

Quarterly Accounts  
September 30, 2010  
(Un-Audited)



**Reliance Weaving Mills Limited**

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**Reliance Weaving Mills Ltd.**

# Quarterly Accounts

September 30, 2010  
(Un-Audited)

**Board of Directors**

Mr. Fawad Ahmed Mukhtar  
Mr. Fazal Ahmed Sheikh  
Mr. Faisal Ahmed Mukhtar  
Mr. Fahd Mukhtar  
Mrs. Fatima Fazal  
Mrs. Farah Faisal  
Mr. Shahid Aziz

Chairman  
Chief Executive Officer

**Audit Committee**

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

(Nominee NIT)  
Chairman

Secretary

**CFO**

Mr. Waheed Ahmed

**Company Secretary**

Mr. Amanullah

**Auditors**

KPMG Taseer Hadi & Co.  
Chartered Accountant, Lahore.

**Shares Office**

Vision Consulting Ltd.  
3-C, LDA Flates, Lawrance Road, Lahore.  
vcl.shares@gmail.com  
basharat.hashmi@fatima-group.com

**Bankers**

Allied Bank Ltd  
Habib Bank Ltd  
MCB Bank Ltd  
Meezan Bank Ltd  
National Bank of Pakistan  
United Bank Ltd  
Standard Chartered Bank of Pakistan Ltd  
First National Bank Modaraba  
First Punjab Modaraba  
Pak Brunci Investment Company Ltd.  
Saudi Pak Industrial & Agricultural Investment Company Ltd.  
The Bank of Khyber

**Head Office & Registered Office**

2nd Floor, Trust Plaza, L.M.O. Road, Multan.  
Tel : 061-4512031-32, 4546238  
Fax : 061-4511677, 4584288  
E-Mail : waheed.mushiaq@fatima-group.com

**Website**

www.fatima-group.com

**Mills Address:  
(Unit # 1, 2 & 4)**

Fazal Pur, Khanewal Road, Multan. (Pakistan)  
Tel: (061) 6740020-3  
Fax: (061) 6740039

**Mills Address:  
(Unit # 3)**

Mukhtarabad, Chak Beli Khan Road Rawat,  
Rawalpindi (Pakistan).  
Tel: 051-4611579-81  
Fax: 051-4611092  
E-Mail: imran.malik@fatima-group.com

**Dear Shareholders,**

On the behalf of Board of Directors, I am pleased to present 1st quarterly Financial Statements of Reliance Weaving Mills Ltd. for the period ended September 30, 2010.

The turnover during the period has improved to Rs 1,908 M against Rs 1,484 M whereas gross profit has increased to Rs 383 M as compared to Rs 172 M during corresponding period last year. The company earned after tax net profit of Rs 110 M as compared to profit of Rs 41 M during corresponding period last year. Major reason of increase in net profit is cotton coverage of the company till mid September at very competitive prices. Furthermore, during current quarter weaving also performed better as compared to corresponding quarter; the profit margin of weaving improved due to high demand of fabric.

Cotton prices in local and international market rose sharply. The demand of yarn and cloth has increased significantly both locally and internationally. European Union reduced duty on imports from Pakistan; this has made Pakistani textile products more competitive in Europe. During this quarter, the Company performed operationally well by achieving increased production target and diversifying market segment. The BMR of the company is in process out of 72 looms, 48 looms have started commercial production in this quarter and remaining will start commercial production in the next quarter. Continuous supply of gas to textile industry is very crucial and can affect the future performance of the company and textile sector.

On the behalf of the board, I wish to place on record my gratitude to banks, financial institutions, management, workers & employees for their continued cooperation and support.

