



*of Companies*

**23<sup>rd</sup> Annual Report 2010**

**UMER GROUP OF COMPANIES**

**BLESSED TEXTILES LIMITED.**

## *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*

## BLESSED TEXTILES LIMITED

### CORPORATE INFORMATION

Board of Directors	<p>Mr. Mohammad Shaheen          Mr. Mohammad Salim          Mr. Mohammad Sharif          Mr. Mohammad Shakeel          Mr. Khurram Salim          Mr. Bilal Sharif          Mr. Mohammad Amin          Mr. Adil Shakeel</p>	<p>Chief Executive / Director          Director          Director          Director          Director          Director          Director          Director</p>
Company Secretary	Syed Asshraf Ali, FCA	
Chief Financial Officer	Mr. Anwar Hussain, FCA	
Audit Committee	<p>Mr. Khurram Salim          Mr. Bilal Sharif          Mr. Adil Shakeel</p>	<p>Chairman          Member          Member</p>
Auditors	<p>M/s Rehman Sarfaraz Rahim Iqbal Rafiq          Chartered Accountants          Suite # 4, Block B          90-Canal Park, Gulberg II          Lahore</p>	
Legal Advisor	Mr. Shahid Pervaiz Jami	
Bankers	<p>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</p>	
Share Registrar	<p>Hameed Majeed Associated (Private) Limited          5th Floor Karachi Chamber, Karachi</p>	
Registered Office	<p>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></p>	
Liason / Correspondence office	<p>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></p>	
Mills At:	<p>Spinning and weaving units are situated at          Feroz Watwan, Sheikhpura, Punjab.          Tel: 0496 731724</p>	

## BLESSED TEXTILES LIMITED

### BLESSED TEXTILES LIMITED NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 23<sup>rd</sup> Annual General Meeting of the members of Blessed Textiles Limited will be held on Tuesday 26<sup>th</sup> October 2010 at 4:30 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 Extra Ordinary General Meeting held on 31<sup>st</sup> December 2009.
2. To receive, consider and adopt the audited financial statements of the company for the year ended 30<sup>th</sup> June, 2010 together with the Auditors' and Directors' Report thereon.
3. To approve the cash dividend @ 50% (i.e. PKR 5.0 per share) for the year ended 30<sup>th</sup> June, 2010, as recommended by the Board of Directors.
4. To appoint the auditors for the next term i.e. year 2010-2011 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: 24<sup>th</sup> September, 2010

Syed Asshraf Ali  
FCA  
Company Secretary

#### NOTES:

1. The Shares Transfer Books of the Company will remain closed from 23<sup>rd</sup> October 2010 to 30<sup>th</sup> October, 2010 (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 22<sup>nd</sup> October 2010 will be treated in time for the purpose of entitlement of dividend in respect of the period ended 30<sup>th</sup> June, 2010.
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.

## BLESSED TEXTILES 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 2010.

#### Overview

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, 2010 was a great milestone for the company. By the blessing of Al Mighty Allah your company earned a record profit of PKR 423.522 million during the year ended 30<sup>th</sup> June, 2010.

#### Textile Industry Current Scenario

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 2010 is satisfactory.

The demand for Pakistani textile products is increasing in the international markets and the industry is securing large orders among its regional competitors. The export of textile and garment sector stood at USD 10.3 billion in 2009-10. Industry is registering monthly growth of around USD 450 million in exports, out of which USD 200 million is the increase to the real price factor. This increase is mainly attributed to the overall improvement in quality control due to which world's leading retail stores are now buying textile and garment products being manufactured in Pakistan.

Pakistan's textile industry is going through one of the toughest period in decades. The high cost of production resulting from an instant rise in the energy costs has been the primary cause of concern for the industry. Depreciation of Pakistani rupee raised the cost of imported inputs. In addition, double digit inflation and high cost of financing has seriously affected the growth in the textile industry.

The load-shedding of electricity cause a rapid decrease in production which also reduced the export order. The cost of production has also risen due to instant increase in electricity tariff. Due to load shedding mill owner uses alternative source of energy like generator which increase their cost of production further. Due to such dramatic situation the capability of competitiveness of this industry in international market affected badly.

Pakistan is 4<sup>th</sup> largest producer and 3<sup>rd</sup> largest consumer of cotton but unfortunately we are at number 12 in the international trade of textile products. Government should take immediate measures to remove slowdown in the textile sector.

Tightening of the monetary policy, so far, has not improved the situation but added significantly to the cost of doing business for the industry. State Bank of Pakistan should also play its role by reducing KIBOR to single digit in order to avoid a severe decline in exports. A five-year comprehensive textile policy has been announced in previous year in which government has decided to set the textile export target at USD 25 billion for the next five years. This is indeed a very optimistic goal which can be met only if all the stakeholders play and take their responsibilities seriously.

#### Operating Results

Financial results of the company are summarized as under;

	2010 Rupees	2009 Rupees
Sales	4,054,211,673	3,295,074,819
Gross profit	801,314.433	507,469.407
Profit before taxation	429,929,752	98,108,111

## BLESSED TEXTILES LIMITED

	2010 Rupees	2009 Rupees
Taxation		
Current year	41,239,084	25,719,784
Prior year	(1,157,080)	(1,005,366)
Deferred	(33,674,963)	2,800,132
	<u>6,407,041</u>	<u>27,514,550</u>
Profit after taxation	423,522,711	70,593,561
Un-appropriated profit brought forward	13,261,108	7,491,547
Profit available for appropriation	436,783,819	78,085,108
Appropriations:		
Dividend paid	(4,824,000)	(4,824,000)
Transferred to General Reserve	(350,000,000)	(60,000,000)
Un-appropriated profit carried forward	<u>81,959,819</u>	<u>13,261,108</u>
Basic and diluted earning per share	<u>65.87</u>	<u>10.98</u>

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.

Gross profit for the year under review is amounting to PKR 801.314 million as compared to PKR 507.469 million in prior year which is increased by 57.90%. Whereas profit before taxation for the year under review is amounting to PKR 429.929 million as compared to PKR 98.108 million in prior year.

#### Dividend

The board of directors is pleased to recommend a final cash dividend of 50% i.e PKR 5 per share (June 2009: 7.50% i.e. PKR 0.75 per share) for the approval of shareholders at the forthcoming annual general meeting.

#### Balance Sheet

Balance sheet footing has decreased to PKR 2,409.513 million this year. Long term borrowing at the year end is PKR 504.014 million (2009: PKR 495.841 million). Gearing ratio was 0.65 at 30<sup>th</sup> June 2010 as compared to 1.53 at 30<sup>th</sup> June 2009. The liquidity position of the company is good with a current ratio of 1.51 at 30<sup>th</sup> June 2010. The total of shareholders' fund stood at PKR 1,246.279 million (2009: PKR 827.581 million).

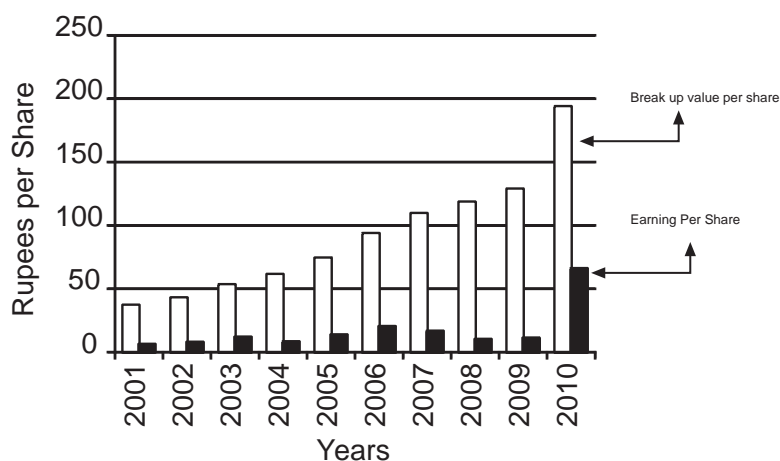
#### Cash Flow Management

Board of directors places great importance at an effective cash flow management so as to ensure smooth running of the business and for this purpose cash inflows and outflows are projected on regular basis. Working capital requirements have been planned to be financed through internal cash generation and short term financing from external sources. Cash generated from operations amounted to PKR 1,126.674 million during the year as compared to PKR 818.938 million.

#### Breakup Value and Earning per Share

The breakup value of your share as on 30<sup>th</sup> June 2010 is PKR 193.76 (30<sup>th</sup> June 2009: PKR 128.66). The Earning per Share (EPS) of your company for the year ended 30<sup>th</sup> June 2010 is PKR 65.87 (30<sup>th</sup> June 2009: PKR 10.98).

## BLESSED TEXTILES LIMITED



### 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.

## BLESSED TEXTILES LIMITED

### Changes in the Board of Directors

Mr. Faisal Shakeel director of company submitted his resignation from the board of director on 16th September 2010. The board would like to place on record its appreciation on the valuable contribution made by the outgoing director Mr. Faisal Shakeel towards progress of the company. The causal vacancy so occurred was filled within 14 days of such vacancy. The Board also welcomes Mr. Mohammad Shakeel who joined the board as a director in place of the outgoing director. Mr. Faisal 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 30th June 2010 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 23<sup>rd</sup> annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office from the conclusion of 23<sup>rd</sup> annual general meeting until the conclusion of 24<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 2011. 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.



## BLESSED TEXTILES LIMITED

### Risks, Challenges and Future Outlook

After some recovery in textile industry in year ended 30th June 2010, business environment for textile industry is again not looking very favorable in coming period. 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.

It is expected that in the coming year 2010-2011 the prices of cotton would be high based on low world cotton production and higher consumption. Projected world ending stocks fell 174,000 bales and the world stocks-to-use ratio was at 37.7%, its lowest level since 1993/94.

The cotton crop has been badly affected by the flood. The International Cotton Advisory Committee (ICAC) has lowered its forecast for Pakistan's crop by 15%. The ICAC estimates that 6-8 per cent of the cotton growing area has been lost entirely. In some of the most vital areas for cotton, the floods have damaged as much as 80 per cent of the fields.

