2008 ANNUAL REPORT

Fatima Group

Reliance Weaving Mills Ltd.

ISO 9001:2000 SGS
SYSTEM CERTIFICATION

CONTENTS

COMPANY INFORMATION

Board of Directors	Mr. Fawad Ahmad Mukhtar (Chairman) Mr. Fazal Ahmad Sheikh (Chief Executive) Mr. Faisal Ahmad Mukhtar Mrs. Ambreen Fawad Mrs. Fatima Fazal Mrs. Farah Faisal Mr. Shahid Aziz (Nominee NIT)
Audit Committee	Mr. Fawad Ahmad Mukhtar (Chairman) Mr. Faisal Ahmad Mukhtar (Member) Mrs. Fatima Fazal (Member) Mr. Basharat Hashmi (Secretary)
Chief Financial Officer	Mr. Waheed Ahmed
Company Secretary	Mr. Amanullah
Auditors	M/s KPMG Taseer Hadi & Company, Chartered Accountants, Lahore.
Shares Office	VISION CONSULTING LIMITED 3-C, LDA Flats, Lawrence Road, Lahore E-mail: rwml.shares@fatima-group.com
Bankers	Allied Bank Limited Habib Bank Limited MCB Bank Meezan Bank Ltd National Bank of Pakistan Saudi Pak Commercial Bank Limited Standard Chartered Bank Limited United Bank Limited.
Registered Office	Second Floor, Trust Plaza, L.M.Q. Road, Multan. (Punjab) Pakistan. Tel: (061) 4512031-2, 4546238 Fax: (061)4511677,4584288 E-Mail: reliance.accounts@fatima-group.com rwml.cfo@fatima-group.com
Website	www.fatima-group.com
Mills Address (Units # 1,2 & 4)	Fazal Pur, Khanewal Road, Multan. (Punjab) Pakistan. Tel: (061) 6740020-8 Fax: (061) 6740039 E-mail: reliance.accounts@fatima-group.com
Mills Address (Unit# 3)	Mukhtarabad, Chak Beli Khan Road, Rawat, Rawalpindi (Pakistan) Tel: (051)4611579-81 Fax: (051)4611092 E-mail: reliance.accounts@fatima-group.com
Credit Rating	JCR VIS Credit Rating Company Ltd.

VISION

To be a company recognized for its art of textile and best business practices.

MISSION & VALUES

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

COMPANY PROFILE

Reliance Weaving Mills Ltd (RWML) incorporated on April 07, 1990 and obtained certificate of Commencement of Business on May 14, 1990. Initially it has started its production as weaving unit but later it also involved in manufacturing of yarn. The principal businesses of the Company is manufacture and sale of cotton yarn and grey woven fabrics. It is one of the companies of FATIMA GROUP which is a prominent part of leading group of Pakistan.

Reliance Weaving Mills Ltd established as a Public Limited Company. The Authorized Capital of the Company is Rs.700 million which has gradually increased and at present subscribed share capital of the company stands at Rs. 308,109,370. RWML listed at Karachi & Lahore Stock Exchanges and also inducted in Central Depository Company of Pakistan (CDC) for its shares transaction procedure. The production capacity was enhanced gradually by establishing Unit # 2, 3 & 4 in different stages with annually 56.50 million meter of Grey Cloth & 11.96 million KGs of yarn (20/S count converted). This excellent performance was due to hard work and dedication of all employees and the progressive approach and support from the top management.

Over the years, the plants have demonstrated an operational excellence which has become a reference for the engineering and advisories companies whose process technologies are used here. Delegations from China and Japan keep visiting the plant site for gaining first hand knowledge for the quality of production and this practice has also been adopted before deciding to purchase a new plant.

Company has developed a special management team and it is managed by a team of highly trained & skilled persons in their fields. Responsibilities that are assigned to special management team monitoring plant performance, development of new projects, handling capital investment projects, advising management on technical matters and development of a technological base along with consultancy functions. Since 1990, special management team has made tremendous progress in the field of Plant Engineering, Project Management, Project Feasibilities and Project Development. The development of special management team was equally supported by the RWML management which has recognized the need to promote research and technological development activities. Nearly half of the strength is located at the plant to provide assistance to the manufacturing units and feeding vital plant data to the Head Office for immediate processing. Special management team is equipped with latest computing facilities along with world famous software ORACLE as well as in house developed software related to general purpose need of the company. This technology enables special management team to provide most valuable assistance to all the departments within the company. The success achieved so far by special management team proves that RWML now possesses requisite in-house capabilities to ensure successful completion of large scale projects within allocated budgets and assigned project schedules.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Members of Reliance Weaving Mills Ltd will be held on October 31, 2008 at 10:00 A.M at the Registered Office of the Company at 2nd Floor Trust Plaza L.M.Q. Road Multan to transact the following business.

1 To confirm the minutes of last Annual General Meeting held on October 31, 2007
2 To receive consider & approve the Audited Accounts of the company for the year ended June 30, 2008 along with Auditor's Report and Directors' Report thereon.
3 To appoint the Auditors for the year ending June 30, 2009 and to fix their remuneration. Present retiring Auditors M/s KPMG Taseer Hadi & Company Chartered Accountant are being eligible, and offer themselves for re-appointment
4 To discuss any other business with the permission of the Chair.

BY THE ORDER OF THE BOARD

DATED: October 10, 2008
PLACE: MULTAN

AMANULLAH
(COMPANY SECRETARY)

NOTES

1 The Share Transfer Books of the company will remain close from October 25, 2008 to October 31, 2008 (both days inclusive). Transfers received at the close of business hours on dated 24th October 2008 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 on 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.

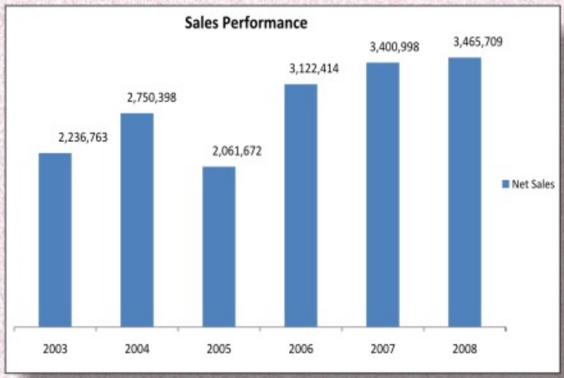
4 Members are requested to notify any changes in their addresses immediately.

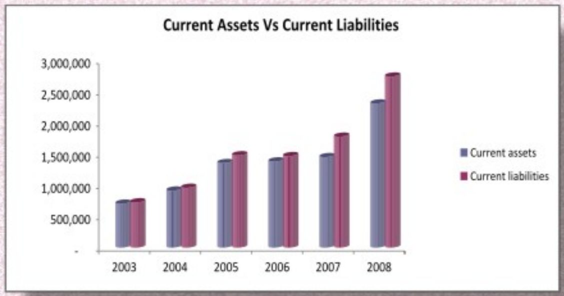
FINANCIAL HIGHLIGHTS

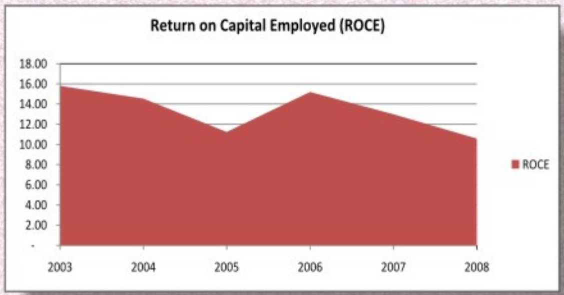
SIX YEARS GROWTH AT A GLANCE (2003 - 2008)