On Behalf of Board of Directors

Sd/-

**Fazal Ahmed Sheikh**  
(Chief Executive Officer)

Place: Multan

Date: 27 October 2010



	Un-audited		Audited	
	30 September	2010	30 June	2010
Note	----- (Rs in "000") -----			
<b>EQUITY AND LIABILITIES</b>				
<b>Share capital and reserves</b>				
Authorised capital	400,000	400,000	400,000	400,000
40,000,000 (30 June 2010 : 40,000,000) ordinary shares of Rs. 10 each				
30,000,000 (30 June 2010 : 30,000,000) preference shares of Rs. 10 each	300,000	300,000	300,000	300,000
	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>
Issued, subscribed and paid up capital	308,109	308,109	308,109	308,109
Reserves	315,852	337,712	337,712	337,712
Unappropriated profit	501,797	391,346	391,346	391,346
	<u>1,125,758</u>	<u>1,037,167</u>	<u>1,037,167</u>	<u>1,037,167</u>
<b>Surplus on revaluation of fixed assets</b>	452,271	452,271	452,271	452,271
<b>Non-current Liabilities</b>				
Long term finances and other payables	501,161	382,912	382,912	382,912
Loans from related parties - subordinated loan	37,000	37,000	37,000	37,000
Liabilities against asset subject to finance lease	30,795	32,267	32,267	32,267
Deferred liabilities	122,127	13,726	13,726	13,726
	<u>691,083</u>	<u>465,905</u>	<u>465,905</u>	<u>465,905</u>
<b>Current Liabilities</b>				
Current portion of long term liabilities - secured	268,494	244,318	244,318	244,318
Finances under mark up arrangements and other credit facilities - secured	2,014,044	1,759,219	1,759,219	1,759,219
Trade and other payables	258,726	238,038	238,038	238,038
Mark-up accrued on loans and other payables	71,389	85,032	85,032	85,032
	<u>2,612,653</u>	<u>2,326,607</u>	<u>2,326,607</u>	<u>2,326,607</u>
<b>Contingencies And Commitments</b>	-	-	-	-
	<u>4,881,765</u>	<u>4,281,950</u>	<u>4,281,950</u>	<u>4,281,950</u>
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Property, plant and equipment	2,573,068	2,335,125	2,335,125	2,335,125
Intangible assets	660	689	689	689
Long term deposits	15,400	15,400	15,400	15,400
	<u>2,589,128</u>	<u>2,351,214</u>	<u>2,351,214</u>	<u>2,351,214</u>
Deferred tax asset	-	2,048	2,048	2,048
<b>Current Assets</b>				
Stores, spares and loose tools	146,636	138,241	138,241	138,241
Stock in trade	1,157,983	962,681	962,681	962,681
Trade debts	544,407	365,827	365,827	365,827
Loans and advances	143,227	119,544	119,544	119,544
Trade deposits and prepayments	12,548	400	400	400
Other receivables	1,440	3,020	3,020	3,020
Short term investments	202,664	225,924	225,924	225,924
Tax refunds due from the government	73,251	76,977	76,977	76,977
Cash and bank balances	10,481	36,074	36,074	36,074
	<u>2,292,637</u>	<u>1,928,688</u>	<u>1,928,688</u>	<u>1,928,688</u>
	<u>4,881,765</u>	<u>4,281,950</u>	<u>4,281,950</u>	<u>4,281,950</u>

The annexed notes form an integral part of these condensed financial statements.

Sd/-  
Chief Executive Officer

Sd/-  
Director

## Condensed Interim Profit And Loss Account (Un-audited)

For the period ended 30 September 2010

	Note	Three months ended 30 September	
		2010 -----(Rs in "000")-----	2009
Sales - net	10	1,908,520	1,484,215
Cost of sales		(1,532,668)	(1,312,111)
<b>Gross profit</b>		<b>375,852</b>	<b>172,104</b>
Distribution and marketing expenses		(22,826)	(23,045)
Administration expenses		(21,004)	(15,650)
Other operating expenses		(23,705)	(6,138)
Finance cost		(80,957)	(75,328)
Other operating income		11	18
<b>Profit before tax</b>		<b>227,371</b>	<b>51,961</b>
Taxation		(116,920)	(10,886)
<b>Profit after tax</b>		<b>110,451</b>	<b>41,075</b>
Earnings per share		<b>3.58</b>	<b>1.33</b>

The annexed notes form an integral part of these condensed financial statements.

Sd/-  
Chief Executive Officer

Sd/-  
Director

## Condensed Interim Statement of Comprehensive Income (Un-audited)

For the period ended 30 September 2010

	Three months ended 30 September	
	2010 -----(Rs in '000)-----	2009
<b>Profit for the period</b>	<b>110,451</b>	<b>41,075</b>
<b>Other comprehensive income</b> (Loss) on remeasurement of investment at fair value Deferred tax on loss	(23,260) 1,400 (21,860)	- - -
<b>Total comprehensive income for the period</b>	<b>88,591</b>	<b>41,075</b>

The annexed notes form an integral part of these condensed financial statements.