Total consumption of the local industry is about 15.5 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, the shortfall might well be around 4.5 million bales. The country would need to import 4.5 million bales to meet the domestic requirements.

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

State Bank of Pakistan should consider 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 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



Mohammad Shaheen  
Chief Executive / Director

Karachi:  
24<sup>th</sup> September, 2010

### Board of Directors Meetings

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

Directors	2009		2010		Total
	28 <sup>th</sup> Oct	24 <sup>th</sup> Feb	24 <sup>th</sup> April	24 <sup>th</sup> Sept	
Mr. Mohammad Salim	★	★	★	★	4/4
Mr. Mohammad Sharif	★	★	★	★	4/4
Mr. Mohammad Shaheen	★	-	★	★	3/4
Mr. Mohammad Shakeel	-	-	-	★	1/1
Mr. Khurram Salim	★	★	★	★	4/4
Mr. Bilal Sharif	★	★	★	★	4/4
Mr. Mohammad Amin	★	★	★	★	4/4
Mr. Adil Shakeel	★	★	★	★	4/4
Mr. Faisal Shakeel	-	-	-	-	2/3
Total	8/8	6/8	8/8	8/8	30/32

## BLESSED TEXTILES LIMITED

### Year wise Operating Data

	Year Ended 30 <sup>th</sup> June					
	2010	2009	2008	2007	2006	2005
<b>Spinning Unit</b>						
Spindle installed	47,616	47,616	47,616	44,496	44,496	23,376
Spindle worked	47,616	47,616	47,616	44,496	44,496	23,376
Installed capacity after conversion in to 20/s count (Kgs)	20,413,000	20,413,000	20,413,000	19,081,000	13,457,000	5,899,000
Actual production after conversion in to 20/s count (Kgs)	18,498,000	18,689,000	18,229,000	18,049,000	14,380,000	5,930,000
<b>Weaving Unit</b>						
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	20,034,909	13,469,017
Actual production after conversion into 50 picks - (meters)	25,059,000	23,892,170	23,892,170	28,556,778	29,552,819	17,530,200

### Year wise Financial Data

	Year Ended 30 <sup>th</sup> June					
	2010	2009	2008	2007	2006	2005
Rupees in Thousands						
Fixed assets	1,623,295	1,565,526	1,624,082	1,640,014	1,658,154	1,079,064
Investments, long term loans and deposits	12,864	11,314	7,688	7,132	19,866	16,939
Current assets	773,352	880,145	1,163,347	917,700	762,605	669,453
Shareholders equity	1,246,279	827,581	761,811	703,616	602,110	477,115
Long term liabilities	504,014	495,842	531,156	541,038	871,921	613,295
Deferred liabilities	57,639	81,956	68,644	22,270	20,889	14,605
Current liabilities	514,871	962,321	1,353,786	1,197,923	945,704	660,440
Turnover (Net)	4,054,211	3,254,301	2,961,744	2,676,741	2,927,425	151,120
Gross profit	801,314	466,696	365,722	395,663	416,810	202,890
Operating profit	637,523	357,270	275,028	305,099	321,983	152,544
Financial charges	175,417	1,257,167	159,347	179,969	151,466	48,601
Profit before tax	429,929	100,103	115,680	125,130	170,517	103,942
Profit after tax	423,522	70,593	64,627	106,329	129,818	87,524
Cash Dividend	4,824	4,824	6,432	4,824	4,824	4,824
Transfer to reserves	350,000	60,000	60,000	100,000	180,000	50,000
Profit carried forward	81,959	13,261	7,491	9,296	7,791	62,795



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## REVIEW REPORT TO THE MEMBERS

### On the Statement of Compliance with Best Practices of the 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 to comply with the and chopta XI listing of the Karachi Stock Exchange (Guarantee) Limited, Listing Regulations No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of 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 system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

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 respect, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2010.

LAHORE  
Dated : 24<sup>th</sup> September, 2010

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ  
Chartered Accountants  
Engagement Partner:  
IRFAN RAHMAN MALIK

## BLESSED TEXTILES LIMITED

### STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2010

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. There was no casual vacancy occurred in board of director during the year ended to 30<sup>th</sup> June 2010.
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.

**BLESSED TEXTILES LIMITED**

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



Mohammad Shaheen  
Chief Executive / Director

KARACHI  
Dated : 24<sup>th</sup> September, 2010



RAHMAN SARFARAZ RAHIM  
IQBAL RAFIQ  
Chartered Accountants  
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#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of Blessed Textiles Limited as at June 30, 2010 and the related profit and loss account, statement of cash flows, statement of changes in equity and statement of comprehensive income 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 the 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 verifications, we report that;

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion;
  - (i) the statement of financial position 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 accounts 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 statement of financial position, profit and loss account, statement of cash flows, statement of changes in equity and statement of comprehensive income 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, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in Central Zakat Fund established under section 7 of that Ordinance,

LAHORE  
Dated : 24<sup>th</sup> September, 2010

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ  
Chartered Accountants  
Engagement Partner: IRFAN RAHMAN MALIK

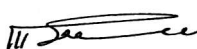
## BLESSED TEXTILES LIMITED

### BALANCE SHEET AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>EQUITY AND LIABILITIES</b>			
Share capital and reserves			
Authorized share capital			
6,500,000 (2009: 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	1,100,000,000	750,000,000
Accumulated profit		81,959,819	13,261,108
		1,246,279,819	827,581,108
Loan from sponsors - Unsecured			
	7	86,707,708	89,285,715
Non-current liabilities			
Long term finances - Secured	8	464,762,053	436,033,072
Liabilities against assets subject to finance lease - Secured	9	39,252,422	59,808,707
Employees retirement benefits	10	39,418,887	32,620,765
Long term payables - Secured	11	18,221,218	15,659,999
Deferred taxation	12	-	33,674,963
		561,654,580	577,797,506
Current liabilities			
Current portion of non-current liabilities	13	201,172,296	234,752,957
Short term borrowings - Secured	14	110,000,000	537,413,935
Accrued interest/mark-up		15,340,800	37,073,617
Trade and other payables	15	188,358,388	153,081,029
		514,871,484	962,321,538
Contingencies and commitments	16	-	-
		<u>2,409,513,591</u>	<u>2,456,985,867</u>

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

Karachi  
24<sup>th</sup> September, 2010


  
Mohammad Shaheen  
Chief Executive

## BLESSED TEXTILES LIMITED

### BALANCE SHEET AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	1,623,295,825	1,565,526,543
Long term deposits	18	8,128,385	7,493,985
Long term advances - Unsecured, Considered good	19	4,736,810	3,820,011
		1,636,161,020	1,576,840,539
<b>Current assets</b>			
Stores, spares and loose tools	20	34,712,543	38,764,537
Stock in trade	21	525,224,173	670,207,793
Trade receivables	22	87,597,012	74,092,433
Advances, prepayments and other receivables	23	45,482,332	39,627,069
Derivative financial asset		-	2,239,708
Current taxation	24	49,555,396	42,404,454
Cash and bank balances	25	30,781,115	12,809,334
		773,352,571	880,145,328
		<u>2,409,513,591</u>	<u>2,456,985,867</u>

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

  
 MOHAMMAD SALIM  
 Director

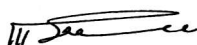


## BLESSED TEXTILES LIMITED

### Profit and loss account for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
Turnover - net	26	4,054,211,673	3,295,074,819
Cost of sales	27	<u>3,252,897,240</u>	<u>2,787,605,412</u>
Gross profit		801,314,433	507,469,407
Selling and distribution expenses	28	<u>111,394,413</u>	<u>101,180,162</u>
Administrative and general expenses	29	<u>53,473,389</u>	<u>43,074,200</u>
		<u>164,867,802</u>	<u>144,254,362</u>
		636,446,631	363,215,045
Net other operating expenses	30	185,196	126,660
Operating profit		<u>636,261,435</u>	<u>363,088,385</u>
Finance cost	31	<u>174,155,968</u>	<u>257,167,480</u>
Other charges	32	<u>32,175,715</u>	<u>7,812,794</u>
		<u>206,331,683</u>	<u>264,980,274</u>
Profit before taxation		429,929,752	98,108,111
Taxation income/(expenses)			
Current taxation	33	<u>(40,082,004)</u>	<u>(24,714,418)</u>
Deferred taxation	33	<u>33,674,963</u>	<u>(2,800,132)</u>
		<u>(6,407,041)</u>	<u>(27,514,550)</u>
Profit after taxation		<u><u>423,522,711</u></u>	<u><u>70,593,561</u></u>
Earnings per share - basic and diluted	34	<u><u>65.85</u></u>	<u><u>10.98</u></u>

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



Mohammad Shaheen  
Chief Executive

Karachi  
24<sup>th</sup> September, 2010



MOHAMMAD SALIM  
Director

**BLESSED TEXTILES LIMITED**

Statement of other comprehensive income  
for the year ended June 30, 2010

	2010 Rupees	2009 Rupees
Profit after taxation	423,522,711	70,593,561
Other comprehensive income	-	-
Total comprehensive income	<u>423,522,711</u>	<u>70,593,561</u>

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



Mohammad Shaheen  
Chief Executive

Karachi  
24<sup>th</sup> September, 2010



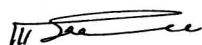
MOHAMMAD SALIM  
Director

## BLESSED TEXTILES LIMITED

### Cash flow statement for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	36	921,780,518	818,938,400
Payments for:			
Employees retirement benefits		(5,846,724)	(6,871,507)
Interest/markup		(167,151,330)	(210,926,562)
Income tax		(45,238,103)	(25,187,521)
		<u>218,236,157</u>	<u>242,985,590</u>
Net cash flow from operating activities		<u>703,544,361</u>	<u>575,952,810</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(240,800,680)	(110,645,266)
Proceeds from disposal of property, plant and equipment		18,410,000	750,000
Net cash used in investing activities		(222,390,680)	(109,895,266)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long term finances obtained		204,570,000	356,350,180
Repayment of long term finances		(200,131,249)	(433,088,249)
Repayment of liabilities against assets subject to finance lease		(35,382,716)	(10,758,210)
Net decrease in short term borrowings		(427,413,935)	(383,623,075)
Dividend paid		(4,824,000)	(4,824,000)
Net cash used in financing activities		(463,181,900)	(475,943,354)
Net (decrease) / increase in cash and cash equivalents		17,971,781	(9,885,810)
Cash and cash equivalents as at beginning of the year		12,809,334	22,695,144
Cash and cash equivalents as at end of the year	37	<u>30,781,115</u>	<u>12,809,334</u>