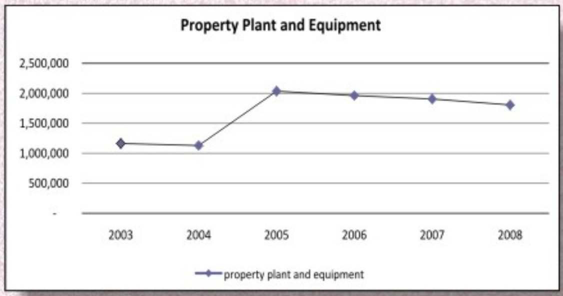
PARTICULARS	2003	2004	2005	2006	2007	2008
Weaving						
No of Looms Installed	272	272	320	295	295	**295**
No of Looms Worked	272	272	320	295	295	**295**
Std. Cloth Production(50ppi) into meters(000)	42,092	47,013	38,351	56,508	56,508	**56,508**
Actual Cloth Production(50ppi) into meters(000)	41,333	46,739	35,908	52,229	55,190	**51,845**
Spinning						
No of Spindle Installed	14,400	14,400	14,400	35,520	35,520	**35,520**
No of Spindle Worked	14,400	14,400	14,400	35,520	35,520	**35,520**
Installed Capacity (after conversion20/1 count) KGS(000)	4,850	4,850	3,637	11,963	11,963	11,963
Actual Yarn Production (after con. 20/s count) KGS(000)	4,124	4,056	3,055	10,525	10,448	**9,894**
PROFIT AND LOSS:						
Net Sales Rs.(000)	2,236,763	2,750,398	2,061,672	3,122,414	3,400,998	**3,465,709**
Gross Profit Rs.(000)	274,281	287,787	257,915	422,566	346,405	**315,768**
Operating Profit Rs.(000)	219,931	208,184	204,923	343,369	279,747	**170,070**
Profit/(loss) before Tax Rs.(000)	108,628	125,687	111,766	143,962	47,365	**(80,843)**
Profit/(loss) after Tax Rs.(000)	93,222	115,790	95,977	123,529	31,918	**(100,565)**
Cash Dividend (%age)	7.50	10.00	10.00	-	-	**-**
Stock Dividend (%age)	-	20.00	10.00	25.00	-	**-**
BALANCE SHEET:						
Share Capital and Reserves Rs.(000)						
Shareholders Funds	521,288	621,673	697,109	795,990	827,908	**727,342**
Capital Reserves	41,081	41,081	41,081	41,081	41,081	**41,081**
	562,369	662,754	738,190	837,071	868,989	768,423
Property Plant and Equipment Rs.(000)	1,162,601	1,128,996	2,036,093	1,963,229	1,906,641	**1,807,456**
Current Assets Rs.(000)	702,761	913,926	1,354,249	1,379,689	1,449,914	**2,309,154**
Current Liabilities Rs.(000)	724,741	958,330	1,478,110	1,466,364	1,777,143	**2,741,102**
Non-Current Liabilities Rs.(000)	584,044	424,259	1,176,464	1,041,905	783,878	**610,426**
INVESTOR INFORMATION:						
Per Share (Rs.)						
Book Value	27.38	32.27	29.94	33.96	28.20	**24.94**
Cash Dividend	0.75	1.00	1.00	-	-	**-**
Earning Per Share	4.54	4.70	3.89	5.01	1.04	**(3.26)**
Market Value Per Share	14.45	24.15	27.05	25.90	20.11	**12.64**
Financial Ratios						
Gross Profit Ratio(%age)	12.26	10.46	12.51	13.53	10.19	**9.11**
Net Profit Ratio(%age)	4.15	4.21	4.66	3.96	0.94	**(2.90)**
Inventory Turnover(Times)	5.78	5.00	2.85	3.72	4.02	**2.98**
Fixed Asset Turnover(Times)	2.06	2.40	1.80	1.98	1.83	**1.87**
Total Asset Turnover(Times)	1.33	1.40	0.76	0.93	1.00	**0.92**
Price Earning Ratio	3.18	5.14	6.95	5.17	19.41	**-**
Return on Capital Employed(%age)	15.81	14.55	11.25	15.20	12.99	**10.59**
Debt Equity Ratio	56:44	39:61	61:39	55:45	47:53	**50:50**
Current Ratio	0.96	0.96	0.92	0.94	0.82	**0.84**
Acid Test(Quick) Ratio	0.29	0.29	0.37	0.35	0.31	**0.30**
Interest Cover Ratio(Times)	1.98	2.52	2.20	1.72	1.20	**0.78**

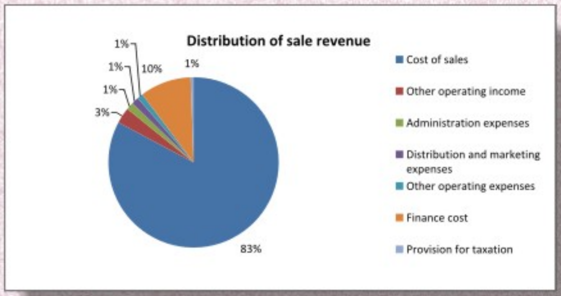
FINANCIAL HIGHLIGHTS











DIRECTORS' REPORT TO THE MEMBERS
For the Year ended June 30, 2008

Dear Members,

We are pleased to report on Financials for the year ended June 30, 2008.

FINANCIAL RESULTS

The gross profit has decreased to Rs 315.768 million as compare to Rs 346.404 million thus decrease in gross profit is 8.84%. The main reasons of decrease in profitability of the company are as follows:

- Raw cotton prices increased from Rs 2,535 per maund to Rs 3,118 per maund.
- The Company could not get enough gas and power supply to run the plants which resulted in shut down of production facility during December to February 2008.
- The Company incurred a loss of Rs. 47 million on Cross Currency Swap transaction due to devaluation of Rupee.
- Substantial increase in other production costs like fuel and power, salary and wages, and increase in KIBOR adversely affected the profitability of the Company.
- Other income has increased by Rs. 78 million as compared to last year due to gain on sale of investment and specie distribution from associated company.

Major Indicators are as under;

	2008	2007
	(Rs in Million)	
Sales	3,465	3,400
Raw material consumed	2,541	2,336
Salaries, wages & other benefits	201	191
Fuel & power	251	242
Depreciation	170	198
Gross Profit	315	346

OPERATIONAL REVIEW

The Company faced tough competition in local as well as in export market. Shortfall in cotton production and rise in the cost of domestic borrowings as well as escalation in the cost of energy are creating difficult environment for all manufacturers. The electricity deficit remained all time high resulting in frequent power shut down causing lower efficiency and machine break down. Supply of gas to industrial units is also prone to disruption. Rise in electricity tariff and hike in petroleum prices are causing rapid decline in cost competitiveness.

Despite all these challenges and difficulties volume of exports increased by gaining increased market share and widening of our customer base. We retained our customers by in time deliveries of orders and offering competitive prices. To succeed we are focusing on efficiency, operational excellence and pursuing new business opportunities.

ECONOMY REVIEW

Pakistan's economic growth rate was expected 7.2 per cent during the year. Unfortunately, the growth rate declined to 5.8 per cent during this period. This was not surprising, since the current year was politically tumultuous for Pakistan, affecting its economic growth.

Pakistan's economy is currently facing serious challenges. Liquidity is drying up. External debt and liabilities have considerably increased in rupee value in less than six months just because of over 25

At the same time, the stock market has fallen to a 28-month low by registering over 42 per cent decline since April 2008. The stock market capitalization has almost halved from a peak in April.

Foreign-exchange reserves have declined from their peak at $16.5 billion in October to just $8.89 billion, less than three months of imports, while trade and current account deficits are widening. Despite remittances and exports on a mild growth path, the inflows are not catching up with the rising foreign currency requirements on the back of limited financial flows from multilaterals and bilateral sources.

The financial markets in the United States are in turmoil of historic proportions, most serious since the Great Depression. The financial meltdown may slow down the much needed foreign capital inflows, and significantly affect Pakistan - already struggling with the widening trade gap and current account deficit as well as sliding rupee and dwindling foreign exchange reserves. Pakistan's exports to the US accounts for almost a quarter of our foreign exchange.

FUTURE PROSPECTS

Pakistan's textile sector is at critical point due to obstacles in the growth of Pakistan economy. Textile sector is in crises and require support from government. However, the government has increased the mandatory minimum wage and further increase in tariff of domestic energy source at the time when textile manufacturers are determined to control costs in order to survive. We have to compete with the heavily subsidized oversees competitors.

INVESTMENT IN ASSOCIATED UNDERTAKING

Investment in associated undertaking M/s Pakarab Fertilizers Ltd. of Rs. 70 million has been sold as decided by the Board of Directors' of the Company to fulfill cash requirements.

HUMAN RESOURCE

The Company considers its people as most valuable asset who ultimately determine its success. The management and labour relations remained warm and cordial throughout the year under review. Company's human resource policy is based on the underlying values of fairness, merit, equal opportunity and social responsibility.

INFORMATION TECHNOLOGY

The Company has developed and upgraded its management information system. IT infrastructure continues to utilize the state of the art equipment.

TOTAL QUALITY CONTROL

RWML has been meeting the country's industrial needs by merging sound business sense with national obligation. In order to satisfy the customers' needs while ensuring the highest quality of products and services, RWML has introduced total quality management system in its operational activities. Consistent conformance to prescribed standards and specifications across the whole range of activities from production, storage, transportation and delivery of products is the cornerstone of RWML's quality management system. In addition to quality assurance in upkeep and maintenance of existing facilities, compliance with quality standards is ensured in construction of new facilities like recently developed state-of-the-art facilities for our customers local as well as international.

HEALTH, SAFETY AND ENVIRONMENT

The Company strictly complies with the rules, regulations and standards of health, safety and environment. It continues its social and environmental responsibility to manage and reduce environmental impacts to the climate. It is the Company's policy to perform work in the safest practicable manner, consistent with best industrial practices while adhering completely to the requirements of health and safety codes and practices.

CORPORATE SOCIAL RESPONSIBILITY

RWML is highly committed to fulfillment of its corporate social responsibility and believes that the benefits of the Company's progress and financial gains must flow down to public at large upto the grassroots levels, particularly to the under-privileged and deprived sections of the populace irrespective of ethnicity, caste and creed. RWML has undertaken a wide range of initiatives to support several social, health and educational programs. Such initiatives include instituting support, cash awards, hospital facilities, educational institutions, mental hospitals, internship training to the students of well reputed institutions along with paying them stipend and providing moral and financial support in form of donation on compassionate basis to charitable institutions.

BOARD OF DIRECTORS'S MEETINGS

The present Board comprises seven directors including the Chief Executive Officer and the Chairman. The Board of Directors would like to express their appreciation for the valuable contributions made and services rendered by all the present Directors for the progress of the Company. During the year 2007- 08 following Directors of the Board attended the meetings as under:

Name of Director	Meeting Held	Meeting Attended
Mr. Fawad Ahmad Mukhtar (Chairman)	5	5
Mr. Fazal Ahmad Sheikh (CEO)	5	5
Mr. Faisal Ahmad Mukhtar (Director)	5	5
Mrs. Ambreen Fawad (Director)	5	3
Mrs. Fatima Fazal (Director)	5	4
Mrs. Farah Faisal (Director)	5	3
Mr. Shahid Aziz (Nominee NIT)	5	2

CORPORATE GOVERNANCE

The following specific statements are also being given to comply with the requirements of the Code of Corporate Governance:

1. The financial statements, prepared by management present fairly the state of affairs of the Company, the results of its operations cash flow & statement of changes in equity.
2. Proper books of Accounts of the Company have been maintained.
3. Appropriate Accounting Policies have been consistently applied
4. International Accounting Standards (IAS) as applicable in Pakistan have been followed in the preparation of the Financial Statements.
5. The system of Internal Control is sound in design and has been effectively implemented and monitored.
6. There is no doubt about the Company to continue as going concern.
7. There has been no material departure from Best practices of corporate governance as detailed in listing regulations.
8. Key operating & financial data of the last six years in summarized form is annexed.

