**	860,171
- Finances under mark up arrangements and other credit facilities		**320,681,743**	351,789,484
- Workers profit participation fund		**3,453,827**	-
Exchange loss		**11,105,843**	8,346,123
Bank charges and commission		**38,278,882**	35,409,721
		481,594,268	449,962,287
35 Other operating income			
Income from financial assets:			
Realised gain on forward foreign exchange contracts		**3,149,424**	-
Income from non financial assets:			
Gain on sale of operating assets	17.4	**3,514,118**	564,629
Others		**359,191**	52,455
		3,873,309	617,084
		7,022,733	617,084
36 Taxation			
For the year			
- Current		**101,245,082**	46,695,344
- Deferred		**(2,468,474)**	23,739,987
		98,776,608	70,435,331
Prior years			
- Current		**-**	5,119,911
		98,776,608	75,555,242

36.1 The provision for current taxation represents the minimum tax liability under section 113 and 169 of the Income Tax Ordinance, 2001. Accordingly tax charge reconciliation has not been prepared and presented.

37 Remuneration of Director and Executives

37.1 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:

	Director		**Executives**	
	2011 Rupees	2010 Rupees	**2011 Rupees**	2010 Rupees
Managerial remuneration	**2,821,320**	1,547,911	**5,158,816**	3,749,802
House rent allowance	**-**	-	**1,817,467**	1,687,561
Utility allowance	**-**	-	**161,941**	188,340
Bonus	**-**	-	**831,936**	1,261,785
	2,821,320	1,547,911	**7,970,160**	6,887,488
Number of persons	**1**	1	**8**	8

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

37.2 Remuneration to other directors

Meeting fee amounting to Rs. 15,000 (2010: Rs. 20,000) was paid to a director during the year.

38 Segment reporting

38.1 Reportable Segments

The management has determined the operating segments of the company on the basis of the difference in the products produced.

The Company's reportable segments are as follows:

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

Information regarding the Company's reportable segments is presented below:

38.2 Segment revenue and results

Following is an analysis of the Company's revenue and results by reportable segments

	Spinning	Weaving	(Elimination of inter-segment transactions)	Total
	---------- Rupees ----------			
For the year ended 30 June 2011				
Sales - net	5,406,463,725	7,581,436,816	(2,994,327,750)	9,993,572,791
Cost of sales	(4,766,859,345)	(6,870,237,554)	2,994,327,750	(8,642,769,149)
Gross profit	639,604,380	711,199,262	-	1,350,803,642
Distribution and marketing expenses	(13,798,523)	(97,279,502)	-	(111,078,025)
Administrative expenses	(35,680,551)	(66,208,019)	-	(101,888,570)
Finance cost	(271,920,759)	(209,673,509)	-	(481,594,268)
	(321,399,833)	(373,161,030)	-	(694,560,863)
Profit before tax and unallocated expenses	318,204,547	338,038,232	-	656,242,779
Unallocated income and expenses				
Other operating expenses				(60,789,658)
Other operating income				7,022,733
Taxation				(98,776,608)
Profit after taxation				503,699,246

	Spinning	Weaving	(Elimination of inter-segment transactions)	Total
	------ Rupees ------			
For the year ended 30 June 2010				
Sales - net	3,420,776,753	4,843,023,796	(1,490,408,871)	6,773,391,678
Cost of sales	(2,707,031,998)	(4,393,391,589)	1,490,408,871	(5,610,014,716)
Gross profit	713,744,755	449,632,207	-	1,163,376,962
Distribution and marketing expenses	(29,379,056)	(83,009,188)	-	(112,388,244)
Administrative expenses	(27,060,186)	(43,216,567)	-	(70,276,753)
Finance cost - long term loan	(39,986,152)	(13,570,636)	-	(53,556,788)
	(96,425,394)	(139,796,391)	-	(236,221,785)
Profit before tax and unallocated expenses	617,319,361	309,835,816	-	927,155,177
Unallocated income and expenses				
Other operating expenses				(52,658,966)
Finance cost - others				(396,405,499)
Other operating income				617,084
Taxation				(75,555,242)
Profit after taxation				403,152,554

38.2.1 The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 6.21 to the financial statements. 65% of Administrative expenses are apportioned to Weaving segment while the other 35% are allocated to Spinning segment. Distribution & marketing expenditures 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 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.