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



Mohammad Shaheen  
Chief Executive

Karachi  
24<sup>th</sup> September, 2010




MOHAMMAD SALIM  
Director

## BLESSED TEXTILES LIMITED

### Statement of changes in equity for the year ended June 30, 2010

	Issued subscribed and paid-up capital	General reserve	Accumulated profit	Total equity
	Rupees	Rupees	Rupees	Rupees
As at July 01, 2008	64,320,000	690,000,000	7,491,547	761,811,547
Profit for the year ended June 30, 2009	-	-	70,593,561	70,593,561
Profit transferred to general reserve		60,000,000	(60,000,000)	-
Other comprehensive income for the year ended June 30, 2009	-	-	-	-
Final dividend on ordinary shares for the year ended June 30, 2008	-	-	(4,824,000)	(4,824,000)
As at June 30, 2009	<u>64,320,000</u>	<u>750,000,000</u>	<u>13,261,108</u>	<u>827,581,108</u>
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><u>64,320,000</u></u>	<u><u>1,100,000,000</u></u>	<u><u>81,959,819</u></u>	<u><u>1,246,279,819</u></u>

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



Mohammad Shaheen  
Chief Executive

Karachi  
24<sup>th</sup> September, 2010



MOHAMMAD SALIM  
Director

**BLESSED TEXTILES LIMITED****Notes to and forming part of financial statements  
for the year ended June 30, 2010****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 and weaving units 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 certain financial instruments 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. 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 management of the Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item and the maximum period upto which such benefits are expected to be available.

**2.3.2 Recoverable amount of assets/cash generating units and impairment**

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

**2.3.3 Fair values based on inputs from other than active market**

Fair values of financial instruments, which are based on inputs from other than active market are determined using valuation techniques which incorporate all factors that market participants would consider in setting a price and use inputs that reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

## BLESSED TEXTILES LIMITED

### Notes to and forming part of financial statements for the year ended June 30, 2010

#### 2.3.4 Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities 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.

#### 2.3.5 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.

#### 2.3.6 Obligation under defined benefit plan

The Company's obligation under the defined benefit plan is based on valuation carried out periodically by independent actuaries. The valuation requires assumptions to be made 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.

#### 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

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land and capital work in progress, 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.

Parts of an item of property, plant and equipment having different useful lives are recognized as separate items.

Major renewals and improvements to an item of property, plant and equipment 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 property, plant and equipment 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 item of property, plant and equipment using rates specified in note 17.1 to the financial statements. Depreciation on additions to property, plant and equipment 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 item of property, plant and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

#### 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 moving average except for items in transit, which are valued at invoice price plus related expenses incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil.

## BLESSED TEXTILES LIMITED

### Notes to and forming part of financial statements for the year ended June 30, 2010

#### 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	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related expense 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 in the period in which these occur. 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.

##### 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.

## BLESSED TEXTILES LIMITED

### Notes to and forming part of financial statements for the year ended June 30, 2010

#### 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.

#### 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 'property, plant and equipment'. 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 property, plant and equipment. 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.



## BLESSED TEXTILES LIMITED

### Notes to and forming part of financial statements for the year ended June 30, 2010

#### 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, 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.

##### 3.12.2 Non-financial assets

These, 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.

Export rebate is recognized at the same time when revenue from export sales is recognized.

Interest income is recognized using effective interest method.

## BLESSED TEXTILES LIMITED

### Notes to and forming part of financial statements for the year ended June 30, 2010

#### 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.

##### 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.

## BLESSED TEXTILES LIMITED

### Notes to and forming part of financial statements for the year ended June 30, 2010

#### 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.

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.

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

### 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

#### IAS 23 - Borrowing Costs (Revised 2007)

The revised standard has removed the option to expense out borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of that asset. The revision has not had any impact on the Company's financial statements since the Company's accounting policy for borrowing costs is already in accordance with the requirements of the revised standard, and accordingly there are no adjustments in current or prior period resulting from application of this standard.

#### IAS 1 - Presentation of financial statements (Revised 2007)

The revised standard has brought about terminology changes, and changes in format and content of the financial statements. A new term "Comprehensive Income", which represents changes in equity during a period other than those resulting from transactions with shareholders in their capacity as shareholders, has been introduced, along with new titles for the financial statements. The Company has applied this standard retrospectively, but only to the extent it is consistent with the requirements of the Companies Ordinance, 1984 and the Rules and Regulations made thereunder. Certain requirements of the standard, including change of titles for financial statements, that are in conflict with the Companies Ordinance, 1984 and the Rules and Regulations made thereunder, have not been applied in presenting these financial statements. The application of this standard has resulted in presentation of all non-owner changes in equity, other than profit after taxation, which is presented in profit and loss account, separately from owner changes, in 'Statement of Other Comprehensive Income'. There are no other adjustments in current or prior periods, however the removal of above mentioned inconsistencies and conflicts in future, will cause further changes in content and format of these financial statements.

#### IFRS 8 - Operating Segments

This standard has superseded the requirements of IAS 14 - Segment Reporting regarding disclosure of segment information and has introduced the concept of management approach to segment reporting. 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. There are no changes in accounting policies or adjustments in the current or prior periods resulting from application to this standard.

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

4.2 Approved accounting standards, interpretations and amendments thereto effective with no impact on Company's financial statements

Standards, interpretations and amendments	Description
IFRIC 13 - Customer Loyalty Programmes	This interpretation addresses accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.
IAS 27 - Consolidated and Separate Financial Statements (amendments)	The amendments deal with measurement of cost of investment in subsidiaries, jointly controlled entities.
IAS 38 - Intangible Assets (amendments)	The amendment permits an entity to recognize a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services.
IAS 40 - Investment Property (amendments)	The standard has been amended to include within its scope investment property in the course of construction.
IAS 20 - Government Grants (amendments)	The amendment requires that the benefit of a government loan at a below-market rate of interest be treated as government grant.
IAS 39 - Financial Instruments Recognition and Measurement (amendments)	The standard has been amended to permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' and 'available for sale' categories in very limited circumstances. The amendment also clarifies accounting for embedded derivatives in case of such reclassification.
IFRS 2 - Share Based Payments (amendments)	The amendment clarifies the definition of vesting conditions and accounting treatment for cancellations, and introduce the concept of non-vesting conditions.
"IAS 32 - Financial Instruments Presentation and IAS 1 - Presentation of Financial Statements (amendments)"	These amendments require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.
IFRIC 15 - Agreements for the Construction of Real Estate	The interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 - Construction Contracts or IAS 18 - Revenue, and when revenue from the construction of real estate should be recognized.
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	The interpretation provides guidance on detailed requirements for net investment hedging for certain hedge accounting designations,

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

Standards, interpretations and amendments	Description
IFRS 3 - Business Combinations (Revised 2008)	The revision broadens the definition of business combinations, provides guidance on measurement of contingent consideration, pre-existing interests in acquiree and non-controlling interests and on accounting for transaction costs.
IAS 27 - Consolidated and Separate Financial Statements (Revised 2008)	The revisions principally address the accounting for transactions or events that result in a change in the Company's interest in subsidiaries.
IAS 28 - Investments in Associates (Revised 2008)	The revisions principally address the accounting for transactions or events that result in a change in the Company's interest in associates.
IAS 39 - Financial Instruments Recognition and Measurement (amendments)	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
IFRIC 17 - Distribution of Non-Cash Assets to Owners	The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

4.3 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 5 - Non-Current Asset Held for Sale and Discontinued Operations (amendments)	The standard has been amended to modify disclosure requirements. The amendment is effective for annual period beginning on or after January 01, 2010.
IAS 7 - Statement of Cash Flows (amendments)	The amendments specify that only expenditures that result in a recognized asset in the balance sheet can be classified as cash flows from investing activities. The amendments are effective for annual period beginning on or after January 01, 2010.
IAS 17 - Leases (amendments)	The standard has been amended to permit leases of land to be classified and accounted for as finance leases if certain conditions are met. The amendments are effective for annual period beginning on or after January 01, 2010.

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

		2010 Rupees	2009 Rupees
<b>5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
6,432,000 (2009: 6,432,000) ordinary shares of Rs. 10 each		64,320,000	64,320,000
<b>6 GENERAL RESERVE</b>			
General reserve is primarily being maintained to have adequate resources for future requirements and business operations.			
	Note	2010 Rupees	2009 Rupees
<b>7 LOAN FROM SPONSORS - UNSECURED</b>			
Face value of loan	7.1	100,000,000	100,000,000
Unamortized imputed interest	7.2	(13,292,292)	(10,714,285)
		86,707,708	89,285,715
7.1 This loan has been obtained from Sponsor Directors of the Company, and is interest free. The loan is repayable by July 31, 2011. The loan has been carried at amortized cost which has been determined using a discount rate of 14% (2009: 12%) over the remaining tenor of loan.			
	Note	2010 Rupees	2009 Rupees
7.2 Movement in unamortized imputed interest is as follows:			
As at beginning of the year		10,714,285	20,280,612
Arising during the year		13,292,292	-
Amortization for the year	31	(10,714,285)	(9,566,327)
As at end of the year		13,292,292	10,714,285
<b>8 LONG TERM FINANCES - SECURED</b>			
These represent long term finances utilized under markup arrangements from banking companies			
Term Finances ('TF')			
TF - I	8.1	-	150,000,000
TF - II	8.2	300,000,000	300,000,000
TF - III	8.3	57,000,000	-
TF - IV	8.4	106,176,000	-
		463,176,000	450,000,000

