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VISION / MISSION STATEMENT

VISION

We aim at seeing our textile-processing unit to be a model of premier textile processing in the emerging markets in compliance with the requirements of Quality Management System and continuously improving its effectiveness for total customer satisfaction. We wish to play a leading role in the textile sector by keeping a substantial presence in the export markets.

MISSION

1. *To turn around performance of company into sustainable growth for the benefit of its stake holders.*

2. *To provide quality products to customers and explore new markets to promote/ expand sales of the Company through good governance and to foster a sound and dynamic team, so as to achieve optimum prices of products of the Company for sustainable and equitable growth and prosperity of the Company.*

3. *To strive hard for boosting exports of country to earn more and more foreign exchange to rebuild economy.*

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LIBERTY
MILLS LIMITED

CONTENTS

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Company Information

BOARD OF DIRECTORS:

CHAIRMAN:	Mr. Salim N. Mukaty
EXECUTIVE DIRECTORS:	Mr. Ashraf Salim Mukaty Mr. Luqman F. Poonawala Mr. Madni Gul Muhammad Mr. Asif Younus Bawany Mr. Muhammad Imran Shekhani
NON-EXECUTIVE DIRECTORS:	Mr. Yusuf N. Mukaty Mr. Noor Muhammad Yusuf Mukaty Mr. Zain Ashraf Mukaty
CHIEF EXECUTIVE:	Mr. Ashraf Salim Mukaty
CHIEF FINANCIAL OFFICER:	Mr. Younus Dawood
COMPANY SECRETARY:	Mr. Muhammad Iqbal Haroon
AUDIT COMMITTEE:	Mr. Yusuf N. Mukaty Mr. Ashraf Salim Mukaty Mr. Asif Younus Bawany
AUDITORS :	Hyder Bhimji & Co. Chartered Accountants F.R.A.N.T.S. & Co. Chartered Accountants
LEGAL ADVISORS :	H. Haroon Advocate
BANKERS :	Allied Bank Limited Bank Al-Falah Ltd. Bank Al Habib Ltd. Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Ltd. Meezan Bank Limited Soneri Bank Ltd. Standard Chartered Bank (Pakistan) Ltd. Summit Bank Ltd.
REGISTERED OFFICE AND MILLS :	A/51-A, S.I.T.E., Karachi-75700. Tel No. (021) 32578100-116 (17 Lines) Fax: (021) 32570086 & 32561050 Email: liberty@libertymillslimited.com Website: www.lml.com.pk
SHARES REGISTRAR :	F. D. Registrar Services (SMC - Pvt) Ltd. 17th Floor, Saima Trade Tower-A I.I. Chundrigar Road, Karachi-74000. Tel: 021-32271905-06 Fax: 021-32621233

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LIBERTY
MILLS LIMITED

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that **47th Annual General Meeting** of the Shareholders of the Company will be held at our Registered Office, situated at A/51-A, S.I.T.E. Karachi **on Saturday, November 30, 2012 at 11:30 AM** to transact the following business.

Ordinary Business

1. To confirm the Minutes of the Extra Ordinary General Meeting of the Company held on August 24, 2013.
2. To receive, consider and adopt the Audited Financial statements of the Company for the year ended June 30, 2013 together with Directors' and Auditors' report thereon.
3. To appoint Auditors and to fix their Remuneration, for the year ending June 30, 2014. M/s Hyder Bhimji & Co. Chartered Accountants and M/s F.R.A.N.T.S. being eligible have offered themselves for reappointment.

Special Business:

To consider and approve the following Special Resolution, if thought fit to pass with or without modification the following resolution as special resolution.

1. ***"RESOLVED*** that the Company be and is hereby empowered to make Advance to its subsidiary Company namely Liberty Power Tech Limited aggregating of PKR 2.5 billion at any time with power to receive or disburse by remaining with the said capping of aforesaid amount or issue counter guarantee for any such loan provided by any lending bank(s) or financial institutions or NBFC in order to meet any urgent working capital requirements at (Three months KIBOR + 2%) being not less than. 1% spread over average interest rate which is not less than the average borrowing cost of the Company and the amounts will be repayable within one year from date of disbursement.

   FURTHER RESOLVED that the Chief Executive of the Company and/or any of the Directors of the Company be and are hereby authorized to complete the legal formalities and acts in respect of the above advance / guarantee as is necessary on behalf of the Company.

   A statement under section 160 of the Companies Ordinance 1984 pertaining to the Special Business is being sent to all the Members along-with this Notice.

   To transact any other business which may be placed before the meeting with permission of the Chair.

By Order of the Board

(Muhammad Iqbal Haroon)
Company Secretary

Karachi: November 07, 2013

Notes:

1. The Share Transfer Books of the Company will remain closed from **November 23, 2012 to November 30, 2013** (Both days inclusive).

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2. A member entitled to attend and vote at this meeting may appoint another member of the Company as a proxy to attend and vote on his/her behalf. Proxies, in order to be effective, must be received at the Registered Office / Registrar of the Company (The FD Registrar Services (SMC-Pvt) Ltd. 17th Floor, Saima Trade Tower-A, I.I. Chundrigar Road, Karachi-74000, not less than 48 hours before the time of meeting.

3. Members are requested to promptly notify the Company / Registrar of any Change in their Addresses.

CDC Account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

(i). In case of individuals, the account holder or sub-account holder and /or the person whose securities are in group account and their registration details are uploaded as per the Regulation, shall authenticate his identity by shoeing his original Computerize National Identity Card (CNIC) or original passport at the time of attending the meeting.

(ii). In case of corporate entity, the Board of Directors' resolutions /power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointment Proxies:

(i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are unloaded as per the Regulation, shall submit the proxy form as per above requirements.

(ii) The proxy form shall be witnessed by two persons whose names, Addresses and CNIC numbers shall be mentioned on the form.

(iii) Attested copies of CNIC or the passport of the beneficial owners and the Proxy shall be furnished with the proxy form.

(iv) The proxy shall produces his original CNIC or original passport at the time of Meeting.

(v) In case of corporate entity, the Board of Directors' resolutions / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Statement under section 160(1) (b) of the Companies Ordinance, 1984

Liberty Power Tech Limited (LPTL) a subsidiary of the Company, was incorporated on September 13, 2007 as Public limited company (un-listed) for setting up and operate 200 Mega Watt electricity generating project. The proposed power plant will be a thermal IPP using Residual Fuel Oil as fuel.

Liberty Mills Limited Holds 144.7 million shares of PKR 10 each in LPTL.

The LPTL had achieved its Commercial operation date on January 12, 2011 and carrying the operation successfully and had supplying electricity to NTDC. The utilization of the plant is around 75% of the dependable capacity. Due to the effects of circular debt the pace of recovery of receivables from NTDC are very slow and the Subsidiary Company requires funds to sort out their short term funding requirements.

The Salient features as required by the S.R.O. 865(I)/2000 are narrated herein below:

Information required under clause (b) of sub section (1) of regulation 3 of (investment in associated companies or associated undertakings) Companies Regulation, 2012

(i) Name of associated undertaking / subsidiary company and the criteria of relationship:

Liberty Power Tech Limited- The Liberty Mills Limited owns 28.68% interest in Liberty Power Tech Limited and has control to appoint majority of Directors in that company. Mr. Muhammad Salim Mukaty, the Chairman, Mr. Muhammad Ashraf Mukaty S/o Muhammad Salim Mukaty, the Chief Executive and

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Mr. Yusuf N. Mukaty the Director of Liberty Mills Limited respectively holds the position of Chairman of the Board of Directors, Chief Executive of and Director of LPTL whereas two daughters and spouse of the Chairman and the spouse of Chief Executive are also directors in LPTL. These persons are interested as members of the Company and are also interested as 50.26% shareholders in the LPTL. The present share capital of LPTL amounts to PKR. 5.046 Billion.

(ii) Nature, amount and extent of Loan:

Short term loan with power to receive and disburse by remaining within the upper capping or Guarantee to lending banks for providing short term loan to Subsidiary Company LPTL to the tune of PKR 2.5 Billion.

(iii) Purpose of Loan / Advance:

To meet the short and medium term requirement of working capital in case of excessive delay in payments by the sole debtor WAPDA.

(iv) Benefits to the Company:

The loan/advance will be granted at three months KIBOR+2% being not less than 1% spread over average interest rate which is not less than the average borrowing cost of the company and commission on bank guarantee will be charge @ 2%.

(v) Previous loan/Advances already been granted to the associated/subsidiary company:

Previously the associated/subsidiary company had been provided with a loan of RS: 1,500 M as approved by the member through special resolution on December 24, 2011.

(vi) Financial position of the Associated Company/Subsidiary

As at June 2013, the associated company/subsidiary had a profit after tax RS: 2,961 million and un-appropriated profit of RS: 4,825 million. Total equity of the company is RS: 5,046 million. Shares breakup value of the company was RS: 19.56 and the total assets were RS: 31,912 million. Turnover was RS: 27,312 million and trade debts were RS: 7,443 million as on 30-06-2013.

(vii) Average Borrowing Cost of the Investing Company:

The company has varying rate of borrowing which ranges from 6.25% to 11.40%.

(viii) Rate of Interest / Commission to be charged:

The rate of interest/ commission charged has already been disclosed in (iv) above.

(ix) Source of funds and loans and advances to be given:

The funds will be invested out of short term borrowings of the company as well as own generation from operation.

(x) Loans/Advances granted using Borrowed Funds:

The company will grant loans/advances from the borrowed funds are due to the loan/advance disbursed to the associated undertaking/subsidiary company will not be doubtful because the investee company has only sole debtor WAPDA and the funds receivable from WAPDA are back by the sovereign of the Government of Pakistan.

The finance already obtained are secured by exclusive charge on the specified machinery imported through lender under the scheme of long term financing for Export Oriented Project, and pledge of shares of LPTL owned by the company and pari pasu charge over stock/receivables, ranking charge/ equitable mortgage over fixed assets of the company.

The short term borrowings obtained from the commercials banks are repayable between 180 days to one year and the long term financing will be repaid within 9 years.

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(xi) Particulars of the collateral security to be obtained against loan/advance:

There will be no collateral security which will be obtained from the Associated Undertaking/subsidiary Company.

(xii) Details of the loans /advances carry conversion features:

There will be no conversion features associated with the loans / advances

(xiii) Re-payment schedule and terms of the loans / advances:

The period of the loan is for a maximum period of one year.

(xiv) Salient features of all agreements entered or to be entered with its Associated Undertaking/ Subsidiary Company:

Salient features are that the loan will be paid within three years and carry rate of Mark up is 3 months KIBOR+2% being not less than 1% spread over average borrowing cost of the company and maximum amount will be PKR 2,500 million.

(xv) Benefits likely to accrue to the company and the shareholders from the proposed investment:

The whole scheme of financing to associate undertaking/subsidiary Company will generate interest equals to at least 1% over and above the company's borrowing cost and the guarantee commission will be 2%. However, no direct benefit will be available to the company as being this will facilitate smooth operations of the associated company/ subsidiary company.

(xvi) Interest of the directors and their relatives in the investee company:

None of the directors or their relative or associates is interested in any of above resolutions in any way except as members of the Company. A detail of the shareholdings has already been disclosed above.

(xvii) Any Other important details:

None

Status of Pending Investment Decisions

Status:

1. Vide special resolutions passed in Extra ordinary general meetings of the company approved an investment and loan/advances in associated undertaking/subsidiary PKR 3,825 million and PKR 1,500 million respectively out of which PKR 1,447 million and PKR 1,115 have been invested so far.
2. Complete investment was not made so far as the funds have not been required by the associated/ subsidiary company.
3. Materials changes have taken place in financial statements of the associated company/subsidiary company since date of the resolution passed for approval of investment in associated company. Associated company has achieved its commercial operation date. Balance sheet footing has increased from PKR 4,485 million to PKR 31,913 million, Equity of PKR 5,045 million were injected into the subsidiary company by all the shareholders and un-appropriated profit of the subsidiary company has reached at PKR 4,825 million.

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Directors' Review

On behalf of the board of Directors of Liberty Mills Limited, we present the annual audit report and audited financial statement of the company for the financial year ended June 30, 2013. The report is prepared u/s. 236 of the Companies' ordinance, 1984 and clause xvi of the Code of Corporate Governance.

FINANCIAL RESULT:

Operating results of the Company are as follow:	**June 30, 2013 (Rs. in thousand)**	**June 30, 2012 (Rs. in thousand)**
Sales Revenue	10,922,763	10,446,418
Gross Profit	1,522,076	1,270,743
Operating Profit	1,266,800	866,012
Profit before Taxation	907,402	544,024
Profit after Taxation	874,240	436,487

By the grace of Allah, the company has been able to maintain its sales revenue momentum. The company fetched sales revenue of RS: 10,922 Million during the year under review as compare to RS: 10,446 Million in the previous corresponding financial year. The net profit has increased due to dividend income received from subsidiary company. The dividend income was recorded at RS: 354.515 Million during the year. Despite the fact that the year under review was an election year, Government was doing its business considerably at slow pace; your company has successfully maintained a good relationship with foreign customer by offering them delivered value. Your company has already established a policy to generate high customer loyalty and develop a competitively superior value proposition. Our senior management team views the task of improving product and service quality as their top priority.

