



*of Companies*  
**24<sup>th</sup> Annual Report 2011**

**UMER GROUP OF COMPANIES**

**BLESSED TEXTILES LIMITED.**

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## Vision

*A Leader Company maintaining  
an excellent Level of ethical and  
Professional standards*



## Mission Statement

*To become a top quality  
Manufacturer of textile products  
In the International  
&  
Local markets*

## CORPORATE INFORMATION

Board of Directors	Mr. Mohammad Amin Mr. Mohammad Salim Mr. Mohammad Sharif Mr. Mohammad Shaheen Mr. Mohammad Shakeel Mr. Khurram Salim Mr. Bilal Sharif Mr. Adil Shakeel	Chief Executive / Director Director Director Director Director Director Director Director
Company Secretary	Syed Ashraf Ali, FCA	
Chief Financial Officer	Mr. Anwar Hussain, FCA	
Audit Committee	Mr. Khurram Salim Mr. Bilal Sharif Mr. Mohammad Salim	Chairman Member Member
Auditors	M/s Rehman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants Suite # 4, Block B 90-Canal Park, Gulberg II Lahore	
Legal Advisor	Mr. Shahid Pervaiz Jami	
Bankers	Barclays Bank Plc Bank Al Habib Limited Dubai Islamic Bank HSBC Middle East Bank Limited MCB Bank Limited Meezan Bank Limited Standard Chartered Bank (Pakistan) Limited United Bank Limited	
Share Registrar	Hameed Majeed Associated (Private) Limited 5th Floor Karachi Chamber, Karachi	
Registered Office	Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, Pakistan Tel : 021 35115177 - 80 ; Fax: 021 -35063002-3 Email: khioff@umergroup.com Website: <a href="http://www.umergroup.com">http://www.umergroup.com</a>	
Liason / Correspondence office	9th Floor, City Towers, 6-K, Main Boulevard Gulberg - II, Lahore, Pakistan Tel : 042 111 130 130 ; Fax: 042 -35770015 Email: lhroff@umergroup.com Website: <a href="http://www.umergroup.com">http://www.umergroup.com</a>	
Mills At:	Spinning and weaving units are situated at Feroz Watwan, Sheikhpura, Punjab. Tel: 0496 731724	

## NOTICE OF THE ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the 24<sup>th</sup> Annual General Meeting of the members of **Blessed Textiles Limited** will be held on Thursday 27<sup>th</sup> October 2011 at 6:00 PM., at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi, to transact the following business:

1. To confirm the minutes of the Annual General Meeting held on 26<sup>th</sup> October 2010.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30<sup>th</sup> June, 2011 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 75% (i.e. PKR 7.50 per share) for the year ended 30<sup>th</sup> June, 2011, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2011-2012 and fix their remuneration. The retiring auditors M/S Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the chairman.

**(By the order of the Board)**

**Karachi:**  
**Dated: 27<sup>th</sup> September, 2011**

**Syed Ashraf Ali**  
FCA  
**Company Secretary**

### NOTES:

1. The Shares Transfer Books of the Company will remain closed from 24<sup>th</sup> October 2011 to 31<sup>st</sup> October, 2011 (both days inclusive). Transfers received in order at the registered office of the company i.e. Umer House, 23/1, Sector 23, S. M. Farooq Road, Korangi Industrial Area, Karachi by 23<sup>rd</sup> October 2011 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30<sup>th</sup> June, 2011.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote instead of him/ her. No person other than a member shall act as proxy.
3. An instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, signed and witnessed.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport, Account and participant's I.D. numbers, to prove his/her identity, and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose. The account/ sub account holders of CDC will further have to follow the guidelines as laid down in Circular No. 1 of 2000 dated January 26, 2000 issued by Securities & Exchange Commission of Pakistan.
5. Members are requested to immediately inform of any change in their addresses to our share Registrar, Hameed Majeed Associates (Private) Limited.

## Directors' Report

The directors of the **Blessed Textiles Limited** have the pleasure in submitting their annual report together with audited financial statements of the company for the year ended 30<sup>th</sup> June 2011.

### Overview

By the blessing of Al Mighty Allah your company earned a record profit of PKR 609.605 million during the year ended 30<sup>th</sup> June, 2011 as compared to PKR 423.522 Million in previous year. The earning per share of company is PKR 94.78 as compared to PKR 65.85 in previous year. By the grace of Al-Mighty Allah your company maintained the position among the market leaders both in domestic and international markets.

The financial year ended 30<sup>th</sup> June, 2011 was a great milestone for the company. Sales of the company are increased by 51.07%. Sales have increased from PKR 4.054 billion to 6.124 billion. Gross profit for the year under review is amounting to PKR 1,160.396 million as compared to PKR 801.314 million in prior year which is increased by 44.81%. Whereas profit before taxation for the year under review is amounting to PKR 673.402 million as compared to PKR 429.929 million in prior year.

### Current Economic Conditions and Textile Industry

The global economy recovery is now being witnessed at varying speeds in different economies after undergoing a severe recession in the past year. The recovery is gaining strength, but unemployment remains high in advanced economies, and new macroeconomic risks are building in emerging market economies. According to IMF report the World GDP growth on year to year basis is projected to be 4.5% in financial year ended 30<sup>th</sup> June 2012 (4.4% in year ended 30<sup>th</sup> June 2011).

Pakistan achieved a real GDP growth of 2.4% (as per the "Economic Survey of Pakistan 2010-2011") mainly due to the growth in the services sector. The impact of the massive floods brought damage to the cash crops and infrastructure and posed a further challenge to the economic growth in the country. Moreover, it also affected the public finances by depressing budget revenues and resulted in additional spending to meet the humanitarian and reconstruction needs.

During the first three quarters of the year under review, textile sector achieved remarkable growth and observed a rapid surge in cotton prices resulting in surge in yarn and fabric prices. However, thereafter cotton prices started to nose-dive resulting in drastic reduction in yarn prices. Demand for the yarn and fabric was also negatively affected. During the period of four months i.e. from April 2011 to July 2011 cotton prices dropped from PKR 12,400 per maund to PKR 4,800 per maund which is an abnormal dip and severely affected the result of textile sector in fourth quarter.

Moreover massive gas load shedding alongwith electricity load shedding from WAPDA affected the production activities of textile sector.

Furthermore, higher inflation in the country is another major cause of concern. Inflation rose to 15.5% (as per "Economic Survey of Pakistan 2010-2011") in current year as compared to 11.7% in the previous year. This was mainly due to rising commodity prices, weakening of the rupee due to stoppage of foreign exchange liquidity support for oil imports by the SBP, modest recovery in the domestic economy due to an increase in aggregate demand and upward

adjustments of power and fuel tariffs. Due to higher inflation, cost of production is increasing day by day and affecting the competitiveness in international market.

Despite uncertain business environment, law order situation, double digit inflation and markup rates, massive electricity and gas load shedding, the performance of textile industry during the financial year ended 30<sup>th</sup> June 2011 is satisfactory.

### Operating Results

Financial results of the company are summarized as under;

	2011 Rupees	2010 Rupees
Sales	6,124,843,644	4,054,211,673
Gross profit	1,160,396,592	801,314,433
Profit before taxation	673,402,451	429,929,752
Taxation		
Current year	64,239,035	41,239,084
Prior year	(441,658)	(1,157,080)
Deferred	-	(33,674,963)
	63,797,377	6,407,041
Profit after taxation	609,605,074	423,522,711
Un-appropriated profit brought forward	81,959,819	13,261,108
Profit available for appropriation	691,564,893	436,783,819
Appropriations:		
Dividend paid	(32,160,000)	(4,824,000)
Transferred to General Reserve	(500,000,000)	(350,000,000)
Un-appropriated profit carried forward	159,404,893	81,959,819
Basic and diluted earning per share	94.78	65.87

In compliance of the requirement of IAS 2 (Inventories) the stock of raw cotton and yarn as on 30<sup>th</sup> June 2011 was valued on the basis of replacement cost and net realizable value due to substantial decrease in cotton and yarn price after the balance sheet date.

During the year under review, the cost of production of your company increased because of increase in cost of raw material, fuel and power, salaries and wages and other consumables due to cost push inflation.

#### Dividend

The board of directors is pleased to recommend a final cash dividend of 75% i.e. PKR 7.5 per share (June 2010: 50% i.e. PKR 5.00 per share) for the approval of shareholders at the forthcoming annual general meeting.

#### Balance Sheet

Balance sheet footing has increased to PKR 2,840.497 million this year. Long term borrowing at the year end is PKR 333.929 million (2010: PKR 504.014 million). Gearing ratio is 0.36 at 30<sup>th</sup> June 2011 as compared to 0.65 at 30<sup>th</sup> June 2010. The liquidity position of the company is good with a current ratio of 2.07 at 30<sup>th</sup> June 2011 (2010: 1.51). The total of shareholders' fund stood at PKR 1.823 billion (2010: PKR 1.246 billion).

#### Cash Flow Management

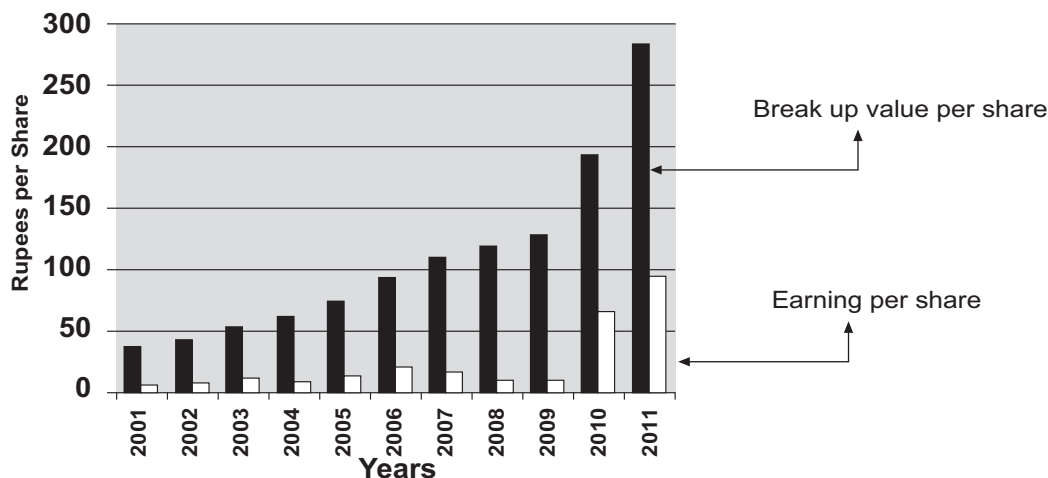
The company has an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on regular basis. Working capital requirements are planned through internal cash generations and short term borrowings.

During the year under review, an amount of PKR 352.607 million was generated from operating activities which was used on fixed capital expenditures, payment of dividend to the shareholders and repayment of long term finance.

The company is well placed for its commitments towards long and short term loans.

## Breakup Value and Earning per Share

The breakup value of your share as on 30<sup>th</sup> June 2011 is PKR 283.53 (30<sup>th</sup> June 2010: PKR 193.76). The Earning per Share (EPS) of your company for the year ended 30<sup>th</sup> June 2011 is PKR 94.78 (30<sup>th</sup> June 2010: PKR 65.87).



## Statement on Corporate and Financial Reporting Framework

The Directors of your Company are aware of their responsibilities under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchanges in the country under instructions from the Securities & Exchange Commission of Pakistan. We are taking all the necessary steps to ensure Good Corporate Governance in your Company as required by the Code. As a part of the compliance of the Code, we confirm the following:

- These financial statements, prepared by the management of the company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- We have prepared and circulated a Statement of Ethics and business strategy among directors and employees.
- The Board of Directors has adopted a vision and mission statement and a statement of overall corporate strategy.
- As required by the Code of Corporate Governance, we have included the following information in this report:
  - o Statement of pattern of shareholding has been given separately.
  - o Statement of shares held by associated undertakings and related persons.
  - o Statement of the Board meetings held during the year and attendance by each director has been given separately.
  - o Key operating and financial statistics for last six years.
- Information about taxes and levies is given in the notes to the financial statements.

#### **Changes in the Board of Directors**

Mr. Mohammad Shaheen director of company submitted his resignation from the post of chief executive of the company on 24<sup>th</sup> September 2011. The board would like to place on record its appreciation on the valuable contributions made by Mr. Mohammad Shaheen towards progress and success of the company. The causal vacancy so occurred was filled within stipulated time. The board of directors unanimously appointed Mr. Mohammad Amin as new chief executive of company.

#### **Change in the Audit Committee**

Mr. Mohammad Salim was nominated by the board on the Audit Committee as member of audit committee in place of Mr. Adil Shakeel.

#### **Audit Committee**

The audit committee of the company is working as required by the code of corporate governance. The audit committee has established internal audit system to monitor and review the adequacy and implementation of internal control at each level. The meetings of audit committee were held in compliance of the requirements of Code of Corporate Governance. Interim and annual financial statements were reviewed by the audit committee before the approval of board of directors.

#### **Financial statements**

As required under listing regulations of stock exchanges the Chief Executive Officer and Chief Financial Officer present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the board of directors and the board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.

The financial statements of the company have been duly audited by the auditors of the company, Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants and the auditors have issued clean audit report on the financial statements for the year ended 30<sup>th</sup> June 2011 and clean review report on Statement of Code of Corporate Governance. These reports are attached with the financial statements.

No material changes in contingencies and commitments, affecting the financial position of your company, have occurred between the end of the financial year to which this balance sheet relates and the date of the directors' report.