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

		2010 Rupees	2009 Rupees
Long Term Finances for Export Oriented Projects ('LTFEOP')			
LTFEOP - I	8.5	42,857,140	64,285,712
LTFEOP - II	8.6	34,778,591	38,256,450
LTFEOP - III	8.7	9,090,911	27,272,729
LTFEOP - IV	8.8	49,307,180	56,350,180
LTFEOP - V	8.9	21,870,000	-
LTFEOP - VI	8.10	19,524,000	-
		<u>177,427,822</u>	<u>186,165,071</u>
		640,603,822	636,165,071
Current maturity presented under current liabilities	13	<u>(175,841,769)</u>	<u>(200,131,999)</u>
		<u>464,762,053</u>	<u>436,033,072</u>

- 8.1 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 three months KIBOR plus 1% per annum (2009: three months KIBOR plus 1% per annum), payable quarterly. The finance has been fully repaid during the year.
- 8.2 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 (2009: three months KIBOR plus 1.1% per annum), payable quarterly. The finance was originally repayable in bullet in January 2011, however, the lending bank has sanctioned extension by further twenty months upto September, 2012.
- 8.3 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 2.0% per annum, payable quarterly. The finance is repayable after twenty months in bullet after being disbursed in March 09, 2010.
- 8.4 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, payable quarterly. The finance is repayable in sixteen equal quarterly installments with the first installment due in August 2011.
- 8.5 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 7% per annum (2009: 7% per annum), payable quarterly. The finance is repayable in fourteen equal quarterly installments with the first installment due in January 2007.
- 8.6 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 (2009: 7% per annum), payable quarterly. The finance is repayable in twelve equal quarterly installments with the first installment due in October 2008.
- 8.7 The finance has been obtained from Faysal Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries mark-up at 6% per annum (2009: 6% per annum), payable quarterly. The finance is repayable in twenty two equal quarterly installments with the first installment due in May 2004.
- 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 9% per annum (2009: 9% per annum), payable quarterly. The finance is repayable in sixteen equal quarterly installments with the first installment due in February 2010.
- 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 10.40% per annum, payable quarterly. The finance is repayable in sixteen equal quarterly installments with the first installment due in November 2011.



## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

8.10 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, payable quarterly. The finance is repayable in eight equal semi-annual installments with the first installment due in October 2011.

8.11 For restrictions on title, and assets pledged as security, refer to note 43 to the financial statements.

	Note	2010 Rupees	2009 Rupees
<b>9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - SECURED</b>			
Present value of minimum lease payments	9.1 & 9.2	64,582,949	94,429,665
Current maturity presented under current liabilities	9.1 & 9.2	(25,330,527)	(34,620,958)
		<u>39,252,422</u>	<u>59,808,707</u>

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 (2009: three months KIBOR plus 0.75% to 1.25% 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 lease arrangements and the period in which these payments will become due are as follows:

	Note	2010 Rupees	2009 Rupees
Not later than one year		25,995,215	24,118,810
Later than one year but not later than five years		51,363,795	105,684,290
Total future minimum lease payments		<u>77,359,010</u>	<u>129,803,100</u>
Finance charge allocated to future periods		(12,776,061)	(35,373,435)
Present value of future minimum lease payments		64,582,949	94,429,665
Not later than one year	13	(25,330,527)	(34,620,958)
Later than one year but not later than five years		<u>39,252,422</u>	<u>59,808,707</u>

### 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		32,620,765	25,686,445
Charged to profit or loss for the year	10.2	14,475,510	10,637,117
Benefits paid during the year		(5,846,724)	(6,871,507)
Actuarial (gain)/loss arising during the year	10.2	(1,830,664)	3,168,710
As at end of the year		<u>39,418,887</u>	<u>32,620,765</u>

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

		2010 Rupees	2009 Rupees
10.2	Charge to profit or loss		
	Current service cost	9,582,395	7,581,110
	Interest cost	4,893,115	3,056,007
		14,475,510	10,637,117
	Actuarial (gain)/loss recognized during the year	(1,830,664)	3,168,710
		<u>12,644,846</u>	<u>13,805,827</u>
10.3	The charge to profit or loss has been allocated as follows		
	Cost of sales	8,792,951	10,906,962
	Selling and distribution expenses	-	58,520
	Administrative and general expenses	3,851,895	2,840,345
		<u>12,644,846</u>	<u>13,805,827</u>

#### 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, 2010 is based on actuarial valuation was carried out by independent valuers and that as at June 30, 2009 was determined by the management of the Company based on internal estimates. The principal actuarial assumptions used in determining present value of defined benefit obligation are:

	2010	2009
Discount rate	12%	15%
Expected rates of increase in salary	11%	15%
Expected average remaining working lives of employees	5 years	10 years

#### 10.5 Historical information

		2010	2009	2008	2007	2006
Present value of defined benefit obligation	Rupees	39,418,887	32,620,765	25,686,445	22,270,325	16,812,890
Actuarial adjustment arising during the year	%	4.64	9.71	5.21	8.25	9.86

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 SHC has stayed the recovery of this tax and has instructed release of the merchandise against bank guarantee furnished in favour of the ETO. This has been classified as a long term liability since the payment is subject to the decision by SHC, which is still pending.

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>12 DEFERRED TAXATION</b>			
Deferred tax liability on taxable temporary differences	12.1	-	41,890,692
Deferred tax asset on deductible temporary differences	12.1	-	(8,215,729)
		-	33,674,963
<b>12.1 Recognized deferred tax assets and liabilities</b>			

Deferred tax assets and liabilities are attributable to the following:

	2010			
	As at July 01 Rupees	Recognized in profit or loss Rupees	Recognized in equity Rupees	As at June 30 Rupees
Deferred tax liabilities				
Operating fixed assets - owned	41,890,692	(41,890,692)	-	-
Deferred tax assets				
Employees retirement benefits	(4,225,310)	4,225,310	-	-
Operating fixed assets - leased	(3,447,976)	3,447,976	-	-
Accumulated impairment	(542,443)	542,443	-	-
	(8,215,729)	8,215,729	-	-
	33,674,963	(33,674,963)	-	-
	2009			
	As at July 01 Rupees	Recognized in profit or loss Rupees	Recognized in equity Rupees	As at June 30 Rupees
Deferred tax liabilities				
Operating fixed assets - owned	38,878,838	3,011,854	-	41,890,692
Deferred tax assets				
Employees retirement benefits	(3,755,692)	(469,618)	-	(4,225,310)
Operating fixed assets - leased	(3,766,090)	318,114	-	(3,447,976)
Accumulated impairment	(482,225)	(60,218)	-	(542,443)
	(8,004,007)	(211,722)	-	(8,215,729)
	30,874,831	2,800,132	-	33,674,963

12.2 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 June 30, 2010 and the liability as at June 30, 2009 has been derecognized. During the year ended June 30, 2009, revenue from export sales of the Company was subject to taxation under the final tax regime, while the remaining portion of revenue attracted assessment under normal provisions of the Ordinance and accordingly deferred tax was provided for only that portion of timing differences that represented income taxable under normal provisions of the Ordinance, at 35% of such timing differences.

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>13 CURRENT MATURITY OF NON-CURRENT LIABILITIES</b>			
Long term finances	8	175,841,769	200,131,999
Liabilities against assets subject to finance lease	9	25,330,527	34,620,958
		<u>201,172,296</u>	<u>234,752,957</u>

### 14 SHORT TERM BORROWINGS - SECURED

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

Running finance	14.1	-	449,519,822
Short term loans	14.2	110,000,000	87,894,113
		<u>110,000,000</u>	<u>537,413,935</u>

14.1 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.

14.2 Mark-up on term loans is payable along with principal on maturity and that on running finance is payable quarterly. These finances carry mark-up at rates ranging from one to three months KIBOR plus 0.7% to 2.5% per annum (2009: one to three months KIBOR plus 0.7% to 2.5% per annum).

The aggregate available short term funded facilities amounts to Rs. 2,065 million (2009: Rs. 1,845 million) out of which Rs. 1,955 million (2009: Rs. 1,308 million) remained unavailed as at the reporting date.

14.3 For restrictions on title, and assets pledged as security, refer to note 43 to the financial statements.

		2010 Rupees	2009 Rupees
<b>15 TRADE AND OTHER PAYABLES</b>			
Trade creditors - Unsecured		78,636,158	79,948,866
Accrued liabilities		69,568,985	60,612,786
Advances from customers - Unsecured		5,859,399	2,418,041
Workers' Profit Participation Fund	15.1	23,112,136	5,817,951
Workers' Welfare Fund	15.2	9,063,579	1,994,843
Unclaimed dividend		1,493,874	1,458,614
Other payables - Unsecured		624,257	829,928
		<u>188,358,388</u>	<u>153,081,029</u>

	Note	2010 Rupees	2009 Rupees
<b>15.1 Workers' Profit Participation Fund</b>			
As at beginning of the year		5,817,951	10,331,194
Interest on funds utilized by the Company	15.1.1	407,257	871,783
Charged to profit or loss for the year	32	23,112,136	5,817,951
Paid during the year		(6,225,208)	(11,202,977)
As at end of the year		<u>23,112,136</u>	<u>5,817,951</u>

15.1.1 Interest is charged at 17.5% (2009: 18.75%) per annum.

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
15.2 Workers' Welfare Fund			
As at beginning of the year		1,994,843	-
Charged to profit or loss for the year	32	9,063,579	1,994,843
Paid/adjusted during the year		(1,994,843)	-
As at end of the year		<u>9,063,579</u>	<u>1,994,843</u>

### 16 CONTINGENCIES AND COMMITMENTS

#### 16.1 Contingencies

16.1.1 Guarantees issued by banks on behalf of the Company as at the reporting date amount to Rs. 78.35 million (2009: Rs. 71.05 million), however the Company has already recognized related liability amounting to Rs. 18.22 million (2009: Rs. 15.66 million). See note 11.

16.1.2 Bills discounted/negotiated as at the reporting date amount to Rs. 240.51 million (2009: Rs. 382.32 million).

16.1.3 The Company has issued indemnity bonds and post dated cheques collectively amounting to Rs. 7.88 million (Rs. 3.44 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.