DELISTING FROM THE KARACHI STOCK EXCHANGE:

The company has initiated a process of delisting of its shares from the Karachi Stock Exchange. The entire formalities have been completed and Karachi Stock Exchange has given its consent to buy back the shares at an agreed price of RS: 260/- per share subject to purchase of at least 43,300 ordinary shares outstanding with the shareholders other than sponsors to qualify for delisting. Subsequent to the approval of shareholders and till the date of authorization of these financial statements, the sponsors and majority shareholders have purchased 221,556 shares. Further the sponsors have also undertaken to purchase the remaining outstanding shares within a period of one year as per rules following the expiry of initial buyback period. The company

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has also communicated these developments to KSE and has requested for formal confirmation of the delisting of the company.

FUTURE OUTLOOK:

Moving into 2014, it would be challenging to maintain the outstanding performance as this year, but we believe our business is uniquely positioned to deliver as per plan. Latterly, Pakistan has been given a GSP plus status by the European Union. It is anticipated that Textile export business will grow further and an additional approximately US$ 1 Billion business will be witnessed in Pakistan. However, the economic environment, paucity of gas & power and volatile security situation present challenges, we are confident that with careful management of available resources and appropriate cost reductions measures, we can accelerate growth further.

SUBSIDIARY COMPANY:

The Company owns and controls 29% shares of Liberty Power Tech Limited a subsidiary company. The principle business of the subsidiary is to build, operate and own a RFO based electric generation complex having a gross capacity of 200 MW. Production facility is located at Faisalabad.

FUNDS MANAGEMENT:

The company is constantly monitoring cash flows to ensure overall liquidity. Interest rates and foreign exchange rate are closely tracked to take advantage of any possible saving. Current liability maturities are adequately matched. Our treasury department is responsible for keeping the funds available as when required.

BUSINESS RISK:

The company has a comprehensive risk management system which helps early recognition of risks which can help future performance and also help in countering the risk and threats. Major threats include raw materials supply and price shocks, deteriorating law and order situation, increasing inflation and devaluation of local currency, all of which are contributing to increase the cost of doing business.

CODE OF CORPORATE GOVERNANCE:

The management of the company is committed to good corporate governance and complying with the best practices. As required under the code of corporate governance, the Directors are please to state as follows:

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a. The financial statement prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.

b. Proper books of accounts have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d. The international financial reporting standard and international accounting standards as applicable in Pakistan have been followed in preparation of financial statements.

e. The Board is responsible that the company internal control system and reviewing its effectiveness. The board considers that the internal control system is sound and effectively implanted and monitored.

f. There are no doubts upon the company's ability to continue as a going concern.

g. There have been no materials departures from the best practices of corporate governance as detailed in the listing regulation.

h. Un-audited half yearly financial statements after limited review by the statutory auditors are circulated in time along with the Directors review on the affairs of the company.

i. The CEO and CFO duly signed the financial statements presented to the Board of Directors for approval.

j. Key operating and financial date for last six years in summarized form is also enclosed in the annual report.

k. The company has complied with all the corporate and financial reporting requirements of the code.

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BOARD MEETINGS:

During the year six board meetings were held and each director has attended meeting as follow:

	Name of Directors	Meetings Attended
1.	Mr. Salim N Mukaty	1
2.	Mr. Ashraf S Mukaty	6
3.	Mr. Yousuf N Mukaty	5
4.	Mr. Noor Muhammad Yousuf Mukaty	6
5.	Mr. Luqman F Poonawala	6
6.	Mr. Madni Gul Muhammad	6
7.	Mr. Asif Younus Bawany	6
8.	Mr. Muhammad Imran Shekhani	6
9.	Mr. Zain Ashraf Mukaty	1

AUDIT COMMITTEE:

The audit committee comprised of the following three Directors for the year ended June 30, 2013:

1. Mr. Yousuf N Mukaty
2. Mr. Ashraf S Mukaty
3. Mr. Asif Younus Bawany

HUMAN RESOURCE AND REMUNERATION COMMITTEE:

The human resource and remuneration committee comprised of the following three Directors for the year ended June 30, 2013:

1. Mr. Yousuf N Mukaty
2. Mr. Noor Muhammad Yousuf Mukaty
3. Mr. Asif Younus Bawany

PATTERN OF SHAREHOLDINGS:

The pattern of shareholding and additional information as on June 30th 2013 is attached to the financial statements included in this report.

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AUDITORS:

The present auditors Hyder Bhimjee & Company Chartered Accountants and F.R.A.N.T.S. & Co Chartered Accountant retire and present themselves for reappointment.

ACKNOWLEDGEMENT:

Finally, we take this opportunity to thank all our stakeholders for the loyalty they have shown us during the year. We could not have achieved these positive results without the cooperation, support and loyalty of our employees, banks, shareholders, government bodies and board of directors.

For and on behalf of the Board of Directors
Ashraf S. Mukaty
Chief Executive

Karachi: November 07, 2013

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Key Operating and Financial data:

Rupees in Million

	2013	2012	2011	2010 Restated	2009	2008	2007	2006	2005
Sales	10,923	10,446	7,956	5,612	5,228	4,602	4,428	3,784	3,025
Gross Profit	1,522	1,271	949	902	902	763	638	518	441
Operating Profit	1,267	866	692	753	782	474	395	311	269
Profit Before Tax	907	544	377	589	627	379	329	243	225
Tax	33	107	92	65	65	37	52	72	39
Profit After Tax	**874**	**436**	**285**	**524**	**562**	**342**	**277**	**171**	**186**
Total Assets	9303	7693	6836	5468	4530	3322	2978	2714	2453
Current Liabilities	4926	4100	3487	2446	2280	1605	1608	1140	837
	4377	**3593**	**3349**	**3022**	**2250**	**1717**	**1370**	**1574**	**1616**
Represented By:									
Share Capital	231	231	231	226	226	226	226	226	206
Reserves And Unappropriated Profit	3644	2805	2403	2191	1775	1247	950	719	503
Equity	3875	3036	2634	2417	2001	1473	1176	945	709
Long Term Loans	426	416	596	503	163	170	122	573	785
Deferred Liability	151	141	119	102	86	74	73	56	122
	4452	**3593**	**3349**	**3022**	**2250**	**1717**	**1371**	**1574**	**1616**
Cash Dividend (% age)	-	15%	15%	30%	50%	15%	20%	20%	15%
Bonus (% age)	-	-	-	-	-	-	-	-	10%

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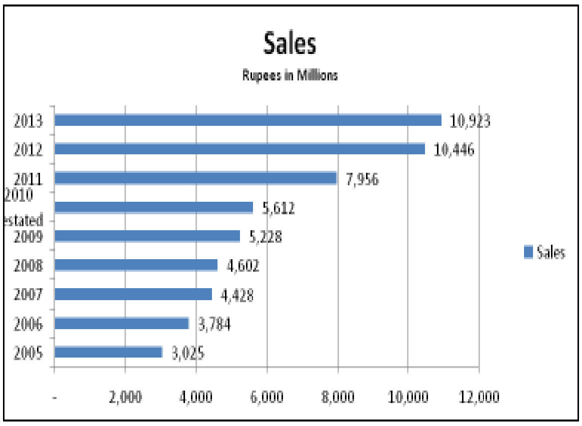

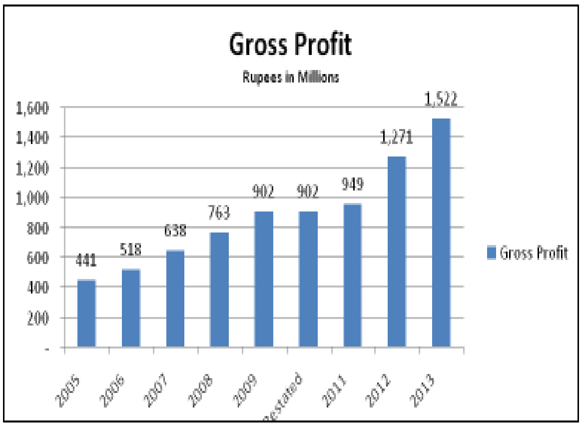

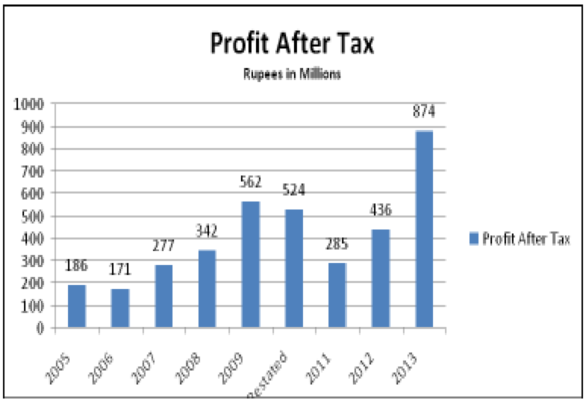

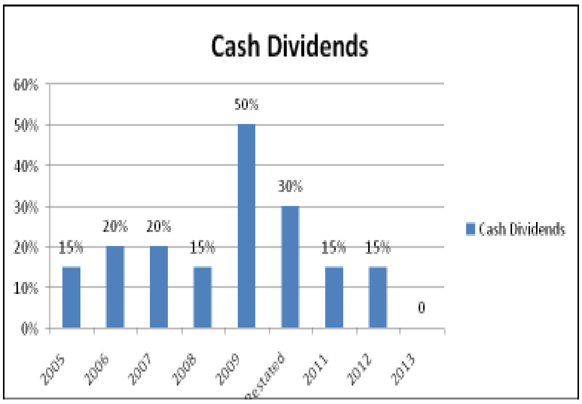

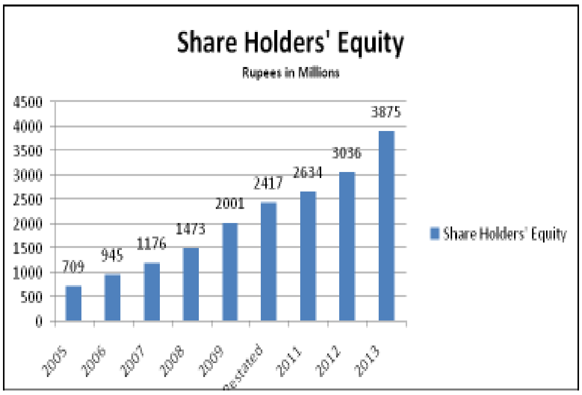

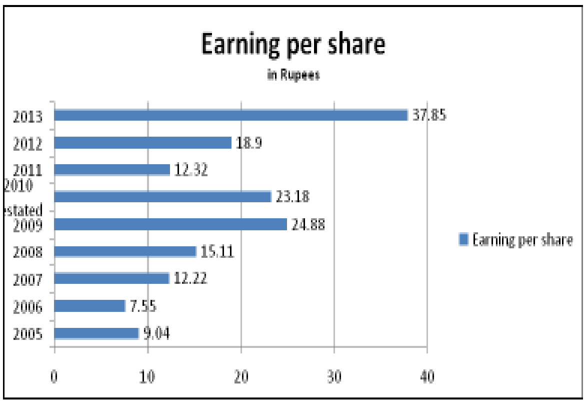

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Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the Regulation No. 35 (Chapter XI) of Listing Regulation of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Company is managed in Compliance with the best practices of corporate governance.

The Liberty Mills Limited has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes:

Executive Director	Mr. Ashraf Saim Mukaty
	Mr. Luqman F. Poonawala
	Mr. Madni Gul Muhammad
	Mr. Asif Younus Bawany
	Mr. Muhammad Imran Shekhani
Non-Executive Director	Mr. Salim N. Mukaty
	Mr. Zain Ashraf Mukaty
	Mr. Yousuf N. Mukaty
	Mr. Noor Muhammad Mukaty

   Independent Director
   The requirement of clause 1(b) of CCG in relation to independent directors will be applicable from next election of directors.

2. The directors have confirmed that none of them is serving as director on more than seven listed companies, including this Company.

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

4. No casual vacancy occurred on the Board during the year.

5. The Company has prepared a "Code of Conduct", and ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. 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.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the board.

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

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9. In accordance with the criteria specified in clause (XI) of CCG, two Directors of the Company are exempted from the requirements of Directors Training Program, while the rest of Directors will complete training program within specified time.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and condition of employment.

11. The Director's Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

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

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

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

15. The Board has an audit committee. It comprises three members of whom two are non-executive directors and the Chairman of the Committee is non-executive director. The condition of clause 1 (b) of the CCG in relation to the independent director will be applicable on election of next Board of Directors of the company.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and financial results of the Company as required by the CCG. The terms of reference of the audit committee have been formed and advised to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is non-executive director.

18. The Board has setup and effective internal audit function within the Company.

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

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. The 'closed period' prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material / Price sensitive information has been disseminated among all market participants at once through stock exchange(s).