LOSS PER SHARE

Loss per share for the year remained Rs. 3.26 per share.

CONTRIBUTION TO NATIONAL EXCHEQUER

The Company has contributed a sum of Rs. 25.613 Million to the national exchequer in the form of taxes and duties during the year.

SHARE HOLDING

The pattern of the share holding as at 30th June, 2008 as required by Section 236 of the Companies Ordinance, 1984 is annexed here to.

AUDITORS

M/s KPMG Taseer Hadi & company, a reputable Chartered Accountant firm completed its tenure of appointment with the Company and being eligible has offered its services for another term. The Audit Committee and the Board has also recommended their re-appointment as External Auditors of the Company for the next financial year 2009.

PERSONNEL

The Directors appreciate dedicated efforts of the workers, staff, and executives, management employees for the harmony they maintained and congratulated all categories of the employees of the Company for their commendable performance during the current year.

GENERAL

We are grateful to our shareholders, customers, suppliers, contractors, and other business partners for their enduring relationship and their continued support towards the prosperity of the Company. We are proud of our work force and appreciate their commitment, diligence and perseverance.

Dated: October 07, 2008
Place: Multan

FAZAL AHMED SHEIKH
CHIEF EXECUTIVE OFFICER

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 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 practice of Corporate Governance.

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

1. The Company will encourage the representation of independent non executive Directors and Director's will represent minority interest on its Board.

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies including this Company.

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

4. No casual vacancy occurred during the year.

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 mission/vision statement, overall Corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and Board has taken decision 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, in his absence, a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

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

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

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 Chief Executive Officer and Chief Financial Officer before approval of the Board.

13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholdings.

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

15. The Board has formed an audit committee and the audit committee comprises four members, 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 as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. Board has set-up an effective internal audit function.

18. The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, and that they or any of the partner of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are incompliance 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. Half Yearly Financial statements of the company were subject to limited review by the statutory auditors. Financial statements for the year ended June 30. 2008 have been audited and will be circulated in accordance with the clause (xxii) of the code.

21. All material information as describe in clause (xxiii) of the code is disseminated to the Stock Exchanges & SECP in a timely fashion.

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

On behalf of the Board of Director

Dated: October 07, 2008
Place: Multan.

FAZAL AHMED SHEIKH
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE 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 Regulation of respected 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.

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.

Dated: October 07, 2008
Place: Lahore

KPMG Taseer Hadi & Co.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **RELIANCE WEAVING MILLS LIMITED** ("the Company") as at 30 June 2008 and the related profit and loss account, 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 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, 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 2008 and of the loss, 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.

The financial statements of the company for the year ended 30 June 2007 were audited by another firm of auditors; whose report dated 06 October 2007 expressed a qualified opinion thereon with respect to valuation of long term investments.

Dated: October 07, 2008
Place: Lahore

KPMG Taseer Hadi & Co.
CHARTERED ACCOUNTANTS

BALANCE SHEET
As at June 30, 2008

	Note	2008 Rupees	2007 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized capital			
40,000,000 (2007: 40,000,000) ordinary shares of Rs. 10 each		**400,000,000**	400,000,000
30,000,000 (2007: 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	3	**308,109,370**	308,109,370
Reserves	4	**395,081,250**	395,081,250
Unappropriated profit		**65,232,797**	165,798,067
		768,423,417	868,988,687
Non-current liabilities			
Long term finances and other payables	5	**565,397,390**	711,913,668
Loans from related parties - subordinated loan	6	**37,000,000**	63,375,000
Deferred liabilities	7	**8,028,114**	8,589,216
		610,425,504	783,877,884
Current liabilities			
Trade and other payables	8	**131,022,747**	128,588,478
Markup accrued on loans and other payables	9	**64,608,293**	56,488,753
Finances under mark up arrangements and other credit facilities - secured	10	**2,261,986,114**	1,336,646,814
Derivative financial liabilities	11	**48,453,602**	-
Current portion of non-current liabilities - secured	12	**235,030,822**	255,419,164
		2,741,101,578	1,777,143,209
Contingencies and commitments	13		
		4,119,950,499	3,430,009,780

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

BALANCE SHEET
As at June 30, 2008

	Note	2008 Rupees	2007 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**1,807,455,989**	1,906,640,987
Intangible	*15*	**918,749**	1,033,593
Long term investment	*16*	**-**	69,999,586
Long term deposits		**2,421,340**	2,421,340
		1,810,796,078	1,980,095,506
Current assets			
Stores, spares and loose tools	*17*	**145,022,670**	103,050,338
Stock in trade	*18*	**1,343,145,328**	772,397,644
Trade debts	*19*	**344,840,968**	157,754,493
Loans and advances	*20*	**77,264,004**	187,188,985
Trade deposits and prepayments	*21*	**2,268,482**	1,122,041
Mark up accrued on loan	*22*	**-**	7,088,261
Other receivables	*23*	**15,795,667**	8,289,791
Short term investments	*24*	**254,681,368**	125,667,584
Tax refunds due from the government	*25*	**50,464,326**	45,560,675
Cash and bank balances	*26*	**75,671,608**	41,794,462
		2,309,154,421	1,449,914,274
		4,119,950,499	3,430,009,780

DIRECTOR

PROFIT AND LOSS ACCOUNT
For the Year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
Sales - net	27	**3,465,708,939**	3,400,998,361
Cost of sales	28	**(3,149,940,200)**	(3,054,593,695)
Gross profit		**315,768,739**	346,404,666
Other operating income	29	**117,141,717**	39,344,127
Administration expenses	30	**(45,565,343)**	(50,282,001)
Distribution and marketing expenses	31	**(51,071,663)**	(49,671,260)
Other operating expenses	32	**(49,062,067)**	(6,048,989)
Finance cost	33	**(368,053,996)**	(232,381,335)
(Loss)/Profit before tax		**(80,842,613)**	47,365,208
Provision for taxation	34	**(19,722,657)**	(15,447,181)
(Loss)/Profit for the year		**(100,565,270)**	31,918,027
(Loss)/earnings per share - Basic and diluted	40	**(3.26)**	1.04

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER DIRECTOR

CASH FLOW STATEMENT
For the Year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
Cash flows from operating activities			
Cash (used) in/generated from operations	38	**(493,117,215)**	501,650,518
Finance cost paid		**(262,498,841)**	(215,681,681)
Workers' profit participation fund paid		**(8,886,054)**	(20,000,000)
Taxes paid - net		**(25,613,524)**	(25,426,992)
Employees retirement benefits paid		**(5,164,818)**	(4,134,257)
Net cash (used) in / from operating activities		**(795,280,452)**	236,407,588
Cash flows from investing activities			
Fixed capital expenditures		**(76,290,443)**	(146,801,674)
Claim/ sale proceeds of operating assets		**1,010,000**	2,585,000
Intangible		**-**	(1,148,437)
Long term investment		**121,755,005**	-
Proceeds from short term investments		**50,670,069**	-
Short term investments made		**-**	(125,000,000)
Net cash from /(used) in investing activities		**97,144,631**	(270,365,111)
Cash flows from financing activities			
Repayments of term finance certificates		**-**	(42,857,145)
Proceeds from long term finances		**58,000,000**	164,971,861
Repayment of long term finances		**(224,904,620)**	(267,231,915)
Proceeds from loan from director		**-**	37,000,000
Repayment of loan from director		**(26,375,000)**	(10,500,000)
Dividend paid		**(46,713)**	(25,724)
Net cash used in financing activities		**(193,326,333)**	(118,642,923)
Net decrease in cash and cash equivalents		**(891,462,154)**	(152,600,446)
Cash and cash equivalents at the beginning of the year		**(1,294,852,352)**	(1,142,251,906)
Cash and cash equivalents at the end of the year	39	**(2,186,314,506)**	(1,294,852,352)

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
For the Year ended June 30, 2008

	Share capital	Share premium	General reserve	Unappropriated profit	Total
	(------------	------------	----Rupees----	------------	------------)
Balance as at 01 July 2006	246,487,500	41,081,250	354,000,000	195,501,910	837,070,660
Nominal value of bonus shares issued	61,621,870	-	-	(61,621,870)	-
Profit for the year	-	-	-	31,918,027	31,918,027
Balance as at 30 June 2007	308,109,370	41,081,250	354,000,000	165,798,067	868,988,687
Loss for the year	-	-	-	(100,565,270)	(100,565,270)
Balance as at 30 June 2008	**308,109,370**	**41,081,250**	**354,000,000**	**65,232,797**	**768,423,417**

The annexed notes from 1 to 43 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

1 Legal status and nature of business

1.1 Reliance Weaving Mills Limited ("the Company") is 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.

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

2 Significant accounting policies

2.1 Statement of compliance

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

2.2 Standards, interpretations and amendment to published approved accounting standard

New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 1 July 2008 are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

IFRS 7 - Financial Instruments: Disclosures

IFRS 8 - Operating Segments

Revised IAS 1 - Presentation of financial statements

Revised IAS 23 - Borrowing costs

IFRS 2 (amendment) - Share based payments

IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31- Interest in Joint Ventures.