#### **Related Party transaction and Transfer Pricing**

It is the policy of the company to ensure that all transactions entered with related parties must be at arms length. The company has adopted comparable uncontrolled price method for pricing of transaction with related parties.

#### **Pattern of Shareholding**

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately. No trade in the shares of the company was carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per the law.

#### **Auditors**

The present auditors M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants shall retire on the conclusion of the 24<sup>th</sup> annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 24<sup>th</sup> annual general meeting until the conclusion of 25<sup>th</sup> annual general meeting. The audit committee has recommended the appointment of aforesaid M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, as external auditor for the year ended 30<sup>th</sup> June 2012. The external auditors, M/s Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants have been given satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan and the firm and all its partner are in compliance with the International Federation of Accountants' Guidelines on the Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

#### **Safety, Health and Environment**

We maintain our commitment to higher standard of Safety, Health and Environment. All our employees undergo continuous training on all aspects of safety especially with regards to the safe production, delivery, storage

and handling of the materials. In addition we have initiated a rotation exercise at the mill whereby our aim is to ensure that all supervisors are also safety managers and are fully cognizant of all aspects of safety training. Due to these controls and with the blessing of Al-Mighty Allah no major accidents or incidents took place at the mill.

#### **Expansion Plan**

In view of the current economic scenario where the cost of financing and production is rapidly increasing and due to non supportive behavior of government for textile industry, no further expansion is under consideration in near future.

However, normal BMR will continue as and when required.

#### **Risks, Challenges and Future Outlook**

Inflation and social disruptions arising from law and order situations are major concerns for business activities in country. Rising inflation and high markup rates may have severe adverse impact on the growth of the economy. This may lead to Pakistan losing its share to its competitor like India, China and Bangladesh due to their government supportive export policies.

Cotton crop estimates for Pakistan as well as internationally are high due to BT seed and good weather. Based on above estimates cotton prices have fallen drastically. Consequently, yarn and fabric prices have also nosedived and demand for yarn and fabric in the local and international market has shrunk.

But the heavy rains in Sindh followed by flood have changed the scenario of cotton price in Pakistan little bit. Sindh contributes around 4.5 million bales towards the total production of cotton crop of Pakistan. About 50% to 70% crop of Sindh has been damage by flood.

Total consumption of the local industry is estimated about 15.0 million bales of cotton, against the targeted production of 14.0 million bales, showing a shortfall of about one million bales. However after the flash floods in Sindh, the shortfall might be increased. If target production of 14.0 million bales of cotton is achieved then the country will need to import about one million bales otherwise the import will be about 3.0 to 3.5 million bales to meet the domestic requirements.

China and India is expecting a bumper cotton crop as compared to their last year's cotton production. As such, India may have exportable surplus of over 7.0 million bales. Whereas lower Chinese demand for imports is expected, hence the import forecast for China was reduced by 600,000 bales.

Based on above it is expected that the prices of cotton would be lower in both local and international markets in the coming quarter.

Major threat for textile industry is power disruption due to shut down of gas during winter season as well as in summer season. Because of shut down of gas supply, machineries have to be operated through electricity generated from furnace oil which is not cost effective and causes in increase in production cost.

The reduction in discount rate by State Bank of Pakistan from 14% to 13.5% is a good step but it is not enough to satisfy the business community. The State Bank of Pakistan should consider a further reduction in discount rate and introduction of a new leverage product in the capital market, these steps would help spawn another positive run in the equity market.

The results of the First Quarter of the next fiscal year will be under severe pressure as market has to adjust to new cotton, yarn and fabric prices. The effects of drastic drop in cotton and yarn prices has already been accounted for in the financial statements for the year ended 30th June 2011 by reporting the inventory of cotton and yarn at replacement cost and net realizable value.


The management is aware of the challenges and will do everything possible to mitigate the adverse impact of such events. But in the absence of government support toward textile industry particularly spinning sector, we are not sure to have good results in the coming year.

## Acknowledgement

Your directors' record with appreciation, the efforts of the company's executives, managers, technicians and workers who have worked vigorously to meet the targets set before them. Your directors also extended their appreciation to the company's bankers, valued customers, suppliers, shareholders and government authorities for the cooperation extended by them during this period.

For and on behalf of the Board of Directors

Karachi: 27<sup>th</sup> September, 2011

  
**Mohammad Salim**  
 Chairman / Director

## Board of Directors Meetings

During the year four board of directors meetings were held and the attendance by each director is as follows.

Directors	2010	2011			Total
	27 <sup>th</sup> Oct	24 <sup>th</sup> Feb	26 <sup>th</sup> April	27 <sup>th</sup> Sept	
Mr. Mohammad Salim	+	+	+	+	4/4
Mr. Mohammad Sharif	+	+	+	+	4/4
Mr. Mohammad Amin	+	+	+	+	4/4
Mr. Mohammad Shakeel	+	+	+	+	4/4
Mr. Khurram Salim	+	+	+	+	4/4
Mr. Bilal Sharif	-	+	+	+	3/4
Mr. Mohammad Amin	-	+	+	+	3/4
Mr. Adil Shakeel	+	+	+	+	4/4
Total	6/8	8/8	8/8	8/8	30/32

## Audit Committee Meeting

During the year four audit committee meetings were held and the attendance by each member is as follows.

Members	2010	2011			Total
	20 <sup>th</sup> Oct	17 <sup>th</sup> Feb	19 <sup>th</sup> April	20 <sup>th</sup> Sept	
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Bilal Sharif	★	★	★	★	4/4
Mr. Adil Shakeel	★	★	★	★	4/4
Total	3/3	3/3	3/3	3/3	12/12

## Year wise Operating Data

### Year Ended 30<sup>th</sup> June

2011	2010	2009	2008	2007	2006
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### Spinning Unit

Spindle installed	47,616	47,616	47,616	47,616	44,496	44,496
Spindle worked	47,616	47,616	47,616	47,616	44,496	44,496
Installed capacity after conversion in to 20/s count (Kgs)	20,413,000	20,413,000	20,413,000	20,413,000	19,081,000	13,457,000
Actual production after conversion in to 20/s count (Kgs)	23,832,744	18,498,000	18,689,000	18,229,000	18,049,000	14,380,000

### Weaving Unit

Air jet looms installed	131	131	131	131	131	131
Air jet looms worked	131	131	131	131	131	131
Installed capacity after conversion into 50 picks - (meters)	17,483,076	17,483,076	17,483,076	17,483,076	17,483,076	20,034,909
Actual production after conversion into 50 picks - (meters)	23,245,090	25,059,000	23,892,170	23,892,170	28,556,778	29,552,819

## Year wise Financial Data

### Year Ended 30<sup>th</sup> June

	2011	2010	2009	2008	2007	2006
<b>Rupees in Thousands</b>						
Fixed assets	1,539,364	1,623,295	1,565,526	1,624,082	1,640,014	1,658,154
Investments, long term loans and deposits	8,128	12,864	11,314	7,688	7,132	19,866
Current assets	1,293,004	773,352	880,145	1,163,347	917,700	762,605
Shareholders equity	1,823,724	1,246,279	827,581	761,811	703,616	602,110
Long term liabilities	333,929	504,014	495,842	531,156	541,038	871,921
Deferred liabilities	57,830	57,639	81,956	68,644	22,270	20,889
Current liabilities	625,012	514,871	962,321	1,353,786	1,197,923	945,704
Turnover (Net)	6,124,843	4,054,211	3,254,301	2,961,744	2,676,741	2,927,425
Gross profit	1,160,396	801,314	466,696	365,722	395,663	416,810
Operating profit	923,186	637,523	357,270	275,028	305,099	321,983
Financial charges	192,407	175,417	1,257,167	159,347	179,969	151,466
Profit before tax	673,402	429,929	100,103	115,680	125,130	170,517
Profit after tax	609,605	423,522	70,593	64,627	106,329	129,818
Cash Dividend	32,160	4,824	4,824	6,432	4,824	4,824
Transfer to reserves	500,000	350,000	60,000	60,000	100,000	180,000
Profit carried forward	159,404	81,959	13,261	7,491	9,296	7,791



**RAHMAN SARFARAZ RAHIM  
IQBAL RAFIQ**  
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## **Review Report to the members**

*on Statement of Compliance with Best practices of Code of Corporate Governance*

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **BLESSED TEXTILES LIMITED** ("the Company") to comply with chapter XI of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, the Lahore Stock Exchange (Guarantee) Limited and the Islamabad Stock Exchange (Guarantee) Limited, 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further Sub- Regulations (xiii) of Listing Regulations No 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transaction distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants

**Date: September 27, 2011**  
**Place: Lahore**

**Engagement Partner:**  
**IRFAN RAHMAN MALIK**

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE  
OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2011**

This statement is being presented to comply with the code of corporate governance contained in listing regulation of the Karachi Stock Exchange, Lahore Stock Exchange and Islamabad Stock Exchange for purpose of establishing a framework of good corporate governance, whereby a listed company is managed in compliance with best practices of corporate governance.

The company applies the principles contained in the Code in the following manner.

1. The company encourages representation of independent non executive directors and directors representing minority interest on its Board of Directors. The Board of directors of the Company has always supported implementation of the highest standards of Corporate Governance at all times.
2. The directors have confirmed that none of the directors of the company are serving as a director in more than ten listed companies, including this company.
3. The Company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors, non workmen employees and has been communicated formally to workmen employees of the Company.
4. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
5. Casual vacancy occurred during the year was filled in accordance with the requirement of Companies Ordinance 1984.
6. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met 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.
7. All the directors of the company are registered as taxpayers and none of them has defaulted in payments of any loan to a banking company, a DFI or an NBFIs. No director in the board is a member of any Stock exchange in Pakistan.
8. The Board arranged one orientation course for its directors during the year apprised them of their duties and responsibilities and briefed them regarding requirements of Code of Corporate Governance, amendment in the Companies Ordinance 1984 and other corporate laws, including the changes made in income tax ordinance 2001 through Finance Act.
9. The CEO and CFO duly endorsed the financial statements of the company before approval of the board.
10. The director's report has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
11. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
12. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors.
13. All the powers of the Board have been duly exercised and the Board has taken decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors have been taken by the Board.

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE  
OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30TH JUNE, 2011**

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. All material information as described in clause (Xiii) of the Code of Corporate Governance is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in time.
16. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
17. The Board has set up effective internal audit function with suitable qualified and experienced personnel, which are involved in the internal audit function on full time basis.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they are not aware of any instances where shares of the company are held by any of the partners of the firm, their spouses and minor children and that the firm and all its partners are compliant with International Federation of accountants (IFAC) guidelines on Code of ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP).
19. All transactions with related parties have been carried out on arm's length basis. Transactions with related parties have been placed before the audit committee and board of directors' meeting for their consideration and formal approval.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the code have been complied with.

**For and on behalf of the Board of Directors**

Karachi: 27<sup>th</sup> September, 2011



**Mohammad Amin**  
Chief Executive / Director



**RAHMAN SARFARAZ RAHIM  
IQBAL RAFIQ**  
Chartered Accountants  
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Gulberg II, Lahore  
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W: www.russellbedford.com

## Auditors' Report to the Members

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

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion--
  - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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 June 30, 2011 and of the profit, other comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980.), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants

**Engagement Partner:**  
IRFAN RAHMAN MALIK

**Date: September 27, 2011**  
**Place: Lahore**

**Balance sheet  
as at June 30, 2011**

	<i>Note</i>	<u>2011</u> <i>Rupees</i>	<u>2010</u> <i>Rupees</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
<b>Authorized share capital</b>			
6,500,000 ordinary shares of Rs. 10 each		<u>65,000,000</u>	<u>65,000,000</u>
Issued, subscribed and paid-up capital	5	64,320,000	64,320,000
General reserve	6	1,600,000,000	1,100,000,000
Accumulated profit		159,404,893	81,959,819
		<u>1,823,724,893</u>	<u>1,246,279,819</u>
<b>Loan from sponsors - Unsecured</b>	7	-	86,707,708
<b>Non-current liabilities</b>			
Long term finances - Secured	8	320,426,335	464,762,053
Liabilities against assets subject to finance lease - Secured	9	13,502,810	39,252,422
Employees retirement benefits	10	49,212,759	39,418,887
Long term payables - Secured	11	8,617,378	18,221,218
		<u>391,759,282</u>	<u>561,654,580</u>
<b>Current liabilities</b>			
Current portion of non-current liabilities	12	294,837,126	201,172,296
Short term borrowings - Secured	13	19,638,590	110,000,000
Accrued mark-up		13,937,079	15,340,800
Trade and other payables	14	296,600,156	188,358,388
		<u>625,012,951</u>	<u>514,871,484</u>
<b>Contingencies and commitments</b>	15	-	-
		<u>2,840,497,126</u>	<u>2,409,513,591</u>

Karachi  
Date: September 27, 2011




**Mohammad Amin**  
Chief Executive

## Balance sheet as at June 30, 2011

	Note	2011 Rupees	2010 Rupees
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	1,539,364,345	1,623,295,825
Long term deposits	17	8,128,385	8,128,385
Long term advances - <i>Unsecured, Considered good</i>	18	-	4,736,810
		<b>1,547,492,730</b>	1,636,161,020
 <b>Current assets</b>			
Stores, spares and loose tools	19	55,901,941	34,712,543
Stock in trade	20	935,161,078	525,224,173
Trade receivables	21	164,856,435	87,597,012
Advances, prepayments and other receivables	22	70,431,323	45,482,332
Current taxation	23	49,791,519	49,555,396
Cash and bank balances	24	16,862,100	30,781,115
		<b>1,293,004,396</b>	773,352,571
		<b>2,840,497,126</b>	2,409,513,591

*The annexed notes 1 to 48 form an integral part of these financial statements.*

  
**Mohammad Salim**  
 Director



## BLESSED TEXTILES LIMITED

### Profit and loss account for the year ended June 30, 2011

		2011 Rupees	2010 Rupees
Turnover - net	25	6,124,843,644	4,054,211,673
Cost of sales	26	4,964,447,052	3,252,897,240
<b>Gross profit</b>		<b>1,160,396,592</b>	<b>801,314,433</b>
Selling and distribution expenses	27	182,059,377	111,394,413
Administrative and general expenses	28	57,550,360	53,473,389
		<b>239,609,737</b>	<b>164,867,802</b>
		<b>920,786,855</b>	<b>636,446,631</b>
Other operating income	29	2,399,470	3,384,680
<b>Operating profit</b>		<b>923,186,325</b>	<b>639,831,311</b>
Finance cost	30	192,407,120	175,417,844
Other charges	31	57,376,754	34,483,715
		<b>249,783,874</b>	<b>209,901,559</b>
<b>Profit before taxation</b>		<b>673,402,451</b>	<b>429,929,752</b>
Taxation expenses/(income)			
Current taxation	32	63,797,377	40,082,004
Deferred taxation	32	-	(33,674,963)
		<b>63,797,377</b>	<b>6,407,041</b>
<b>Profit after taxation</b>		<b>609,605,074</b>	<b>423,522,711</b>
<b>Earnings per share <i>basic and diluted</i></b>	33	<b>94.78</b>	<b>65.85</b>

The annexed notes 1 to 48 form an integral part of these financial statements.