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

Ashraf S. Mukaty
Chief Executive

Karachi: November 07, 2013

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HYDER BHIMJI & CO.
Chartered Accountants
Suite # 1601, Kashif Center
Shahrah-e-Faisal
Karachi.

F.R.A.N.T.S. & Co.
Chartered Accountants
16-II, N Lane, Commercial Avenue,
DHA, Phase IV, Karachi.

Review report to the members on 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 for the year ended June 30, 2013 prepared by the Board of Directors of LIBERTY MILLS LIMITED to comply with the Listing Regulations of Karachi Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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, the Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval of 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 undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2013.

HYDER BHIMJI & CO.
Chartered Accountants

F.R.A.N.T.S. & CO.
Chartered Accountants

Karachi: November 07, 2013

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HYDER BHIMJI & CO.
Chartered Accountants
Suite # 1601, Kashif Center
Shahrah-e-Faisal
Karachi.

F.R.A.N.T.S. & Co.
Chartered Accountants
16-II, N Lane, Commercial Avenue,
DHA, Phase IV, Karachi.

Auditors' report to the members

We have audited the annexed Balance Sheet of M/S. LIBERTY MILLS LIMITED (the Company) as at June 30, 2013 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance

HYDER BHIMJI & CO.
Chartered Accountants

Engagement Partner:
Shaikh Mohammad Tanvir

F.R.A.N.T.S. & CO.
Chartered Accountants

Engagement Partner:
Muhammad Fahim

Karachi: November 07, 2013

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LIBERTY
MILLS LIMITED

Balance Sheet as at 30th June, 2013

	Note	2013 PKR'000'	2012 PKR'000' (Restated)	2011 PKR'000' (Restated)
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized capital				
40,000,000 (2012: 40,000,000) ordinary shares of Rs.10 each		**400,000**	400,000	400,000
Issued, subscribed and paid up capital	4	**230,953**	230,953	230,953
General reserve	5	**2,720,000**	2,350,000	2,000,000
Unappropriated profit		**924,283**	454,684	402,840
		3,875,236	3,035,637	2,633,793
NON-CURRENT LIABILITIES				
Long term financing	6	**350,489**	410,279	583,941
Deferred liabilities	7	**150,660**	140,961	119,240
Long term loans from related parties	8	**-**	5,756	11,756
		501,149	556,996	714,937
CURRENT LIABILITIES				
Trade and other payables	9	**829,201**	707,652	572,897
Accrued mark-up	10	**55,053**	70,057	65,239
Short term borrowings	11	**3,966,711**	3,109,080	2,653,115
Current portion of long term financing / loans	12	**75,275**	203,053	191,250
Provision for taxation net of payments	13	**-**	10,534	5,259
		4,926,240	4,100,376	3,487,760
CONTINGENCIES AND COMMITMENTS	14	**-**	-	-
		9,302,625	7,693,009	6,836,490
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	15	**2,242,016**	1,743,836	1,627,669
Long term investment	16	**1,447,001**	1,447,001	1,447,001
Long term loans and advances	17	**35,974**	571,833	12,935
Long term deposits		**2,334**	2,334	3,026
		3,727,325	3,765,004	3,090,631
CURRENT ASSETS				
Stores, spare parts and loose tools	18	**153,978**	140,761	142,998
Stock-in-trade	19	**3,183,608**	1,718,004	2,655,156
Trade debts	20	**1,509,281**	1,168,682	551,219
Loans and advances	21	**222,099**	611,572	60,780
Trade deposits and short term prepayments	22	**4,229**	1,088	573
Accrued profit / mark up	23	**216**	40,687	382
Other receivables	24	**136,234**	140,643	156,778
Tax refunds due from Government	25	**157,988**	51,837	32,259
Income tax refundable - payments less provision	26	**58,642**	-	-
Short term investments	27	**268**	247	223
Cash and bank balances	28	**148,757**	54,484	145,491
		5,575,300	3,928,005	3,745,859
		9,302,625	7,693,009	6,836,490

Note : The annexed notes from 1 to 51 form an integral part of these financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Y. Bawany
Director

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LIBERTY
MILLS LIMITED

Profit and Loss Account
for the year ended 30th June, 2013

	Note	2013 PKR '000'	2012 PKR '000'
Sales	29	**10,922,763**	10,446,418
Cost of Sales	30	**(9,400,687)**	(9,175,675)
Gross Profit		**1,522,076**	1,270,743
Less:			
Distribution Cost	31	**(319,384)**	(258,123)
Administrative Expenses	32	**(296,037)**	(210,622)
Other Operating Expenses	33	**(67,251)**	(42,857)
		(682,672)	(511,602)
		839,404	759,141
Other Income	34	**427,396**	106,871
Operating Profit		**1,266,800**	866,012
Finance Cost	35	**(359,398)**	(321,988)
Profit before tax		**907,402**	544,024
Provision for taxation	36	**(33,162)**	(107,537)
Profit After Tax		**874,240**	436,487
Earning Per Share - basic and diluted (Rs.)	37	**37.85**	18.90

Note : The annexed notes from 1 to 51 form an integral part of these financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Y. Bawany
Director

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Statement of Comprehensive Income
for the year ended 30th June, 2013

	2013 PKR '000'	2012 PKR '000'
Profit after taxation for the year	**874,240**	436,487
Other comprehensive income	**-**	
Total comprehensive income for the year	**874,240**	**436,487**

Note : The annexed notes from 1 to 51 form an integral part of these financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Y. Bawany
Director

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LIBERTY
MILLS LIMITED

Cash Flow Statement
for the year ended 30th June, 2013

	NOTES	2013 PKR '000'	2012 PKR '000'
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**907,402**	544,024
Adjustments for non cash charges and other items			
Depreciation		**185,123**	145,746
Provision for staff retirements benefit		**28,310**	25,591
Provision for doubtful trade debts made during the year - Net		**31,866**	2,671
Provision for slow moving and obsolescence - Net		**3,965**	(278)
Long term deposit written off		**-**	953
Gain on disposal of property, plant and equipments		**(683)**	(1,263)
Finance cost		**359,398**	321,988
		607,979	495,408
		1,515,381	1,039,432
Working capital changes	38	**(1,407,840)**	(130,936)
Decrease/ (Increase) in long term loans and advances		**535,859**	(549,151)
(Increase) in long term deposits		**-**	(261)
Staff retirements paid during the period		**(6,144)**	(3,821)
Finance cost paid		**(374,402)**	(317,171)
Income taxes paid		**(114,807)**	(121,888)
		40,506	(992,292)
Net cash inflow / (outflow) from operations		**148,047**	(83,796)
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditures		**(687,544)**	(270,550)
Proceeds from disposal of property, plant and equipments		**4,932**	9,900
Net cash out flow from investing activities		**(682,612)**	(260,650)
CASH FLOW FROM FINANCING ACTIVITIES			
Net payment of long term finance		**(187,324)**	(161,859)
Repayment of loan from related parties		**(6,000)**	(6,000)
Dividend		**(35,448)**	(34,643)
Net cash (out flow) from financing activities		**(228,772)**	(202,502)
Net (decrease) in cash and cash equivalents		**(763,337)**	(546,948)
Cash and cash equivalents at the beginning of the year		**(3,054,349)**	(2,507,401)
Cash and cash equivalents at the end of the year	39	**(3,817,686)**	(3,054,349)

Note : The annexed notes from 1 to 51 form an integral part of these financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Y. Bawany
Director

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LIBERTY
MILLS LIMITED

Statement of Changes in Equity
for the year ended 30th June, 2013

	SHARE CAPITAL	GENERAL RESERVE-REVENUE	UN APPROPRIATED PROFIT	TOTAL
	-----------------'PKR '000'-----------------			
Balance as at June 30, 2011	230,953	2,000,000	402,840	**2,633,793**
During the year ended June 30, 2012				
Transfer to revenue reserve	-	350,000	(350,000)	**-**
Transaction with owners				
Final cash dividend for the year ended 30th June, 2011 @ 15% i.e. Rs. 1.50 per share	-	-	(34,643)	**(34,643)**
Total comprehensive income for the year ended 30th June, 2012	-	-	436,489	**436,489**
Balance as at June 30, 2012	**230,953**	**2,350,000**	**454,686**	**3,035,639**
During the year ended June 30, 2013				
Transfer to revenue reserve	**-**	**370,000**	**(370,000)**	**-**
Transaction with owners				
Final cash dividend for the year ended 30th June, 2012 @ 15% i.e. Rs. 1.50 per share	**-**	**-**	**(34,643)**	**(34,643)**
Total Comprehensive Income for the year ended 30th June, 2013	**-**	**-**	**874,240**	**874,240**
Balance as at June 30, 2013	**230,953**	**2,720,000**	**924,283**	**3,875,236**

Note : The annexed notes from 1 to 51 form an integral part of these financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Y. Bawany
Director

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Notes to the Financial Statements for the year ended 30th June, 2013

1 COMPANY AND ITS BUSINESS

The Company was incorporated in Pakistan on February 22, 1965 as a private limited company and was converted into a public limited company on September 12, 1969. Its shares are quoted in the Karachi stock exchange. The principal activity of the company is manufacturing and processing of all kinds of fabrics and textile made-up and its registered office is situated at A/51-A, S.I.T.E, Karachi.75700.

The Board of Directors of the Company, in their meeting held on April 13, 2013, considered and approved the proposal made by the majority shareholder to buy back shares from minority shareholders and seek delisting of the Company from the Karachi Stock Exchanges Limited (KSE) in accordance with the Voluntary De-Listing provisions of their respective Listing Regulations. KSE through its letter dated July, 24, 2013 approved the offer of sponsors and majority shareholders to purchase shares from minority shareholders at a minimum buy back price Rs. 260 per share subject to purchase of at least 43,300 ordinary shares outstanding with the shareholders other than sponsors, to qualify for delisting. After the permission of KSE the shareholders of the company passed a special resolution for delisting of the company from KSE at the Extra Ordinary General Meeting held on August 24, 2013 and permitted the sponsors and majority shareholders to purchase all the shares from minority shareholders for the purpose of delisting of the company from Karachi Stock Exchange Limited. Subsequent to the approval of the shareholders and till the date of authorization of these financial statements the sponsors ar

2 BASIS OF PREPARATION

2.1 Basis of measurement

These financial statements comprise balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with notes forming part thereof and have been prepared under the 'historical cost convention' except for certain financial instruments that have been accounted for on the basis of their fair values, retirements benefit obligation determined on actuarial valuation and valuation of stock-in-trade when valued at net realizable value, as has been specifically stated below in their respective notes.

2.2 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance 1984, and directives issued under the Companies Ordinance, 1984. In case of requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.3 Functional and presentation currency

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

2.4 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

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Defined benefit plan

Actuarial assumptions have been adopted as disclosed in note 7 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non - occurrence of the uncertain future

Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life, residual value used in the calculation of depreciation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

Stock-in-trade and stores, spare parts and loose tools

The Company reviews the net realizable value of stock-in-trade and stores spare parts and loose tools to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

Income taxes

The Company takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note 3.6 of these financial statements. Deferred tax calculation has been made based on estimate of future ratio of export and local sales based on past history.

Provision for obsolescence

Provision for obsolescence and slow moving spare parts is based on parameters set out by management.

2.5 New Standards, Interpretations and Amendments to Published Approved Accounting and Financial Reporting Standards

a New and amended standards and interpretations became effective:

During the year, the following approved accounting standards, interpretations, amendments / revisions to the approved accounting standards became effective for the accounting periods beginning from the dates specified below;

IAS 1- Presentation of Financial Statement- Amendments to Presentation of items of comprehensive income (Effective for annual periods beginning on or after July 01, 2012)

This introduce new requirement to group together items in 'other comprehensive income' (OCI) that may be subsequently reclassified to profit or loss (reclassification adjustments) in order to facilitate the assessment of their impact on overall performance of the entity. Amendment has no effect on company's financial statement except for additional disclosure.

IAS 12 - Income Taxes- (Amendment) Deferred Taxes: Recovery of underlying Assets (Effective for annual periods beginning on or after July 01, 2012)

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sales. Furthermore, it introduces the requirement that deferred tax on non depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the assets. The amendment is not relevant to the company.

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b Approved standards, Interpretations and Amendments to published approved accounting standards issued but not yet effective for the current financial year

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan and would be effective from the dates mentioned below against the respective standards or interpretations:

IAS 19 - Employee Benefits - Amendment (Effective for annual periods beginning on or after January 01, 2013)

The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans are recognised in full with actuarial gains and losses being recognised in other comprehensive income (elimination of 'corridor method' for recognition of actuarial gains and losses). It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

IAS 32 - Financial Instruments: Presentation- Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2014)

These clarify certain aspects in the application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realization and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.

IFRS 7 - Financial Instruments: Disclosures- Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2013)

These amendments require entities to disclose gross amount subject to right of set off, amounts set off in accordance with accounting standards followed, and the related net credit exposure. These disclosures are intended to facilitate comparison between those entities that prepare financial statements based on IFRS and those that prepare financial statements based on US GAAP.