IAS 32 (amendment) - Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements

IFRIC 10 – Interim Financial Reporting and Impairment

IFRIC 11 – Group and Treasury Share Transactions

IFRIC 12 – Service Concession Arrangements

IFRIC 13 - Customer Loyalty Programme

IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction

2.3 Accounting convention and basis of preparation

These financial statements have been prepared under the historical cost convention, except for recognition of certain financial assets and certain financial liabilities at fair value and employee benefits at present value.

2.4 Significant accounting judgment and estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of fixed 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 circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on the ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful receivables, slow moving inventory, amortization of intangible assets, provision for taxation, employee retirement benefits, provisions and contingencies, and fair value of financial instruments.

2.5 Borrowings

Loans and borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance costs are accounted for on an accrual basis and are included under mark up accrued on loans and other payables in current liabilities to the extent of the amount remaining unpaid.

2.6 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

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at the rate of one-half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 utilized.

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.

2.7 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, 2007. Projected Unit Credit Method, based on the following significant assumptions is used for valuation of the scheme:

- Discount rate 10 percent per annum.
- Expected rate of increase in salary level 9 percent per annum.
- Average expected remaining working life of employees is 5 years.

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

2.8 Trade and other payables

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

2.9 Provisions

Provisions are recognized when the Company has a present obligation as a result of past event, which, if probable, will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

2.10 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 recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an 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 recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

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

2.11 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 loss. Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain property, plant and equipment signifies historical cost and borrowing cost as referred to note 2.21.

Depreciation on all operating assets is charged to profit on the reducing balance method so as to write off the cost of an asset over its estimated useful life at the annual rates mentioned in note 14.1.

In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal respectively. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Impairment loss or its reversal, if any, is also charged to profit. Where an impairment loss is recognized, depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Major renewals and improvements are capitalized. Maintenance and normal repairs are charged to profit and loss account as and when incurred. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as gain or loss.

2.12 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.

2.13 Investments

Investment at fair value through profit and loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as investments at fair value through profit or loss. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair value of such investments are determined on the basis of prevailing market prices.

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.

In associates

Investments in associates on which the Company has significant influence are accounted for using the equity method unless otherwise the investment is acquired and held with a view to its disposal within twelve months of its acquisition.

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 income currently. Fair value of quoted investments is their quoted bid price at the balance sheet date. Unquoted investments, where active market does not exist, are carried at cost as it is not possible to apply any other valuation methodology.

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

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

At subsequent reporting dates, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognized in income.

Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.14 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.

2.15 Stock in trade

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

2.16 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. Balances considered bad and irrecoverable are written off when identified.

2.17 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, balances with banks, 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 and finances under mark up arrangements. In the balance sheet, finances under mark up arrangements are included in current liabilities.

2.18 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 loses 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.

2.19 Revenue recognition

Revenue from sales is recognized upon transfer of significant risk and rewards of ownership of the goods to buyer i.e. dispatch of goods to customers.

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.

2.20 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 the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

All exchange differences are charged to the profit and loss account.

2.21 Borrowing cost

Mark up, interest and other charges on long term loans are capitalized up to the date of commissioning of the related property, plant and equipment acquired out of the proceeds of such long term loans. All other mark up, interest and other charges are charged to profit and loss account.

3 Issued, subscribed and paid up capital

2008	2007		2008	2007
Number of shares			Rupees	Rupees
17,801,875	17,801,875	Ordinary shares of Rs. 10 each fully paid in cash	**178,018,750**	178,018,750
13,009,062	13,009,062	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**130,090,620**	130,090,620
30,810,937	**30,810,937**		**308,109,370**	308,109,370

4 Reserves	*Note*	**2008 Rupees**	2007 Rupees
Composition of reserves is as follows:			
Capital reserve			
- Share premium	*4.1*	**41,081,250**	41,081,250
Revenue			
- General reserve		**354,000,000**	354,000,000
		395,081,250	395,081,250

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

5 Long term finances and other payables	*Note*	**2008 Rupees**	2007 Rupees
Secured			
- From banking companies			
Long term loans	*5.1*	**779,357,141**	946,261,761
Long term Musharika	*5.2*	**463,375**	463,375
Other payables	*5.3*	**20,607,696**	20,607,696
		800,428,212	967,332,832
Less: Current portion shown under current liabilities			
- Long term loans		**235,030,822**	255,419,164
		565,397,390	711,913,668

5.1 **Long term loans**

Loan #	Lender - Nature	2008 Rupees	2007 Rupees	Rate of interest per annum	Number of remaining installments	Interest payable
1.	United Bank Limited - Demand Finance I	**55,750,000**	83,625,000	3 M KIBOR + 2.25%	10 equal quarterly installments ending 01 December 2010	Quarterly
2.	United Bank Limited - Demand Finance III	**220,000,000**	275,000,000	3 M KIBOR + 1.85%	8 equal half yearly installments ending 01 January 2012	Quarterly
3.	National Bank of Pakistan - Demand Finance	**13,134,882**	39,420,669	3 M KIBOR + 1.75%	1 half yearly installment ending 30 September 2008	Semi annually
4.	National Bank of Pakistan - Demand Finance-II	**283,500,000**	315,000,000	3 M KIBOR + 1.75%	9 equal half yearly installments ending 18 December 2012	Quarterly
5.	Habib Bank Limited - LTF - EOP -I	**21,977,999**	65,933,993	6%	1 half yearly installment ending 31 July 2008	Quarterly
6.	Habib Bank Limited - LTF - EOP -II	**18,393,000**	24,523,000	7%	6 equal half yearly installments ending 01 January 2011	Quarterly
7.	Habib Bank Limited - LTF - EOP -III	**88,829,500**	118,429,500	7%	6 equal half yearly installments ending 01 January 2011	Quarterly
8.	Habib Bank Limited - Fixed Asset Financing II	**19,771,760**	24,329,599	6 M KIBOR + 1%	5 equal half yearly installments ending 01 January 2011	Quarterly
9.	First National Bank Modaraba	**58,000,000**	-	3 M KIBOR + 1.25%	16 quarterly installments comencing from 30 September	Quarterly
		779,357,141	**946,261,761**			

Security

Loan No. 1
These are secured by a first charge on fixed assets of the Unit 3 (Spinning) of the Company.

Loan No. 2
It is secured by a first pari passu charge on all fixed assets of the Unit 4 (Spinning) of the Company.

Loan No. 3
This loan is secured by a pari passu charge over the assets of Unit 2 (Weaving) of the Company.

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

Loan No. 5, 6, 7 and 8
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 9.
These are secured by a first pari passu charge on all present and future fixed assets and personal guarantee of the Directors.

5.2 The Company has obtained long term musharika from Meezan Bank Limited carrying markup rate of 6 M KIBOR+2.50% per annum and is repayable in 8 half yearly installments. This finance is secured against specific and exclusive charge over the fixed assets of weaving unit -1.

5.3 This represents the mark up payable by December 2010, under the repayment terms relating to loan no. 1 in note 5.1.

		2008 Rupees	2007 Rupees
6	**Loans from related parties - subordinated loan *- unsecured***		
	Fazal Ahmed Sheikh	**-**	26,375,000
	Faisal Ahmed Mukhtar	**37,000,000**	37,000,000
		37,000,000	63,375,000

This represents interest free subordinated loans obtained from the directors of the Company.

		Note	2008 Rupees	2007 Rupees
7	**Deferred liabilities**			
	Deferred taxation	*7.1*	**526,141**	7,221,000
	Employees retirement benefits - gratuity	*7.2*	**7,501,973**	1,368,216
			8,028,114	8,589,216

7.1 Deferred taxation

The liability for deferred taxation comprises temporary differences relating to:

	2008 Rupees	2007 Rupees
Accelerated tax depreciation and others	**25,035,759**	47,988,000
Unused tax losses	**(24,509,618)**	(40,767,000)
	526,141	7,221,000

7.2 Employees retirement benefits-gratuity

	2008 Rupees	2007 Rupees
Present value of defined benefit obligation	**7,453,859**	2,909,747
Unrecognized actuarial gain	**455,828**	497,041
Unrecognized part of transitional liability	**(407,714)**	(2,038,572)
Liability as at 30 June	**7,501,973**	1,368,216
Liability as at 01 July	**1,368,216**	738,327
Charge to profit and loss account	**11,298,575**	4,764,146
Payments made during the year	**(5,164,818)**	(4,134,257)
Liability as at 30 June	**7,501,973**	1,368,216

Historical Information for gratuity plan

	2008 Rupees	2007 Rupees	2006 Rupees	2005 Rupees	2004 Rupees
Present value of defined benefits obligation	**7,453,859**	2,909,747	5,350,043	11,645,406	9,881,832
Experience adjustment arising on plan liabilities	* **-**	(1,357,871)	* -	* -	944,418

* It is impracticable to determine the amount of experience adjustments during the period.