Sd/-  
Chief Executive Officer

Sd/-  
Director



## Condensed Interim Cash Flow Statement (Un-audited)

For the period ended 30 September 2010

Note	Three months ended 30 September	
	2010	2009
	----- (Rs in "000") -----	
	(47,046)	99,162
<b>Cash flows from operating activities</b>		
Cash (used in)/ generated from operations	(47,046)	99,162
Finance cost paid	(94,868)	(107,565)
Taxes paid - net	(14,374)	(11,283)
Staff retirement benefits paid	(1,738)	(1,536)
<b>Net cash used in operating activities</b>	<b>(158,026)</b>	<b>(21,222)</b>
	(263,345)	(9,400)
<b>Cash flows from investing activities</b>		
Fixed capital expenditure	(263,345)	(9,400)
Proceed from disposal of property plant and equipment	-	167
Long term deposits	-	(5,373)
<b>Net cash used in investing activities</b>	<b>(263,345)</b>	<b>(14,606)</b>
	230,321	-
<b>Cash flows from financing activities</b>		
Proceeds from long term finances	230,321	-
Repayment of lease finance	(1,256)	-
Repayment of long term finances	(88,113)	(7,112)
<b>Net cash generated from/ (used in) financing activities</b>	<b>140,952</b>	<b>(7,112)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(280,419)</b>	<b>(42,940)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>(1,723,144)</b>	<b>(1,930,973)</b>
<b>Cash and cash equivalents at end of the period</b>	<b>(2,003,563)</b>	<b>(1,973,913)</b>

The annexed notes form an integral part of these condensed financial statements.

Sd/-  
Chief Executive Officer

Sd/-  
Director

## Interim Statement of Changes in Equity (Un-audited)

For the period ended 30 September 2010

Total	Revenue reserve		Capital reserve		Revenue reserve		Total
	Share	Share premium	Share	Share premium	General Unappropriated reserve	profit/(loss)	
308,109	41,081	-	308,109	41,081	254,000	29,268	632,458
Balance as at 30 June 2009	308,109	-	308,109	41,081	254,000	29,268	632,458
Total comprehensive income for the period	-	-	-	-	-	41,075	41,075
Balance as at 30 June 2010	308,109	-	308,109	41,081	254,000	391,346	1,037,167
Total comprehensive income for the period	-	-	-	-	-	110,451	88,591
Balance as at 30 September 2010	308,109	41,081	20,771	254,000	501,797	1,125,758	1,125,758

The annexed notes form an integral part of these condensed financial statements.

Sd/-  
Director

Sd/-  
Chief Executive Officer



For the period ended 30 September 2010

**1. Nature and status of the company**

Reliance Weaving Mills Limited ("the Company") was incorporated in Pakistan on 7 April 1990 as public limited company under the Companies Ordinance, 1984 and its shares are quoted on Karachi and Lahore Stock Exchanges. The Company 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**

The condensed interim financial information is unaudited and has been presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and is being submitted to shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2010.

These condensed interim financial information is presented in Pak Rupees which is the Company's functional and presentation currency.

**3. Accounting policies**

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the preceding year ended 30 June 2010. Standard, amendments and interpretations of approved accounting standards effective for the annual periods beginning on or after 01 January 2010 are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements.

**4. Estimates**

The preparation of condensed interim financial information requires management to make judgments, estimates assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended 30 June 2010

**5. Long term loans**

Long term loans include loan obtained during the period from Saudi Pak Industrial and Agricultural Investment Company Limited of Rs. 230,322 million repayable in 8 equal semi annual installments after grace period of one year. Mark up payable on each quarter @ 9.70% under LITF scheme.

For the period ended 30 September 2010

**6. Contingencies and commitments****Contingencies**

There is no significant change in contingencies since the last audited published financial statements for the year ended 30 June 2010.