	2011 Rupees	2010 Rupees
38.3 Gross revenue from major products and services		
Fabric export sales	**5,536,534,907**	3,858,016,780
Yarn export sales	**414,575,579**	811,517,664
Fabric local sales	**2,076,670,945**	1,015,911,007
Yarn local sales	**1,597,371,071**	1,023,934,049
Cotton and polyester local sale	**346,392,221**	-
Waste local sales	**151,332,941**	149,758,299
	10,122,877,664	6,859,137,799
38.4 Gross revenue from major customers		
Spinning	**1,220,205,426**	815,738,455
Weaving	**5,319,001,055**	2,299,451,833
	6,539,206,481	3,115,190,288

38.5 Geographical information

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

	Note	2011 Rupees	2010 Rupees
Pakistan		**4,171,767,178**	2,189,603,355
Asia		**5,661,442,766**	3,836,518,853
Europe		**251,801,067**	808,617,939
America		-	24,397,652
Africa		**37,866,653**	-
		10,122,877,664	6,859,137,799

38.5.2 All non-current assets of the Company as at 30 June 2011 are located and operating in Pakistan.

38.6 Segment assets and liabilities

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

	Spinning	Weaving	Total
	-------------------- Rupees --------------------		
As at 30 June 2011			
Segment assets for reportable segment			
- Operating fixed assets	**1,430,625,882**	**1,338,214,651**	**2,768,840,533**
- Stores, spares and loose tools	**101,509,464**	**83,056,021**	**184,565,485**
- Stock in trade	**777,521,655**	**894,481,846**	**1,672,003,501**
	2,309,657,001	**2,315,752,518**	**4,625,409,519**
Unallocated corporate assets			**971,396,621**
Total assets as per balance sheet			**5,596,806,140**
Segment liabilities for reportable segment	**359,434,531**	**468,771,274**	**828,205,805**
Unallocated corporate liabilities			**2,824,950,719**
Total liabilities as per balance sheet			**3,653,156,524**

	Spinning	Weaving	Total
	-------------------- Rupees --------------------		
As at 30 June 2010			
Segment assets for reportable segment			
- Operating fixed assets	1,296,251,986	1,026,652,806	2,322,904,792
- Stores, spares and loose tools	69,597,649	68,643,407	138,241,056
- Stock in trade	504,454,650	458,226,272	962,680,922
	1,870,304,285	1,553,522,485	3,423,826,770
Unallocated corporate assets			858,123,176
Total assets as per balance sheet			4,281,949,946
Segment liabilities for reportable segment	507,267,355	114,629,621	621,896,976
Unallocated corporate liabilities			2,170,614,531
Total liabilities as per balance sheet			2,792,511,507

38.6.2 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 loan and liabilities against assets subject to finance lease are allocated to reportable segment and all other liabilities (i.e) loans from related parties, deferred liabilities, trade and other payable, short term borrowings and accrued mark up are held under unallocated corporate assets.

38.7 Other segment information

	Spinning	Weaving	Total
	---------- Rupees ----------		
For the year ended 30 June 2011			
Capital expenditure	**95,932,975**	**493,191,183**	**589,124,158**
Depreciation/Amortization			
Cost of sales	**46,750,993**	**60,227,173**	**106,978,166**
Administrative expenses	**2,257,030**	**2,904,300**	**5,161,330**
	49,008,023	**63,131,473**	**112,139,496**
For the year ended 30 June 2010			
Capital expenditure	43,678,903	66,900,885	110,579,788
Depreciation/Amortization			
Cost of sales	43,893,341	44,598,564	88,491,905
Administrative expenses	1,097,820	2,941,636	4,039,456
	44,991,161	47,540,200	92,531,361