Mohammad Amin  
Chief Executive

Mohammad Salim  
Director

Karachi  
Date: September 27, 2011



## BLESSED TEXTILES LIMITED

### Statement of other comprehensive income for the year ended June 30, 2011

	2011	2010
	Rupees	Rupees
Profit after taxation	609,605,074	423,522,711
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>609,605,074</b>	<b>423,522,711</b>

*The annexed notes 1 to 48 form an integral part of these financial statements.*

Mohammad Amin  
Chief Executive

Mohammad Salim  
Director

Karachi

Date: September 27, 2011





# BLESSED TEXTILES LIMITED

## Cash flow statement for the year ended June 30, 2011

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	35	576,657,654	921,780,518
Payments for:			
Employees retirement benefits		(10,536,493)	(5,846,724)
Interest/markup		(149,480,366)	(167,151,330)
Income tax		(64,033,500)	(45,238,103)
<b>Net cash flow from operating activities</b>		<b>352,607,295</b>	<b>703,544,361</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(69,041,900)	(240,800,680)
Proceeds from disposal of property, plant and equipment		1,457,500	18,410,000
<b>Net cash used in investing activities</b>		<b>(67,584,400)</b>	<b>(222,390,680)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long term finances obtained		-	204,570,000
Repayment of long term finances		(150,841,769)	(200,131,249)
Repayment of liabilities against assets subject to finance lease		(25,578,731)	(35,382,716)
Net decrease in short term borrowings		(90,361,410)	(427,413,935)
Dividend paid		(32,160,000)	(4,824,000)
<b>Net cash used in financing activities</b>		<b>(298,941,910)</b>	<b>(463,181,900)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(13,919,015)</b>	<b>17,971,781</b>
<b>Cash and cash equivalents as at beginning of the year</b>		<b>30,781,115</b>	<b>12,809,334</b>
<b>Cash and cash equivalents as at end of the year</b>	36	<b>16,862,100</b>	<b>30,781,115</b>

*The annexed notes 1 to 48 form an integral part of these financial statements.*

  
Mohammad Amin  
Chief Executive


  
Mohammad Salim  
Director


Karachi  
Date: September 27, 2011

## Statement of changes in equity for the year ended June 30, 2011

	Issued subscribed and paid-up capital <i>Rupees</i>	General reserve <i>Rupees</i>	Accumulated profit <i>Rupees</i>	Total equity <i>Rupees</i>
As at July 01, 2009	64,320,000	750,000,000	13,261,108	827,581,108
Profit for the year ended June 30, 2010	-	-	423,522,711	423,522,711
Profit transferred to general reserve		350,000,000	(350,000,000)	-
Other comprehensive income for the year ended June 30, 2010	-	-	-	-
Final dividend on ordinary shares for the year ended June 30, 2009	-	-	(4,824,000)	(4,824,000)
As at June 30, 2010	<u>64,320,000</u>	<u>1,100,000,000</u>	<u>81,959,819</u>	<u>1,246,279,819</u>
Profit for the year ended June 30, 2011	-	-	609,605,074	609,605,074
Profit transferred to general reserve	-	500,000,000	(500,000,000)	-
Other comprehensive income for the year ended June 30, 2011	-	-	-	-
Final dividend on ordinary shares for the year ended June 30, 2010	-	-	(32,160,000)	(32,160,000)
As at June 30, 2011	<u><u>64,320,000</u></u>	<u><u>1,600,000,000</u></u>	<u><u>159,404,893</u></u>	<u><u>1,823,724,893</u></u>

*The annexed notes 1 to 48 form an integral part of these financial statements.*

  
**Mohammad Amin**  
 Chief Executive

  
**Mohammad Salim**  
 Director

Karachi  
Date: September 27, 2011

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**

**1 REPORTING ENTITY**

Blessed Textiles Limited ('the Company') is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange (Guarantee) Limited, Islamabad Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. The Company is primarily a spinning unit engaged in the manufacture and sale of yarn and woven fabric, however, it is also engaged in the generation of electricity for self consumption. The registered office of the Company is situated at Umer House, 23/1, Sector 23, S.M. Farooq Road, Korangi Industrial Area, Karachi. The manufacturing facility is located at District Sheikhpura in the Province of Punjab.

**2 BASIS OF PREPARATION**

**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 Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 prevail.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except for employee retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

**2.3 Judgements, estimates and assumptions**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgements made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

**2.3.1 Depreciation method, rates and useful lives of property, plant and equipment**

The Company reassesses useful lives, depreciation method and rates for each item of property and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

**2.3.2 Recoverable amount and impairment**

The management of the Company reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**

**2.3.3 Taxation**

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

**2.3.4 Provisions**

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

**2.3.5 Obligation under defined benefit plan**

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

**2.4 Functional currency**

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**3.1 Property, plant and equipment**

**3.1.1 Operating fixed assets**

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at cost less accumulated impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**

**3.1.2 Capital work in progress**

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

**3.2 Stores, spares and loose tools**

These are generally held for internal use and are valued at cost. Cost is determined on the basis of weighted average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil.

**3.3 Stock in trade**

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

**3.4 Employee benefits**

***Short-term employee benefits***

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

***Post-employment benefits***

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss. The amount recognized on balance sheet represents the present value of defined benefit obligation as adjusted for unrecognized actuarial gains or losses. Actuarial gains or loss are recognized using '10% corridor approach' as set out by International Accounting Standard 19 - Employee Benefits. The details of the scheme are referred to in note 10 to the financial statements.

**3.5 Financial instruments**

**3.5.1 Recognition**

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**

**3.5.2 Classification**

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

**3.5.2(a) Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

**3.5.2(b) Financial liabilities at amortized cost**

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

**3.5.3 Measurement**

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

**3.5.4 De-recognition**

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

**3.5.5 Off-setting**

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

**3.6 Ordinary share capital**

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

**3.7 Loans and borrowings**

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**

**3.8 Finance leases**

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'operating fixed assets'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for operating fixed assets. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost.

**3.9 Operating leases**

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight line basis over the lease term.

**3.10 Trade and other payables**

**3.10.1 Financial liabilities**

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

**3.10.2 Non-financial liabilities**

These, both on initial recognition and subsequently, are measured at cost.

**3.11 Provisions and contingencies**

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

**3.12 Trade and other receivables**

**3.12.1 Financial assets**

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**

**3.12.2 Non-financial assets**

These, both on initial recognition and subsequently, are measured at cost.

**3.13 Revenue**

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For local sales transfer usually occurs on dispatch of goods to customers. For export sales transfer occurs upon loading the goods onto the relevant carrier.

Interest income is recognized using effective interest method.

**3.14 Comprehensive income**

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of other comprehensive income'.

**3.15 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

**3.16 Income tax**

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

**3.16.1 Current taxation**

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**

**3.16.2 Deferred taxation**

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**3.17 Government grants**

Government grants that compensate the Company for expenses or losses already incurred are recognized in profit or loss in the period in which these are received and are deducted in reporting the relevant expenses or losses.

**3.18 Earnings per share ('EPS')**

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

**3.19 Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are classified as 'loans and receivables' and are carried at cost.

**3.20 Foreign currency transactions and balances**

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

**3.21 Impairment**

**3.21.1 Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

**3.21.2 Non-financial assets**

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

**3.22 Dividend distribution to ordinary shareholders**

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

**4 NEW AND REVISED APPROVED ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS THERETO**

**4.1 New and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year**

The following are new and revised approved accounting standards, interpretations and amendments thereto that are effective in the current year. However, these do not effect financial statements of the Company for current period or any period. The effect, if any, on future periods, is impracticable to determine.

<b>Standards, interpretations and amendments</b>	<b>Description</b>
IFRS 1 - First-time Adoption of International Financial Reporting Standards ( <i>Amendments</i> )	The amendments provide certain exemptions to first-time adoptors of International Financial Reporting Standards.
IFRS 2 - Share-based Payments ( <i>Amendments</i> )	The standard was amended to provide additional guidance on the accounting for share-based payment transactions among group entities.

## Notes to and forming part of financial statements for the year ended June 30, 2011

Standards, interpretations and amendments	Description
IFRS 3 - Business Combinations ( <i>Amendments</i> )	The amendments provide guidance on measurement of non-controlling interests and on measurement of un-replaced and voluntary replaced share-based payment awards and transitional requirements for contingent consideration from a business combination.
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations ( <i>Amendments</i> )	The amendments provide clarification regarding scope of the standard.
IFRS 8 - Operating Segments ( <i>Amendments</i> )	The amendments clarify requirements regarding disclosure of segment assets.
IAS 1 - Presentation of Financial Statements ( <i>Amendments</i> )	The amendments provide guidance on current/non-current classification of convertible instruments.
IAS 7 - Statement of Cash Flows ( <i>Amendments</i> )	The standard was amended to provide guidance on recognition of certain expenditures as investing activities.
IAS 17 - Leases ( <i>Amendments</i> )	The amendments have removed guidance regarding classification of leases of land so as to eliminate inconsistency with the general guidance on lease classification.
IAS 32 - Financial Instruments: Presentation ( <i>Amendments</i> )	The amendments provide guidance on classification of right issues.
IAS 36 - Impairment of Assets ( <i>Amendments</i> )	The amendments provide guidance on identification of unit of accounting for goodwill impairment test.
IAS 38 - Intangible Assets ( <i>Amendments</i> )	The amendments clarify requirements regarding accounting for intangible assets acquired in a business combination.
IAS 39 - Financial Instruments: Recognition and Measurement ( <i>Amendments</i> )	The amendments provide clarification regarding treatment of loan prepayment penalties and recognition of gains or losses on certain hedging instruments .
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	The interpretation provides guidance on accounting for debt for equity swaps.

### 4.2 Approved accounting standards, interpretations and amendments thereto issued but not effective as at the reporting date

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date. Their impact on the Company's financial statements cannot be ascertained as at the reporting date.

Standards, interpretations and amendments	Description
IFRS 7 - Financial Instruments: Disclosures ( <i>Amendments</i> )	The amendments emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRS 7 - Financial Instruments: Disclosures ( <i>Amendments</i> )	The amendments provide enhanced disclosure requirements pertaining to derecognition of financial assets. The amendment is effective for annual periods beginning on or after July 01, 2011.

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**
**Standards, interpretations and amendments**
**Description**

IFRS 9 - Financial Instruments: Classification and Measurement	The standard introduces new requirements for the classification and measurement of financial instruments and replaces relevant requirements in IAS 39 - Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 10 - Consolidated Financial Statements	The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 11 - Joint Arrangements	The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 12 - Disclosure of Interests in Other Entities	The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is effective for annual periods beginning on or after January 01, 2013.
IFRS 13 - Fair Value Measurement	The standard establishes a single framework for measuring fair value where that is required by other standards. The standard is effective for annual periods beginning on or after January 01, 2013.
IAS 1 - Presentation of Financial Statements (Amendments)	The amendments clarify that an entity may present the analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective for annual periods beginning on or after January 01, 2011.
IAS 12 - Income Taxes	The amendments provide exception to the general principal of IAS 12 for investment property measured using the fair value model and introduces a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The amendment is effective for annual periods beginning on or after January 01, 2012.
IAS 24 - Related Party Disclosures (Revised 2009)	The revised standard amends the definition of related party and modifies certain related party disclosure requirements for government-related entities. The standard is effective for annual periods beginning on or after January 01, 2011.
IAS 34 - Interim Financial Reporting (Amendments)	The amendments provide clarification about significant events and transactions to be disclosed in interim financial reports. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRIC 13 - Customer Loyalty Programmes (Amendments)	The amendments clarify the meaning of 'fair value' in the context of measuring award credits under customer loyalty programmes. The amendment is effective for annual periods beginning on or after January 01, 2011.
IFRIC 14 - IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	The amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions being recognized as an asset rather than an expense. The amendment is effective for annual periods beginning on or after January 01, 2011.