The management anticipates that, except for the effects on the financial statements of amendments to IAS 19 "Employee Benefits", the adoption of the above standards, amendments and interpretations , will have no material impact on the Company's financial statements other than in presentation / disclosures. There were certain other standards and amendments that are not yet effective and are not relevant to the company's financial statement.

The company accounts for actuarial gains / losses, arising from re-measurement of present value of defined benefit obligation of staff retirement benefits, using corridor approach as stated in note 3.4. However the amendment in IAS 19 will result in recognizing all the gains and losses arising from re-measurement of present value of defined benefit obligation in other comprehensive income instead of using corridor limit in the period in which these gains / losses arises. The amendments also require additional disclosures and retrospective application with certain exceptions. The application of the amendments to IAS 19 would result in the recognition of cumulative unrecognized actuarial gains amounting to 20.475 million in other comprehensive income in the period.

c Annual improvements to IFRS — 2009 — 2011 cycle - (Effective for annual periods beginning on or after January 01, 2013)

The International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRSs – 2009–2011 Cycle, which contains following amendments / improvements to the approved accounting standards;

IAS 1 **Presentation of Financial Statements-** Clarification of the requirements for comparative information

This clarifies that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1. If additional comparative information is provided, the information should be presented in accordance with IFRSs, including disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

In addition, the opening statement of financial position (known as the third balance sheet) must be presented in the following circumstances: when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to accompany the third balance sheet period.

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IAS 16 **Property, Plant and Equipment-** Clarification of the servicing equipments

This clarifies that Spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment and as inventory otherwise.

IAS 32 **Financial Instruments: Presentation-** Tax effect of distributions to holders of equity instruments

The amendment removes the perceived inconsistency between IAS 32 and IAS 12 and clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 **Interim financial reporting -** Interim financial reporting and segment information for total assets and liabilities

The total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

These amendments / clarification are not likely to have any material impact on the company's financial statements.

d New Standards issued by IASB but not yet notified by SECP

Following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan.

IFRS 9 - Financial Instruments (Effective for annual periods beginning on or after January 01, 2015)

This is the first part of new standards on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and

IFRS 10 - Consolidated Financial Statements (Effective for annual periods beginning on or after January 01, 2013)

This is a new standard that replaces the consolidation requirements in SIC - 12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements. The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 - Joint Arrangements (Effective for annual periods beginning on or after January 01, 2013)

This is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

IFRS 12 - Disclosure of Interest in Other Entities (Effective for annual periods beginning on or after January 01, 2013)

This is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS-13 Fair Value Measurement (Effective for annual periods beginning on or after January 01, 2013)

This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit-price' notion and uses 'a fair value hierarchy', which results in market-based, rather than entity-specific measurement.

IAS 27 - Separate Financial Statements (Revised 2011) - due to non-adoption of IFRS 10 and IFRS 11 **(**Effective for annual periods beginning on or after January 01, 2013)

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganizations and includes a number of disclosure requirements.

IAS 28 - Investments in Associates and Joint Ventures (2011)- due to non-adoption of IFRS 10 and IFRS 11 (Effective for annual periods beginning on or after January 01, 2013)

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for

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3 SIGNIFICANT ACCOUNTING POLICIES

3.1 TAXATION

Current

Provision for current taxation is computed in accordance with the provisions of Income Tax Laws. The charge for current income tax is recorded after adjustment, if any, to the provisions for tax made prior year including those arising from assessment and amendments in assessments during the year in such years.

Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow or part of the deferred tax asset to be recognized. Unrecognized deferred tax asset are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.2 STAFF RETIREMENTS BENEFIT

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all permanent employees of the Company who have attained the minimum qualifying period, gratuity is based on the last drawn salary. Provision are made annually to cover the obligation under the scheme. The latest Actuarial valuation was carried out as at 30 June 2013 for two years, using the Projected Unit Credit Method assuming a discount rate of 10.5% per annum and expected rate of increase in salary @ 10.5% per annum. Actuarial gains and losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains and losses for the plan at the end of previous reporting period exceed 10% of the higher of present value of defined benefit obligation. The gains or losses in excess of amount determined as above said criteria are recognized over the expected remaining working lives of the employees participating in the plan.

3.3 FOREIGN CURRENCY TRANSLATION

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date or as fixed under contractual arrangements. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction.

Foreign exchange gains and losses on translation are recognised in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

3.4 PROPERTY, PLANT AND EQUIPMENT

Operating assets

Operating fixed assets are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation on Property, Plant and Equipment is charged to income applying the reducing balance method, at the rates specified in note no.15.1 whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation on additions during the year is charged from the month when the assets is available for use till the month preceding the month when the asset is derecognized.

Gains and losses on disposal of operating assets are included in profit and loss account.

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The costs of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from them. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if the impact on depreciation amount is significant. The company's estimate of residual value of Property, plant and equipment as at 30/06/2013 doesn't require any such adjustment.

Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less impairment, if any. Cost represents expenditure incurred on property, plant and equipment in the course of construction including the amount of borrowing cost capitalized. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets starts operation.

3.5 INVESTMENTS

Investment in Subsidiary

Investment in subsidiary are recorded at cost less impairment loss , if any. The recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amount of investments are adjusted accordingly. Impairment losses, if any, are charged to profit and loss account. When impairment losses subsequently reverse, the carrying amount of investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the statement of comprehensive income.

Short term investment

Short term investments in equity securities and mutual funds are classified as investments at fair value through profit and loss account. The investment is initially recorded at cost and subsequently measured at fair value. Any change in fair value is recognized in profit and loss account.

3.6 STORES, SPARES PARTS AND LOOSE TOOLS

These are valued at cost less provision for obsolescence applying first-in-first out (FIFO) basis, except items in transit if any are stated at cost incurred to date. Provision for slow moving and obsolescence, is based on their conditions as at balance sheet date depending upon the management's judgment.

3.7 STOCK-IN-TRADE

These are valued at lower of cost and net realizable value applying the following basis:

a) Finished Stock and Raw Materials - at cost on FIFO basis.
b) Material in transit - at cost accumulated up to the balance sheet date.
c) Work-in-process - at weighted average manufacturing cost.

Weighted average cost in relation to work-in-process signifies weighted average manufacturing cost including a portion of related direct overheads.

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

3.8 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are recognized at the time when Company becomes a party to the contractual provisions of the instrument and are derecognized in case of assets, when the contractual rights under the instrument are realized, expire or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, or amortised cost, as the case may be, as disclosed in the individual policy statements associated with each item.

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3.9 TRADE DEBTS

Trade debts are carried at original invoice amount except export receivables. Export trade debts are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements. Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

3.10 LOANS AND RECEIVABLES

Financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. These are measured at amortised cost less impairment, if any.

3.11 TRADE AND OTHER PAYABLES

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

3.12 PROVISIONS

Provisions are recognized when the Company has a present obligation legal or constructive as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.13 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously.

3.14 CASH AND CASH EQUIVALENTS

The cash and cash equivalents comprises cash and cheques in hand and balances with banks on current, savings and deposit accounts, short term investments and short term borrowings.

3.15 BORROWINGS

Borrowings are initially recognized at fair value net of transaction costs incurred, usually at the amount of proceeds received. Borrowings are subsequently carried at amortized costs; any difference between the proceeds (net of transaction costs) and redemption value is recognised in the profit and loss account over the periods of the borrowing using effective interest method.

Borrowings are classified as current liabilities unless the company has unconditional right to defer the payment for at least 12 months after the balance sheet date.

3.16 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 are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized in profit and loss in the period in which they are incurred.

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3.17 DERIVATIVE FINANCIAL INSTRUMENTS

The company uses derivative financial instruments (interest-rate and currency derivatives) for hedging purposes as part of its business operations, in particular to reduce foreign currency risk in forecast transactions involving foreign currencies and to reduce interest-rate risk through the use of interest-rate swaps.

Derivatives are initially recognised at their fair value on the day they are entered into and are subsequently measured at the fair value prevailing at the time. The fair value of derivatives corresponds to the present value of estimated future cash flows. The fair value of currency forwards is based on the forward exchange rate as at the balance sheet date.

Changes in the fair value of non-hedging derivatives are immediately recognised in the income statement.

3.18 IMPAIRMENT OF ASSETS

An assessment is made at each financial year end to determine whether there is an evidence that a financial asset or group of financial asset may be impaired, if such evidence exists, the estimated recoverable amount of that asset is determined and impairment loss is recognized for the difference between the recoverable amount and the carrying amount in profit and loss account.

3.19 REVENUE RECOGNITION

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognised on following basis:

- Sales are recorded on dispatch of goods to the customers.
- Processing income is recognized when processed goods are delivered to customers / invoices raised.
- Rental income from investment property is recorded on accrual basis.
- Interest and profit on bank deposits are recorded on accrual basis.
- Dividend income is recognised when the Company's right to receive the payment is established.

3.20 DIVIDEND AND APPROPRIATION TO RESERVES

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

3.21 SEGMENT REPORTING

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the Company's other components. An operating segment's results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly administrative, other operating expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

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				Note	2013 PKR'000'	2012 PKR'000'
4	**ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL**					
	2013 No. of shares of PKR 10	**2012 No. of shares of PKR 10**				
	12,732,092	12,732,092	Ordinary Shares allotted for considerations in cash		**127,321**	127,321
	9,878,047	9,878,047	Ordinary Shares fully paid allotted as Bonus Shares		**98,780**	98,780
	485,169	485,169	Ordinary Shares fully paid allotted for consideration other than cash under scheme of arrangement for Merger		**4,852**	4,852
	23,095,308	23,095,308			**230,953**	230,953

5 GENERAL RESERVE

Revenue reserve

Balance at the beginning of the year	**2,350,000**	2,000,000
Transferred During the year	**370,000**	350,000
Balance at the end of the year	**2,720,000**	2,350,000

The reserve have been created out of un-appropriated profit in order to meet future exigencies.

6 LONG TERM FINANCING - SECURED FROM BANKING COMPANIES

	Note	2013	2012
Local currency	6.1	**420,008**	336,162
Foreign currency		**-**	271,170
		420,008	607,332
Current portion shown under current liabilities		**(69,519)**	(197,053)
		350,489	410,279

6.1 Interest

It carries interest at the rate of 6.25%-11.4% (2012: 6.25% - 9.8%) per annum chargeable and payable on quarterly and half yearly basis.

Security

The finance is secured by exclusive charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project, and pledge of shares of Liberty Power Tech Limited (as mentioned in note 17.1) owned by the Company and paripasu charge over stock / receivables, ranking charge over plant and machinery.

Repayment

The payment schedule for the above local currency loans is as follow:

Payable within one year	**69,519**	197,053
Payable after one year and within three years	**99,633**	225,257
Payable after three years within five years	**98,806**	68,744
Payable after five years and within ten years	**152,050**	116,278
	420,008	607,332

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		Note	2013 PKR'000'	2012 PKR'000'
7	**DEFERRED LIABILITIES**			
	Deferred tax	7.1	-	12,468
	Staff retirement benefit	7.2	**150,660**	128,494
			150,660	140,961
7.1	**Deferred tax**			
	Accelerated tax depreciation rates		-	22,746
	Provision for staff retirements benefit		-	(9,280)
	Provision for slow moving and obsolescence		-	(811)
	Provision for doubtful debts		-	(187)
			-	12,468
7.2	**Staff retirement benefit**			
	Obligation of staff retirements benefits:			
	Present value of defined benefit obligation (PVDBO)	7.2.2	**130,185**	123,358
	Add: Unrecognized actuarial gains	7.2.3	**20,475**	5,136
	Balance at the end of the year		**150,660**	128,494

7.2.1 To comply with the requirements of IAS-19 "Employee Benefits" as adopted by the Company with effect from 1st July 2002 provision is made as per actuarial valuation of the scheme, the latest actuarial valuation was carried out as on 30th June 2013 The valuation uses the Projected Unit Credit Method and following basic actuarial assumptions are used

		2013	2012
	Expected rate of increase in salary in future periods	10.50%	13.00%
	Discount rate	10.50%	13.00%
	Average expected remaining working life time of employees	7 years	7 years
7.2.2	**Reconciliation of present value of defined benefit obligation**		
	Present value of defined benefit obligation at start	**123,358**	109,050
	Current Service cost	**13,630**	13,086
	Interest cost	**16,036**	12,505
	Benefits paid	**(6,144)**	(3,821)
	Actuarial gains on remeasuremnet during the year	**(16,695)**	(7,462)
	Present value of defined benefit obligation at the end	**130,185**	123,358
7.2.3	**Reconciliation of Unrecognized actuarial gains**		
	Opening balance	**5,136**	(2,326)
	Actuarial gains on actuarial valuation	**16,695**	7,462
	Actuarial gains recognized during the year	**(1,356)**	-
	Closing balance	**20,475**	5,136
7.2.4	**Movement during the year in the net liability recognized in the financial statements is as under:**		
	Balance at the beginning of the year	**128,494**	106,724
	Charge for the year	**28,310**	25,591
	Paid during the year	**(6,144)**	(3,821)
	Balance at the end of the year	**150,660**	128,494

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		Note	2013 PKR'000'	2012 PKR'000'
7.2.5	**Expenses recognized in the profit and loss account is:**			
	Current service cost		**13,630**	13,086
	Interest cost		**16,036**	12,505
	Actuarial (gain) / loss recognized during the period		**(1,356)**	-
			28,310	25,591
7.2.6	**The allocation of charge for the is as follows:**			
	Cost of Sales		**24,706**	22,333
	Administrative expenses		**3,604**	3,258
			28,310	25,591

8 LONG TERM LOANS FROM RELATED PARTIES

Unsecured

	2013 PKR'000'	2012 PKR'000'
From directors	5,756	11,756
Current portion shown under current liabilities	(5,756)	(6,000)
	-	5,756

The above loans are mark-up free. The loan are repayable in 20 quarterly installments commenced from September 30, 2009.