	Note	2008 Rupees	2007 Rupees
8 Trade and other payables			
Trade creditors		**73,088,398**	68,449,414
Accrued liabilities		**38,916,037**	36,068,951
Advances from customers		**6,961,358**	6,208,938
Due to related parties	*8.1*	**8,417,760**	4,609,796
Workers' profit participation fund	*8.2*	**-**	8,559,714
Workers' welfare fund	*32*	**-**	966,637
Unclaimed dividend		**3,550,285**	3,596,998
Others		**88,909**	128,030
		131,022,747	128,588,478

	2008	2007
8.1 Due to related parties		
Fatima Sugar Mills Limited	**2,105,775**	1,231,812
Reliance Cotton (Private) Limited	**1,340,857**	1,501,357
Reliance Commodities (Private) Limited	**1,372,092**	1,412,674
Fazal Cloth Mills Limited	**3,599,036**	463,953
	8,417,760	4,609,796

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

	Note	2008 Rupees	2007 Rupees
8.2 Workers' profit participation fund			
Balance as at 01 July		**8,559,714**	23,171,731
Interest on funds utilized in the Company's business	*33*	**326,340**	2,488,980
		8,886,054	25,660,711
Less: Payments made during the year		**(8,886,054)**	(20,000,000)
		-	5,660,711
Allocation for the year	*32*	**-**	2,899,003
Balance as at 30 June		**-**	8,559,714

	Note	2008 Rupees	2007 Rupees
9 Mark up accrued on loans and other payables			
Long term finances - secured		**11,465,943**	26,746,649
Finances under mark-up arrangements and other credit facilities - secured		**53,142,350**	29,742,104
		64,608,293	56,488,753
10 Finances under mark up arrangements and other credit facilities - secured			
Short term running finances	*10.1*	**1,112,735,871**	325,087,559
Export finances	*10.2*	**1,149,250,243**	1,011,559,255
		2,261,986,114	1,336,646,814

10.1 Short term running finances are available from different commercial banks under mark up arrangements amount to Rs. 3,385 million (2007: Rs. 3,710 million). The rates of mark up range from 10% to 15.3 % (2007: 10.2% to 10.7%) on the balance outstanding.

10.2 The Company has obtained export finance facilities from commercial banks aggregating to Rs. 2,332 million (2007: Rs. 2,322 million) being the sub limit of the finance mentioned in note 10.1. The rates of mark up range from 4.28 % to 6.92 % (2007 : 6% to 6.2%) on the outstanding balance.

Of the aggregate facility of Rs. 405 million (2007: Rs. 630 million) for opening letter of credits and Rs. 118 million (2007: Rs. 115 million) for guarantees being the sub limit of finances mentioned in note 10.1, the amount utilized at June 30, 2008 was Rs. 17.1 million (2007: Rs. 142.64 million) and Rs. 52.143 million (2007: Rs. 52.143 million) respectively.

The aggregate facilities are secured by a hypothecation charge on all present and future current assets of the Company including stock in trade, trade debts and lien on export bills.

			2008 Rupees	2007 Rupees
11 Derivative financial liabilities				
Finance obtained from	*Swapped with*			
National Bank of Pakistan	Standard Chartered Bank	*11.1*	**28,529,437**	-
United Bank Limited	Standard Chartered Bank	*11.1*	**19,924,165**	-
			48,453,602	-

11.1 Durning the period, the Company entered into a derivative cross currency swap arrangement to hedge for the possible adverse movements in interest rates arising on the interest payments due on its local currency finances as mentioned in note 5. The derivative cross currency swap outstanding as at 30 June 2008 has been marked to market and the resulting loss of Rs 48.45 million has been recognized in profit and loss account as this hedging relationship does not meet the criteria of cash flow hedge nor does it qualify for special hedge accounting specified in IAS 39 Financial Instrument: Recognition and Measurment.

	Note	2008 Rupees	2007 Rupees
12 Current portion of non-current liabilities - secured			
Long term finances	5	**235,030,822**	255,419,164

13 Contingencies and commitments

13.1 Contingencies

(i) The Company has provided bank guarantees in favor of Sui Northern Gas Pipe Line Limited amounting to Rs. 52.143 million (2007: Rs. 52.143 million) on account of payment of dues against gas sales etc.

(ii) Guarantee given as at June 30, 2008 on behalf of the Company by the Meezan Bank Limited is outstanding for Rs. 300 million (2007: 500) to fulfill the Company's commitment to subscribe the equity of Fatima Fertilizer Company Limited for which the Company has deposited 25% margin (i.e. Rs. 75 million)

(iii) 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 favor of the Company. The management is confident, since Alternate Dispute Resolution Committee recommendations and subsequent decisions by CBR were in favor of the Company, that the liability on account of Iqra surcharge on account of exportation of goods so manufactured from imported cotton, will be positively waived off.

(iv) Foreign bills discounted outstanding as at 30 June 2008 aggregated Rs. 188.71 million (2007: Rs. 246.84 million).

	2008 Rupees	2007 Rupees
13.2 Commitments		
Capital expenditures	**8,045,599**	5,720,000
Letters of credit other than capital expenditures	**9,151,251**	134,920,000
	17,196,850	140,640,000

14 Property, plant and equipment

	Note	2008 Rupees	2007 Rupees
Operating assets	*14.1*	**1,714,059,694**	1,817,889,055
Capital work in progress	*14.4*	**93,396,295**	88,751,932
		1,807,455,989	1,906,640,987

14.1 Operating assets

Particulars	Cost: As at 30 June 2007	Cost: Additions during the year	Cost: Deletions during the year	Cost: As at 30 June 2008	Rate %	Depreciation: As at 30 June 2007	Depreciation: For the year	Depreciation: Deletions during the year	Depreciation: As at 30 June 2008	Book value as at 30 June 2008
	(-----	Rupees	-----	-----)		(-----	Rupees	-----	-----)	Rupees
Freehold land	32,832,493	548,500	-	**33,380,993**		-	-	-	**-**	**33,380,993**
Buildings	302,896,748	7,233,468	-	**310,130,216**	10	100,309,870	19,446,994	-	**119,756,864**	**190,373,352**
Plant and machinery	2,391,207,232	52,939,092	(554,300)	**2,443,592,024**	10	893,615,923	145,104,381	(281,816)	**1,038,438,488**	**1,405,153,536**
Electric installations	63,127,751	4,440,944	-	**67,568,695**	10	22,608,036	4,098,114	-	**26,706,150**	**40,862,545**
Factory equipment	14,156,025	3,872,352	-	**18,028,377**	10	5,167,344	1,060,065	-	**6,227,409**	**11,800,968**
Office equipment	12,031,198	1,298,582	-	**13,329,780**	10	3,183,525	783,721	-	**3,967,246**	**9,362,534**
Electric appliances	7,811,922	455,914	-	**8,267,836**	10	2,574,574	919,145	-	**3,493,719**	**4,774,117**
Furniture and fixtures	8,967,093	604,848	-	**9,571,941**	10	2,655,813	434,464	-	**3,090,277**	**6,481,664**
Vehicles	29,599,302	252,380	(1,272,830)	**28,578,852**	20	14,625,624	2,663,654	(580,411)	**16,708,867**	**11,869,985**
2008	**2,862,629,764**	**71,646,080**	**(1,827,130)**	**2,932,448,714**		**1,044,740,709**	**174,510,538**	**(862,227)**	**1,218,389,020**	**1,714,059,694**

Operating assets

Particulars	Cost: As at 30 June 2006	Cost: Additions during the year	Cost: Deletions during the year	Cost: As at 30 June 2007	Rate %	Depreciation: As at 30 June 2006	Depreciation: For the year	Depreciation: Deletions during the year	Depreciation: As at 30 June 2007	Book value as at 30 June 2007
	(-----	Rupees	-----	-----)		(-----	Rupees	-----	-----)	Rupees
Freehold land	31,775,233	1,057,260	-	32,832,493		-	-	-	-	32,832,493
Buildings	296,146,590	6,750,158	-	302,896,748	10	80,424,605	19,885,265	-	100,309,870	202,586,878
Plant and machinery	2,308,051,206	83,156,026	-	2,391,207,232	10	722,549,161	171,066,762	-	893,615,923	1,497,591,309
Electric installations	58,511,436	8,561,377	(3,945,062)	63,127,751	10	20,783,706	4,119,304	(2,294,974)	22,608,036	40,519,715
Factory equipment	12,230,985	1,925,040	-	14,156,025	10	3,129,501	2,037,843	-	5,167,344	8,988,681
Office equipment	10,991,511	1,039,687	-	12,031,198	10	2,766,069	417,456	-	3,183,525	8,847,673
Electric appliances	5,459,128	2,352,794	-	7,811,922	10	1,777,445	797,129	-	2,574,574	5,237,348
Furniture and fixtures	7,066,692	1,900,401	-	8,967,093	10	2,159,449	496,364	-	2,655,813	6,311,280
Vehicles	23,510,892	6,230,600	(142,190)	29,599,302	20	11,847,848	2,909,584	(131,808)	14,625,624	14,973,678
2007	2,753,743,673	112,973,343	(4,087,252)	2,862,629,764		845,437,784	201,729,707	(2,426,782)	1,044,740,709	1,817,889,055

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

	Note	2008 Rupees	2007 Rupees
Cost of sales	**28**	**170,628,699**	197,526,630
Administration expenses	**30**	**3,881,839**	4,203,077
		174,510,538	201,729,707

14.3 Disposal schedule of operating assets

Particulars	Cost	Accumulated depreciation	Book value	Claim/ Sales proceeds	Gain/ (loss)	Mode of disposal	Sold to
	(------------	------------	Rupees	------------	------------)		
Plant and machinery							
Bailing Press	554,300	281,816	272,484	160,000	(112,484)	Sale	Shaheen Industries Faisalabad
Vehicles							
Toyota Corolla Xli LZP-66	1,272,830	580,411	692,419	850,000	157,581	Sale	Syed Wajid Ali Shah
2008	**1,827,130**	**862,227**	**964,903**	**1,010,000**	**45,097**		

Particulars	Cost	Accumulated depreciation	Book value	Claim/ Sales proceeds	Gain/ (loss)	Mode of disposal	Sold to
	(------------	------------	Rupees	------------	------------)		
Electric installations							
Mccb panel	273,795	89,168	184,627	166,565	(18,062)	Insurance claim	EFU General Insurance Limited
Switch board	495,000	365,683	129,317	301,136	171,819	Insurance claim	EFU General Insurance Limited
Circuit board	828,614	269,859	558,755	504,092	(54,663)	Insurance claim	EFU General Insurance Limited
L.T. Switch	518,702	396,743	121,959	315,555	193,596	Insurance claim	EFU General Insurance Limited
Wire	1,828,951	1,173,521	655,430	1,112,652	457,222	Insurance claim	EFU General Insurance Limited
	3,945,062	2,294,974	1,650,088	2,400,000	749,912		
Vehicles							
Suzuki Khyber MNT-568	142,190	131,808	10,382	185,000	174,618	Negotiation	Iftakhar Mehmood
2007	4,087,252	2,426,782	1,660,470	2,585,000	924,530		