# BLESSED TEXTILES LIMITED

## Notes to and forming part of financial statements for the year ended June 30, 2011

	2011 <i>Rupees</i>	2010 <i>Rupees</i>
<b>5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
6,432,000 (2010: 6,432,000) ordinary shares of Rs. 10 each issued for cash	<b>64,320,000</b>	64,320,000

### 6 GENERAL RESERVE

General reserve is primarily being maintained to have adequate resources for future requirements and business operations.

	<i>Note</i>	2011 <i>Rupees</i>	2010 <i>Rupees</i>
<b>7 LOAN FROM SPONSORS - UNSECURED</b>			
Face value of loan	7.1	<b>100,000,000</b>	100,000,000
Unamortized imputed interest	7.2	-	(13,292,292)
Transferred to current liabilities	12	<b>(100,000,000)</b>	-
		<b>-</b>	<b>86,707,708</b>

7.1 This loan has been obtained from Sponsor Directors of the Company, and is interest free. The loan is expected to repaid by June 30, 2012 and, accordingly, has been transferred to current liabilities. The loan was carried at amortized cost which was determined using a discount rate of 14% over the remaining tenor of loan.

	<i>Note</i>	2011 <i>Rupees</i>	2010 <i>Rupees</i>
<b>7.2 Movement in unamortized imputed interest is as follows:</b>			
As at beginning of the year		<b>13,292,292</b>	10,714,285
Arising during the year		-	13,292,292
Amortization for the year	30	<b>(13,292,292)</b>	(10,714,285)
As at end of the year		<b>-</b>	<b>13,292,292</b>

### 8 LONG TERM FINANCES - SECURED

These represent long term finances utilized under interest/markup arrangements from banking companies

#### Term Finances ('TF')

TF - I	8.1	<b>225,000,000</b>	300,000,000
TF - II	8.2	<b>54,150,000</b>	57,000,000
TF - III	8.3	<b>106,176,000</b>	106,176,000
		<b>385,326,000</b>	463,176,000

## Notes to and forming part of financial statements for the year ended June 30, 2011

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
Long Term Finances for Export Oriented Projects ('LTFEOP')			
LTFEOP - I	8.4	-	42,857,140
LTFEOP - II	8.5	<b>27,822,873</b>	34,778,591
LTFEOP - III	8.6	-	9,090,911
LTFEOP - IV	8.7	<b>35,219,180</b>	49,307,180
LTFEOP - V	8.8	<b>21,870,000</b>	21,870,000
LTFEOP - VI	8.9	<b>19,524,000</b>	19,524,000
		<b>104,436,053</b>	177,427,822
		<b>489,762,053</b>	640,603,822
Current maturity presented under current liabilities	12	<b>(169,335,718)</b>	(175,841,769)
		<b>320,426,335</b>	464,762,053

- 8.1** The finance has been obtained from Meezan Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries mark-up at three months KIBOR plus 1.1% per annum (2010: three months KIBOR plus 1.1% per annum), payable quarterly. The finance is repayable in quarterly installments.
- 8.2** The finance has been obtained from MCB Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries mark-up at three months KIBOR plus 2% per annum (2010: three months KIBOR plus 2% per annum), payable quarterly. The finance is repayable in quarterly installments.
- 8.3** The finance has been obtained from Meezan Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries mark-up at three months KIBOR plus 1.65% per annum (2010: three months KIBOR plus 1.65% per annum), payable quarterly. The finance is repayable in sixteen equal quarterly installments with the first installment due in August 2011.
- 8.4** The finance was obtained from MCB Bank Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company. The finance carried mark-up at 7% per annum (2010: 7% per annum), payable quarterly. The finance has been fully repaid during the year.
- 8.5** The finance has been obtained from Bank Al-Habib Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries mark-up at 7% per annum (2010: 7% per annum), payable quarterly. The finance is repayable in twelve equal quarterly installments with the first installment due in October 2008.
- 8.6** The finance was obtained from Faysal Bank Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company. The finance carried mark-up at 6% per annum (2010: 6% per annum), payable quarterly. The finance has been fully repaid during the year.
- 8.7** The finance has been obtained from MCB Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries mark-up at 9% per annum (2010: 9% per annum), payable quarterly. The finance is repayable in sixteen equal quarterly installments with the first installment due in February 2010.
- 8.8** The finance has been obtained from MCB Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries mark-up at 10.4% per annum (2010: 10.4% per annum), payable quarterly. The finance is repayable in sixteen equal quarterly installments with the first installment due in November 2011.

## Notes to and forming part of financial statements for the year ended June 30, 2011

**8.9** The finance has been obtained from MCB Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries mark-up at 10.4% per annum (2010: 10.4% per annum), payable quarterly. The finance is repayable in eight equal semi-annual installments with the first installment due in October 2011.

**8.10** For restrictions on title, and assets pledged as security, refer to note 42 to the financial statements.

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>9</b>	<b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED</b>		
	Present value of minimum lease payments	9.1 & 9.2 <b>39,004,218</b>	64,582,949
	Current maturity presented under current liabilities	9.1 & 9.2 <b>(25,501,408)</b>	(25,330,527)
		<b>13,502,810</b>	<b>39,252,422</b>

**9.1** These represent vehicles and machinery acquired under finance lease arrangements. The leases are priced at rates ranging from three to six months KIBOR plus 0.75% to 2% per annum (2010: three months KIBOR plus 0.75% to 2% per annum). Lease rentals are payable quarterly over a tenor of 3 years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of their respective lease terms by adjusting the deposit amount against the residual value of the asset and intends to exercise the option.

**9.2** The amount of future payments under the finance lease arrangements and the period in which these payments will become due are as follows:

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
	Not later than one year	<b>29,757,155</b>	32,629,483
	Later than one year but not later than five years	<b>14,227,445</b>	43,248,889
	<b>Total future minimum lease payments</b>	<b>43,984,600</b>	75,878,372
	Finance charge allocated to future periods	<b>(4,980,382)</b>	(11,295,423)
	<b>Present value of future minimum lease payments</b>	<b>39,004,218</b>	64,582,949
	Not later than one year	12 <b>(25,501,408)</b>	(25,330,527)
	Later than one year but not later than five years	<b>13,502,810</b>	<b>39,252,422</b>

## **10** EMPLOYEES RETIREMENT BENEFITS

The amount recognized on balance sheet represents present value of defined benefit obligation.

### **10.1** Movement in present value of defined benefit obligation

	As at beginning of the year		<b>39,418,887</b>	32,620,765
	Charged to profit or loss for the year	10.2	<b>14,144,533</b>	14,475,510
	Benefits paid during the year		<b>(10,536,493)</b>	(5,846,724)
	Actuarial (gain)/loss arising during the year	10.2	<b>6,185,832</b>	(1,830,664)
	As at end of the year		<b>49,212,759</b>	<b>39,418,887</b>

## Notes to and forming part of financial statements for the year ended June 30, 2011

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>10.2 Charge to profit or loss</b>			
Current service cost		9,524,379	9,582,395
Interest cost		4,620,154	4,893,115
	10.1	<b>14,144,533</b>	14,475,510
Actuarial (gain)/loss recognized during the year	10.1	6,185,832	(1,830,664)
		<b>20,330,365</b>	12,644,846

### 10.3 The charge to profit or loss has been allocated as follows

Cost of sales	26.2	16,183,061	8,792,951
Administrative and general expenses	28.1	4,147,304	3,851,895
		<b>20,330,365</b>	12,644,846

### 10.4 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at June 30, 2011 has been determined by the management of the Company based on internal estimates, whereas, the liability as at June 30, 2010 was based on actuarial valuation carried out by independent valuers. The principal assumptions used in determining present value of defined benefit obligation are:

	2011	2010
Discount rate	14%	12%
Expected rates of increase in salary	14%	11%
Expected average remaining working lives of employees	5 years	5 years

### 10.5 Historical information

		2011	2010	2009	2008	2007
Present value of defined benefit obligation	<i>Rupees</i>	49,212,759	39,418,887	32,620,765	25,686,445	22,270,325
Actuarial adjustment arising during the year	%	12.57	4.64	9.71	5.21	8.25

The experience adjustment component of actuarial adjustment is impracticable to determine and thus has not been disclosed.

### 11 LONG TERM PAYABLES - SECURED

This represents infrastructure cess levied by Excise and Taxation Officer ('ETO') Government of Sindh on movement of imported goods entering the Sindh Province from outside Pakistan. The Company and others have filed a suit before the Sindh High Court (SHC) challenging the levy. The Supreme Court of Pakistan through order has declared all levies and collections before December 28, 2006 to be invalid. During the pendency of decision on the levies and collections on or after December 28, 2006, SHC has directed the petitioners to pay 50% of liability for levies on or after December 26, 2006 to ETO and to arrange bank guarantees for the remaining amount in favour of ETO (see note 15.1.1). The Company has adjusted its liability pertaining to infrastructure tax levied/collected before December 28, 2006 and has paid 50% of levies after the said date and issue 50% bank guarantee.

## Notes to and forming part of financial statements for the year ended June 30, 2011

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>12</b>	<b>CURRENT MATURITY OF NON-CURRENT LIABILITIES</b>		
	Loan from sponsors	7 100,000,000	-
	Long term finances	8 169,335,718	175,841,769
	Liabilities against assets subject to finance lease	9 25,501,408	25,330,527
		<u>294,837,126</u>	<u>201,172,296</u>

### 13 SHORT TERM BORROWINGS - SECURED

These represent short term finances utilized under interest/mark-up arrangements from banking companies

	Running finances	13.1 19,638,590	-
	Term loans	-	110,000,000
		<u>19,638,590</u>	<u>110,000,000</u>

13.1 The facility has been obtained from various banking companies for working capital requirements and are secured by charge over all present and future current assets of the Company and demand promissory notes.

Interest/mark-up on short term loans is payable along with principal on maturity and that on running finances is payable quarterly. These finances carry mark-up at rates ranging from one to three months KIBOR plus 0.4% to 2.5% per annum (2010: one to three months KIBOR plus 0.6% to 2.5% per annum).

The aggregate available short term funded facilities amounts to Rs. 3,815 million (2010: Rs. 2,065 million) out of which Rs. 3,796 million (2010: Rs. 1,955 million) remained unavailed as at the reporting date.

13.2 For restrictions on title, and assets pledged as security, refer to note 42 to the financial statements.

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>14</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Trade creditors - <i>Unsecured</i>	130,155,121	78,636,158
	Accrued liabilities	99,286,684	69,568,985
	Advances from customers - <i>Unsecured</i>	13,720,934	5,859,399
	Workers' Profit Participation Fund	14.1 37,677,480	23,112,136
	Workers' Welfare Fund	14.2 13,474,274	9,063,579
	Unclaimed dividend	1,671,137	1,493,874
	Other payables - <i>Unsecured</i>	614,526	624,257
		<u>296,600,156</u>	<u>188,358,388</u>

### 14.1 Workers' Profit Participation Fund

	As at beginning of the year	23,112,136	5,817,951
	Interest on funds utilized by the Company	14.1.1 3,253,112	407,257
	Charged to profit or loss for the year	31 37,677,480	23,112,136
	Paid during the year	(26,365,248)	(6,225,208)
	As at end of the year	<u>37,677,480</u>	<u>23,112,136</u>

## Notes to and forming part of financial statements for the year ended June 30, 2011

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>14.1.1</b>	Interest is charged at 37.5% (2010: 17.5%) per annum.		
<b>14.2</b>	<b>Workers' Welfare Fund</b>		
	As at beginning of the year	<b>9,063,579</b>	1,994,843
	Charged to profit or loss for the year	31 <b>13,474,274</b>	9,063,579
	Paid/adjusted during the year	<b>(9,063,579)</b>	(1,994,843)
	As at end of the year	<u><b>13,474,274</b></u>	<u>9,063,579</u>
<b>15</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>15.1</b>	<b>Contingencies</b>		
<b>15.1.1</b>	Guarantees issued by banks on behalf of the Company as at the reporting date amount to Rs. 67.76 million (2010: Rs. 78.35 million), however the Company has already recognized related liability amounting to Rs. 8.67 million (2010: Rs. 18.22 million). See note 11.		
<b>15.1.2</b>	Bills discounted/negotiated as at the reporting date amount to Rs. 24.46 million (2010: Rs. 240.51 million).		
<b>15.1.3</b>	The Company has issued indemnity bonds and post dated cheques collectively amounting to Rs. 10.76 million (2010: Rs. 7.88 million) in favour of Sales Tax Department in lieu of levies under various statutory notifications and these are likely to be released after fulfillment of the terms of related notifications.		
		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>15.2</b>	<b>Commitments</b>		
<b>15.2.1</b>	Commitments under irrevocable letters of credit for:		
	- purchase of stores, spare and loose tools	<b>4,337,438</b>	7,414,408
	- purchase of raw material	-	94,657,593
		<u><b>4,337,438</b></u>	<u>102,072,001</u>
<b>15.2.2</b>	Commitments for capital expenditure	-	10,000,000
<b>16</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
	Operating fixed assets	16.1 <b>1,521,179,827</b>	1,405,915,827
	Capital work in progress	16.2 <b>18,184,518</b>	217,379,998
		<u><b>1,539,364,345</b></u>	<u>1,623,295,825</u>