39 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. Amounts due from and to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 37. Other significant transactions with related parties are as follows:

Description	**2011 Rupees**	2010 Rupees
Purchase of goods and services	**146,736,584**	44,236,245
Sale of goods and services	**1,606,049**	9,574,305
Sale of generator	**-**	4,210,103
Mark up	**722,445**	8,943,771
Loan repayment	**33,200,000**	100,000,000

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

40 Capacity and production	**2011**	2010
Unit 1 (Weaving)		
Number of looms installed	**92**	91
Capacity after conversion into 50 picks - Meters	**18,246,340**	15,175,486
Actual production of fabric after conversion into 50 picks - Meters	**16,875,018**	12,653,406

	2011	2010
Unit 2 (Weaving)		
Number of looms installed	**182**	204
Capacity after conversion into 50 picks - Meters	**43,844,141**	41,332,426
Actual production of fabric after conversion into 50 picks - Meters	**41,213,493**	41,167,201

Under utilisation of available weaving capacity is due to:
- Change of articles required
- Width loss due to specification of the cloth
- Due to normal maintenance

	2011	2010
Unite 3 (Spinning)		
Number of spindles installed	**14,400**	14,400
Capacity after conversion into 20 count - Kgs	**4,849,904**	4,849,904
Actual production of yarn after conversion into 20 count - Kgs	**3,639,714**	3,180,598
Unit 4 (Spinning)		
Number of spindles installed	**21,120**	21,120
Capacity after conversion into20 count - Kgs	**7,113,193**	7,113,193
Actual production of yarn after conversion into 20 count - Kgs	**6,179,055**	5,543,446

Under utilisation of available spinning capacity is due to:
- Processing mix of coarser and finer counts
- Electricity shut downs

41 Cash generated from operations

	2011 Rupees	2010 Rupees
Profit before tax	**602,475,854**	478,707,796
Adjustments for non cash charges and other items:		
Depreciation on property, plant and equipment	**112,139,496**	92,531,361
Amortization of intangible assets	**114,844**	114,844
Staff retirement benefits accrued	**18,530,618**	12,014,101
Gain on disposal of property, plant and equipment	**(3,514,118)**	(564,629)
Provision for WPPF/ WWF	**44,392,958**	35,263,915
Unrealised loss on derivative financial instruments	**248,630**	-
Provision for doubtful debts	**5,326,705**	-
Loss on remeasurement of specie dividend	**1,848,656**	-
Finance cost (excluding exchange loss)	**470,488,425**	441,616,164
Profit before working capital changes	**1,252,052,068**	1,059,683,552
Effect on cash flow due to working capital changes:		
(Increase)/decrease in current assets		
- Stores, spares and loose tools	**(46,324,429)**	(16,831,479)
- Stock in trade	**(709,322,579)**	161,906,546
- Trade debts	**(214,223,461)**	(167,719,231)
- Loans and advances	**(3,384,986)**	(25,211,507)
- Trade deposits and prepayments	**(311,889)**	895,203
- Tax refunds due from government (excluding income tax)	**7,351**	(9,640,191)
- Other receivables	**2,369,704**	14,873
Increase in current liabilities		
- Trade and other payables (excluding workers' welfare fund and workers' profit participation fund)	**119,442,722**	41,161,105
	(851,747,567)	(15,424,681)
Cash generated from operations	**400,304,501**	1,044,258,871

			2011 Rupees	2010 Rupees
42	**Cash and cash equivalent**			
	Cash and bank balances	28	**19,442,430**	36,074,276
	Finances under mark up arrangements and other credit facilities	13	**(2,296,531,238)**	(1,759,218,920)
	Cash and cash equivalent		**(2,277,088,808)**	(1,723,144,644)

43 Earnings per share

43.1 Basic

		2011	2010
Earning for the year	Rupees	**503,699,246**	403,152,554
Weighted average number of ordinary shares	Number	**30,810,937**	30,810,937
Basic earning per share	Rupees	**16.35**	13.08

43.2 Diluted

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

44 Financial Instruments

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.