	Note	2010 Rupees	2009 Rupees
16.2 Commitments			
16.2.1 Commitments under irrevocable letters of credit for:			
- purchase of stores, spare and loose tools		7,414,408	589,764
- purchase of raw material		94,657,593	-
		<u>102,072,001</u>	<u>589,764</u>
16.2.2 Commitments for capital expenditure		<u>10,000,000</u>	-

### 17 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	17.1	1,405,915,827	1,565,526,543
Capital work in progress	17.2	217,379,998	-
		<u>1,623,295,825</u>	<u>1,565,526,543</u>

**BLESSED TEXTILES LIMITED**

Notes to and forming part of financial statements  
for the year ended June 30, 2010

## 17.1 Operating fixed assets

	2010										Net book value as at June 30 Rupees	
	COST					DEPRECIATION / IMPAIRMENT						
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30 Rupees	Rate %	As at July 01 Rupees	For the year Rupees	Adjustment Rupees	As at June 30 Rupees		
<i>Assets owned by the Company</i>												
Freehold land	25,432,849	-	-	-	25,432,849	-	-	-	-	-	25,432,849	
<i>Buildings on freehold land</i>												
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	
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)	915,114,262	1,028,580,887	
									9,055,249			
Equipment and other assets	36,948,393	8,975,197	-	-	45,923,590	35	18,610,741	9,261,004	1,163,833	29,035,578	16,888,012	
Electric installations	26,816,448	-	-	-	26,816,448	10	10,528,250	1,628,820	-	12,657,070	14,659,371	
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	
	2,524,920,854	11,118,532	(66,519,005)	32,716,580	2,502,236,961		1,062,577,920	149,404,296	(40,012,727)	1,171,969,489	1,330,267,472	
<i>Assets subject to finance lease</i>												
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	
	123,426,345	5,774,570	-	(31,500,000)	97,700,865		20,242,936	10,865,023	(9,055,249)	31,205,495	75,648,355	
<b>Total</b>	<b>2,648,347,199</b>	<b>16,893,052</b>	<b>(66,519,005)</b>	<b>1,216,580</b>	<b>2,599,937,826</b>		<b>1,082,820,656</b>	<b>160,269,319</b>	<b>(49,067,976)</b>	<b>1,194,021,999</b>	<b>1,405,915,827</b>	
2009												
	COST						DEPRECIATION					Net book value
	As at July 01 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30 Rupees	Rate %	As at July 01 Rupees	For the year Rupees	Adjustment Rupees	As at June 30 Rupees	as at June 30 Rupees	
<i>Assets owned by the Company</i>												
Freehold land	25,432,849	-	-	-	25,432,849	-	-	-	-	-	25,432,849	
<i>Buildings on freehold land</i>												
Factory buildings	350,377,937	-	-	12,030,860	362,408,797	10	135,326,854	21,730,512	-	157,057,366	205,351,431	
Non-factory buildings	61,936,100	-	-	2,959,378	64,895,478	5	13,736,915	2,486,073	-	16,222,988	48,672,490	
Plant and machinery	1,886,415,872	-	-	88,671,402	1,975,087,274	10	718,080,793	121,847,754	-	839,928,547	1,135,158,727	
Equipment and other assets	26,247,617	-	-	10,700,776	36,948,393	35	11,725,082	6,885,659	-	18,610,741	18,337,652	
Electric installations	26,816,448	-	-	-	26,816,448	10	8,718,450	1,809,800	-	10,528,250	16,288,198	
Office equipment - head office	4,801,714	-	-	-	4,801,714	10	3,052,885	166,935	-	3,219,820	1,581,894	
Office equipment - factory	1,127,809	80,500	-	-	1,208,309	10	741,325	42,019	-	783,344	424,965	
Furniture and fixtures - head office	199,098	-	-	-	199,098	10	108,173	9,093	-	117,266	81,832	
Furniture and fixtures - factory	6,134,123	642,480	-	-	6,776,603	10	2,645,604	382,252	-	3,027,856	3,748,747	
Vehicles	22,587,211	-	(2,241,320)	-	20,345,891	20	13,146,006	1,855,507	(1,919,771)	13,081,742	7,264,149	
	2,412,076,778	722,980	(2,241,320)	114,362,416	2,524,920,854		907,282,087	157,215,604	(1,919,771)	1,062,577,920	1,462,342,934	
<i>Assets subject to finance lease</i>												
Plant and machinery	122,424,545	-	-	-	122,424,545	10	8,394,729	11,500,717	-	19,895,446	102,529,099	
Vehicles	1,001,800	-	-	-	1,001,800	20	183,663	163,627	-	347,290	654,510	
	123,426,345	-	-	-	123,426,345		8,578,392	11,664,344	-	20,242,736	654,519	
<b>Total</b>	<b>2,535,503,123</b>	<b>722,980</b>	<b>(2,241,320)</b>	<b>114,362,416</b>	<b>2,648,347,199</b>		<b>915,860,479</b>	<b>168,879,948</b>	<b>(1,919,771)</b>	<b>1,082,820,656</b>	<b>1,565,526,543</b>	

## BLESSED TEXTILES LIMITED

### Notes to and forming part of financial statements for the year ended June 30, 2010

17.1.1 Adjustment in respect of equipment and other assets for the year ended 30<sup>th</sup> June 2010 represent impairment loss recognized.

17.1.2 Disposal of property, plant and equipment

	2010					Mode of disposal	Particulars of buyer
	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal		
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		
<i>Plant and machinery - owned</i>							
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
	<u>62,892,125</u>	<u>47,056,920</u>	<u>15,835,205</u>	<u>17,160,000</u>	<u>1,324,795</u>		

*Vehicles - owned*

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
Toyota Corolla - LXW 5079	817,707	714,701	103,006	300,000	196,994	Negotiation	M/s Texcom, Karachi
	<u>3,626,880</u>	<u>3,174,889</u>	<u>451,991</u>	<u>1,250,000</u>	<u>798,009</u>		
	<u>66,519,005</u>	<u>50,231,809</u>	<u>16,287,196</u>	<u>18,410,000</u>	<u>2,122,804</u>		

	2009					Mode of disposal	Particulars of buyer
	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal		
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>		
<i>Vehicles - owned</i>							
Honda Civic - LXO 2780	1,113,910	970,944	142,966	200,000	57,034	Negotiation	Waleed Iqbal, Peshawar
Honda Civic - LXZ 3576	1,127,410	948,827	178,583	550,000	371,417	Negotiation	Iqbal Saleem, Islamabad
	<u>2,241,320</u>	<u>1,919,771</u>	<u>321,549</u>	<u>750,000</u>	<u>428,451</u>		

17.1.3 Transfers represent transfers from capital work in progress on related assets becoming available for use.

	Note	2010 Rupees	2009 Rupees
17.1.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	27	157,693,702	166,360,141
Administrative and selling expenses	29	2,575,617	2,519,807
		<u>160,269,311</u>	<u>168,879,948</u>

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

### 17.2 Capital work in progress

	2010			As at June 30 Rupees
	As at July 01 Rupees	Additions Rupees	Transfers 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>

	2009			As at June 30 Rupees
	As at July 01 Rupees	Additions Rupees	Transfers Rupees	
Buildings on freehold land	1,137,804	13,852,434	(14,990,238)	-
Plant and machinery	3,302,326	85,369,076	(88,671,402)	-
Equipment and other assets	-	10,700,776	(10,700,776)	-
	<u>4,440,130</u>	<u>109,922,286</u>	<u>(114,362,416)</u>	<u>-</u>

	Note	2010 Rupees	2009 Rupees
18 LONG TERM DEPOSITS			
Utility companies and regulatory authorities	18.1	7,297,985	7,297,985
Financial institutions	18.2	830,400	196,000
		<u>8,128,385</u>	<u>7,493,985</u>

18.1 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.

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

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

	Note	2010 Rupees	2009 Rupees
Due from employees			
Current maturity presented under current assets			
	19.1	6,587,710	5,539,211
	23	(1,850,900)	(1,719,200)
		<u>4,736,810</u>	<u>3,820,011</u>



## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

- 19.1 These represent interest free loans advanced to employees against future salaries and retirement benefits, in accordance with the Company policy and terms of employment, and are recoverable over a period of two to five years. 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, in view of large number of advances, it is impracticable to determine amortized cost of each advance.

	2010 Rupees	2009 Rupees
<b>20 STORES, SPARES AND LOOSE TOOLS</b>		
Stores, spares and loose tools	34,712,543	38,764,537

- 20.1 It is impracticable to distinguish stores, spares and loose tools, each from the other.

	Note	2010 Rupees	2009 Rupees
<b>21 STOCK IN TRADE</b>			
Raw material	21.1	356,794,108	569,855,159
Work in process		66,864,410	44,744,068
Finished goods	21.2	101,565,655	55,608,566
		525,224,173	670,207,793

- 21.1 This includes raw material in transit valued at Rs. 60,831,099 (2009: Rs. nil).

- 21.2 Stock of finished goods include stock of waste valued at Rs. 181,798 (Rs. 793,992).

- 21.3 Entire stock in trade, with the exception of waste, is carried at cost being lower than net realizable value

- 21.4 No item of stock in trade is pledged as at the reporting date.

- 21.5 Packing material valued at Rs. 8,755,186 (2009: Rs. 7,065,278) previously presented as stock in trade has been reclassified and included in stores, spares and loose tools for better presentation.