## Notes to and forming part of financial statements for the year ended June 30, 2011

### 16.1 Operating fixed assets

	2011											
	COST					Rate %	DEPRECIATION				Net book value	
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30 Rupees		As at July 01 Rupees	For the year Rupees	Adjustment Rupees	Impairment allowance Rupees	As at June 30 Rupees	as at June 30 Rupees
<b>Assets owned by the Company</b>												
Freehold land	25,432,849	-	-	-	25,432,849	-	-	-	-	-	-	25,432,849
Buildings on freehold land												
Factory buildings	363,128,659	-	-	7,534,448	370,663,107	10	177,604,508	18,854,435	-	-	196,458,943	174,204,164
Non-factory buildings	65,392,196	-	-	2,291,091	67,683,287	5	18,677,081	2,345,209	-	-	21,022,290	46,660,997
	428,520,855	-	-	9,825,539	438,346,394		196,281,589	21,199,644	-	-	217,481,233	220,865,161
Plant and machinery	1,943,695,149	-	-	235,437,092	2,179,132,241	10	906,059,013	106,756,696	-	-	1,012,815,709	1,166,316,532
Equipment and other assets	45,923,590	7,146,459	-	-	53,070,049	35	38,090,827	12,112,961	-	-	50,203,788	2,866,261
Electric installations	26,816,448	-	-	-	26,816,448	10	12,157,070	1,025,239	-	-	13,182,309	13,634,139
Office equipment - head office	4,801,714	-	-	-	4,801,714	10	3,351,681	118,675	-	-	3,470,356	1,331,358
Office equipment - factory	1,208,309	1,180,506	-	-	2,388,815	10	825,840	75,414	-	-	901,254	1,487,561
Furniture and fixtures - head office	199,098	-	-	-	199,098	10	125,449	7,365	-	-	132,814	66,284
Furniture and fixtures - factory	6,804,063	85,124	-	-	6,889,187	10	3,412,968	348,700	-	-	3,761,668	3,127,519
Vehicles	18,834,886	14,562,660	(3,637,325)	1,001,800	30,762,021	20	11,665,052	2,437,965	(2,398,178)	-	11,704,839	19,057,182
	<u>2,502,236,961</u>	<u>22,974,749</u>	<u>(3,637,325)</u>	<u>246,264,431</u>	<u>2,767,838,816</u>		<u>1,171,969,489</u>	<u>144,082,659</u>	<u>(2,398,178)</u>	<u>-</u>	<u>1,313,653,970</u>	<u>1,454,184,846</u>
<b>Assets subject to finance lease</b>												
Plant and machinery	90,924,545	-	-	-	90,924,545	10	21,093,106	7,071,106	-	-	28,164,212	62,760,333
Vehicles	6,776,320	-	-	(1,001,800)	5,774,520	20	959,404	1,058,660	(478,192)	-	1,539,872	4,234,648
	<u>2,599,937,826</u>	<u>22,974,749</u>	<u>(3,637,325)</u>	<u>245,262,631</u>	<u>2,864,537,881</u>		<u>1,194,021,999</u>	<u>152,212,425</u>	<u>(2,876,370)</u>	<u>-</u>	<u>1,343,358,054</u>	<u>1,521,179,827</u>

	2010											
	COST					Rate %	DEPRECIATION				Net book value	
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30 Rupees		As at July 01 Rupees	For the year Rupees	Adjustment Rupees	Impairment allowance Rupees	As at June 30 Rupees	as at June 30 Rupees
<b>Assets owned by the Company</b>												
Freehold land	25,432,849	-	-	-	25,432,849	-	-	-	-	-	-	25,432,849
Buildings on freehold land												
Factory buildings	362,408,797	-	-	719,862	363,128,659	10	157,057,366	20,547,142	-	-	177,604,508	185,524,151
Non-factory buildings	64,895,478	-	-	496,718	65,392,196	5	16,222,988	2,454,093	-	-	18,677,081	46,715,115
	427,304,275	-	-	1,216,580	428,520,855		173,280,354	23,001,235	-	-	196,281,589	232,239,266
Plant and machinery	1,975,087,274	-	(62,892,125)	31,500,000	1,943,695,149	10	839,928,547	113,187,386	(47,056,920)	-	906,059,013	1,037,636,136
Equipment and other assets	36,948,393	8,975,197	-	-	45,923,590	35	18,610,741	9,261,004	9,055,249	1,163,833	38,090,827	7,832,763
Electric installations	26,816,448	-	-	-	26,816,448	10	10,528,250	1,628,820	-	-	12,157,070	14,659,378
Office equipment - head office	4,801,714	-	-	-	4,801,714	10	3,219,820	131,861	-	-	3,351,681	1,450,033
Office equipment - factory	1,208,309	-	-	-	1,208,309	10	783,344	42,496	-	-	825,840	382,469
Furniture and fixtures - head office	199,098	-	-	-	199,098	10	117,266	8,183	-	-	125,449	73,649
Furniture and fixtures - factory	6,776,603	27,460	-	-	6,804,063	10	3,027,856	385,112	-	-	3,412,968	3,391,095
Vehicles	20,345,891	2,115,875	(3,626,880)	-	18,834,886	20	13,081,742	1,758,199	(3,174,889)	-	11,665,052	7,169,834
	<u>2,524,920,854</u>	<u>11,118,532</u>	<u>(66,519,005)</u>	<u>32,716,580</u>	<u>2,502,236,961</u>		<u>1,062,577,920</u>	<u>149,404,296</u>	<u>(41,176,560)</u>	<u>1,163,833</u>	<u>1,171,969,489</u>	<u>1,330,267,472</u>
<b>Assets subject to finance lease</b>												
Plant and machinery	122,424,545	-	-	(31,500,000)	90,924,545	10	19,895,446	10,252,909	(9,055,249)	-	21,093,106	69,831,439
Vehicles	1,001,800	5,774,520	-	-	6,776,320	20	347,290	612,114	-	-	959,404	5,816,916
	<u>2,648,347,199</u>	<u>16,893,052</u>	<u>(66,519,005)</u>	<u>1,216,580</u>	<u>2,599,937,826</u>		<u>1,082,820,656</u>	<u>160,269,319</u>	<u>(50,231,809)</u>	<u>1,163,833</u>	<u>1,194,021,999</u>	<u>1,405,915,827</u>

## Notes to and forming part of financial statements for the year ended June 30, 2011

### 16.1.1 Disposal of property, plant and equipment

	2011					Mode of disposal	Particulars of buyer
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Gain/(loss) on disposal Rupees		
<b>Vehicles - owned</b>							
Honda City - ACZ 416	826,800	757,628	69,172	100,000	30,828	Negotiation	Mr. Asif Ali, Karachi
Honda CD 70 - LOC 3264	26,572	26,342	230	7,500	7,270	Negotiation	Mr. Shahid, Lahore
Toyota Corolla - AJD 814	1,042,000	740,392	301,608	500,000	198,392	Negotiation	Mr. Muhammad Tanveer, Karachi
Suzuki Cultus - LXX 6809	605,403	532,019	73,384	300,000	226,616	Negotiation	Mr. Fazal Rabi, Mohmand Agency
Suzuki Cultus - LWB-9209	568,450	410,121	158,329	250,000	91,671	Negotiation	Mr. Hassan Imran, Kasur
Suzuki Cultus - LWB-9214	568,100	409,868	158,232	300,000	141,768	Negotiation	Mr. Fazal Rabi, Mohmand Agency
	<b>3,637,325</b>	<b>2,876,370</b>	<b>760,955</b>	<b>1,457,500</b>	<b>696,545</b>		

	2010					Mode of disposal	Particulars of buyer
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Gain/(loss) on disposal Rupees		
<b>Plant and machinery - owned</b>							
Auto coner	2,246,000	985,151	1,260,849	660,000	(600,849)	Negotiation	M.K. Sons Faisalabad
Auto coner	17,268,934	14,281,774	2,987,160	3,600,000	612,840	Negotiation	M.K. Sons Faisalabad
Auto coner	17,268,934	14,281,774	2,987,160	3,600,000	612,840	Negotiation	M.K. Sons Faisalabad
Auto coner	17,268,934	14,281,774	2,987,160	3,600,000	612,840	Negotiation	M.K. Sons Faisalabad
Carding machine	8,839,323	3,226,447	5,612,876	5,700,000	87,124	Negotiation	Faisal Spinning Mills Limited
	62,892,125	47,056,920	15,835,205	17,160,000	1,324,795		

<b>Vehicles - owned</b>							
Toyota Corolla - LRS 6555	833,023	696,904	136,119	300,000	163,881	Negotiation	Rana Yasir, Lahore
Toyota Corolla - LXZ 4797	817,290	712,394	104,896	350,000	245,104	Negotiation	Mohammad Waleed, Peshawar
Honda Civic - LXN 8598	1,158,860	1,050,890	107,970	300,000	192,030	Negotiation	Saifullah, Lahore
Toyotta Corolla - LXW 5079	817,707	714,701	103,006	300,000	196,994	Negotiation	M/s Texcom, Karachi
	3,626,880	3,174,889	451,991	1,250,000	798,009		
	<b>66,519,005</b>	<b>50,231,809</b>	<b>16,287,196</b>	<b>18,410,000</b>	<b>2,122,804</b>		

**16.1.2** Transfers represent transfers from capital work in progress on related assets becoming available for use and those from assets subject to finance lease on transfer of title to the Company at the end of lease term.

	2011 Rupees	2010 Rupees
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**16.1.3** The depreciation charge for the year has been allocated as follows:

Cost of sales	26	148,165,646	157,693,702
Administrative and selling expenses	28	4,046,779	2,575,617
		<b>152,212,425</b>	<b>160,269,319</b>

## Notes to and forming part of financial statements for the year ended June 30, 2011

### 16.2 Capital work in progress

	2011			As at June 30 Rupees
	As at July 01 Rupees	Additions Rupees	Transfers Rupees	
Buildings on freehold land	5,432,297	22,353,415	(9,825,539)	17,960,173
Plant and machinery	211,947,701	23,713,736	(235,437,092)	224,345
	<u>217,379,998</u>	<u>46,067,151</u>	<u>(245,262,631)</u>	<u>18,184,518</u>
	2010			
	As at July 01 Rupees	Additions Rupees	Transfers Rupees	As at June 30 Rupees
Buildings on freehold land	-	6,648,877	(1,216,580)	5,432,297
Plant and machinery	-	211,947,701	-	211,947,701
	<u>-</u>	<u>218,596,578</u>	<u>(1,216,580)</u>	<u>217,379,998</u>
		Note		
			2011 Rupees	2010 Rupees

### 17 LONG TERM DEPOSITS

Utility companies and regulatory authorities	17.1	7,297,985	7,297,985
Financial institutions	17.2	830,400	830,400
		<u>8,128,385</u>	<u>8,128,385</u>

**17.1** These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

**17.2** These have been deposited against liabilities against assets subject to finance lease.

### 18 LONG TERM ADVANCES - UNSECURED, CONSIDERED GOOD

		2011 Rupees	2010 Rupees
Due from employees		-	6,587,710
Current maturity presented under current assets	22	-	(1,850,900)
		<u>-</u>	<u>4,736,810</u>

## Notes to and forming part of financial statements for the year ended June 30, 2011

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>19</b>	<b>STORES, SPARES AND LOOSE TOOLS</b>		
	Stores, Spares and Loose Tools	<b>55,901,941</b>	34,712,543
<b>19.1</b>	It is impracticable to distinguish stores, spares and loose tools, each from the other.		
<b>19.2</b>	This includes stores, spares and loose tools in transit valued at Rs. 1,006,411 (2010: Rs. nil).		
<b>20</b>	<b>STOCK IN TRADE</b>		
	Raw material	20.1 <b>589,039,297</b>	356,794,108
	Work in process	<b>66,594,304</b>	66,864,410
	Finished goods	20.3 <b>279,527,477</b>	101,565,655
		<b>935,161,078</b>	<b>525,224,173</b>
<b>20.1</b>	This includes raw material in transit valued at Rs. 7,964,542 (2010: Rs. 60,831,099).		
<b>20.2</b>	Stock of raw material include stock of cotton costing Rs. 591,911,613 (2010: nil) written down to net realizable value of Rs. 420,441,578 (2010: nil).		
<b>20.3</b>	Stock of finished goods include stock of waste valued at Rs. 287,521 (Rs. 181,798).		
<b>20.4</b>	Stock of finished goods include stock of yarn costing Rs. 167,751,819 (2010: nil) written down to net realizable value of Rs. 118,104,424 (2010: nil).		
<b>20.5</b>	No item of stock in trade is pledged as at the reporting date.		
<b>21</b>	<b>TRADE RECEIVABLES</b>		
	Local - <i>unsecured</i>		
	considered good	<b>140,082,621</b>	62,668,546
	considered doubtful	<b>8,274,988</b>	8,331,303
	Foreign - <i>secured</i>	21.1 <b>24,773,814</b>	70,999,849
		<b>173,131,423</b>	95,928,315
	Accumulated impairment	<b>(8,274,988)</b>	(8,331,303)
		<b>164,856,435</b>	<b>87,597,012</b>
		<b>Note</b>	
		<b>2011</b>	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>21.1</b>	These are secured against letters of credit		
<b>21.2</b>	Movement in accumulated impairment is as follows:		
	As at beginning of the year	<b>8,331,303</b>	3,298,101
	Recognized during the year	-	5,033,202
	Reversed during the year on recovery	<b>(56,315)</b>	-
	As at end of the year	<b>8,274,988</b>	<b>8,331,303</b>