9 TRADE AND OTHER PAYABLES

	Note	2013 PKR'000'	2012 PKR'000'
Creditors		**651,902**	566,784
Bills payable		**28,988**	14,487
Accrued liabilities		**73,789**	71,059
Advances from customers		**4,570**	3,296
Workers' profit participation fund.	9.1	**48,733**	29,223
Workers' welfare fund		**18,518**	18,692
Unclaimed dividend		**1,623**	2,428
Other liabilities	9.2	**1,078**	1,683
		829,201	707,652

9.1 Workers' Profit Participation Fund

	2013 PKR'000'	2012 PKR'000'
Balance at the beginning of the year	**29,218**	20,251
Interest on last year's Balance	**2,134**	1,603
	31,352	21,854
Paid to trust	**(31,352)**	(21,854)
	-	-
Allocation for the year	**48,733**	29,223
Balance at the end of the year	**48,733**	29,223

9.2 Other liabilities

	2013 PKR'000'	2012 PKR'000'
Employees vehicle purchase scheme	**-**	1,326
Payable against expenses	**17**	-
Government dues	**1,061**	357
	1,078	1,683

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		Note	2013 PKR'000'	2012 PKR'000'
10	**ACCRUED MARK - UP**			
	Mark-up on long term financing		**10,290**	10,933
	Mark-up on short term borrowings		**44,763**	59,124
			55,053	70,057
11	**SHORT TERM BORROWINGS - SECURED**			
	Utilized under mark-up arrangement			
	From banking companies			
	Export refinance	11.1	**2,849,000**	2,223,855
	Running finance - local currency	11.2	**1,117,711**	829,456
	Import finance	11.2	**-**	55,769
			3,966,711	3,109,080

11.1 The Company has aggregates limits of PKR 6,100 million of Short term borrowings from various banks which are interchangeable between Export Refinance, Bills discounting and Running Finances (2012: PKR 3,306 million).

The interest rates

Export refinance	SBP rate plus 0.5% to 1% (2012: SBP rate plus 0.5% to 1%)
Running finance	9.86% - 11.73% (2012: 12.91% - 15.28%)

Security

The above finances are secured against first pari passu hypothecation charge on export bills, stocks, trade receivables and personal guarantee of two Directors.

Renewal of Finances

The above facilities will due for renewal during the period from 31-07-2013 to 30-06-2014 and will be renewed or replaced by new facilities.

11.2 ***The interest rates***

The interest rates ranges between 3% - 3.5% (2012: 3% - 3.5%).

Security

The above finances are secured against first pari passu hypothecation charge on export bills, stocks, trade receivables and personal guarantee of two Directors.

Term of Finances

The finance is obtained for 180 days.

		Note	2013 PKR'000'	2012 PKR'000'
12	**CURRENT PORTION OF LONG TERM FINANCING / LOANS**			
	Current portion of long term financing	6	69,519	197,053
	Current portion of loans from related parties	8	5,756	6,000
			75,275	203,053
13	**PROVISION FOR TAXATION NET OF PAYMENTS**			
	Tax payable at beginning of the year		-	5,259
	Tax paid during the year		-	(102,310)
	Provision for taxation - current		-	109,803
	- prior year		-	(2,218)
	Tax payable at the end of the year		-	10,534

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14 CONTINGENCIES AND COMMITMENTS

14.1 Vide special resolutions the Company has invested in Subsidiary, Liberty Power Tech Limited, PKR 1,447 million as equity (b) has given security in favour of lending banks in the form of pledge of 51% shares 73,797,050 (2012: 73,797,050) costing PKR 737.97 million (2012: PKR 737.97 million) and (c) has approved to provide financial facilities to the tune of PKR 2,500 million in the form of interest bearing short term loans, and providing guarantees to lenders of the Subsidiary out of which PKR 125 million was outstanding as at the balance sheet date.

14.2 Guarantees of PKR 136.564 Million (2012: PKR 92.249 Million) have been given by banks to Sui Southern Gas Company Limited and Collector of Customs.

14.3 Letter of Credits and Contracts for supply of plant and machinery amounting to PKR 14.333 Million (2012: PKR 102.259 Million) and for supply of raw materials and spares amounting to PKR 108.854 Million (2012: PKR 53.239 Million).

14.4 Contingent Liabilities in respect of Bill discounted during the year to the tune of Nil (2012: USD 3.105 million) equivalent to the PKR Nil (2012: PKR 292.468 million).

		2013 PKR'000'	2012 PKR'000'
15 PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment	15.1	**2,234,256**	1,488,459
Capital work in progress	15.2	**7,760**	255,377
		2,242,016	1,743,836

15.2 Capital work in progress:

Description	Factory/ Non factory Building on Lease Hold Land	Plant & Machinery	Total
	----PKR'000'----		
Balance as at June 30, 2011	122,561	248,065	**370,626**
Capital expenditure incurred during the year	62,607	128,113	**190,720**
Capitalization of borrowing cost	-	8,518	**8,518**
Transfer to operating fixed assets	(55,057)	(259,430)	**(314,487)**
Balance as at June 30, 2012	130,111	125,266	**255,377**
Capital expenditure incurred during the year	120,680	520,335	**641,015**
Capitalization of borrowing cost	-	7,392	**7,392**
Transfer to operating fixed assets	(244,566)	(651,458)	**(896,024)**
Balance as at June 30, 2013	**6,225**	**1,535**	**7,760**

15.2.1 Rate of mark-up on borrowing cost capitalized 9.90% to 10.10% (2012: 9.9%).

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		Note	2013 PKR'000'	2012 PKR'000'
16	**LONG TERM INVESTMENT**			
	In subsidiary company			
	Liberty power tech limited - unquoted			
	144,700,100 ordinary shares (2012: 144,700,100) of PKR 10/- each. Equity held 28.68% (2012: 28.68%)	16.1 & 16.2	**1,447,001**	1,447,001

16.1 As per Letter of Support issued by Private Power Infrastructural Board the Company has to maintain at least 20% holding in the Share Capital of Liberty Power Tech Limited (LPTL) during the First Six Year from the date of Commercial Operation of LPTL. The Company has also pledged 73,797,050 (2012: 73,797,050) shares of LPTL costing in PKR 737.97 million(June 2012 PKR 737.97 million) to lenders of LPTL as a condition of financing by lenders.

The Breakup value of LPTL shares are PKR 19.56 (2012: PKR 16.14).

16.2 The company has pledged 9 million (2012: 9 million) shares of LPTL against long term financing of PKR 353.685 million (2012: PKR 255.890) million from commercial bank. The cost of these shares is PKR 90 million.

		Note	2013 PKR'000'	2012 PKR'000'
17	**LONG TERM LOANS AND ADVANCES**			
	Due from Subsidiary Company	14.1, 17.1, 21.1	**-**	545,000
	Loan to employees	17.2 to 17.5	**35,974**	26,833
			35,974	571,833

17.1 This was unsecured loan and carried mark-up at 1% above the company's bank borrowing rate.

17.2 Loans to employees are given for purchase of motor cars and motorcycles, house and renovation of house, performing hajj and marriage of staff or their daughters with out any interest in accordance with the Company's policy and are recoverable over a period of five years. The loans are secured against title of vehicles and retirement benefits.

		2013 PKR'000'	2012 PKR'000'
17.3	**Loan to employees**		
	Due from executives	**9,217**	5,394
	Due from employees other than executives	**46,518**	35,378
		55,735	40,772
	Less: Current portion shown under current assets		
	from executives	**1,605**	999
	from employees other than executives	**18,156**	12,940
		19,761	13,939
		35,974	26,833
	Outstanding for periods		
	- After one year but within three years	**16,938**	11,441
	- Exceeding three years	**19,036**	15,392
		35,974	26,833

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17.4 Reconciliation of Carrying Amount are:

	2013 PKR '000'			2012 PKR '000'		
	Executives	Employee other than executive	Total	Executives	Employee other than executive	Total
Balance at the beginning of the year	5,394	35,378	**40,772**	4,200	32,421	**36,621**
Disbursed during the year	6,054	37,106	**43,160**	2,149	31,153	**33,302**
Recovered during the year	(2,232)	(25,965)	**(28,197)**	(955)	(28,195)	**(29,150)**
Balance at the end of the year	**9,216**	**46,519**	**55,735**	**5,394**	**35,379**	**40,773**

17.5 The maximum aggregate amount outstanding at any month end during the year due from executives was PKR 10,214 thousands (2012: 5,394 thousands).

	Note	2013 PKR'000'	2012 PKR'000'
18 STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		**34,281**	33,562
Spare parts		**133,585**	118,714
Loose tools		**132**	107
Stores in transit		**1,567**	-
		169,565	152,383
Less: Provision for slow moving and obsolescence	18.1	**(15,587)**	(11,622)
		153,978	140,761

18.1 Reconciliation of Provision for slow moving and obsolescence

	2013	2012
Balance at the beginning of the year	**11,622**	11,900
Add: provided during the year	**5,144**	1,841
Less: reversal due to consumption during the year	**(1,179)**	(2,119)
Balance at the end of the year	**15,587**	11,622

19 STOCK-IN-TRADE

	2013	2012
Raw materials	**1,537,042**	889,534
Work-in-process	**953,485**	232,816
Finished goods	**624,469**	563,695
Packing materials	**14,144**	9,546
	3,129,140	1,695,591
Raw materials - in transit	**54,468**	22,413
	3,183,608	1,718,004

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20 TRADE DEBTS

	Note	2013 PKR'000'	2012 PKR'000'
Considered good			
Export bills under collection (against export letter of credit)		**1,415,142**	999,187
Local			
Due from related party - Soorty Enterprises (Pvt) Limited	20.1	**5,968**	29,359
Others		**88,171**	140,136
		94,139	169,495
		1,509,281	1,168,682
Considered doubtful	20.2	**34,537**	2,671
		1,543,818	1,171,353
Provision for doubtful debts		**(34,537)**	(2,671)
		1,509,281	1,168,682

20.1 The maximum aggregate amount outstanding at any month end during the year due from related party was PKR 117.794 million (2012: 139.992 million).

The amounts due from the related party is not past due and is outstanding for not more than 31 days.

20.2 The movement in provision during the year is as follows:

	2013	2012
Balance as at July 01, 2012	**2,671**	-
Reversed during the year	**(1,674)**	-
Provision made during the year	**33,540**	2,671
Balance as at June 30, 2013	**34,537**	2,671

21 LOANS AND ADVANCES

UNSECURED (CONSIDERED GOOD)

	Note	2013	2012
Loans and Advances to Related Party			
Loan to subsidiary company	21.1	**125,000**	570,000
Loans and Advances to others			
Current portion of long term loans and advances to:			
Executives	17.3	**1,605**	999
Employees	17.3	**18,156**	12,940
		19,761	13,939
Advances :			
Against Purchases and Services		**75,733**	25,349
Against Salary and Expenses		**1,605**	2,284
		77,338	27,633
		222,099	611,572

21.1 The maximum aggregate amount due, including long term loan as disclosed in note 18, at any month end during the year due from subsidiary company was PKR 1,115 million (2012: PKR 1.115 million) . The short term loan carry mark-up rate 1% above the bank borrowing rate. The aggregate limit of the short term loan including non-funded exposure is PKR 2,500 million (2012: 1,500 million).