	Note	2010 Rupees	2009 Rupees
<b>22 TRADE RECEIVABLES</b>			
Local - unsecured considered good		62,668,546	54,490,720
considered doubtful		8,331,303	3,298,101
Foreign - secured	22.1	70,999,849	57,788,821
		24,928,466	19,601,713
Accumulated impairment		95,928,315	77,390,534
		(8,331,303)	(3,298,101)
		87,597,012	74,092,433

- 22.1 These are secured against letters of credit

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

		2010 Rupees	2009 Rupees
22.2 Movement in accumulated impairment is as follows:			
	As at beginning of the year	3,298,101	3,298,101
	Recognized during the year	5,033,202	-
	As at end of the year	<u>8,331,303</u>	<u>3,298,101</u>
23 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
	Advances to suppliers - unsecured, considered good	439,240	7,663,221
	Advances to employees - unsecured, considered good	1,850,900	1,719,200
	Prepayments	1,898,001	937,263
	Deposits with financial institutions	21,910,891	19,113,076
	Letters of credit	1,732,230	224,332
	Sales tax refundable	16,657,315	9,888,531
	Other receivables - unsecured, considered good	993,755	81,446
		<u>45,482,332</u>	<u>39,627,069</u>
23.1 Particulars of other receivables			
	Considered good	993,755	81,466
	Considered doubtful	99,583	-
		1,093,338	81,466
	Accumulated impairment	(99,583)	-
		<u>993,755</u>	<u>81,466</u>
23.1.1 Movement in accumulated impairment is as follows:			
	As at beginning of the year	-	-
	Recognized during the year	99,583	-
	Reversed during the year	-	-
	As at end of the year	<u>99,583</u>	<u>-</u>
24 CURRENT TAXATION			
	Advance income tax	89,637,400	67,118,872
	Provision for taxation	(40,082,004)	(24,714,418)
		<u>49,555,396</u>	<u>42,404,454</u>
25 CASH AND BANK BALANCES			
	Cash at banks		
	local currency	25,991,562	12,527,432
	foreign currency	4,789,553	281,902
		<u>30,781,115</u>	<u>12,809,334</u>

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

### 26 TURNOVER - NET

	2010		
	Local Rupees	Export Rupees	Total Rupees
Sale of goods			
Yarn	442,180,192	1,865,311,097	2,307,491,289
Fabric	118,844,145	1,494,692,966	1,613,537,111
Cotton	90,426,045	-	90,426,045
Stores and spares	1,955,481	-	-
Waste	40,114,089	-	-
	693,519,952	3,360,004,063	4,053,524,015
Rendering of services			
Processing	1,180,223	-	1,180,223
	694,700,175	3,360,004,063	4,054,704,238
Duty drawback	-	193,752	193,752
Trade discount	-	-	-
Sales tax	-	-	-
Regulatory duty	(686,317)	-	(686,317)
	694,013,858	3,360,197,815	4,054,211,673
	2009		
	Local Rupees	Export Rupees	Total Rupees
Sale of goods			
Yarn	828,615,083	958,470,128	1,787,085,211
Fabric	447,030,001	949,587,493	1,396,617,494
Cotton	64,439,674	-	64,439,674
Stores and spares	42,922,318	-	42,922,318
Waste	434,913	-	434,913
	1,383,441,989	1,908,057,621	3,291,499,610
Rendering of services			
Processing	2,506,513	-	2,506,513
	1,385,948,502	1,908,057,621	3,294,006,123
Duty drawback	-	1,068,696	1,068,696
Trade discount	-	-	-
Sales tax	-	-	-
	1,385,948,502	1,909,126,317	3,295,074,819

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

27 COST OF SALES	Note	2010 Rupees	2009 Rupees
Raw material consumed	27.1	2,356,379,186	1,805,781,838
Stores, spares and loose tools consumed		109,550,630	108,923,738
Cost of cotton sold	27.2	93,799,732	66,652,220
Salaries, wages and benefits	27.3	203,428,771	174,980,625
Processing charges		5,913,547	19,929,138
Fee and subscription		75,035	102,250
Fuel and power		284,067,878	272,323,628
Electricity duty		1,983,516	1,773,958
Insurance		7,507,783	8,113,552
Vehicle running and maintenance		3,500,062	3,252,533
Rent, rates and taxes		96,460	178,585
Repair and maintenance		8,483,732	8,064,630
Communication		516,079	604,322
Traveling, conveyance and entertainment		1,079,898	474,884
Depreciation	17.1.4	157,693,702	166,360,141
Impairment loss on operating fixed assets	17.1.1	1,163,833	-
Others		1,648,510	725,228
Manufacturing cost		<u>3,236,888,354</u>	<u>2,638,241,270</u>
Work in process			
As at beginning of the year		44,744,068	39,723,436
As at end of the year		(66,864,410)	(44,744,068)
		<u>(22,120,342)</u>	<u>(5,020,632)</u>
Cost of goods manufactured		<u>3,214,768,012</u>	<u>2,633,220,638</u>
Finished goods			
As at beginning of the year		55,608,566	178,571,653
Purchased during the year		84,086,317	31,421,687
As at end of the year		(101,565,655)	(55,608,566)
		<u>38,129,228</u>	<u>154,384,774</u>
		<u>3,252,897,240</u>	<u>2,787,605,412</u>
<b>27.1 Raw material consumed</b>			
As at beginning of the year		569,855,159	622,764,290
Purchased during the year		2,239,600,847	1,832,830,027
Sold during the year		(96,282,712)	(79,957,320)
As at end of the year		(356,794,108)	(569,855,159)
		<u>2,356,379,186</u>	<u>1,805,781,838</u>
<b>27.2 Cost of cotton sold</b>			
Cost of purchase		88,753,132	61,843,733
Salaries, wages and benefits		177,840	144,000
Loading and unloading		10,282	7,805
Insurance		277,353	463,828
Commission		-	19,954
Finance cost		4,581,125	4,172,900
		<u>93,799,732</u>	<u>66,652,220</u>

27.3 These include charge in respect of employees retirement benefits amounting to Rs. 8,792,951 ( 2009: Rs. 10,906,962).

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>28 SELLING AND DISTRIBUTION EXPENSES</b>			
Export			
Ocean freight and forwarding		50,422,055	42,776,916
Export development surcharge		4,396,372	4,009,004
Export sales promotion		9,045,290	8,633,067
Commission	28.1	30,778,024	30,774,706
Others		1,515,143	2,411,935
		<u>96,156,884</u>	<u>88,605,628</u>
Local			
Inland transportation		781,166	1,109,171
Salaries and benefits	28.2	-	381,750
Commission	28.1	14,217,707	9,999,049
Others		238,656	1,084,564
		<u>15,237,529</u>	<u>12,574,534</u>
		<u><u>111,394,413</u></u>	<u><u>101,180,162</u></u>

28.1 Commission on sales, previously shown as deduction from turnover, have reclassified and presented as selling and distribution expenses for better presentation.

28.2 These include charge in respect of employees retirement benefits amounting to Rs.nil (2009: Rs. 58,520).

	Note	2010 Rupees	2009 Rupees
<b>29 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Directors' remuneration		2,880,000	2,880,000
Salaries and benefits	29.1	27,557,984	21,770,863
Traveling, conveyance and entertainment		3,266,768	3,221,887
Printing and stationery		520,469	1,016,213
Communication		1,056,893	3,148,982
Vehicles running and maintenance		2,067,130	2,350,278
Legal and professional charges		308,766	604,882
Auditors' remuneration	29.2	635,000	505,000
Fee and subscription		1,098,465	616,114
Repair and maintenance		56,946	420,867
Depreciation	17.1.3	2,575,617	2,519,807
Rent, rates and utilities		4,921,698	3,286,371
Impairment loss on loans and receivables		5,195,466	-
Others		1,332,187	732,936
		<u>53,473,389</u>	<u>43,074,200</u>

29.1 These include charge in respect of employees retirement benefits amounting to Rs. 3,851,895 (2009: Rs. 2,840,345).

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
29.2 Auditor's remuneration			
Annual statutory audit		500,000	375,000
Half yearly review		75,000	75,000
Review report under Code of Corporate Governance		50,000	45,000
Out of pocket expenses		10,000	10,000
		<u>635,000</u>	<u>505,000</u>

### 30 NET OTHER OPERATING EXPENSES

Other expenses / (income)

Donations	30.1	2,308,000	555,111
Gain on disposal of property, plant and equipment	17.1.2	<u>(2,122,804)</u>	<u>(428,451)</u>
		<u>185,196</u>	<u>126,660</u>

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

### 31 FINANCE COST

Interest / mark-up on:

long term finances		66,622,367	65,296,816
liabilities against assets subject to finance lease		9,056,371	12,777,876
short term borrowings		69,739,775	152,374,987
workers' profit participation fund	15.1	407,257	871,783
		145,825,770	231,321,462
Imputed interest	7.2	(2,578,007)	9,566,327
Changes in fair value of derivative financial instruments		2,239,708	7,688,272
Bank charges and commission		28,668,498	8,591,419
		<u>174,155,968</u>	<u>257,167,480</u>

31.1 These include letter of credit discounting amounting to PKR 19,513,591 (2009: PKR 4,366,856)

	Note	2010 Rupees	2009 Rupees
32 OTHER CHARGES			
Workers' Profit Participation Fund	15.1	23,112,136	5,817,951
Workers' Welfare Fund	15.2	9,063,579	1,994,843
		<u>32,175,715</u>	<u>7,812,794</u>

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
<b>33 TAXATION EXPENSE/(INCOME)</b>			
Current taxation			
for current year	33.1	41,239,084	25,719,784
for prior year		(1,157,080)	(1,005,366)
Deferred taxation	12.1	40,082,004 (33,674,963)	24,714,418 2,800,132
		<u>6,407,041</u>	<u>27,514,550</u>

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

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

33.3 Assessments upto tax year 2009 have been finalized under relevant provisions of Income Tax Ordinance, 2001.

	2010 %	2009 %
33.4 Relationship between tax expense and accounting profit is as follows:		
Average tax rate	1.49	28.05
Tax effects of :		
Adjustments for prior years	0.27	1.02
Income chargeable to tax at different rates	25.41	7.63
Deferred taxation	7.83	(2.85)
Items not included in determination of provision for current tax	-	1.15
Applicable tax rate	<u>35.00</u>	<u>35.00</u>

	Unit	2010	2009
<b>34 EARNINGS PER SHARE</b>			
Profit attributable to ordinary shareholders	Rupees	<u>423,522,711</u>	<u>70,593,561</u>
Weighted average number of ordinary shares outstanding during the year	No. of shares	<u>6,432,000</u>	<u>6,432,000</u>
Earnings per share	Rupees	<u>65.85</u>	<u>10.98</u>

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

### 35 GOVERNMENT GRANTS

During the year, the Company recognized Rs. 2,433,573 (2009: Rs. nil) 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.