# BLESSED TEXTILES LIMITED

## Notes to and forming part of financial statements for the year ended June 30, 2011

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>22</b>	<b>ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Advances to suppliers - <i>unsecured, considered good</i>	5,068,342	439,240
	Advances to employees - <i>unsecured, considered good</i>		
	Short term advances	4,814,700	-
	Current maturity of long term advances	18	-
	Prepayments	997,600	1,898,001
	Security deposits	22.1	14,457,370
	Letters of credit		1,732,230
	Sales tax refundable		33,644,725
	Other receivables - <i>unsecured, considered good</i>	22.2	8,361,460
		<u>70,431,323</u>	<u>45,482,332</u>
22.1	These include Rs. 9,017,877 (2010: Rs. 17,800,000) deposited with a banking company against bank guarantees and carry a return at 8% (2010: 8%) per annum.		
	<b>Note</b>	<b>2011</b>	<b>2010</b>
		<i>Rupees</i>	<i>Rupees</i>
<b>22.2</b>	<b>Particulars of other receivables</b>		
	Considered good	8,361,460	993,755
	Considered doubtful	22.2.1	99,583
		8,461,043	1,093,338
	Accumulated impairment	(99,583)	(99,583)
		<u>8,361,460</u>	<u>993,755</u>
22.2.1	Movement in accumulated impairment is as follows:		
	As at beginning of the year	99,583	-
	Recognized during the year	-	99,583
	As at end of the year	<u>99,583</u>	<u>99,583</u>
<b>23</b>	<b>CURRENT TAXATION</b>		
	Advance income tax/income tax refundable	114,030,554	90,794,480
	Provision for taxation	32	(64,239,035)
		<u>49,791,519</u>	<u>49,555,396</u>
<b>24</b>	<b>CASH AND BANK BALANCES</b>		
	Cash at banks		
	local currency	9,079,062	25,991,562
	foreign currency	7,783,038	4,789,553
		<u>16,862,100</u>	<u>30,781,115</u>



## Notes to and forming part of financial statements for the year ended June 30, 2011

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>26 COST OF SALES</b>			
Raw material consumed	26.1	<b>4,173,316,558</b>	2,356,379,186
Stores, spares and loose tools consumed		<b>130,978,689</b>	109,550,630
Salaries, wages and benefits	26.2	<b>211,902,152</b>	203,428,771
Processing charges		<b>15,756,265</b>	5,913,547
Fee and subscription		<b>156,160</b>	75,035
Fuel and power		<b>384,534,524</b>	284,067,878
Electricity duty		<b>1,570,895</b>	1,983,516
Insurance		<b>11,083,568</b>	7,507,783
Vehicle running and maintenance		<b>4,218,332</b>	3,500,062
Rent, rates and taxes		<b>583,406</b>	96,460
Repair and maintenance		<b>9,978,495</b>	8,483,732
Communication		<b>532,816</b>	516,079
Traveling, conveyance and entertainment		<b>638,264</b>	1,079,898
Depreciation	16.1.3	<b>148,165,646</b>	157,693,702
Impairment loss on operating fixed assets		-	1,163,833
Others		<b>2,271,140</b>	1,648,510
Manufacturing cost		<b>5,095,686,910</b>	3,143,088,622
Work in process			
As at beginning of the year		<b>66,864,410</b>	44,744,068
As at end of the year		<b>(66,594,304)</b>	(66,864,410)
		<b>270,106</b>	(22,120,342)
Cost of goods manufactured		<b>5,095,957,016</b>	3,120,968,280
Cost of cotton sold	26.3	-	93,799,732
Finished goods			
As at beginning of the year		<b>101,565,655</b>	55,608,566
Purchased during the year		<b>46,451,858</b>	84,086,317
As at end of the year		<b>(279,527,477)</b>	(101,565,655)
		<b>(131,509,964)</b>	38,129,228
		<b>4,964,447,052</b>	3,252,897,240
<b>26.1 Raw material consumed</b>			
As at beginning of the year		<b>356,794,108</b>	569,855,159
Purchased during the year		<b>4,447,718,105</b>	2,239,600,847
Sold during the year		<b>(42,156,358)</b>	(96,282,712)
As at end of the year		<b>(589,039,297)</b>	(356,794,108)
		<b>4,173,316,558</b>	2,356,379,186

**26.2** These include charge in respect of employees retirement benefits amounting to Rs.16,183,061 ( 2010: Rs. 8,792,951).



# BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2011

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
<b>26.3 Cost of cotton sold</b>		
Cost of purchase	-	88,753,132
Salaries, wages and benefits	-	177,840
Loading and unloading	-	10,282
Insurance	-	277,353
Finance cost	-	4,581,125
	<u>-</u>	<u>93,799,732</u>

**26.3.1** Cost of cotton sold, previously included in manufacturing cost, has been reclassified and presented as a separate line item after cost of goods manufactured for better presentation.

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
<b>27 SELLING AND DISTRIBUTION EXPENSES</b>		
<b>Export</b>		
Ocean freight and forwarding	<b>64,432,396</b>	50,422,055
Export development surcharge	<b>8,033,504</b>	4,396,372
Export sales promotion	<b>25,849,219</b>	9,045,290
Commission	<b>64,740,057</b>	30,778,024
Others	<b>1,675,952</b>	1,515,143
	<b>164,731,128</b>	96,156,884
<b>Local</b>		
Inland transportation	<b>1,284,985</b>	781,166
Commission	<b>15,712,834</b>	14,217,707
Others	<b>330,430</b>	238,656
	<b>17,328,249</b>	15,237,529
	<b>182,059,377</b>	111,394,413

**28 ADMINISTRATIVE AND GENERAL EXPENSES**

Directors' remuneration		<b>2,880,000</b>	2,880,000
Salaries and benefits	28.1	<b>31,095,568</b>	27,557,984
Traveling, conveyance and entertainment		<b>2,783,758</b>	3,266,768
Printing and stationery		<b>580,875</b>	520,469
Communication		<b>1,093,869</b>	1,056,893
Vehicles running and maintenance		<b>2,529,628</b>	2,067,130
Legal and professional charges		<b>1,250,625</b>	308,766
Auditors' remuneration	28.2	<b>885,000</b>	635,000
Fee and subscription		<b>1,566,786</b>	1,098,465
Repair and maintenance		<b>107,915</b>	56,946
Depreciation	16.1.3	<b>4,046,779</b>	2,575,617
Rent, rates and utilities		<b>5,631,055</b>	4,921,698
Impairment loss on loans and receivables		-	5,132,785
Others		<b>3,098,502</b>	1,394,868
		<b>57,550,360</b>	53,473,389

**28.1** These include charge in respect of employees retirement benefits amounting to Rs. 4,147,304 (2010: Rs. 3,851,895).

## Notes to and forming part of financial statements for the year ended June 30, 2011

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>28.2</b>	<b>Auditor's remuneration</b>		
	Annual statutory audit	750,000	500,000
	Half yearly review	75,000	75,000
	Review report under Code of Corporate Governance	50,000	50,000
	Out of pocket expenses	10,000	10,000
		<b>885,000</b>	<b>635,000</b>
<b>29</b>	<b>OTHER OPERATING INCOME</b>		
	<b>Gain on financial instruments</b>		
	Reversal of impairment on trade receivables on recovery	56,315	-
	Return on bank deposits	1,646,610	1,261,876
		<b>1,702,925</b>	1,261,876
	<b>Other income</b>		
	Gain on disposal of property, plant and equipment	16.1.1 696,545	2,122,804
		<b>2,399,470</b>	<b>3,384,680</b>
<b>30</b>	<b>FINANCE COST</b>		
	Interest / mark-up on:		
	long term finances	30.1 73,751,934	66,622,367
	liabilities against assets subject to finance lease	6,491,786	9,056,371
	short term borrowings	67,832,925	69,739,775
		<b>148,076,645</b>	145,418,513
	Interest on workers' profit participation fund	14.1 3,253,112	407,257
	Imputed interest	7.2 13,292,292	(2,578,007)
	Changes in fair value of derivative financial instruments	-	2,239,708
	Bank charges and commission	30.2 27,785,071	29,930,373
		<b>192,407,120</b>	<b>175,417,844</b>
<b>30.1</b>	This includes interest/mark-up rate subsidy amounting to Rs. 1,587,825 (2010: Rs. 2,433,573) recognized as government grants. See note 34.		
<b>30.2</b>	These include letters of credit discounting charges amounting to Rs.23,826,408 (2010: Rs. 19,513,591).		
		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>31</b>	<b>OTHER CHARGES</b>		
	Workers' Profit Participation Fund	14.1 37,677,480	23,112,136
	Workers' Welfare Fund	14.2 13,474,274	9,063,579
	Donations	31.1 6,225,000	2,308,000
		<b>57,376,754</b>	<b>34,483,715</b>



# BLESSED TEXTILES LIMITED

## Notes to and forming part of financial statements for the year ended June 30, 2011

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>

31.1 None of the directors or their spouses had any interest in donations made by the Company.

### 32 TAXATION EXPENSE/(INCOME)

Current taxation			
for current year	32.1	<b>64,239,035</b>	41,239,084
for prior year		<b>(441,658)</b>	(1,157,080)
		<b>63,797,377</b>	40,082,004
Deferred taxation	32.5	-	(33,674,963)
		<b>63,797,377</b>	<b>6,407,041</b>

32.1 Provision for current tax has been made in accordance with section 18 and section 154 of the Income Tax Ordinance, 2001 ('the Ordinance').

	<i>Unit</i>	2011	2010
<b>32.2 Reconciliation between average effective tax rate and applicable tax rate</b>			
Profit before taxation	<i>Rupees</i>	<b>673,402,451</b>	429,929,752
Provision for taxation	<i>Rupees</i>	<b>63,797,377</b>	6,407,041
Average effective tax rate	%	<b>9.47</b>	1.49
Tax effects of:			
Adjustments for prior years	%	<b>0.07</b>	0.27
Income chargeable to tax at different rates	%	<b>25.60</b>	25.41
Deferred taxation	%	-	7.83
Applicable tax rate	%	<b>35.14</b>	35.00

32.3 Assessments upto assessment year 2002-2003 have been finalized under the relevant provisions of the Repealed Income Tax Ordinance, 1979.

32.4 Assessments upto tax year 2010 have been finalized under relevant provisions of Income Tax Ordinance, 2001.

32.5 Export sales, including indirect exports taxable under Section 154 (3B) of the Ordinance have achieved the threshold for the Company, with the option to be taxed under the Final Tax Regime. This trend is expected to continue in foreseeable future. Accordingly, no provision for deferred tax has been made as at the reporting date. Deferred tax for the year ended June 30, 2010 represents income arising on derecognition of deferred tax liability recognized in previous years.

	<i>Unit</i>	2011	2010
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### 33 EARNINGS PER SHARE

Profit attributable to ordinary shareholders	<i>Rupees</i>	<b>609,605,074</b>	423,522,711
Weighted average number of ordinary shares outstanding during the year	<i>No. of shares</i>	<b>6,432,000</b>	6,432,000
Earnings per share	<i>Rupees</i>	<b>94.78</b>	65.85

There is no diluting effect on the basic earnings per share of the Company.

## Notes to and forming part of financial statements for the year ended June 30, 2011

### 34 GOVERNMENT GRANTS

During the year, the Company recognized Rs. 1,587,825 (2010: Rs. 2,433,573) as mark-up rate subsidy which has been accounted for as government grant in accordance with IAS 20 'Government Grants'. The amount has been deducted in reporting interest/mark-up expenses on relevant borrowings.

35 CASH GENERATED FROM OPERATIONS	Note	2011	2010
		Rupees	Rupees
<b>Profit before taxation</b>		<b>673,402,451</b>	429,929,752
<b>Adjustments for non-cash and other items</b>			
Interest / markup on borrowings		148,076,645	145,418,513
Changes in fair value of derivative financial instruments		-	2,239,708
Gain on disposal of property, plant and equipment		(696,545)	(2,122,804)
Imputed interest		13,292,292	(2,578,007)
Provision for employees retirement benefits		20,330,365	12,644,846
Impairment loss		-	6,197,035
Depreciation		152,212,425	160,269,319
		<b>333,215,182</b>	322,068,610
<b>Operating profit before changes in working capital</b>		<b>1,006,617,633</b>	751,998,362
<b>Changes in working capital</b>			
Stores, spares and loose tools		(21,189,398)	4,051,994
Stock in trade		(409,936,905)	144,983,620
Trade receivables		(77,259,423)	(18,537,781)
Advances, prepayments and other receivables		(24,948,991)	1,066,718
Long term advances		4,736,810	(916,799)
Trade and other payables		108,241,768	36,573,185
Long term payables		(9,603,840)	2,561,219
		<b>(429,959,979)</b>	169,782,156
<b>Cash generated from operations</b>		<b>576,657,654</b>	921,780,518

### 36 CASH AND CASH EQUIVALENTS

Cash and bank balances	24	16,862,100	30,781,115
		<b>16,862,100</b>	<b>30,781,115</b>

### 37 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies, key management personnel (including chief executive and directors) and Sponsors of the Company. The Company in the normal course of business carries out transactions with various related parties, and continues to have a policy whereby all such transactions, with the exception of transactions with sponsors which are limited to interest free loans obtained only, are carried out at arm's length. Pricing for these transactions is determined as follows:

Nature of transaction	Pricing mechanism
Sale of goods and services	Comparable uncontrolled price method
Purchase of goods and services	Comparable uncontrolled price method
Sale of machinery	Comparable uncontrolled price method
Compensation of key management personnel	As per terms of employment



# BLESSED TEXTILES LIMITED

## Notes to and forming part of financial statements for the year ended June 30, 2011

Details of transactions and balances with related parties is as follows:		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
<b>37.1</b>	<b>Transactions with related parties</b>		
<b>37.1.1</b>	<b>Associated companies</b>		
	Sale of yarn	711,633,821	425,450,029
	Sale of fabric	7,156,232	15,131,361
	Sale of cotton	-	90,426,045
	Sale of stores and waste	2,757,324	231,973
	Sale of machinery	-	5,700,000
	Purchase of cotton	30,615,081	868,074
	Purchase of yarn	290,323,099	248,449,570
	Purchase of fabric	1,731,700	3,401,197
	Purchase of electricity	125,854,563	64,715,424
	Services rendered	4,281,383	3,924,970
<b>37.1.2</b>	<b>Key management personnel</b>		
	Short term employee benefits	2,880,000	2,880,000
	Post employment benefits	-	-
<b>37.2</b>	<b>Balances with related parties</b>		

There are no balances with related parties as at the reporting date, with the exception of interest free loan obtained from Sponsors of the Company referred to in note 7.