44.1 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. 1,032 million (2010: Rs.750.789 million), the financial assets which are subject to credit risk amounted to Rs. 1,032 million (2010: Rs.750.789 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.

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:

	2011 Rupees	2010 Rupees
Investments	**171,856,384**	225,923,857
Loans and advances	**122,929,033**	119,544,047
Trade debts	**574,724,095**	365,827,339
Deposits and prepayments	**711,879**	399,990
Other receivables	**649,837**	3,019,541
Bank balances	**19,442,430**	36,074,276
	890,313,658	750,789,050

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

Investments comprise of ordinary shares of Fatima Fertilizer Company Limited, listed on Karachi Stock Exchange. The fair value of the investment amounts to Rs. 171.856 million as at 30 June 2011. Long term and short term credit rating of the investee company is "A" and "A1" respectively, issued by PACRA.

	2011 Rupees	2010 Rupees
The trade debts as at the balance sheet date are classified as follows:		
Foreign	**305,213,959**	207,481,587
Domestic	**269,510,136**	158,345,752
	574,724,095	365,827,339

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

	2011 Rupees	2010 Rupees
Fabric receivables export	**293,475,080**	199,790,446
Yarn receivables export	**11,738,879**	7,691,140
Fabric receivables local	**116,184,554**	105,530,179
Yarn receivables local	**153,325,582**	52,815,574
	574,724,095	365,827,339
The aging of trade receivables at the reporting date is:		
Not past due	**81,803,429**	6,842,345
Past due 0-30 days	**167,090,568**	112,851,632
Past due 30-150 days	**291,935,071**	235,674,431
Past due 150 days	**33,895,027**	10,458,931
	574,724,095	365,827,339

The movement in the allowance for impairment in respect of trade receivables is as follows:

	2011 Rupees	2010 Rupees
Opening balance	**690,748**	690,748
Provision during the year	**5,326,705**	-
Closing balance	**6,017,453**	690,748

44.2 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:

	Carrying amount	Contractual Cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
	Rupees					
2011						
Financial Liabilities						
Long term loan and other payable	**795,846,329**	**962,894,499**	**129,696,300**	**137,828,223**	**204,129,240**	**491,240,737**
Loan from related parties	**3,800,000**	**3,800,000**	**-**	**-**	**-**	**3,800,000**
Liabilities against assets subject to finance lease	**32,359,476**	**45,896,032**	**5,562,786**	**5,562,786**	**11,125,572**	**23,644,888**
Trade and other payables	**400,852,130**	**400,852,130**	**400,852,130**	**-**	**-**	**-**
Mark-up accrued	**101,203,541**	**101,203,541**	**101,203,541**	**-**	**-**	**-**
Finance under markup arrangement:	**2,296,531,238**	**2,438,137,880**	**2,438,137,880**	**-**	**-**	**-**
	3,630,592,714	**3,952,784,082**	**3,075,452,637**	**143,391,009**	**215,254,812**	**518,685,625**
2010						
Financial Liabilities						
Long term loan and other payable	621,896,976	702,260,389	188,079,492	145,370,837	236,326,820	132,483,240
Loan from related parties	37,000,000	37,000,000	-	-	-	37,000,000
Liabilities against assets subject to finance lease	37,600,000	55,627,858	5,562,786	5,562,786	11,125,572	33,376,716
Trade and other payables	238,037,985	238,037,985	238,037,985	-	-	-
Mark-up accrued	85,032,085	85,032,085	85,032,085	-	-	-
Finance under markup arrangement:	1,759,218,920	1,792,786,308	1,792,786,308	-	-	-
	2,778,785,966	2,910,744,625	2,309,498,656	150,933,623	247,452,392	202,859,956

44.3 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.