	30 September 2010	30 June 2010
Note	----- (Rs in '000) -----	
<b>Commitments</b>		
<i>Letters of credit for:</i>		
- capital expenditures	236,099	431,957
- other than capital expenditures	475,760	71,477
	<u>411,859</u>	<u>503,434</u>
<b>7. Property, plant and equipment</b>		
Operating assets	2,506,249	2,322,905
Capital work in progress	66,819	12,220
	<u>2,573,068</u>	<u>2,335,125</u>

**7.1 Operating assets**

Opening balance of written down value

**Additions during the period / year**

Owned assets

Leased assets

Book value of operating assets disposed off during the period / year

**Depreciation charged during the period / year**

Owned assets

Leased assets

**Net book value of operating assets**

**7.1.1 Cost of additions - own**

Buildings

Plant and machinery

Electric installations

Factory equipment

Office equipment

Electric appliances

Furniture and fixtures

Vehicles

	208,746	97,087
	-	50,787
	208,746	147,874
	-	(5,024)
	<u>(24,775)</u>	<u>(91,908)</u>
	<u>(627)</u>	<u>(623)</u>
	<u>(25,402)</u>	<u>(92,531)</u>
	<u>2,506,249</u>	<u>2,322,905</u>
	-	130
	207,736	81,368
	-	994
	42	7,220
	245	1,626
	157	1,266
	179	452
	387	4,031
	<u>208,746</u>	<u>97,087</u>



## Notes to Condensed Interim Financial Statements (Un-audited)

For the period ended 30 September 2010

	30 September 2010	30 June 2010
	(Rs in '000) -----	
<b>8. Loans and advances</b>		
Advances - considered good		
- To employees	42,861	39,990
- To suppliers	72,811	49,852
Advances for issue of shares - related party	8,352	8,352
Due from related parties	10,589	6,977
Letters of credit - margins, deposits, opening charges, etc.	8,614	14,373
	<u>143,227</u>	<u>119,544</u>
<b>9. Short term investment - available for sale</b>		
<b>Fatima Fertilizer Company Limited</b>		
Opening fair value / cost of 18,030,636 (2010: 17,968,136) ordinary shares	225,924	179,681
Cost of Nil (2010: 62,500) shares purchased during the period/year at Rs. Nil (2010: Rs. 14.10) per share		881
Percentage of equity held 0.9%	<u>225,924</u>	<u>180,562</u>
(Loss)/ gain on remeasurement at fair value	(23,260)	45,361
Closing fair value of 18,030,636 shares	<u>202,664</u>	<u>225,924</u>
<b>9.1 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.</b>		
<b>10. Sales - net</b>		
Export	1,245,058	1,085,640
Local	651,344	386,594
Waste	39,907	30,085
	<u>1,936,309</u>	<u>1,502,319</u>
Less: Commission	(28,332)	(18,548)
	<u>1,907,977</u>	<u>1,483,771</u>
Add: Doubling income	306	103
Export rebate	237	341
	<u>543</u>	<u>444</u>
	<u>1,908,520</u>	<u>1,484,215</u>

## Notes to Condensed Interim Financial Statements (Un-audited)

For the period ended 30 September 2010

	Three months ended 30 September	
	2010	2009
	(Rs in '000) -----	
<b>11. Cash generated from operations</b>		
Profit before tax	227,371	51,961
Adjustments for:		
Depreciation on property, plant and equipment	25,402	23,040
Amortization of intangible assets	29	20
Staff retirement benefits accrued	16,033	3,508
Provision of WPPF	12,399	-
Provision of WWF	4,694	-
Interest on workers' profit participation fund	1,080	-
Finance cost (excluding gain/loss and interest on workers' profit participation fund)	81,225	69,300
<b>Profit before working capital changes</b>	<u>368,233</u>	<u>147,829</u>
<b>Effect on cash flow due to working capital changes:</b>		
(Increase)/ decrease in current assets		
- Stores, spares and loose tools	(8,395)	(3,949)
- Stock in trade	(195,301)	47,080
- Trade debts	(178,580)	(90,223)
- Loans and advances	(23,683)	(14,423)
- Trade deposits and prepayments	(12,148)	(10,519)
- Tax refunds due from government (excluding income tax)	(1,267)	(830)
- Other receivables	1,580	884
Increase in current in current liabilities		
- Trade and other payables		
(excluding workers' profit participation fund and Workers' Welfare Fund)	<u>2,515</u>	<u>23,313</u>
Cash (used in)/ generated from operations	<u>(415,279)</u>	<u>(48,667)</u>
	<u>(47,046)</u>	<u>99,162</u>
<b>As at 30 September</b>		
2010	2009	
(Rs in '000) -----		
10,481	4,644	
(2,014,044)	(1,978,557)	
<u>(2,003,563)</u>	<u>(1,973,913)</u>	
<b>12. Cash and cash equivalents</b>		
Cash and bank balances		
Finances under mark up arrangements and other credit facilities		
Cash and cash equivalents		