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	2010 Rupees	2009 Rupees
<b>36 CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	429,929,752	98,108,111
Adjustments for non-cash and other items		
Interest / markup expense	145,825,770	231,321,462
Changes in fair value of derivative financial instruments	2,239,708	7,688,272
Gain on disposal of property, plant and equipment	(2,122,804)	(428,451)
Imputed interest expense / income	(2,578,007)	9,566,327
Provision for employees retirement benefits	12,644,846	13,805,827
Impairment loss	6,197,035	-
Depreciation	160,269,319	168,879,948
	<u>322,475,867</u>	<u>430,833,385</u>
Operating profit before changes in working capital	752,405,619	528,941,496
Changes in working capital		
Stores, spares and loose tools	4,051,994	(4,970,222)
Stock in trade	144,983,620	169,023,604
Trade receivables	(18,537,781)	104,115,280
Advances, prepayments and other receivables	1,066,718	(2,067,103)
Long term deposits	-	(3,791,060)
Long term advances	(916,799)	165,354
Trade and other payables	36,165,928	23,944,603
Long term payables	2,561,219	3,576,448
	<u>169,374,899</u>	<u>289,996,904</u>
Cash generated from operations	<u>921,780,518</u>	<u>818,938,400</u>
<b>37 CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<u>30,781,115</u>	<u>12,809,334</u>

### 38 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 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, 2010

Note	2010 Rupees	2009 Rupees
Details of transactions and balances with related parties is as follows:		
38.1 Transactions with related parties		
38.1.1 Associated companies		
Sale of yarn	425,450,029	194,135,567
Sale of fabric	15,131,361	30,611,624
Sale of cotton	90,426,045	60,448,811
Sale of stores and spares	-	392,517
Sale of waste	231,973	9,780
Sale of machinery	5,700,000	-
Purchase of cotton	868,074	46,182,060
Purchase of yarn	248,449,570	105,325,889
Purchase of fabric	3,401,197	15,000
Purchase of stores and spares	-	1,181,098
Purchase of electricity	64,715,424	36,135,604
Services received	3,804,970	18,025,514
Rent paid	120,000	120,000
38.1.2 Key management personnel		
Short term employee benefits	2,880,000	2,880,000
Post employment benefits	-	-

### 38.2 Balances with related parties

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.

## 39 FINANCIAL INSTRUMENTS

### 39.1 Financial instruments by class and category

	Note	2010		2009	
		Loans and receivables Rupees	Financial liabilities at amortized cost Rupees	Loans and receivables Rupees	Financial liabilities at amortized cost Rupees
Financial assets					
Long term deposits	18	8,128,385	-	7,493,985	-
Long term advances	19	6,587,710	-	5,539,211	-
Trade receivables	22	87,597,012	-	74,092,433	-
Deposits with financial institutions	23	21,910,891	-	19,113,076	-
Cash and bank balances	25	30,781,115	-	12,809,334	-
		155,005,113	-	119,048,039	-

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	Note	2010		2009	
		Loans and receivables Rupees	Financial liabilities at amortized cost Rupees	Loans and receivables Rupees	Financial liabilities at amortized cost Rupees
Financial liabilities					
Loan from sponsors	7	-	86,707,708	-	89,285,715
Long term finances	8	-	640,603,822	-	636,165,071
Liabilities against assets subject to finance lease	9	-	64,582,949	-	94,429,665
Short term borrowings	14	-	110,000,000	-	537,413,935
Accrued interest/mark-up		-	15,340,800	-	37,073,617
Trade creditors	15	-	78,636,158	-	79,948,866
Accrued liabilities	15	-	69,568,985	-	60,612,786
		-	1,065,440,422	-	1,534,929,655
		<u>155,005,113</u>	<u>1,065,440,422</u>	<u>119,048,039</u>	<u>1,534,929,655</u>

### 39.2 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.

#### 39.2.1 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.

#### 39.2.2 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.

## 40 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:

### 40.1 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.

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees
40.1.1 Maximum exposure to credit risk			
The maximum exposure to credit risk as at the reporting date is as follows:			
Loans and receivables			
Deposits with financial institutions	18	22,741,291	19,309,076
Security deposit		95,928,815	77,390,534
Trade receivables	22	21,910,891	19,113,076
Cash at banks	25	30,781,115	12,809,334
		171,361,612	128,622,020
Derivative financial assets			
Interest rate swap		-	2,239,708
		<u>171,361,612</u>	<u>130,861,728</u>

#### 40.1.2 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:

	2010 Rupees	2009 Rupees
Customers	95,928,315	77,390,534
Banking companies and financial institutions	75,433,297	53,471,194
	<u>171,361,612</u>	<u>130,861,728</u>

#### 40.1.3 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.

##### 40.1.3(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.

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

These include customers which are counterparties 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:

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	2010		2009	
	Gross carrying amount Rupees	Accumulated Impairment Rupees	Gross carrying amount Rupees	Accumulated Impairment Rupees
Neither past due nor impaired	35,179,863	-	36,796,220	-
Past due by 0 to 6 months	42,106,251	-	36,917,276	-
Past due by 6 months to 1 year	10,269,207	-	378,937	-
Past due by 1 to 2 years	5,074,893	(5,033,202)	-	-
Past due by 2 to 3 years	-	-	-	-
Past due by 3 years	3,298,101	(3,298,101)	3,298,101	(3,298,101)
	95,928,315	(8,331,303)	77,390,534	(3,298,101)

The Company's six significant customers account for Rs. 47.06 million of trade receivables as at June 30, 2010, apart from which, exposure to any single customer does not exceed 5% of trade receivables as at June 30, 2010. 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. 24.93 million (2009: Rs. 19.60 million) secured through confirmed letters of credit and thus do not carry any significant credit risk. There is significant concentration of credit risk as at June 30, 2009. The Company believes that impairment recognized in respect of trade receivables past is adequate and no further allowance is necessary based on historical default rates.

#### 40.1.4 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.

#### 40.1.5 Credit risk management

As mentioned in note 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.

#### 40.2 Liquidity risk

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

##### 40.2.1 Exposure to liquidity risk

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

	2010				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
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	-

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	2010				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
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	-	-
	<u>1,065,440,422</u>	<u>1,13,318,129</u>	<u>457,132,901</u>	<u>856,185,228</u>	<u>-</u>
	2009				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from sponsors	89,285,715	100,000,000	-	100,000,000	-
Long term finances	636,165,071	754,172,591	227,518,338	519,430,406	7,223,847
Liabilities against assets subject to finance lease	94,429,665	128,779,120	23,094,830	105,684,290	-
Short term borrowings	537,413,935	538,996,016	538,996,016	-	-
Accrued interest/mark-up	37,073,617	37,073,617	37,073,617	-	-
Trade creditors	78,636,158	78,636,158	78,636,158	-	-
Accrued liabilities	69,568,985	69,568,985	69,568,985	-	-
	<u>1,542,573,146</u>	<u>1,707,226,487</u>	<u>974,887,944</u>	<u>725,114,696</u>	<u>7,223,847</u>

#### 40.2.2 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.

#### 40.3 Market risk

##### 40.3.1 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.

##### 40.3.1(a) Exposure to currency risk

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

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	2010 Rupees	2009 Rupees
Financial assets		
Trade receivables	24,928,466	19,601,713
Cash and bank balances	4,789,553	281,902
Total exposure	29,718,019	19,883,615

### 40.3.1(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:

	2010		2009	
	Average rate for the year Rupees	Spot as at the reporting date Rupees	Average rate for the year Rupees	Spot as at the reporting date Rupees
Financial assets	83.72	85.40	78.10	81.10
Financial liabilities	83.92	85.60	78.30	81.30

### 40.3.1(c)

#### Sensitivity analysis

A ten percent appreciation in Pak Rupee against the US \$ would have decreased profit for the year by Rs. 2.97 (2009: Rs. 1.99 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.

### 40.3.1(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.

### 40.3.2

#### 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.

### 40.3.2(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:

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	2010 Rupees	2009 Rupees
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	177,427,822	186,165,071
Variable rate instruments		
Financial assets	-	-
Financial liabilities	637,758,949	1,081,843,600

#### 40.3.2(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. 6.4 million (2009: Rs. 10.8 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.

#### 40.3.2(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.

#### 40.3.3 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.

### 41 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 finances 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:

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
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	Unit	2010 Rupees	2009 Rupees
Total debt	Rupees	705,186,771	730,594,736
Total equity	Rupees	1,332,987,527	916,866,823
		2,038,174,298	1,647,461,559
Gearing	% age	34.60%	44.35%

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.

#### 42 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on 24<sup>th</sup> September 2010 has proposed dividend on ordinary shares at PKR 5 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.

	2010 Rupees	2009 Rupees
<b>43 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY</b>		
Mortgages and charges		
Hypothecation of stocks and movables	3,376,000,000	2,191,000,000
Hypothecation of book debts and receivables	46,700,000	46,700,000
Mortgage over fixed assets	666,000,000	1,528,000,000
Hypothecation of plant and machinery	2,288,500,000	4,213,500,000

#### 44 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:

	2010		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
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>



## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
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	2009		
	Chief Executive Rupees	Directors Rupees	Executives Rupees
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>

#### 45 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.

##### 45.1 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.

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

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

	2010			
	Spinning Rupees	Weaving Rupees	Power Rupees	Total Rupees
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	96,567,203	53,099,685	11,766,264	161,433,152
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

	2009			
	Spinning Rupees	Weaving Rupees	Power Rupees	Total Rupees
Revenue from external customers	1,870,706,546	1,423,299,577	-	3,294,006,123
Intersegment revenues	-	-	168,837,265	168,837,265
Depreciation	102,306,263	53,500,058	13,073,627	168,879,948
Segment results	210,231,798	154,991,135	(1,579,437)	363,643,496
Segment assets	1,673,097,322	592,168,344	122,708,686	2,387,974,352
Segment liabilities	84,917,662	74,388,300	17,124,424	176,430,386
Additions to non-current assets	99,349,840	11,295,426	-	110,645,266

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.