14.4 Capital work in progress

	30 June 2008 Rupees	30 June 2007 Rupees
Civil works and buildings	**91,147,320**	86,347,072
Plant and machinery	**16,845**	16,845
Factory equipment	**1,910**	1,910
Office equipment	**8,650**	7,500
Electric appliances	**63,318**	227,053
Furniture and fixtures	**57,308**	57,308
Electric Installation	**780,744**	774,044
Advances	**1,320,200**	1,320,200
	93,396,295	88,751,932

		Note	2008 Rupees	2007 Rupees
15	**Intangible**			
	Cost			
	As at 01 July		**1,148,437**	-
	Addition		**-**	1,148,437
	As at 30 June		**1,148,437**	1,148,437
	Amortization			
	As at 01 July		**(114,844)**	-
	For the year	*30*	**(114,844)**	(114,844)
	As at 30 June		**(229,688)**	(114,844)
	Net book value as at 30 June		**918,749**	1,033,593

The Intangible represent license fee that has been paid for the right to use Oracle Financials.

		2008 Rupees	2007 Rupees
16	**Long term investment**		
	Investment in associate - at cost		
	Pak Arab Fertilizers Limited	**-**	69,999,586
17	**Stores, spares and loose tools**		
	Stores	**97,976,929**	73,270,122
	Spares	**47,236,370**	29,880,444
	Loose tools	**39,393**	129,794
		145,252,692	103,280,360
	Provision for obsolete items	**(230,022)**	(230,022)
		145,022,670	103,050,338

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

17.2 Included in stores are chemicals amounting to Rs Nil (2007: 0.590 million) held with third party.

		Note	2008 Rupees	2007 Rupees
18	**Stock in trade**			
	Raw materials	*18.1*	**769,616,326**	379,750,441
	Work in process		**57,445,266**	43,792,449
	Finished goods		**508,461,147**	335,588,292
	Waste		**7,622,589**	13,266,462
			1,343,145,328	772,397,644

18.1 Raw material includes items in transit of Rs Nil (2007: Rs. 2.034 million)

	Note	2008 Rupees	2007 Rupees
19 Trade debts			
Considered good			
Export - secured		**288,526,843**	100,704,496
Local - unsecured		**56,314,125**	57,049,997
Considered doubtful		**690,748**	690,748
		345,531,716	158,445,241
Provision for doubtful debts		**(690,748)**	(690,748)
		344,840,968	157,754,493
20 Loans and advances			
Advances - considered good			
- To employees	20.1	**23,538,027**	16,160,994
- To suppliers		**29,370,293**	30,317,662
Advances for issue of shares - related party		**8,352,010**	125,061,590
Due from related parties	20.2	**5,948,159**	1,926,681
Letters of credit - margins, deposits, opening charges, etc.		**10,055,515**	13,722,058
		77,264,004	187,188,985

20.1 Included in advances to employees are amounts due from executives Rs. 0.588 million (2007: Rs. 1.298 million).

	2008 Rupees	2007 Rupees
20.2 Due from related parties		
Fatima Fertilizer Company Limited	**3,182,003**	243,434
Gadoon Packing Limited	**583,750**	444,550
Reliance Fabrics Limited	**19,997**	19,997
Pak Arab Fertilizers Limited	**1,218,408**	517,325
Air One (Pvt.) Ltd	**2,905**	-
Multan Cloth Finishing Factory	**941,096**	701,375
	5,948,159	1,926,681

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

Maximum aggregate amounts due from associated undertakings at any month end during the year were Rs. 13.59 million.(2007 Rs.39.64 million)

	2008 Rupees	2007 Rupees
21 Trade deposits and prepayments		
Security deposits	**156,340**	145,940
Prepayments	**2,112,142**	976,101
	2,268,482	1,122,041

	2008 Rupees	2007 Rupees
22 Mark up accrued on loan		
Mark up accrued on short term loan	-	7,088,261

This represents mark up accrued on short term loan given to Pak Arab Fertilizers Limited.

	Note	2008 Rupees	2007 Rupees
23 Other receivables			
Profit on short term investment	*23.1*	**1,130,587**	6,589,041
Others		**14,665,080**	1,700,750
		15,795,667	8,289,791

23.1 This represents profit accrued on Certificate of Islamic Investment in Meezan Bank Limited ranges from 8.67%-8.72% (2007: 9.25%) per annum.

	Note	2008 Rupees	2007 Rupees
24 Short term investments			
Held to maturity			
Certificate of Islamic Investment	*24.1*	**75,000,000**	125,000,000
Held for trading - quoted (At fair value)			
Pakistan Stock Market Fund		-	667,584
Available for sale			
Investment in shares of associate			
At cost		**120,209,580**	-
Shares received as specie distribution		**59,471,788**	-
	24.2	**179,681,368**	-
		254,681,368	125,667,584

24.1 This represents Certificate of Islamic Investment in Meezan Bank Limited and are given as 25% margin on SBLC of Rs 300 million in Meezan Bank Limited (note 13.1)and will mature on 28 July, 2008.

24.2 This represents 17,968,136 ordinary shares of Rs 10 each in Fatima Fertilizers Company Ltd which is an associated undertaking as per Companies Ordinance, 1984 however for the purpose of measurement, these have been classified as availabale for sale as the company cannot exercise significant influence over the operating and financial decision of this associate. These shares represents 2.01 % of share capital of Fatima Fertilizers Company Ltd. Out of these shares 12,020,958 ordinary shares have been purchased while 5,947,177 ordinary shares have been received as specie distribution from Pak Arab Fertilizers Ltd at cost of Rs. Nil.

	Note	2008 Rupees	2007 Rupees
25 Tax refunds due from the government			
Export rebate		**5,426,272**	5,432,706
Income tax		**17,106,561**	17,910,554
Sales tax		**27,573,955**	22,217,415
Special Excise duty		**357,538**	-
		50,464,326	45,560,675

NOTES TO THE FINANCIAL STATEMENTS
For the Year ended June 30, 2008

		Note	2008 Rupees	2007 Rupees
26	**Cash and bank balances**			
	Balances at banks in			
	current accounts:			
	- Pak rupee		**31,399,857**	4,287,152
	- Foreign currency - US $ 20,871 (2007: US $ 52.603.49)		**1,419,251**	3,177,250
			32,819,108	7,464,402
	saving accounts	*26.1*	**41,574,434**	34,090,434
	Cash in hand		**1,278,066**	239,626
			75,671,608	41,794,462

26.1 Effective mark up rate in respect of saving accounts ranges from 4.75% to 9% (2007: 4.75% to 8.5%) per annum.

		Note	2008 Rupees	2007 Rupees
27	**Sales - net**			
	Export		**2,641,751,570**	2,330,771,261
	Local		**774,678,748**	1,032,844,012
	Waste		**89,850,023**	81,260,511
			3,506,280,341	3,444,875,784
	Less: Commission		**43,881,984**	44,925,712
			3,462,398,357	3,399,950,072
	Add: Doubling income		**2,667,270**	709,920
	Export rebate		**643,312**	338,369
			3,310,582	1,048,289
			3,465,708,939	3,400,998,361
28	**Cost of sales**			
	Raw material consumed		**2,541,029,417**	2,335,965,730
	Stores and spares consumed		**109,477,412**	109,202,832
	Packing material consumed		**30,265,264**	31,077,851
	Salaries, wages and other benefits		**201,892,841**	191,027,839
	Fuel and power		**251,499,113**	242,692,014
	Insurance		**7,066,087**	6,787,490
	Repairs and maintenance		**5,453,026**	5,094,066
	Depreciation on operating assets	*14.2*	**170,628,699**	197,526,630
	Utilities		**562,714**	134,623
	Other expenses		**12,947,426**	10,650,661
			3,330,821,999	3,130,159,736
	Opening work in process		**43,792,449**	45,621,521
	Closing work in process		**(57,445,266)**	(43,792,449)
			(13,652,817)	1,829,072
	Cost of goods manufactured		**3,317,169,182**	3,131,988,808
	Opening stock - Finished goods		**335,588,292**	267,987,641
	- Waste		**13,266,462**	3,472,000
			348,854,754	271,459,641
	Closing stock - Finished goods		**(508,461,147)**	(335,588,292)
	- Waste		**(7,622,589)**	(13,266,462)
			(516,083,736)	(348,854,754)
			3,149,940,200	3,054,593,695

	Note	2008 Rupees	2007 Rupees
29 Other operating income			
Gain on sale of operating assets		**45,097**	924,530
Mark up on investment in associate		**-**	18,279,657
Profit on short term investment		**3,559,011**	6,589,041
Gain on long term investment		**51,755,419**	-
Gain on forward rate agreement		**-**	8,795,410
Specie distribution	*24.2*	**59,471,788**	-
Others		**2,310,402**	4,755,489
		117,141,717	39,344,127
30 Administration expenses			
Salaries, wages and other benefits		**21,475,431**	21,317,753
Printing and stationery		**1,233,538**	748,903
Motor vehicle running		**2,616,538**	2,607,954
Traveling and conveyance		**5,692,796**	9,950,898
Rent, rates and taxes		**1,870,451**	1,696,787
Telephone and postage		**3,375,015**	3,443,290
Fee, subscription and periodicals		**1,182,922**	1,696,770
Utilities		**979,365**	874,316
Insurance		**255,510**	251,289
Repairs and maintenance		**797,499**	893,484
Entertainment		**647,786**	698,048
Advertisement		**59,010**	231,180
Depreciation on operating assets	***14.2***	**3,881,839**	4,203,077
Amortization of intangible	***15***	**114,844**	114,844
Professional services	***30.1***	**775,096**	1,135,737
Other expenses		**607,703**	417,671
		45,565,343	50,282,001