44.3.1 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 foreign currency risk for US Dollars is as follows:

	2011 Rupees	2010 Rupees
Foreign debtors	**305,213,959**	207,481,587
Foreign currency bank account	**79,377**	78,961
Export finances	**(547,225,222)**	(469,925,074)
Gross balance sheet exposure	**(241,931,886)**	(262,364,526)
Outstanding letters of credit	**(134,119,006)**	(503,433,733)
Forward foreign exchange contracts	**(149,685,000)**	-
Net exposure	**(525,735,892)**	(765,798,259)

The following significant exchange rate has been applied:

Average rate Reporting date rate

	Average rate		**Reporting date rate**	
	2011 Rupees	2010 Rupees	**2011 Rupees**	2011 Rupees
USD to PKR	**86.20**	84.26	**86.05**	85.40

Sensitivity analysis

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

	2011 Rupees	2010 Rupees
Effect on profit or loss		
USD	**52,573,589**	76,579,826
Effect on balance sheet		
USD	**24,193,189**	26,236,453

The weakening of the PKR against US Dollar would have had an equal but opposite impact on the post tax loss / profits.

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

44.3.2 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	
	2011 %	2010 %	2011 Rupees	2010 Rupees
Financial Liabilities				
Fixed rate instruments				
Long term loan	**9**	7	**476,196,329**	71,492,500
Financial liabilities				
Variable rate instruments				
Long term loan	**15-16**	13.43-15.60	**319,650,000**	550,404,476
Liabilities against assets subject to finance lease	**16.24**	16.24	**32,359,476**	37,600,000
Short term running finance	**14.72-15.79**	13.53-20	**1,749,306,016**	1,289,293,846
Export finances	**2.45-3.55**	2.01-6.1	**547,225,222**	469,925,074

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 2010.

	Profit and loss 100 bp	
	Increase Rupees	Decrease Rupees
As at 30 June 2011		
Cash flow sensitivity - Variable rate financial liabilities	**(26,485,407)**	26,485,407
As at 30 June 2010		
Cash flow sensitivity - Variable rate financial liabilities	(23,472,234)	23,472,234

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

44.3.3 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.

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:

	2011 Rupees	2010 Rupees
Effect on equity	**16,151,054**	4,536,124

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

44.4 Fair value of financial instruments

The carrying values of other financial assets and financial liabilities reported in balance sheet approximate their fair values.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs.

Investment in ordinary shares of listed companies is valued using quoted prices in active market, hence, fair value of such investments fall within Level 1 in fair value hierarchy as mentioned above.

44.5 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:

	2011 Rupees	2010 Rupees
Total debt	**828,205,805**	658,896,976
Total equity and debt	**2,319,584,039**	1,696,064,033
Debt-to-equity ratio	**36%**	39%

The decrease in the debt-to-equity ratio in 2011 resulted primarily due to increase in equity of the Company.

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.

45 Non adjusting event after balance sheet date

It has been recommended by the Board of Directors to Distribute 4,621,641 quoted shares of Fatima Fertilizer Company Limited to the shareholders of the Company as final dividend in the ratio of 1.5 :10 (1.5 shares of FATIMA for every 10 ordinary shares held of Reliance Weaving Mills Ltd.) This distribution has a book value of Rs.76,904,099/- as on 30 June 2011 being 24.76% of the paid up capital of the Company.

46 Date of authorisation

These financial statements are authorised for issue on 08 October 2011 by the board of directors of the company.

47 General

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However, no significant re-arrangements have been made.

Chief Executive Officer **Director**

Form of Proxy

I/We ____

of ____

in the district of ______________________ being a member of RELIANCE WEAVING MILLS LIMITED and

a holder of ____

Hereby appoint ____

of ____ another member of the

Company or failing him ____

of ____ another member of

the Company as my / our proxy to vote for me / us and on my / our behalf, at Annual General Meeting of the Company to be held on Monday 31 October 2011 at 11:00 A.M. adjournment thereof

.

Affix
Revenue
Stamps of Rs.5/-

1. witness: ______________________

Signature ______________________

Name ______________________

Address ______________________

____
Signature of Member

2. witness: ______________________

Signature ______________________

Name ______________________

Address ______________________

Shareholder's Folio No. ______________________

CDC A/c No. ______________________

NIC No. ______________________

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 that 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.