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		Note	2013 PKR'000'	2012 PKR'000'
22	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Trade / Security Deposits		**214**	255
	Prepayments		**4,015**	833
			4,229	1,088
23	**ACCRUED PROFIT / MARK UP**			
	Accrued profit on saving / multiplier bank accounts		**98**	-
	Accrued markup on loan to subsidiary	23.1	**118**	40,687
			216	40,687
23.1	Gross amount of markup receivable on the loan to subsidiary company.			
24	**OTHER RECEIVABLES**			
	Duty drawback receivable		**132,520**	137,389
	Mark up rate subsidy		**-**	2,592
	Others		**3,714**	662
			136,234	140,643
25	**TAX REFUNDS DUE FROM GOVERNMENT**			
	Sales tax		**157,988**	51,837
26	**INCOME TAX REFUNDABLE - PAYMENTS LESS PROVISION**			
	Tax payable at beginning of the year	13	**(10,534)**	-
	Tax paid during the year		**114,807**	-
	Provision for taxation - current		**(74,813)**	-
	- prior year		**29,182**	-
			58,642	-
27	**SHORT TERM INVESTMENT**			
	At fair value through profit and loss account			
	Meezan cash fund		**268**	247

27.1 Average yield during the year 8.5% (2012: 10.62%).

		Note	2013 PKR'000'	2012 PKR'000'
28	**CASH AND BANK BALANCES**			
	Local currency			
	Cash in hand		**1,620**	2,288
	Cash at banks - in current accounts		**110,496**	21,166
	- in multiplier and saving accounts	28.1	**22,122**	31,016
			132,618	52,182
	Foreign currency			
	Cash at banks - in current accounts		**14,519**	14
			148,757	54,484

28.1 The profit rate on multiplier and saving accounts ranges between 8% - 11% (2012: 7.5% - 11%)

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29 SALES:

	Note	2013 PKR'000'	2012 PKR'000'
SALES OF FABRIC AND MADE-UPS:			
Export sales		**9,206,369**	8,890,684
Local sales		**842,642**	871,893
Waste sales		**7,557**	6,010
		850,199	877,903
Less : Sales tax		**(9,655)**	(476)
		840,544	877,427
FABRIC PROCESSING:			
Cloth processing, printing and Dyeing		**881,720**	678,307
Less : Sales tax		**(5,870)**	-
		875,850	678,307
		10,922,763	10,446,418

30 COST OF SALES

	Note	2013 PKR'000'	2012 PKR'000'
Raw material consumed	30.1	**8,253,664**	7,190,584
Stores, spares and loose tools consumed		**258,121**	227,381
Salaries, wages and other benefits	30.2	**441,559**	356,271
Outside process charging		**379,745**	319,108
Power, water and gas		**598,305**	537,553
Repairs and maintenance		**50,541**	55,228
Packing expenses		**22,979**	23,722
Provision for slow moving and obsolescence - Net		**3,965**	1,841
Rent, rates and taxes		**22,956**	7,058
Insurance		**10,120**	10,467
Research and development expenses		**24,975**	21,145
Depreciation expense		**168,279**	134,360
Less: Export Rebate		**(53,079)**	(57,036)
		10,182,130	8,827,682
Work-in-process - Opening Stock		**232,816**	471,807
- Closing Stock		**(953,485)**	(232,816)
		(720,669)	238,991
COST OF GOODS MANUFACTURED AND FABRIC PROCESSED		**9,461,461**	9,066,673
Finished goods - Opening Stock		**563,695**	672,697
- Closing Stock		**(624,469)**	(563,695)
		(60,774)	109,002
		9,400,687	9,175,675

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30.1 Raw material consumed

Particulars	Raw Materials	Packing Materials	TOTAL 2013	TOTAL 2012
Opening Stock	889,534	9,546	**899,080**	1,510,652
Add: Purchases (net)	8,716,834	243,403	**8,960,237**	6,579,012
Available for consumption	9,606,368	252,949	**9,859,317**	8,089,664
Less: Closing Stock	(1,591,509)	(14,144)	**(1,605,653)**	(899,080)
Consumed	**8,014,859**	**238,805**	**8,253,664**	7,190,584

30.2 It includes PKR 24.706 million in respect of staff retirement benefits (2012: PKR 22.333 million).

31	DISTRIBUTION COST	Note	2013 PKR'000'	2012 PKR'000'
	Export expenses		**87,173**	63,152
	Export freight and insurance		**167,223**	145,141
	Cartage		**6,472**	5,182
	Forwarding and handling charges		**19,472**	14,769
	Commission on processing and sales		**39,044**	29,879
			319,384	258,123

32 ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries, wages and other benefits	32.1	**152,936**	121,504
Security charges		**5,819**	5,637
Rent, rates and taxes		**1,147**	1,632
Legal and professional charges		**3,848**	4,351
Insurance		**599**	382
Conveyance		**1,611**	1,196
General expenses		**13,786**	9,118
Postage and telegram		**547**	483
Telephone		**4,815**	5,377
Fees and subscription		**1,779**	1,263
Traveling		**16,390**	13,435
Printing and stationery		**2,731**	2,215
Motor Vehicle expenses		**8,534**	9,512
Advertisement		**191**	251
Provision for doubtful trade debts made during the year - Net		**31,866**	2,671
Donations and corporate social responsibilities	32.2	**31,335**	18,932
Auditors Remuneration	32.3	**1,259**	1,277
Depreciation		**16,844**	11,386
		296,037	210,622

32.1 These include PKR 3.604 million in respect of staff retirement benefits (2012 : PKR 3.258 million).

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32.2 Donation and corporate social responsibilities

None of the Directors or their Spouses has any interest in donees'.

32.3 Auditor's Remuneration

	2013 PKR '000'			2012 PKR '000'		
	Hyder Bhimji & Co.	**F.R.A.N.T.S & CO.**	**TOTAL**	Hyder Bhimji & Co.	F.R.A.N.T.S & CO.	TOTAL
Annual Audit Fee	**500**	**500**	**1,000**	500	500	1,000
Half yearly review fee	**25**	**25**	**50**	25	25	50
Audit fee for consolidation of accounts	**25**	**25**	**50**	25	25	50
Review fee for code of	**15**	**15**	**30**	15	15	30
Out of pocket expenses	**76**	**53**	**129**	101	46	147
	641	**618**	**1,259**	666	611	1,277

33 OTHER OPERATING CHARGES

	Note	2013 PKR'000'	2012 PKR'000'
Workers' profit participation fund	9.1	**48,733**	29,223
Workers' welfare fund		**18,518**	11,105
Long term deposits written off		**-**	953
Loss on fair value adjustment of embedded derivative	34.2	**-**	1,576
		67,251	42,857

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45 SEGMENT INFORMATION

The Company has the following two reportable business segments:

a) **Sale of Fabrics and Made-ups :** Sale of finished fabrics to Garment and Home Textile Manufactures and sale of Home Textile Products and other made-ups to customers on make to order basis.

b) **Processing :** Finishing and processing of greige cloth on make to order basis.

Transactions among the business segments are recorded at cost.

44.1 Segment Profitability

	Sales of Fabric and Made -ups		Processing		Elimination Of Inter Segment Transaction		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Sales	**10,242,376**	9,864,747	**2,162,735**	1,847,243	**(1,482,348)**	(1,265,571)	**10,922,763**	10,446,418
Cost of sales	**(8,761,508)**	(8,564,831)	**(2,121,528)**	(1,876,416)	**1,482,348**	1,265,571	**(9,400,687)**	(9,175,675)
Gross profit	**1,480,868**	1,299,916	**41,208**	(29,173)	**-**	-	**1,522,076**	1,270,743
Administrative and selling expenses	**(485,829)**	(367,410)	**(92,551)**	(66,208)	**-**	-	**(578,380)**	(433,618)
Finance Cost	**(279,303)**	(259,568)	**(80,095)**	(62,420)	**-**	-	**(359,398)**	(321,988)
	(765,132)	(626,978)	**(172,646)**	(128,628)	**-**	-	**(937,778)**	(755,606)
Profit/(loss) before tax and before charging following	**715,736**	672,938	**(131,438)**	(157,801)	**-**	-	**584,298**	515,137
Common administrative expenses							**(37,042)**	(35,127)
Other operating expenses							**(67,251)**	(42,857)
Other income							**427,396**	106,871
Provision for taxation							**(33,162)**	(107,537)
							289,941	(78,650)
Profit after taxation							**874,240**	436,487

44.2 Segment assets and liabilities

	Sales of Fabric and Made-ups		Processing		Unallocated		Total Company	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Assets	**5,171,589**	3,068,443	**2,131,515**	1,603,834	**2,000,680**	3,020,731	**9,303,784**	7,693,009
Liabilities	**3,453,656**	3,048,754	**1,432,384**	719,364	**542,691**	889,254	**5,428,731**	4,657,372

44.3 Unallocated items represent those assets and liabilities which are common to all segments and investment in subsidiary.

44.4 Information about major customers

Revenue from major customer whose revenue exceeds 10% of gross sales is Rs.3,642 million (2012: Rs.3,748 million).

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45 INFORMATION BY GEOGRAPHICAL AREA

	Note	2013 PKR'000'	2012 PKR'000'
Australia		**281,649**	267,566
Bangladesh		**977,266**	1,035,901
Cambodia		**65,570**	56,625
Canada		**84,771**	88,447
Egypt		**205,399**	195,365
France		**137,921**	117,621
India		**111,591**	114,938
Indonesia		**365,019**	342,897
Jordan		**238,167**	251,876
Kenya		**155,628**	124,783
Netherland		**132,511**	30,476
Newzealand		**56,417**	25,712
Srilanka		**493,958**	504,565
UK		**1,238,755**	1,001,304
USA		**4,415,892**	4,543,694
Pakistan		**1,779,092**	1,603,777
Others		**183,157**	140,871
		10,922,763	10,446,418

46 PLANT CAPACITY AND PRODUCTION

Dyeing, Printing and Finishing

It is difficult to describe precisely the production capacity in textile processing industry since it fluctuates widely depending upon quality of fabrics and process used.

Production capacity	linear meters	78,000,000	72,000,000
Actual production	linear meters	71,439,019	68,217,635

47 EMPLOYEES

Average number of persons employed during the period 1430 (2012: 1440) and number of employees at the year end 1352 (2012: 1345).

48 DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2013, the Board of Directors have proposed a final dividend of Nil per share, in their meeting held on November 07, 2013 (2012: Rs. 1.5 per share) for approval of the members at the Annual General Meeting. In addition, the Board of Directors has also approved appropriation to general reserve of PKR 350 million (2012: PKR 370 million).

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49 RECLASSIFICATION / RESTATEMENT

The cost of a portion of non factory building rented out to subsidiary company was classified as investment property, however that portion represents an insignificant portion of the relevant building while the other part of building is used for the administrative purposes of the company and the same portion is not saleable separately (or leased out separately under finance lease). Further the company has no intention to hold the building primarily either to earn rentals or for capital appreciation or for both. Based on these facts the management believes that the rented out portion may not be treated as investment property under IAS 40 – "Investment Property", hence the same is reclassified to the property, plant and equipment of the company as non factory building. Since the property was previously carried under cost model and depreciation was charged at the rate consistent with that of non factory building so the reclassification has no effect on financial statements except for following reclassifications;

Reclassification from component	Reclassification to component	PKR'000'
Investment Property	**Property Plant and Equipment - Non Factory Building**	
Cost	Cost	7,242
Accumulated Depreciation	Accumulated Depreciation	1,092
Net Book Value	Net Book Value	6,150
Income from investment property	**Other Income**	
Rental Income	Rental Income	6,000
Income from investment property	**Administrative expenses**	
Depreciation	Depreciation	317

50 DATE OF AUTHORIZATION FOR ISSUE

These Financial statements were authorized for the issue on **November 07, 2013** by the Board of Directors of the company at Karachi.

51 GENERAL

Figures have been rounded off to the nearest Pakistani Rupees 1000.

Ashraf S. Mukaty
Chief Executive

Asif Y. Bawany
Director

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Pattern of Shareholding - Form "34"
Shareholders Statistics as at June 30, 2013

NUMBER OF SHARE HOLDERS	SHARE HOLDING FROM	TO	TOTAL SHARES HELD
1580	1	100	17,739
157	101	500	37,918
35	501	1,000	25,821
47	1,001	5,000	109,628
7	5,001	10,000	58,964
4	10,001	15,000	50,197
1	15,001	20,000	15,571
1	35,001	40,000	38,536
2	45,001	50,000	100,000
1	290,001	295,000	291,101
1	1,675,001	1,680,000	1,679,320
1	2,120,001	2,125,000	2,121,064
1	2,270,001	2,275,000	2,273,957
1	3,030,001	3,035,000	3,033,424
1	3,875,001	3,880,000	3,879,474
1	4,445,001	4,450,000	4,445,615
1	4,915,001	4,920,000	4,916,979
1,842			**23,095,308**

Categories of shareholders as at June 30, 2013

S. No.	Shareholders Category	Number of Shareholders	Number of Shares Held	Percentage
1	Individuals	1,832	22,756,786	98.53
2	Joint Stock Companies	6	45,978	0.20
3	Insurance Company	1	1,284	0.01
4	Foreign Investors	1	291,101	1.26
5	Investment Company	2	159	0.00
		1,842	**23,095,308**	**100.00**

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Details of pattern of share holding as per requirements of Code of Corporate Governanace as on June 30, 2013

S. NO.	CATEGORIES OF SHARE HOLDERS	Number of shareholders	Number shares held	Category wise No. of Shares Held	Percentage
1.	**Associated Companies**		**Nil**		
2.	**NIT / ICP**		**Nil**		
3.	**Directors, CEO, their Spouses and Minor Children**	**11**		**13,574,329**	**58.78**
	Mr. Salim N. Mukaty		4,445,615		
	Mr. Muhammad Ashraf Salim Mukaty		2,273,957		
	Mrs. Hamida Salim Mukaty - Spounse (Cheirman)		2,121,064		
	Mrs. Farheen Ashraf Mukaty - Spouse (C.E.O.)		3,033,424		
	Mr. Zain Ashraf Mukaty		1,679,320		
	Mr. Yousuf Noor Muhammad Mukaty		3,902		
	Mr. Noor Muhammad Mukaty		3,795		
	Mr. Madni Gul Muhmmad		3,795		
	Mr. Luqman F. Poonawala		3,795		
	Mr. Asif Younus Bawany		3,162		
	Mr. Imran Shekhani		2,500		
4.	**Executives**		**Nil**		
5.	**Public Sector Companies and Corporations**		**Nil**		
6.	**Banks, Fianance Institutions, Insurance Companies, Modaraba and Mutual Funds**	**10**		**338,522**	**1.47**
	Shareholders holding Shares 10% or more				

Total Paid up Capital	**23,095,308**	**Shares Holding**	**%**
Mr. Marza Obaid Bawany		**4,916,979**	**21.29**
Mr. Muhammad Salim N. Mukaty		**4,445,615**	**19.25**
Mrs. Nargis Shahid Soorty		**3,879,474**	**16.80**
Mrs. Farheen Ashraf Mutaty		**3,033,424**	**13.13**

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Consolidated Financial Statements

THE LIBERTY MILLS LIMITED and its Subsidiary Company

LIBERTY POWER TECH LIMITED

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Directors' Review on Consolidated Financial Statements

The Board of Directors has pleasure in presenting the consolidated Audited financial Statements of Liberty Mills Limited (The Company) and its Subsidiary Liberty Power Tech Limited (The Subsidiary Company) for the year ended June 30, 2013. The consolidated results comprises of financial statements of the company and its subsidiary company. The Directors report giving a commentary on the performance of the company for the year ended June 30, 2013 has been presented separately. This review presents brief description of the subsidiary Company.