30.1 Professional services

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

	Note	2008 Rupees	2007 Rupees
Statutory audit		**210,000**	200,000
Half yearly review		**150,000**	150,000
Out of pocket		**50,000**	-
Certification		**-**	50,000
		410,000	400,000

31 Distribution and marketing expenses

	Note	2008 Rupees	2007 Rupees
Ocean freight and shipping		**21,113,585**	18,254,545
Local freight		**14,578,034**	14,077,343
Export development surcharge		**5,953,686**	5,910,052
Forwarding and clearing expenses		**6,287,072**	5,736,187
Marketing expenses		**1,159,366**	465,435
Other expenses		**1,979,920**	5,227,698
		51,071,663	49,671,260

32 Other operating expenses

	Note	2008 Rupees	2007 Rupees
Workers' profit participation fund	*8.2*	**-**	2,899,003
Workers' welfare fund	*8*	**-**	966,637
Loss on derivative financial instruments		**47,189,052**	-
Donations	*32.1*	**1,873,015**	2,183,349
		49,062,067	6,048,989

32.1 Donations

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

	2008 Rupees	2007 Rupees
Farrukh Mukhtar Girls High school (Mian Faisal, Director is the Trustee)	**947,734**	787,277
Farrukh Mukhtar Hospital, Multan (Mian Faisal, Director is the Trustee)	**592,502**	494,315

	Note	2008 Rupees	2007 Rupees
33 Finance cost			
Interest and mark up on			
- Term finance certificates		**-**	4,260,232
- Long term finances		**73,049,867**	88,873,329
- Finances under mark up arrangements and other credit facilities		**162,122,025**	105,358,529
- Workers' profit participation fund	*8.2*	**326,340**	2,488,980
Exchange loss		**97,435,615**	981,797
Bank charges and commission		**35,120,149**	30,418,468
		368,053,996	232,381,335
34 Provision for taxation			
For the year			
- Current	*34.1*	**26,417,516**	23,457,400
- Deferred		**(6,694,859)**	(8,279,000)
		19,722,657	15,178,400
Prior years			
- Current		**-**	268,781
		19,722,657	15,447,181

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

35 Remuneration of Director and Executives

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

	Director		Executives	
	2008 Rupees	2007 Rupees	2008 Rupees	2007 Rupees
Managerial remuneration	1,200,000	1,200,000	**5,902,800**	6,286,632
House rent allowance	-	-	**1,617,200**	1,410,000
Utility allowance	-	-	**1,629,828**	2,350,200
Leave encashment	-	-	**266,886**	398,893
Bonus	-	-	**-**	771,039
	1,200,000	1,200,000	**9,416,714**	11,216,764
Number of persons	**1**	**1**	**8**	8

The Company also provides the directors and executives with free use of company maintained cars and residential phones.

35.2 Remuneration to other directors

No meeting fee was paid to directors during the year (2007: Nil).

36 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. Amounts due from and to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 35. Other significant transactions with related parties are as follows:

Description	2008 Rupees	2007 Rupees
Purchase of goods and services	**4,850,635**	52,605,182
Sale of goods and services	**2,413,971**	67,560
Purchase of operating assets	**-**	774,865
Mark up charged	**-**	18,279,657
Issuance of shares against advance	**120,209,580**	-
Specie distribution received	**59,471,788**	-

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

37 Capacity and production

	2008	2007
Unit 1 (Weaving)		
Number of looms installed	**91**	91
Capacity after conversion into 50 picks - Meters	**15,175,486**	15,175,486
Actual production of fabric after conversion into 50 picks - Meters	**12,136,828**	13,341,741
Unit 2 (Weaving)		
Number of looms installed	**204**	204
Capacity after conversion into 50 picks - Meters	**41,332,426**	41,332,426
Actual production of fabric after conversion into 50 picks - Meters	**39,707,701**	41,848,757

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

	2008	2007
Unit 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	**3,845,627**	3,940,423
Unit 4 (Spinning)		
Number of spindles installed	**21,120**	21,120
Capacity after conversion into 20 count - Kgs	**7,113,193**	7,113,193
Actual production of yarn after conversion into 20 count - Kgs	**6,048,679**	6,508,019

Under utilization of available spinning capacity is due to:

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

	Note	2008 Rupees	2007 Rupees
38 Cash generated from operations			
Loss/profit before tax		**(80,842,614)**	47,365,208
Adjustments for:			
Depreciation on operating assets		**174,510,538**	201,729,707
Amortization of intangible		**114,844**	114,844
Employees retirement benefits accrued		**11,298,575**	4,764,146
Gain on disposal of operating assets		**(45,097)**	(924,530)
Gain on long term investment		**(51,755,419)**	-
Specie distribution		**(59,471,788)**	-
Loss on derivative financial instrument		**47,189,052**	
Workers' profit participation fund		**-**	2,899,003
Interest on workers' profit participation fund		**326,340**	2,488,980
Finance cost (excluding interest on workers' profit participation fund and exchange loss)		**270,618,381**	228,910,558
Gain on sale/re-measurement of short term investment at fair value		**(2,485)**	(144,038)
Profit before working capital changes		**311,940,327**	487,203,878
Effect on cash flow due to working capital changes			
(Increase)/ decrease in current assets			
- Stores, spares and loose tools		**(41,972,332)**	(10,194,937)
- Stock in trade		**(570,747,684)**	(25,753,843)
- Trade debts		**(187,086,475)**	71,952,816
- Loans and advances		**(10,284,599)**	(44,586,993)
- Trade deposits and prepayments		**(1,146,441)**	4,682,381
- Mark up accrued on loan		**7,088,261**	-
- Tax refunds due from government (excluding income tax)		**(5,707,644)**	5,933,198
- Other receivables		**(6,241,324)**	(6,677,598)
Increase in current liabilities			
- Trade and other payables			
(excluding unclaimed dividend and workers' profit participation fund)		**11,040,696**	19,091,616
		(805,057,542)	14,446,640
Cash generated from operations		**(493,117,215)**	501,650,518
39 Cash and cash equivalents			
Cash and bank balances	*26*	**75,671,608**	41,794,462
Finances under mark up arrangements and other credit facilities.	*10*	**(2,261,986,114)**	(1,336,646,814)
Cash and cash equivalent		**(2,186,314,506)**	(1,294,852,352)

		2008	2007
40 (Loss) / earnings per share-Basic and diluted			
(Loss)/profit for the year	*Rupees*	**(100,565,270)**	31,918,027
Weighted average number of ordinary shares	*Number*	**30,810,937**	30,810,937
(Loss)/ earnings per share- Basic and diluted	*Rupees*	**(3.26)**	1.04

41. Financial assets and liabilities

	Interest/ mark up bearing				Non interest/ mark up bearing					
	Maturity up to one year	Maturity within one year to five years	Maturity after five years	Sub total	Maturity up to one year	Maturity within one year to five years	Maturity after five years	Sub total	Total 2008	Total 2007
	(--------				Rupees					--------)
Financial assets										
Long term investment					-	-	-	-	**-**	69,999,586
Long term deposits	-	-	-	-	-	2,421,340	-	2,421,340	**2,421,340**	2,421,340
Trade debts	-	-	-	-	344,840,968	-	-	344,840,968	**344,840,968**	157,754,493
Loans and advances	-	-	-	-	16,003,674	-	-	16,003,674	**16,003,674**	15,648,739
Trade deposits and prepayments	-	-	-	-	156,340	-	-	156,340	**156,340**	145,940
Mark up accrued on loan	-	-	-	-	-	-	-	-	**-**	7,088,261
Other receivables	-	-	-	-	15,795,667	-	-	15,795,667	**15,795,667**	8,289,791
Short term investment	75,000,000	-	-	75,000,000	179,681,368	-	-	179,681,368	**254,681,368**	125,667,584
Cash and bank balances	41,574,434	-	-	41,574,434	34,097,174	-	-	34,097,174	**75,671,608**	41,794,462
	116,574,434	-	-	116,574,434	590,575,191	2,421,340	-	592,996,531	**709,570,965**	428,810,196
Financial liabilities										
Long term finances and other payables - secured	235,030,822	565,397,390	-	800,428,212	-	-	-	-	**800,428,212**	967,332,832
Loans from related parties - subordinated loan	-	-	-	-	-	37,000,000	-	37,000,000	**37,000,000**	63,375,000
Finances under mark up arrangements - secured	2,261,986,114	-	-	2,261,986,114	-	-	-	-	**2,261,986,114**	1,336,646,814
Trade and other payables	-	-	-	-	124,061,389	-	-	124,061,389	**124,061,389**	122,379,540
Derivative Financial Instrument	48,453,602		-	48,453,602					**48,453,602**	-
Markup accrued on loans and other payables	-	-	-	-	64,608,293	-	-	64,608,293	**64,608,293**	56,488,753
	2,545,470,538	565,397,390	-	3,110,867,928	188,669,682	37,000,000	-	225,669,682	**3,336,537,610**	2,546,222,939
On balance sheet gap	(2,428,896,104)	(565,397,390)	-	(2,994,293,494)	401,905,509	(34,578,660)	-	367,326,849	**(2,626,966,645)**	(2,117,412,743)
Off balance sheet financial Instrument										
Contracts for capital expenditure	-	-	-	-	8,045,599	-	-	8,045,599	**8,045,599**	5,720,000
Guarantees	-	-	-	-	352,143,000	-	-	352,143,000	**352,143,000**	552,143,000
Letters of credit other than for capital expenditure	-	-	-	-	9,151,251	-	-	9,151,251	**9,151,251**	134,920,000
	-	-	-	-	369,339,850	-		369,339,850	**369,339,850**	692,783,000

The effective interest/ mark up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

41.1 Financial risk management objectives

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk.