## 38 FINANCIAL INSTRUMENTS

### 38.1 Financial instruments by class and category

	Note	2011		2010	
		Loans and receivables <i>Rupees</i>	Financial liabilities at amortized cost <i>Rupees</i>	Loans and receivables <i>Rupees</i>	Financial liabilities at amortized cost <i>Rupees</i>
<b>Financial assets</b>					
Long term deposits	17	8,128,385	-	8,128,385	-
Long term advances	18	-	-	6,587,710	-
Trade receivables	21	164,856,435	-	87,597,012	-
Security deposits	22	14,457,370	-	21,910,891	-
Cash and bank balances	24	16,862,100	-	30,781,115	-
		<b>204,304,290</b>	<b>-</b>	<b>155,005,113</b>	<b>-</b>
<b>Financial liabilities</b>					
Loan from sponsors	7	-	-	-	86,707,708
Long term finances	8	-	489,762,053	-	640,603,822
Liabilities against assets subject to finance lease	9	-	39,004,218	-	64,582,949
Short term borrowings	13	-	19,638,590	-	110,000,000
Accrued interest/mark-up		-	13,937,079	-	15,340,800
Trade creditors	14	-	130,155,121	-	78,636,158
Accrued liabilities	14	-	99,286,684	-	69,568,985
		<b>-</b>	<b>791,783,745</b>	<b>-</b>	<b>1,065,440,422</b>
		<b>204,304,290</b>	<b>791,783,745</b>	<b>155,005,113</b>	<b>1,065,440,422</b>

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**
**38.2 Fair values of financial instruments**

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts.

**38.2.1 Methods of determining fair values**

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

**38.2.2 Discount/interest rates used for determining fair values**

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

**39 FINANCIAL RISK EXPOSURE AND MANAGEMENT**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

**39.1 Credit risk**

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

**39.1.1 Maximum exposure to credit risk**

The maximum exposure to credit risk as at the reporting date is as follows:

**Loans and receivables**

		2011	2010
		<i>Rupees</i>	<i>Rupees</i>
Deposits with financial institutions	17	15,287,770	22,741,291
Trade receivables	21	173,131,423	95,928,315
Security deposits	22	14,457,370	21,910,891
Cash at banks	24	16,862,100	30,781,115
		<u>219,738,663</u>	<u>171,361,612</u>

## Notes to and forming part of financial statements for the year ended June 30, 2011

### 39.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
Customers	<b>173,131,423</b>	95,928,315
Banking companies and financial institutions	<b>46,607,240</b>	75,433,297
	<b><u>219,738,663</u></b>	<u>171,361,612</u>

### 39.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

#### 39.1.3(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to cash deposits and security deposits. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

#### 39.1.3(b) Counterparties without external credit ratings

These include customers which are counter parties to trade receivables. The Company is exposed to credit risk in respect of trade receivables. The analysis of ages of trade receivables as at the reporting date is as follows:

	2011		2010	
	Gross carrying amount <i>Rupees</i>	Accumulated Impairment <i>Rupees</i>	Gross carrying amount <i>Rupees</i>	Accumulated Impairment <i>Rupees</i>
Neither past due nor impaired	<b>143,300,246</b>	-	35,179,863	-
Past due by 0 to 6 months	<b>21,514,498</b>	-	42,106,251	-
Past due by 6 months to 1 year	-	-	10,269,207	-
Past due by 1 to 2 years	-	-	5,074,893	(5,033,202)
Past due by 2 to 3 years	<b>5,018,578</b>	<b>(4,976,887)</b>	-	-
Past due by 3 years	<b>3,298,101</b>	<b>(3,298,101)</b>	3,298,101	(3,298,101)
	<b><u>173,131,423</u></b>	<b><u>(8,274,988)</u></b>	<u>95,928,315</u>	<u>(8,331,303)</u>

The Company's three (2010: six) significant customers account for Rs. 54.51 million (2010: Rs. 47.06 million) of trade receivables as at June 30, 2011, apart from which, exposure to any single customer does not exceed 5% (2010: 5%) of trade receivables as at June 30, 2011. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected. Further, trade receivables amounting to Rs. 24.77 million (2010: Rs. 24.93 million) secured through confirmed letters of credit and thus do not carry any significant credit risk. The Company believes that impairment recognized in respect of trade receivables past due is adequate and no further allowance is necessary based on historical default rates.

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**
**39.1.4 Collateral held**

The Company does not hold any collateral to secure its financial assets with the exception of trade receivables, which are partially secured through confirmed letters of credit.

**39.1.5 Credit risk management**

As mentioned in note 39.1.3(b) to the financial statements, the Company's financial assets do not carry significant credit risk, with the exception of trade receivables, which are exposed to losses arising from any non-performance by customers. In respect of trade receivables, the Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

**39.2 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

**39.2.1 Exposure to liquidity risk**

The followings is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

	<b>2011</b>				
	<b>Carrying amount Rupees</b>	<b>Contractual cash flows Rupees</b>	<b>One year or less Rupees</b>	<b>One to five years Rupees</b>	<b>More than five years Rupees</b>
Loan from sponsors	100,000,000	100,000,000	100,000,000	-	-
Long term finances	489,762,053	587,465,926	224,006,111	363,459,815	-
Liabilities against assets subject to finance lease	39,004,218	39,037,949	25,501,408	13,536,541	-
Short term borrowings	19,638,590	19,638,590	19,638,590	-	-
Accrued interest/mark-up	13,937,079	13,937,079	13,937,079	-	-
Trade creditors	130,155,121	130,155,121	130,155,121	-	-
Accrued liabilities	99,286,684	99,286,684	99,286,684	-	-
	<b>891,783,745</b>	<b>989,521,349</b>	<b>612,524,993</b>	<b>376,996,356</b>	<b>-</b>
	<b>2010</b>				
	<b>Carrying amount Rupees</b>	<b>Contractual cash flows Rupees</b>	<b>One year or less Rupees</b>	<b>One to five years Rupees</b>	<b>More than five years Rupees</b>
Loan from sponsors	86,707,708	100,000,000	-	100,000,000	-
Long term finances	640,603,822	863,042,965	150,106,626	712,936,339	-
Liabilities against assets subject to finance lease	64,582,949	75,878,372	32,629,483	43,248,889	-
Short term borrowings	110,000,000	110,850,849	110,850,849	-	-
Accrued interest/mark-up	15,340,800	15,340,800	15,340,800	-	-
Trade creditors	78,636,158	78,636,158	78,636,158	-	-
Accrued liabilities	69,568,985	69,568,985	69,568,985	-	-
	<b>1,065,440,422</b>	<b>1,313,318,129</b>	<b>457,132,901</b>	<b>856,185,228</b>	<b>-</b>

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**
**39.2.2 Liquidity risk management**

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies.

**39.3 Market risk**
**39.3.1 Currency risk**

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency.

**39.3.1(a) Exposure to currency risk**

The Company's exposure to currency risk as at the reporting date is as follows:

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
<b>Financial assets</b>		
Trade receivables	<b>24,773,814</b>	24,928,466
Cash at bank	<b>7,783,038</b>	4,789,553
Total exposure	<b><u>32,556,852</u></b>	<u>29,718,019</u>

**39.3.1(b) Exchange rates applied during the year**

All foreign currency balances are denominated in United States Dollars (US \$). Exchange rates applied during the year are as follows:

	2011		2010	
	Average rate for the year <i>Rupees</i>	Spot as at the reporting date <i>Rupees</i>	Average rate for the year <i>Rupees</i>	Spot as at the reporting date <i>Rupees</i>
Financial assets	<b>85.55</b>	<b>85.80</b>	83.72	85.40
Financial liabilities	<b>86.11</b>	<b>86.40</b>	83.92	85.60

**39.3.1(c) Sensitivity analysis**

A ten percent appreciation in Pak Rupee against the US \$ would have decreased profit for the year by Rs. 3.26 million (2010: Rs. 2.97 million). A ten percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**
**39.3.1(d) Currency risk management**

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

**39.3.2 Interest rate risk**

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

**39.3.2(a) Interest/mark-up bearing financial instruments**

The effective interest/mark-up rates for interest/mark-up bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/mark-up bearing financial instruments as at the reporting date are as follows:

	2011	2010
	<i>Rupees</i>	<i>Rupees</i>
<b>Fixed rate instruments</b>		
Financial assets	9,017,877	17,800,000
Financial liabilities	104,436,053	177,427,822
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	443,968,808	637,758,949

**39.3.2(b) Cash flow sensitivity analysis for variable rate instruments**

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 4.4 million (2010: Rs. 6.4 million). A decrease of 100 basis points would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

**39.3.2(c) Interest rate risk management**

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

**39.3.3 Price risk**

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**
**40 CAPITAL MANAGEMENT**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders. The Company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances and liabilities against assets subject to finance lease, including current maturity. Total capital employed includes total equity (as shown in the balance sheet plus loan from sponsors) plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	<i>Unit</i>	<u>2011</u>	<u>2010</u>
Total debt	<i>Rupees</i>	<b>628,766,271</b>	705,186,771
Total equity	<i>Rupees</i>	<b>1,823,724,893</b>	1,332,987,527
		<u><b>2,452,491,164</b></u>	<u>2,038,174,298</u>
Gearing	<i>% age</i>	<b>25.64%</b>	34.60%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

**41 EVENTS AFTER THE REPORTING PERIOD**

The Board of Directors in their meeting held on September 27, 2011 has proposed dividend on ordinary shares at Rs. 7.50 per ordinary share of Rs. 10 each. The proposed dividend is subject to approval by the shareholders in the forthcoming annual general meeting and has not been included as a liability in the financial statements.

**42 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY**

	<u>2011</u>	<u>2010</u>
	<i>Rupees</i>	<i>Rupees</i>
<b>Mortgages and charges</b>		
Hypothecation of moveable and receivables	5,758,000,000	3,422,700,000
Mortgage over fixed assets	2,194,000,000	666,000,000
Hypothecation of plant and machinery	2,159,000,000	2,288,500,000

**43 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	<u>2011</u>		
	<i>Chief Executive Rupees</i>	<i>Directors Rupees</i>	<i>Executives Rupees</i>
Managerial remuneration	<b>662,000</b>	<b>1,324,000</b>	-
Allowances and perquisites	<b>298,000</b>	<b>596,000</b>	-
Post employment benefits	-	-	-
	<u><b>960,000</b></u>	<u><b>1,920,000</b></u>	<u>-</u>
Number of persons	<u><b>1</b></u>	<u><b>2</b></u>	<u>-</u>

## Notes to and forming part of financial statements for the year ended June 30, 2011

	2010		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Managerial remuneration	662,000	1,324,000	-
Allowances and perquisites	298,000	596,000	-
Post employment benefits	-	-	-
	<u>960,000</u>	<u>1,920,000</u>	<u>-</u>
Number of persons	<u>1</u>	<u>2</u>	<u>-</u>

### 44 SEGMENT INFORMATION

The Company has adopted IFRS 8 - Operating Segments with effect from July 01, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocated resources to the segments and to assess their performance. In contrast, the predecessor standard, IAS 14 - Segment Reporting, required identification of two sets of segments; business and geographical, using a risks and returns approach, with a company's systems of internal financial reporting to key management personnel serving only at the starting point for the identification of such segments. Adoption of IFRS 8 has resulted in disclosure and presentation of the Company's segment information, which was not presented previously as the Company's activities did not qualify for segment reporting under IAS 14.

#### 44.1 Products and services from which reportable segments derive their revenues

Information reported to the Company's chief operating decision maker for the purpose of resource allocation and assessment of segment performance is focused on type of goods supplied. The Company's reportable segments are therefore as follows:

Segment	Product
Spinning	Yarn
Weaving	Fabric
Power	Electricity

Information regarding Company's reportable segments is presented below.