The Subsidiary Company was incorporated on September 13, 2007 as a public limited company. The subsidiary company commenced commercial operations in January 2011. The principal activities of the subsidiary company are to develop, own, operate and maintain a residual fuel base power complex. The Subsidiary Company owns oil fired power complex with a gross installed capacity of 200 MW at chiniot Sahianawala, Faisalabad, Punjab.

Sales Revenue of the subsidiary company has increased due to increase in electricity dispatches as the production capacity achieved significantly as compare to previous year. Sales Revenue for the year ended June 30, 2013 was recorded at PKR: 27,312 million as compare to PKR 21,846 million in the last corresponding year. Gross profit of RS: 5,678 million was recorded which constitute 20.79% of Sales Revenue was low as compare to 25.10% of last corresponding period. It was happened due to high input cost.

The new Pakistan Government was on board before 30th June. This new government has made significant payment to the subsidiary company being an effort of settlement of circular debt.

Pending issues regarding the capacity purchase price was under deliberation and consideration. On June 28 2013 the company along with other IPPs had signed a MOU in which the company had agreed to increase credit period of 60 days to the power purchaser if NEPRA approves the correspondent increase in its working capital component. Further in the above stated MOU, NTDC and IPPs have also agreed to appoint a legal expert for mediation on capacity price deduction issue. After signing the MOU the government of Pakistan had paid the overdue receivables of the company.

We expect the subsidiary company will continue to operate at full capacity load in next year. We do expect that NTDC will make regular payment and ensure that there will be no amass in circular debt compare to before.

For and on behalf of the Board of Directors
Ashraf S. Mukaty
Chief Executive

Karachi: November 07, 2013

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HYDER BHIMJI & CO.
Chartered Accountants
Suite # 1601, Kashif Center
Shahrah-e-Faisal
Karachi.

F.R.A.N.T.S. & Co.
Chartered Accountants
16-II, N Lane, Commercial Avenue,
DHA, Phase IV, Karachi.

Auditors' report on consolidated financial statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of LIBERTY MILLS LIMITED (the Holding Company) and its subsidiary LIBERTY POWER TECH LIMITED (the subsidiary) as at June 30, 2013 and the related Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the holding company. The financial statements of the subsidiary have been audited by the other firms of the auditors, whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such subsidiary is based solely on the report of such auditors.

These Financial Statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements present fairly the financial position of LIBERTY MILLS LIMITED and its subsidiary LIBERTY POWER TECH LIMITED as at June 30, 2013 and the results of their operations for the year then ended.

Hyder Bhimji & Co.

HYDER BHIMJI & CO.
Chartered Accountants

Engagement Partner:
Shaikh Mohammad Tanvir

Frants & Co.

F.R.A.N.T.S. & CO.
Chartered Accountants

Engagement Partner:
Muhammad Fahim

Karachi: November 07, 2013

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LIBERTY
MILLS LIMITED

Consolidated Balance Sheet as at 30th June, 2013

EQUITY AND LIABILITIES	Note	2013 PKR '000'	2012 PKR '000'
SHARE CAPITAL AND RESERVES			
Authorized capital			
40,000,000 (2012: 40,000,000) ordinary shares of Rs. 10 each		**400,000**	400,000
Issued, subscribed and paid up capital	5	**230,953**	230,953
General reserve	6	**2,720,000**	2,350,000
Unappropriated profit		**2,303,441**	1,340,473
Equity attributable to equity holders' of the parent		**5,254,394**	3,921,426
Non-controlling interest		**7,046,650**	5,816,703
Total Equity		**12,301,044**	9,738,129
NON-CURRENT LIABILITIES			
Long term financing	7	**12,665,330**	13,658,965
Deferred liabilities	8	**160,052**	147,732
Long term loans from related parties	9	**-**	5,756
		12,825,382	13,812,453
CURRENT LIABILITIES			
Trade and other payables	10	**3,231,868**	2,598,003
Rentals & Accrued mark-up	11	**614,418**	773,995
Short term borrowing	12	**9,353,848**	8,887,537
Current portion of long term financing and loans from related parties	13	**1,023,264**	1,009,823
Sales tax payable	14	**295,678**	-
Provision for taxation - Net of payments	15	**-**	10,534
		14,519,076	13,279,892
CONTINGENCIES AND COMMITMENTS	16	**-**	-
		39,645,502	36,830,474
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	17	**18,853,263**	19,653,794
Intangibles	18	**2,517**	4,190
Long term loans and advances	19	**35,974**	26,834
Long term deposits		**2,334**	2,334
		18,894,088	19,687,152
CURRENT ASSETS			
Stores, spare parts and loose tools	20	**768,776**	621,962
Stock-in-trade	21	**3,713,033**	2,372,913
Trade debts	22	**8,952,420**	13,564,158
Loans and advances	23	**120,240**	51,145
Trade deposits and short term prepayments	24	**94,286**	39,203
Accrued profit / Mark - up		**98**	-
Other receivables	25	**403,520**	358,600
Tax refunds due from government	26	**172,127**	79,669
Income tax refundable - payments less provision	27	**58,546**	-
Short term investments	28	**268**	247
Cash and bank balances	29	**6,468,100**	55,425
		20,751,414	17,143,322
		39,645,502	36,830,474

Note: The annexed notes from 1 to 51 form an integral part of these financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Y. Bawany
Director

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LIBERTY
MILLS LIMITED

Consolidated Profit and Loss Account for the year ended 30th June, 2013

	Note	2013 PKR '000'	2012 PKR '000'
Sales and services	30	**38,249,096**	32,299,077
Cost of sales and services	31	**(31,034,235)**	(25,537,643)
Gross profit		**7,214,861**	6,761,434
Distribution cost	32	**(319,384)**	(258,123)
Administrative expenses	33	**(515,396)**	(265,245)
Other operating charges	34	**(67,251)**	(42,857)
		(902,031)	(566,225)
		6,312,830	6,195,209
Other income	35	**50,671**	100,641
Operating profit		**6,363,501**	6,295,850
Finance cost	36	**(2,850,710)**	(3,595,686)
Profit before taxation		**3,512,791**	2,700,164
Provision for Income tax	37	**(33,517)**	(107,554)
Profit after taxation		**3,479,274**	2,592,610
Attributable to:			
Equity holders of the Parent Company		**1,367,611**	1,054,228
Non-controlling interests		**2,111,663**	1,538,382
		3,479,274	2,592,610
Earning per share - basic and diluted (PKR)	38	**59.22**	45.65

Note: The annexed notes from 1 to 51 form an integral part of these financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Y. Bawany
Director

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Consolidated Statement of Comprehensive Income for the year ended 30th June, 2013

	2013 PKR '000'	2012 PKR '000'
Profit after taxation	**3,479,274**	2,592,610
Other comprehensive income	**-**	-
Total comprehensive income for the year	**3,479,274**	2,592,610
Attributable to:		
Equity holders of the Parent Company	**1,367,611**	1,054,228
Non-controlling interests	**2,111,663**	1,538,382
	3,479,274	2,592,610

Note: The annexed notes from 1 to 51 form an integral part of these financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Y. Bawany
Director

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LIBERTY
MILLS LIMITED

Consolidated Cash Flow Statement
for the year ended 30th June, 2013

	Note	2013 PKR '000'	2012 PKR '000'
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		**3,512,791**	2,700,164
Adjustments for non cash charges and other items			
Depreciation		**1,622,854**	1,646,279
Provision for staff retirements benefit		**30,934**	25,460
Provision for doubtful trade debts made during the year - Net		**189,320**	2,671
Provision for slow moving and obsolete stores and spares - Net		**3,965**	(278)
Long term deposit written off		**-**	953
Property plant and equipments written off		**-**	1,110
Gain on disposal of fixed assets		**(683)**	(2,075)
Amortization of intangibles		**1,750**	1,731
Finance cost		**2,850,710**	3,595,686
		4,698,850	5,271,537
		8,211,641	7,971,701
Working capital changes	39	**3,396,188**	(4,070,930)
(Increase) in long term loans and advances		**(9,140)**	(3,089)
(Increase) in long term deposits		**-**	(261)
Staff retirements paid during the period		**(6,144)**	(3,821)
Finance cost paid		**(3,010,287)**	(3,703,969)
Tax refund / (paid)		**88,153**	(109,064)
Net cash in flow from operations		**8,670,411**	80,567
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditures		**(826,649)**	(438,792)
Proceeds from disposal of property, plant & equipments		**4,932**	12,535
Net cash out flow from investing activities		**(821,717)**	(426,257)
CASH FLOW FROM FINANCING ACTIVITIES			
(Repayment) of long term finance		**(979,950)**	(830,954)
(Repayment) of loan from related parties		**(6,000)**	(6,000)
Dividend paid		**(916,359)**	(34,643)
Net cash in flow\(out flow) from financing activities		**(1,902,309)**	(871,597)
Net increase / (decrease) in cash and cash equivalents		**5,946,385**	(1,217,287)
			-
Cash and cash equivalents at the beginning of the year		**(8,831,865)**	(7,614,578)
Cash and cash equivalents at the end of the year	40	**(2,885,480)**	(8,831,865)

Note: The annexed notes from 1 to 51 form an integral part of these financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Y. Bawany
Director

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LIBERTY
MILLS LIMITED

Consolidated Statement of Changes in Equity for the year ended 30th June, 2013

	ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY				NON-CONTROLLING INTEREST	TOTAL
	SHARE CAPITAL	GENERAL RESERVE - REVENUE	UN APPROPRIATED PROFIT	SUB TOTAL		
	PKR '000'					
Balance as at June 30, 2011	**230,953**	**2,000,000**	**670,888**	**2,901,841**	**4,278,321**	**7,180,162**
Transfer to revenue reserve	-	350,000	(350,000)	-	-	**-**
Total Comprehensive Income for the year ended 30th June, 2012	-	-	1,054,228	1,054,228	1,538,382	**2,592,610**
Transaction with owners						
Final cash dividend for the year ended 30th June, 2011 @ 15% i.e. Rs. 1.50 per share	-	-	(34,643)	(34,643)	-	**(34,643)**
Balance as at June 30, 2012	**230,953**	**2,350,000**	**1,340,473**	**3,921,426**	**5,816,703**	**9,738,129**
Transfer to revenue reserve	-	370,000	(370,000)	-	-	**-**
Total Comprehensive Income for the year ended 30th June, 2013	-	-	1,367,611	1,367,611	2,111,663	**3,479,274**
Transaction with owners						
Final cash dividend for the year ended 30th June, 2012 @ 15% i.e. Rs. 1.50 per share	-	-	(34,643)	(34,643)	-	**(34,643)**
1st interim dividend for the financial year 2012-2013 @ Rs. 1.00 (2011-2012 @ Rs. Nil) per share of subsidiary company	-	-	-	-	(359,884)	**(359,884)**
2nd interim dividend for the financial year 2012-2013 @ Rs. 1.00 (2011-2012 @ Rs. Nil) per share of subsidiary company	-	-	-	-	(521,832)	**(521,832)**
Balance as at June 30, 2013	**230,953**	**2,720,000**	**2,303,441**	**5,254,394**	**7,046,650**	**12,301,044**

Note: The annexed notes from 1 to 51 form an integral part of these financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Y. Bawany
Director

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Notes to the Consolidated Financial Statements for the year ended 30th June, 2013

1 THE GROUP AND ITS OPERATIONS

The Group consist of:
Liberty Mills Limited - Parent / Holding Company
Liberty Power Tech Limited- Subsidiary Company

LIBERTY MILLS LIMITED

The Company was incorporated in Pakistan on February 22, 1965 as a private limited company and was converted into a public limited company on September 12, 1969. Its shares are quoted in the Karachi stock exchange. The principal activity of the company is manufacturing and processing of all kinds of fabrics and textile made-up and its registered office is situated at A/51-A, S.I.T.E, Karachi.75700.