### 45.3 Reconciliations of reportable segment revenues, results, assets and liabilities

#### 45.3.1 Segment revenues

	2010			
	Spinning Rupees	Weaving Rupees	Power Rupees	Total Rupees
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	<u>2,426,493,759</u>	<u>1,628,210,479</u>	<u>-</u>	<u>4,054,704,238</u>

	2009			
	Spinning Rupees	Weaving Rupees	Power Rupees	Total Rupees
Total for reportable segments	1,870,706,546	1,423,299,577	168,837,265	3,462,843,388
Inter-segment revenues	-	-	(168,837,265)	(168,837,265)
Total for the Company	<u>1,870,706,546</u>	<u>1,423,299,577</u>	<u>-</u>	<u>3,294,006,123</u>

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

### 45.3.2 Segment results

	2010			
	Spinning Rupees	Weaving Rupees	Power Rupees	Total Rupees
Total for reportable segments	439,860,899	176,061,472	23,908,940	639,831,311
Donations				(2,308,000)
Total for the Company				<u>637,523,311</u>
	2009			
	Spinning Rupees	Weaving Rupees	Power Rupees	Total Rupees
Total for reportable segments	210,231,798	154,991,135	(1,579,437)	363,643,496
Donations				(555,111)
Total for the Company				<u>363,088,385</u>

### 45.3.3 Segment assets

	2010			
	Spinning Rupees	Weaving Rupees	Power Rupees	Total Rupees
Total for reportable segments	1,521,493,925	719,384,006	110,755,879	2,351,633,810
Un-allocated assets				
Current taxation				49,555,396
Long term deposits				8,128,385
Total for the Company				<u>2,409,317,591</u>
	2009			
	Spinning Rupees	Weaving Rupees	Power Rupees	Total Rupees
Total for reportable segments	1,692,210,398	592,168,344	122,708,686	2,407,087,428
Un-allocated assets				
Current taxation				42,404,454
Long term deposits				7,493,985
Total for the Company				<u>2,456,985,867</u>

### 45.3.4 Segment liabilities

	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

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

	2010			
				Total Rupees
Long term payables			Power Rupees	18,221,218
Deferred taxation				-
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
<b>Total for the Company</b>				<b>1,163,233,772</b>

	2009			
	Spinning Rupees	Weaving Rupees	Power Rupees	Total Rupees
Total for reportable segments	84,917,662	74,388,300	17,124,424	176,430,386
Un-allocated liabilities				
Loan from sponsors				89,285,715
Long term finances				636,165,071
Liabilities against assets subject to finance lease				94,429,665
Long term payables				15,659,999
Deferred taxation				33,674,963
Short term borrowings				537,413,935
Accrued interest/mark-up				37,073,617
Workers' Profit Participation Fund				5,817,951
Workers' Welfare Fund				1,994,843
Unclaimed dividend				1,458,614
<b>Total for the Company</b>				<b>1,629,404,759</b>

#### 45.4 Geographical information

The Company's operations are not distributed geographically.

#### 46 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	2010	2009
<b>Spinning</b>			
Number of spindles installed	No.	47,616	47,616
Plant capacity on the basis of utilization converted into 20s count	Kgs'000	20,413	20,413
Actual production converted into 20s count	Kgs'000	18,498	18,229
<b>Weaving</b>			
Number of looms installed	No.	131	131
Plant capacity on the basis of utilization converted into 50 picks	Mtrs'000	17,483	17,483
Actual production converted into 50 picks	Mtrs'000	25,059	23,892

## BLESSED TEXTILES LIMITED

Notes to and forming part of financial statements  
for the year ended June 30, 2010

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.

	Unit	2010	2009
Power			
Installed capacity	Mwhs	47,304	47,304
Power generated	Mwhs	33,896	34,627

#### 47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 24<sup>th</sup> September 2010 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 Shaheen  
Chief Executive

Karachi  
24<sup>th</sup> September, 2010



MOHAMMAD SALIM  
Director

## BLESSED TEXTILES LIMITED

### PATTERN OF SHAREHOLDING AS AT 30<sup>TH</sup> JUNE 2010

NUMBER OF SHAREHOLDERS	SHARE HOLDING FROM TO	TOTAL SHARES HELD
180	000001 - 000100	15,183
174	000101 - 000500	68,933
29	000501 - 001000	26,695
65	001001 - 005000	159,969
9	005001 - 010000	64,312
3	010001 - 015000	38,552
1	020001 - 025000	25,000
3	025001 - 030000	84,500
1	030001 - 035000	31,364
2	035001 - 040000	71,900
3	040001 - 045000	127,600
1	045001 - 050000	50,000
1	060001 - 065000	63,900
2	065001 - 070000	134,500
3	090001 - 095000	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
2	265001 - 270000	537,600
1	280001 - 285000	282,400
1	330001 - 335000	330,400
1	370001 - 375000	370,392
1	390001 - 395000	393,900
2	440001 - 445000	888,040
1	535001 - 540000	536,000
1	1185001 - 1190000	1,189,160
<u>492</u>		<u>6,432,000</u>

### CATEGORYWISE SUMMARY OF SHAREHOLDERS AS AT 30<sup>TH</sup> JUNE 2010

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARE HELD	PERCENTAGE %
1 Directors Chief Executive Officer their spouse and minor childrens	16	2,244,760	39.7046
2 Associated Companies, Undertaking and related parties	12	2,920,540	40.2519
3 NIT	2	14,573	0.2266
4 Bank / Financial Institution	2	34,362	0.5342
5 Insurance Companies	1	393,900	6.1241
6 Modarabas abd Mutual Funds	-	-	-
7 General Public / Individuals	451	425,573	6.6164
8 Joint Stock Companies	8	420,792	6.5422
TOTAL	<u>492</u>	<u>6,432,000</u>	<u>100.00</u>

The above two statements include 190 Shareholders holding 1,182,700 Shares through the Central Depository Company of Pakistan Limited (CDC)

## BLESSED TEXTILES LIMITED

### PATTERN OF SHAREHOLDINGS AS AT 30-06-2010

S.No.	Shareholders Category	Percentage	No. of Shares
1	ASSOCIATED COMPANIES UNDERTAKING AND RELATED PARTIES		
	FAISAL SPINNING MILLS LIMITED	18.4882	1,189,160
	MR. FARRUKH SALIM	1.4148	91,000
	MR. YOUSUF SALIM	1.9605	126,100
	MR. SAQIB SALIM	1.4723	94,700
	MR. MOHAMMAD QASIM	4.1682	268,100
	MR. MOHAMMAD SHAKEEL	0.4664	30,000
	MRS. NAZLI BAGUM	1.0183	65,500
	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
2	NIT		
	NATIONAL BANK OF PAKISTAN - TRUSTEE DEPARTMENT	0.2045	13,152
	NATIONAL INVESTMENT TRUST LIMITED	0.0221	1,421
3	CEO, DIRECTOR AND THEIR SPOUSES AND MINOR CHILDREN		
	MR. MOHAMMAD SHAHEEN	1.0728	69,000
	MR. MOHAMMAD SALEEM	0.7774	50,000
	MR. MOHAMMAD SHARIF	0.6996	45,000
	MR KHURRAM SALIM	0.9935	63,900
	MR. BILAL SHARIF	1.4070	90,500
	MR. MOHAMMAD AMIN	4.3905	282,400
	MR. ADIL SHAKEEL	6.9076	444,300
	MR. FAISAL SHAKEEL	6.8989	443,740
	MRS. YASMIN BEGUM	0.6530	42,000
	MRS. ANJUM BEGUM	4.1900	269,500
	MRS. SEEMA BEGUM	0.6312	40,600
	MRS. AMNA KHURRAM	2.5373	163,200
	MRS. SAMIA BILAL	8.3333	536,000
	MRS. FATIMA AMIN	5.1368	330,400
	MASTER ABDULLAH BILAL	0.3887	25,000
	MASTER UMER KHURRAM	0.0389	2,500
4	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTAL FUNDS		
	STATE LIFE INSURANCE CORPORATION OF PAKISTAN	6.1241	393,900
	NATIONAL BANK OF PAKISTAN LTD	0.4876	31,364
	FAYSAL BANK LIMITED	0.0466	2,998
5	JOINT STOCK COMPANIES		
	HIGH LINK CAPITAL (PVT) LTD	0.1866	12,000
	ARIF HABIB SECIRITIES LTD	5.7586	390,392
	SHAFI (PVT) LTD	0.0062	400
	EXCEL SECURIOTIES (PVT) LTD	0.0016	100
	MAZHAR HUSSAIN SECURITIES (PVT) LTD	0.0311	2,000
	INVEST FORUM (SMC-PVT) LTD	0.0031	200
	ARIF HABIB SECURITIES LTD	0.5519	35,500
	MEHRAN SUGUR MILLS LTD	0.0031	200
6	INDIVIDUAL SHARE HOLDERS	6.6165	425,573
	TOTAL	100.00	6,432,000
7	DETAILS OF TRADING IN THE SHARES BY THE DIRECTORS, CEO, CFO, COMPANY SECRETARY AND THEIR SPOSES AND MONOR CHILDREN		NIL
8	SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST		
	FAISAL SPINNING MILLS LIMITED	18.4882	1,189,160

## BLESSED TEXTILES LIMITED

### 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 23rd Annual General Meeting of the Company to be held on  
Tuesday October 26, 2010 at 4:30 p.m. at Umer House, 23/1, Sector 23, S.M. Farooq Road,  
Korangi Industrial Area, Karachi. and/or at any adjournment thereof.

**WITNESS**

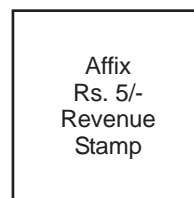
Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

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



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

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

**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

Phones : 021 - 35115177 - 80

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

Website : [www.umergroup.com](http://www.umergroup.com)