#### 44.2 Information about reportable segment revenues, results, assets and liabilities

	2011			
	Spinning <i>Rupees</i>	Weaving <i>Rupees</i>	Power <i>Rupees</i>	Total <i>Rupees</i>
Revenue from external customers	3,957,139,164	2,167,562,805	-	6,124,701,969
Intersegment revenues	-	-	131,325,210	131,325,210
Depreciation	88,185,493	53,433,175	10,593,757	152,212,425
Segment results	679,885,979	234,393,398	8,906,948	923,186,325
Segment assets	1,828,425,958	836,831,475	102,890,761	2,768,148,194
Segment liabilities	132,503,817	147,961,861	12,524,346	292,990,024
Additions to non-current assets	56,699,780	12,342,120	-	69,041,900
Disposals of property, plant and equipment	760,955	-	-	760,955

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**

	2010			
	Spinning <i>Rupees</i>	Weaving <i>Rupees</i>	Power <i>Rupees</i>	Total <i>Rupees</i>
Revenue from external customers	2,426,493,759	1,628,210,479	-	4,054,704,238
Intersegment revenues	90,763,612	-	179,859,114	270,622,726
Depreciation	95,403,370	53,099,685	11,766,264	160,269,319
Segment results	439,860,899	176,061,472	23,908,940	639,831,311
Segment assets	1,499,779,034	719,384,006	110,755,879	2,329,918,919
Segment liabilities	96,646,580	80,081,965	17,379,141	194,107,686
Additions to non-current assets	163,561,463	71,928,167	-	235,489,630
Disposals of property, plant and equipment	15,026,347	1,260,849	-	16,287,196

The accounting policies of the reportable segments are the same as the Company's accounting policies. Segment results represent operating profit earned by the segment. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

**44.3 Reconciliations of reportable segment revenues, results, assets and liabilities**
**44.3.1 Segment revenues**

	2011			
	Spinning <i>Rupees</i>	Weaving <i>Rupees</i>	Power <i>Rupees</i>	Total <i>Rupees</i>
Total for reportable segments	<b>3,957,139,164</b>	<b>2,167,562,805</b>	<b>131,325,210</b>	<b>6,256,027,179</b>
Inter-segment revenues	-	-	(131,325,210)	(131,325,210)
Total for the Company	<b><u>3,957,139,164</u></b>	<b><u>2,167,562,805</u></b>	<b><u>-</u></b>	<b><u>6,124,701,969</u></b>

	2010			
	Spinning <i>Rupees</i>	Weaving <i>Rupees</i>	Power <i>Rupees</i>	Total <i>Rupees</i>
Total for reportable segments	2,517,257,371	1,628,210,479	179,859,114	4,325,326,964
Inter-segment revenues	(90,763,612)		(179,859,114)	(270,622,726)
Total for the Company	<b><u>2,426,493,759</u></b>	<b><u>1,628,210,479</u></b>	<b><u>-</u></b>	<b><u>4,054,704,238</u></b>

**44.3.2 Segment assets**

	2011			
	Spinning <i>Rupees</i>	Weaving <i>Rupees</i>	Power <i>Rupees</i>	Total <i>Rupees</i>
Total for reportable segments	<b>1,828,425,958</b>	<b>836,831,475</b>	<b>102,890,761</b>	<b>2,768,148,194</b>
Un-allocated assets				
Current taxation				49,763,177
Long term deposits				8,128,385
Security deposits				14,457,370
Total for the Company				<b><u>2,840,497,126</u></b>



# BLESSED TEXTILES LIMITED

## Notes to and forming part of financial statements for the year ended June 30, 2011

	2010			
	Spinning Rupees	Weaving Rupees	Power Rupees	Total Rupees
Total for reportable segments	1,499,779,034	719,384,006	110,755,879	2,329,918,919
Un-allocated assets				
Current taxation				49,555,396
Long term deposits				8,128,385
Security deposits				21,910,891
Total for the Company				<u>2,409,513,591</u>

### 44.3.3 Segment liabilities

	2011			
	Spinning Rupees	Weaving Rupees	Power Rupees	Total Rupees
Total for reportable segments	132,503,817	147,961,861	12,524,346	292,990,024
Un-allocated liabilities				
Loan from sponsors				100,000,000
Long term finances				489,762,053
Liabilities against assets subject to finance lease				39,004,218
Long term payables				8,617,378
Short term borrowings				19,638,590
Accrued interest/mark-up				13,937,079
Workers' Profit Participation Fund				37,677,480
Workers' Welfare Fund				13,474,274
Unclaimed dividend				1,671,137
Total for the Company				<u>1,016,772,233</u>

	2010			
	Spinning Rupees	Weaving Rupees	Power Rupees	Total Rupees
Total for reportable segments	96,646,580	80,081,965	17,379,141	194,107,686
Un-allocated liabilities				
Loan from sponsors				86,707,708
Long term finances				640,603,822
Liabilities against assets subject to finance lease				64,582,949
Long term payables				18,221,218
Short term borrowings				110,000,000
Accrued interest/mark-up				15,340,800
Workers' Profit Participation Fund				23,112,136
Workers' Welfare Fund				9,063,579
Unclaimed dividend				1,493,874
Total for the Company				<u>1,163,233,772</u>

### 44.4 Geographical information

The Company's operations are not distributed geographically.

### 45 SHARES IN THE COMPANY HELD BY ASSOCIATED COMPANIES

Faisal Spinning Mills Limited, an associated company, holds 1,189,160 (2010: 1,189,160) ordinary shares of Rs. 10 each in the Company.

**Notes to and forming part of financial statements  
for the year ended June 30, 2011**

**46 PLANT CAPACITY AND ACTUAL PRODUCTION**

	<i>Unit</i>	<b>2011</b>	2010
<b>Spinning</b>			
Number of spindles installed	<i>No.</i>	<b>47,616</b>	47,616
Plant capacity on the basis of utilization converted into 20s count	<i>Kgs'000</i>	<b>20,413</b>	20,413
Actual production converted into 20s count	<i>Kgs'000</i>	<b>18,736</b>	18,498
<b>Weaving</b>			
Number of looms installed	<i>No.</i>	<b>131</b>	131
Plant capacity on the basis of utilization converted into 50 picks	<i>Mtrs'000</i>	<b>17,483</b>	17,483
Actual production converted into 50 picks	<i>Mtrs'000</i>	<b>23,245</b>	25,059
It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist, picks etc. It would also vary according to the pattern of production adopted in a particular year.			
	<i>Unit</i>	<b>2011</b>	2010
<b>Power</b>			
Installed capacity	<i>Mwhs</i>	<b>47,304</b>	47,304
Power generated	<i>Mwhs</i>	<b>31,057</b>	33,896

Actual power generated is less than the installed capacity because requirement for self consumption is less than the installed capacity.

**47 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on September 27, 2011 by the Board of Directors of the Company.

**48 GENERAL**

Figures have been rounded off to the nearest rupee.

Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. Significant reclassifications are referred to in relevant notes to the financial statements.

**Mohammad Amin**  
Chief Executive

**Mohammad Salim**  
Director

Karachi

Date: September 27, 2011

## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2011

NUMBERS OF SHAREHOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
191	1	100	14,935
170	101	500	68,329
32	501	1000	29,362
58	1001	5000	140,387
7	5001	10000	47,152
1	10001	15000	13,400
3	20001	25000	69,500
1	25001	30000	30,000
3	40001	45000	127,600
3	45001	50000	145,578
2	60001	65000	129,400
1	65001	70000	69,000
3	90001	95000	276,200
1	100001	105000	103,000
1	125001	130000	126,100
1	130001	135000	135,000
1	135001	140000	138,200
1	160001	165000	163,200
1	191001	195000	193,363
1	251001	255000	254,794
2	265001	270000	537,600
1	280001	285000	282,400
1	330001	335000	330,400
1	390001	395000	393,900
2	440001	445000	888,040
1	535001	540000	536,000
1	1185001	1190000	1,189,160
<b>491</b>			<b>6,432,000</b>

\* There is no shareholding in the slab not mentioned

**CATEGORIES OF SHAREHOLDERS  
AS AT JUNE 30, 2011**

SR #	CATEGORIES OF SHAREHOLDERS	NUMBERS OF SHAREHOLDERS	SHARES HELD	PERCENTAGE %
1	Directors Chief Executive Officer their spouse and minor children	16	2,484,300	38.6240
2	Associated Companies, Undertaking and Related Parties	12	2,658,500	41.3324
3	NIT	1	1,421	0.0221
4	Bank / Financial Institution	3	261,046	4.0586
5	Insurance Companies	1	393,900	6.12407
6	General Public / Individuals	453	630,115	9.7966
7	Joint Stock Companies	5	2,718	0.04226
		<b>491</b>	<b>6,432,000</b>	<b>100.00</b>

The above statement include 192 Shareholders holding 1,183,200 Shares through the Central Depository Company of Pakistan Limited (CDC).

**LIST OF SHAREHOLDERS AS AT 30 JUNE, 2011**

Sr #	Shareholder Category	Percentage	No. of Shares
<b>1</b>	<b>ASSOCIATED COMPANIES UNDERTAKINGS AND RELATED PARTIES</b>		
	M/S. FAISAL SPINNING MILLS LTD	18.4882	1,189,160
	MR.FARRUKH SALEEM	1.4148	91,000
	MR. YOUSUF SALEEM	1.9605	126,100
	MR. SAQIB SALEEM	1.4723	94,700
	MR. MUHAMMAD QASIM	4.1682	268,100
	MRS.NAZLI BEGUM	1.0183	65,500
	MR. FAISAL SHAKEEL	6.8989	443,740
	MRS. SABA YOUSUF	1.6014	103,000
	MRS. SABA SAQIB	2.0989	135,000
	MRS. SADAF FARRUKH	2.1486	138,200
	MISS. NOOR SHAKEEL	0.0311	2,000
	MASTER HAMZA SHAKEEL	0.0311	2,000
<b>2</b>	<b>NIT</b>		
	NATIONAL INVESTMENT TRUST LIMITED	0.0221	1,421

**LIST OF SHAREHOLDERS AS AT 30 JUNE, 2011**

Sr #	Shareholder Category	Percentage	No. of Shares
<b>3</b>	<b>CEO, DIRECTORS AND THEIR SPOUSES AND MINOR CHILDREN</b>		
	MR. MUHAMMAD SHAHEEN	1.07276	69,000
	MR. MUHAMMAD SALEEM	0.77736	50,000
	MR. MUHAMMAD SHARIF	0.69963	45,000
	MR. MUHAMMAD SHAKEEL	0.46642	30,000
	MR. KHURRAM SALEEM	0.99347	63,900
	MR. BILAL SHARIF	1.40703	90,500
	MR. MUHAMMAD AMIN	4.39055	282,400
	MR. ADIL SHAKEEL	6.90765	444,300
	MRS. YASMIN BEGUM	0.65299	42,000
	MRS. ANJUM BEGUM	4.18999	269,500
	MRS. SEEMA BEGUM	0.63122	40,600
	MRS. AMNA KHURRAM	2.53731	163,200
	MRS. SAMIA BILAL	8.33333	536,000
	MRS. FATIMA AMIN	5.13682	330,400
	MASTER ABDULLAH BILAL	0.38868	25,000
	MASTER UMER KHURRUM	0.03887	2,500
<b>4</b>	<b>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS AND INSURANCE COMPANIES</b>		
	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	6.12407	393,900
	FAYSAL BANK LIMITED	0.01555	1,000
	NATIONAL BANK OF PAKISTAN	0.08165	5,252
	NATIONAL BANK OF PAKISTAN	3.96135	254,794
<b>5</b>	<b>JOINT STOCK COMPANIES</b>		
	PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED	0.0003	18
	SHAFI (PRIVATE) LTD	0.0062	400
	EXCEL SECURITIES (PVT.) LTD.	0.0016	100
	MAZHAR HUSSAIN SECURITIES (PVT) LTD	0.0311	2,000
	M/S. MEHRAN SUGAR MILLS LTD.	0.0031	200
<b>6</b>	<b>INDIVIDUAL SHAREHOLDERS</b>	9.7966	630,115
	<b>TOTAL</b>	<b>100.00</b>	<b>6,432,000</b>
<b>7</b>	<b>DETAIL OF TRADING IN THE SHARES BY THE DIRECTORS, CEO COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN</b>		NIL
<b>8</b>	<b>SHAREHOLDERS HOLDING 10% OR MORE</b>		
	M/S. FAISAL SPINNING MILLS LTD	18.4882	1,189,160

**PROXY FORM**

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of BLESSED TEXTILES LIMITED and holder of \_\_\_\_\_  
ordinary share as per Share Register Folio No. \_\_\_\_\_ and/or CDC Participant  
ID No. \_\_\_\_\_ and Sub Account No. \_\_\_\_\_ hereby appoint  
Mr./Mrs./Miss \_\_\_\_\_ of \_\_\_\_\_ or failing  
him/her \_\_\_\_\_ of \_\_\_\_\_ as my / our  
proxy to act on my/our behalf at the 24<sup>th</sup> Annual General Meeting of the Company to be held on  
Thursday October 27, 2011 at 6:00 p.m. at Umer House, 23/1, Sector 23, S.M. Farooq Road,  
Korangi Industrial Area, Karachi. and/or at any adjournment thereof.

WITNESS

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

CNIC/Passport # \_\_\_\_\_

Affix  
Rs. 5/-  
Revenue  
Stamp

(Signature should agree with the  
specimen signature registered  
with the Company)

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Notes:

If a member is unable to attend the meeting, they may complete and sign this form and sent it to the Company Secretary, BLESSED TEXTILES LIMITED, Umer House, 23/1, Sector 23, S.M. Farooq Road, Korangi Industrial Area, Karachi. so as to reach not less than 48 hours before the time scheduled for holding the meeting.

- (i) The Proxy form shall be witnessed by a person whose name, address and CNIC/Passport number should be stated on the form.
- (ii) Attested copy of CNIC or the Passport of the beneficial owner alongwith the proxy form should also be submitted.
- (iii) The Proxy nominee shall produce his / her original CNIC or original Passport at the time of the meeting.
- (iv) In case of a Corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature should be submitted (unless it has been provided earlier) along with Proxy form to the Company.

**REGISTERED OFFICE**

Umer House, 23/1, Sector 23, S.M. Farooq Road,  
Korangi Industrial Area, Karachi-74900, Pakistan

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E-mail : [khioff@umergroup.com](mailto:khioff@umergroup.com)

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