For the period ended 30 September 2010

	2010	2009	2010	2009	2010	2009	2010	2009
	Three months ended 30 September	Three months ended 30 September	Three months ended 30 September	Three months ended 30 September	Three months ended 30 September	Three months ended 30 September	Three months ended 30 September	Three months ended 30 September
	Spinning		Weaving		Elimination of inter-segment transactions		Total	
Sales - net	962,508	683,639	1,512,545	1,054,436	(253,860)	1,908,520	1,484,215	(1,312,111)
Cost of sales	(727,929)	(601,553)	(1,371,272)	(964,418)	566,533	(1,532,668)	(1,312,111)	172,104
Gross profit	234,198	82,086	141,654	90,018	-	375,852	172,104	(23,045)
Distribution and marketing expenses	(3,086)	(7,475)	(19,740)	(15,570)	-	(22,826)	(23,045)	(15,650)
Administrative expenses	(8,192)	(5,531)	(12,812)	(10,119)	-	(21,004)	(21,534)	(21,534)
Finance cost - long term loan	(17,060)	(16,990)	(7,453)	(4,544)	-	(24,513)	(21,534)	(60,229)
Profit before tax and unallocated expenses	206,512	52,090	100,997	59,785	-	307,509	111,875	(68,343)
Unallocated income and expenses	(27,686)	(29,996)	(40,657)	(30,233)	-	(68,343)	(68,343)	(68,343)
Other operating expenses	(23,705)	(6,138)	(23,705)	(6,138)	-	(23,705)	(6,138)	(23,705)
Finance cost - others	(56,444)	(53,794)	(56,444)	(53,794)	-	(56,444)	(53,794)	(56,444)
Other operating income	11	18	11	18	-	11	18	(10,886)
Taxation	(116,920)	(10,886)	(116,920)	(10,886)	-	(116,920)	(10,886)	(116,920)
Profit after taxation	110,451	41,075	110,451	41,075	-	110,451	41,075	41,075

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

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

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

The Company's reportable segments are as follows:

### 13.1 Reportable Segments

#### 13. Segment Reporting

13.2.1 The accounting policies of the reportable segments are the same as the Company's accounting policies described in the annual financial statements.

### 13.3 Segment assets

Reportable segments' assets are reconciled to total assets as follows:

	30-Sep-10	30-Jun-10	30-Sep-10	30-Jun-10	30-Sep-10	30-Jun-10
	For the period / year ended		For the period / year ended		For the period / year ended	
	Spinning		Weaving		Total	
Segment assets for reportable segment	1,297,962	1,296,252	1,208,287	1,026,653	2,506,249	2,322,905
Unallocated corporate assets					2,375,516	1,959,045
Total assets as per balance sheet					4,881,765	4,281,950

For the period ended 30 September 2010

For the period ended 30 September 2010

**14. Transactions 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. Significant transactions with related parties are as follows:

	Three months ended 30 September	
	2010	2009
	----- (Rs in '000) -----	
<b>Transactions with associated undertakings</b>		
Purchase of goods	28,608	17,865
Sale of goods and services	-	1,904
Mark up charged	9,784	4,122
<b>Transactions with key management personnel</b>		
Remuneration under the terms of employment to:		
Chief Executive Officer	705	325
Executives	2,013	1,472
<b>Others</b>		
Donations	6,400	2,014

**15. Financial risk management**

The Company's financial risk management objective and policies are consistent with those disclosed in the financial statements as at and for the year ended 30 June 2010.

**16. Non adjusting event after balance sheet date**

The board of directors of the Company has proposed to distribute 25 % i.e. 7,702,734 quoted shares of Fatima Fertilizer Company Limited having face value of Rs. 10/- each to the shareholder of the Company as specie dividend in the ratio of 2.5:10 (2.5 shares of Fatima Fertilizer Company Limited for every 10 shares held of the Company) for approval of the members of the Company at the annual general meeting to be held on 30 October 2010. These financial statements do not include the effect of this proposed final specie dividend and will be accounted for subsequent to the period end.

**17. Date of authorization**

These condensed interim financial statements are authorized for issue by the Board of Directors of the Company on 27 October 2010.

**18. General**

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

Corresponding figures have been rearranged/regrouped, wherever necessary for the purpose of comparison. However no significant rearrangement have been made.

Sd/-  
**Chief Executive Officer**

Sd/-  
**Director**