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as State Bank of Pakistan's discount rate, Treasury Bills rate and Karachi Inter Bank Offer Rate (KIBOR).

(a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The company's credit risk is primarily attributable to its trade debts and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company has no significant concentration of credit risk as exposure is spread over a large number of counter parties in the case of trade debts. Out of the total financial assets of Rs. 709.57 million (2007: Rs. 428.810 million) financial assets which are subject to credit risk amount to Rs. 633.89 million (2007: Rs. 387.01 million). To manage exposure to credit risk, the Company applies credit limits to its customers.

(b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. Payables exposed to foreign currency risks are covered partially through forward foreign exchange contracts, when considered appropriate.

(c) Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company usually borrows funds at fixed and market based rates and as such the risk is minimized.

(d) Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

(e) 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.

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

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.

41.2 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

42 Date of authorization

These financial statements are authorized for issue on 07 October 2008 by the board of directors of the company.

43 General

Figures have been rounded off to the nearest rupee, except stated otherwise.

CHIEF EXECUTIVE OFFICER **DIRECTOR**

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2008

	CDC	PHYSICAL	TOTAL	%AGE
DIRECTORS				
FAWAD AHMAD MUKHTIAR	7,736,550		7,736,550	25.11
FAZAL AHMAD SHEIKH	7,911,722		7,911,722	25.68
FAISAL AHMAD MUKHTAR	7,768,071		7,768,071	25.21
AMBREEN FAWAD	140,625		140,625	0.46
FATIMA FAZAL	140,625		140,625	0.46
FARAH FAISAL	112,500		112,500	0.37
JOINT STOCK COMPANIES				
AFIC SECURITIES (PRIVATE) LIMITED	400		400	0.00
ARIF HABIB SECURITES LIMITED (P)	341,000		341,000	1.11
ARIF HABIB SECURITIES LIMITED	165,000		165,000	0.54
AWJ SECURITIES (SMC-PRIVATE) LIMITED.	800		800	0.00
DARSON SECURITIES (PRIVATE) LIMITED	52		52	0.00
DOSSLANI'S SECURITIES (PVT) LIMITED	1,405		1,405	0.00
EXCEL SECURITIES (PVT.) LTD.	220		220	0.00
GENERAL INVEST. & SECURITIES (PVT) LTD.	375		375	0.00
H M INVESTMENTS (PVT.) LTD.	540		540	0.00
ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED	900		900	0.00
MAZHAR HUSSAIN SECURITIES (PVT) LIMITED	16,000		16,000	0.05
MOOSANI SECURITIES (PVT) LTD.	2,500		2,500	0.01
PASHA SECURITIES (PVT) LTD.	500		500	0.00
PRUDENTIAL SECURITIES LIMITED	900		900	0.00
PYRAMID INVESTMENTS (PVT.) LTD.	2,850		2,850	0.01
S.H. BUKHARI SECURITIES (PVT) LIMITED	150		150	0.00
SAT SECURITIES (PVT) LTD	3,000		3,000	0.01
Y.S. SECURITIES & SERVICES (PVT) LTD.	1,175		1,175	0.00
ZHV SECURITIES (PVT) LIMITED	25		25	0.00
BAWA SECURITIES (PVT.) LTD.		2,175	2,175	0.01
NIT & ICP				
NATIONAL BANK OF PAKISTAN,TRUSTEE DEPTT.	592,645	276	592,921	1.92
NBP TRUSTEE - NI(U)T (LOC) FUND	610,475		610,475	1.98
INVESTMENT CORP. OF PAKISTAN		1,460	1,460	0.00
FINANCIAL INSTITUTIONS				
NATIONAL DEVELOPMENT FINANCE		984	984	0.00
IDBP (ICP UNIT)	730		730	0.00
FUND & MUDARBA COMPANIES				
CDC-TRUSTEE PAK STRATEGIC ALLOC. FUND	840,000		840,000	2.73
PAKISTAN PREMIER FUND LIMITED	109,875		109,875	0.36
INVESTMENT & MODARBA COMPANIES				
M/S. B.F. MODARABA		9,000	9,000	0.03
M/S PYRAMID INVESTMENT(PVT)LTD		3,900	3,900	0.01
MISCELANOUS				
AMIR FINE EXPORTS (PVT) LTD	24,250		24,250	0.08
ISLAMABAD STOCK EXCHANGE (G) LIMITED	625		625	0.00
KARACHI,LAHORE STOCK EXCHANGES		2	2	0.00
INDIVIDUALS/GENERAL PUBLIC	3,382,623	884,032	4,266,655	13.85
	29,909,108	**901,829**	**30,810,937**	**100**

CHANGES IN THE HOLDING OF DIRECTORS & SPOUSE

	O.B	PURCHASED	CURRENT POSITION
FAWAD AHMAD MUKHTIAR	7,440,300	296,250	7,736,550
FAZAL AHMAD SHEIKH	7,901,722	10,000	7,911,722
FAISAL AHMAD MUKHTAR	7,603,321	164,750	7,768,071

PERSONS HAVING MORE THAN 10% SHARES

FAWAD AHMAD MUKHTIAR	7,736,550	25.11
FAZAL AHMAD SHEIKH	7,911,722	25.68
FAISAL AHMAD MUKHTAR	7,768,071	25.21

FORM 34
AS AT JUNE 30, 2008

CATEGORIES		PHYSICAL		CDC		TOTAL	
From	To	Holders	Shares	Holders	Shares	Holders	Shares
1	100	70	2,908	61	2,755	131	5,663
101	500	536	107,232	205	58,154	741	165,386
501	1,000	457	401,503	141	113,498	598	515,001
1001	2,000	52	72,385	72	111,940	124	184,325
2001	3,000	13	32,349	39	99,173	52	131,522
3001	4,000	8	29,100	21	76,110	29	105,210
4001	5,000	5	21,767	21	97,950	26	119,717
5001	6,000	1	5,550	6	33,801	7	39,351
6001	7,000	2	12,450	9	58,922	11	71,372
7001	8,000			9	68,205	9	68,205
8001	9,000	1	9,000	3	26,250	4	35,250
9001	10,000			7	68,375	7	68,375
10001	11,000	1	10,800	1	11,000	2	21,800
11001	12,000			7	79,650	7	79,650
12001	13,000	1	12,375	2	25,600	3	37,975
14001	15,000			2	29,850	2	29,850
15001	16000			1	16,000	1	16,000
16001	18000	2	35,310	3	50,762	5	86,072
18001	20000			4	77,660	4	77,660
21001	24000	2	46,700	6	137,280	8	183,980
25001	50300	3	102,400	13	523,650	16	626,050
52901	77000			7	433,200	7	433,200
102701	113000			5	543,375	5	543,375
120401	145500			4	547,250	4	547,250
164001	165000			1	165,000	1	165,000
185901	186000			1	185,925	1	185,925
203301	203310			1	203,310	1	203,310
263001	264000			1	264,000	1	264,000
340001	341000			1	341,000	1	341,000
592601	592700			1	592,645	1	592,645
610401	610500			1	610,475	1	610,475
839001	840000			1	840,000	1	840,000
7736501	7736600			1	7,736,550	1	7,736,550
7768001	7768100			1	7,768,071	1	7,768,071
7911701	7911800			1	7,911,722	1	7,911,722
						-	-
						-	-
		1,154	**901,829**	**660**	**29,909,108**	**1,814**	**30,810,937**

Categories of shareholders	Shares	%age
Directors, Chief Executive Officer, and their spouse and minor children.	23,810,093	77.28
Associated Companies, undertakings and related parties.	-	-
NIT and ICP	1,204,856	3.91
Banks Development Financial Institutions, Non Banking Financial Institutions.	1,714	0.01
Insurance Companies		-
Modarabas and Mutual Funds	958,875	3.11
Share holders holding 10%	23,416,343	76.00
General Public	4,266,655	13.85
Local	4,266,655	13.85
Foreign	-	-
Joint Stock Companies	543,867	1.77

Chief Executive / Company Secretary

FORM OF PROXY

I/We ____

of ____

in the District or ______________ being a member of RELIANCE WEAVING MILLS LIMITED and a holder of ______________ Ordinary Shares as per share Register Folio. No. ____________

Hereby appoint ____

of ____ another member of the Company failing him ____

of ____ another member of the Company as my / our proxy to vote for me / us and on my our behlaf at the 19th Annual General Meeting of the Company to be held on Friday October 31, 2008 at 10:00 A.M. and at any adjournment thereof.

Affix Revenue Stamps of Rs. 5/-

1. Witness: ____________________

Signature ____________________

Name ____________________

Address ____________________

Signature of Member ____________________

2. Witness: ____________________

Signature ____________________

Name ____________________

Address ____________________

Shareholders' Folio No. ____________________

CDC A/c No. ____________________

NIC No. ____________________

Notes:

1. Proxies, in order to be effective, mus be received at the Company's Registered Office 2nd Flood Trust Plaza, L.M.Q. Road, Multan not later that 48 hours before the time for the meeting and must be duly stamped signer 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, Representative of corporate members should bring the usual document required for such purpose.

Reliance Weaving Mills Ltd.

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MASHHOOD ART LINX 0321-6324236