The Board of Directors of the Company, in their meeting held on April 13, 2013, considered and approved the proposal made by the majority shareholder to buy back shares from minority shareholders and seek delisting of the Company from the Karachi Stock Exchanges Limited (KSE) in accordance with the Voluntary De-Listing provisions of their respective Listing Regulations. KSE through its letter dated July 24, 2013 approved the offer of sponsors and majority shareholders to purchase shares from minority shareholders at a minimum buy back price Rs. 260 per share subject to purchase of at least 43,300 ordinary shares outstanding with the shareholders other than sponsors, to qualify for delisting. After the permission of KSE the shareholders of the company passed a special resolution for delisting of the company from KSE at the Extra Ordinary General Meeting held on August 24, 2013 and permitted the sponsors and majority shareholders to purchase all the shares from minority shareholders for the purpose of delisting of the company from Karachi Stock Exchange Limited. Subsequent to the approval of the shareholders and till the date

LIBERTY POWER TECH LIMITED

Liberty Power Tech Limited (LPTL) was incorporated in Pakistan on September 13, 2007 as a public limited company under the Companies Ordinance, 1984 (The Ordinance) and is the subsidiary company of Liberty Mills Limited. The principal activity of LPTL is to own, operate and maintain a Residual Furnace Oil (RFO) power project with an installed capacity of 200 Megawatt near Faisalabad under 2002 Power Policy of the Government of Pakistan. The Registered Office of LPTL is situated at 4th Floor, Rehman Plaza, Queens Road, Lahore.

LPTL achieved Commercial Operation Date (COD) on January 13, 2011 and it supplies electricity to National Transmission and Dispatch Company Limited (NTDC) under Power Purchase Agreement (PPA).

2 BASIS OF CONSOLIDATION

Subsidiary are those entities in which Parent Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the Subsidiary Company are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of Subsidiary Company have been consolidated on a line by line basis and the carrying value of investment held by Holding Company is eliminated against Parent Company's share in paid up capital of the Subsidiary Company.

Intra group balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of the Subsidiary Company attributable to interest which are not owned by the Holding Company. Non-controlling interests are presented as separate item in the consolidated financial statements.

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3 BASIS OF PREPARATION

3.1 Basis of measurement

These financial statements comprise balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with notes forming part thereof and have been prepared under the 'historical cost convention' except for certain financial instruments that have been accounted for on the basis of their fair values, retirements benefit obligation determined on actuarial valuation and valuation of stock-in-trade when valued at net realizable value, as has been specifically stated below in their respective notes.

3.2 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance 1984, and directives issued under the Companies Ordinance, 1984. In case of requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

3.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of primary economic environment in which the Group operates. The financial statements are presented in Pakistani Rupee (PKR) which is the Group's functional and presentation currency.

3.4 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

Defined benefit plan

Actuarial assumptions have been adopted as disclosed in note 8 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Group, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non - occurrence of the uncertain future event(s).

Property, plant and equipment

The Group reviews appropriateness of the rate of depreciation, useful life, residual value used in the calculation of depreciation. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

Stock-in-trade and stores, spare parts and loose tools

The Group reviews the net realizable value of stock-in-trade and stores spare parts and loose tools to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

Provision against trade debts, advances and other receivables

The Group reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

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Income taxes

The Group takes into account relevant provisions of the prevailing income tax laws while providing for current and deferred taxes as explained in note 3.6 of these financial statements. Deferred tax calculation has been made based on estimate of future ratio of export and local sales based on past history.

Provision for obsolescence

Provision for obsolescence and slow moving spare parts is based on parameters set out by management.

3.5 New Standards, Interpretations and Amendments to Published Approved Accounting and Financial Reporting Standards

a New and amended standards and interpretations became effective:

During the year, the following approved accounting standards, interpretations, amendments / revisions to the approved accounting standards became effective for the accounting periods beginning from the dates specified

IAS 1- Presentation of Financial Statement- Amendments to Presentation of items of comprehensive income (Effective for annual periods beginning on or after July 01, 2012)

This introduce new requirement to group together items in 'other comprehensive income' (OCI) that may be subsequently reclassified to profit or loss (reclassification adjustments) in order to facilitate the assessment of their impact on overall performance of the entity. Amendment has no effect on Group's financial statement except for additional disclosure.

IAS 12 - Income Taxes- (Amendment) Deferred Taxes: Recovery of underlying Assets (Effective for annual periods beginning on or after July 01, 2012)

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sales. Furthermore, it introduces the requirement that deferred tax on non depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the assets. The amendment is not relevant to the Group.

b Approved standards, Interpretations and Amendments to published approved accounting standards issued but not yet effective for the current financial year

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan and would be effective from the dates mentioned below against the respective standards or interpretations:

IAS 19 - Employee Benefits - Amendment (Effective for annual periods beginning on or after January 01, 2013)

The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans are recognized in full with actuarial gains and losses being recognized in other comprehensive income (elimination of 'corridor method' for recognition of actuarial gains and losses). It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting

IAS 32 - Financial Instruments: Presentation- Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2014)

These clarify certain aspects in the application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realization and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements.

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IFRS 7 - Financial Instruments: Disclosures- Disclosures about offsetting of financial assets and liabilities (Effective for annual periods beginning on or after January 01, 2013)

These amendments require entities to disclose gross amount subject to right of set off, amounts set off in accordance with accounting standards followed, and the related net credit exposure. These disclosures are intended to facilitate comparison between those entities that prepare financial statements based on IFRS and those that prepare financial statements based on US GAAP.

The management anticipates that, except for the effects on the financial statements of amendments to IAS 19 "Employee Benefits", the adoption of the above standards, amendments and interpretations , will have no material impact on the Group's financial statements other than in presentation / disclosures. There were certain other standards and amendments that are not yet effective and are not relevant to the Group's financial statement.

The Group accounts for actuarial gains / losses, arising from re-measurement of present value of defined benefit obligation of staff retirement benefits, using corridor approach as stated in note 3.4. However the amendment in IAS 19 will result in recognizing all the gains and losses arising from re-measurement of present value of defined benefit obligation in other comprehensive income instead of using corridor limit in the period in which these gains / losses arises. The amendments also require additional disclosures and retrospective application with certain exceptions. The application of the amendments to IAS 19 would result in the recognition of cumulative unrecognized actuarial gains amounting to 21.826 million in other comprehensive income in the period of initial application.

c **Annual improvements to IFRS—2009-2011 cycle -** (Effective for annual periods beginning on or after January 01,

The International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRSs – 2009–2011 Cycle, which contains following amendments / improvements to the approved accounting standards;

IAS 1 **Presentation of Financial Statements-** Clarification of the requirements for comparative information

This clarifies that additional comparative information is not necessary for periods beyond the minimum comparative financial statement requirements of IAS 1. If additional comparative information is provided, the information should be presented in accordance with IFRSs, including disclosure of comparative information for any additional statements included beyond the minimum comparative financial statement requirements. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

In addition, the opening statement of financial position (known as the third balance sheet) must be presented in the following circumstances: when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to accompany the third balance sheet period.

IAS 16 **Property, Plant and Equipment-** Clarification of the servicing equipments

This clarifies that Spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment and as inventory otherwise.

IAS 32 **Financial Instruments: Presentation-** Tax effect of distributions to holders of equity instruments

The amendment removes the perceived inconsistency between IAS 32 and IAS 12 and clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

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IAS 34 **Interim financial reporting -** Interim financial reporting and segment information for total assets and liabilities

The total assets and total liabilities for a particular reportable segment would be separately disclosed in interim financial reporting only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

These amendments / clarification are not likely to have any material impact on the Group's financial statements.

d New Standards issued by IASB but not yet notified by SECP

Following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan for the purpose of applicability in Pakistan.

IFRS 9 - Financial Instruments (Effective for annual periods beginning on or after January 01, 2015)
This is the first part of new standards on classification and measurement of financial assets that will replace IAS 39. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest / mark-up.

IFRS 10 - Consolidated Financial Statements (Effective for annual periods beginning on or after January 01, 2013)

This is a new standard that replaces the consolidation requirements in SIC - 12 Consolidation: Special Purpose Entities and IAS 27 - Consolidated and Separate Financial Statements. The proposed standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 - Joint Arrangements (Effective for annual periods beginning on or after January 01, 2013)
This is a new standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangements, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities.

IFRS 12 - Disclosure of Interest in Other Entities (Effective for annual periods beginning on or after January 01, 2013)
This is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS-13 Fair Value Measurement (Effective for annual periods beginning on or after January 01, 2013)
This standard applies to IFRSs that require or permit fair value measurement or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The standard defines fair value on the basis of an 'exit-price' notion and uses 'a fair value hierarchy', which results in market-based, rather than entity-specific measurement.

IAS 27 - Separate Financial Statements (Revised 2011) - due to non-adoption of IFRS 10 and IFRS 11 **(**Effective for annual periods beginning on or after January 01, 2013)
The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganizations and includes a number of disclosure requirements.

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IAS 28 - Investments in Associates and Joint Ventures (2011)- due to non-adoption of IFRS 10 and IFRS 11 (Effective for annual periods beginning on or after January 01, 2013)

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 TAXATION

Current

Provision for current taxation is computed in accordance with the provisions of Income Tax Laws. The charge for current income tax is recorded after adjustment, if any, to the provisions for tax made prior year including those arising from assessment and amendments in assessments during the year in such years.

Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for the financial reporting

Deferred tax liabilities are recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized.

Under clause (132) of Part I of second schedule of Income Tax Ordinance, 2001, profits and gains relating to the supply of generated electricity are exempt from levy of income tax and the Company is also exempt from the minimum tax on the turnover under clause 11(V) of the Part IV of the Second Schedule to the Income Tax Ordinance, 2001. However, income arising on other than the supply of electricity will be chargeable to tax on normal basis. Due provision of income tax on the other income is made in these accounts at the current rate of taxation after considering the tax credits and tax rebates available.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow or part of the deferred tax asset to be recognized. Unrecognized deferred tax asset are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.2 STAFF RETIREMENTS BENEFIT

Defined benefit plan

The Group operates an unfunded gratuity scheme covering all permanent employees of the Group who have attained the minimum qualifying period, gratuity is based on the last drawn salary. Provision are made annually to cover the obligation under the 3scheme. The latest Actuarial valuation was carried out as at 30 June 2012 for two years, using the Projected Unit Credit Method assuming a discount rate of 9.5% & 10.5%% per annum and expected rate of increase in salary @ 10.5% per annum. Actuarial gains and losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains and losses for the plan at the end of previous reporting period exceed 10% of the higher of present value of defined benefit obligation. The gains or losses in excess of amount determined as above said criteria are recognized over the expected remaining working lives of the employees participating in the plan.

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4.3 FOREIGN CURRENCY TRANSLATION

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date or as fixed under contractual arrangements. Transactions in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the date of transaction.

Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

4.4 PROPERTY, PLANT AND EQUIPMENT

Operating Assets

Operating assets are stated at cost less accumulated depreciation and impairment loss, if any.

Depreciation on Property, Plant and Equipment is charged to income applying the reducing balance method, at the rates specified in note no.16.1 whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation on additions during the year is charged from the month when the assets is available for use till the month preceding the month when the asset is derecognized.

Depreciation on Property, Plant and Equipment of Power Generation segment is charged on straight line basis as per industry practice.

Gains and losses on disposal of operating assets are included in profit and loss account.

The costs of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from them. The assets' residual values and useful lives are reviewed at each financial year end and adjusted if the impact on depreciation amount is significant. The Group's estimate of residual value of Property, plant and equipment as at 30/06/2013 doesn't require any such

Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date less impairment, if any. Cost represents expenditure incurred on property, plant and equipment in the course of construction including the amount of borrowing cost capitalized. These expenditures are transferred to relevant category of property, plant and equipment as and when the assets starts operation.

4.5 INTANGIBLE ASSETS AND AMORTIZATION

Goodwill

Goodwill represents the excess of cost of an acquisition over the breakup value of the holding company's share of the net Identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill be amortized within five years of Commencement of Commercial operations by the subsidiary.

Software

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognized as an intangible asset. Direct costs include the purchase costs of software and other directly attributable costs of preparing the software for its intended use.

Computer software is measured initially at cost and subsequently stated at cost less accumulated amortization and impairment losses, if any. These are amortized on straight line basis over its estimated useful life (three years).

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4.6 SHORT TERM INVESTMENTS

Short term investments in equity securities and mutual funds are classified as investments at fair value through profit and loss account. The investment is initially recorded at cost and subsequently measured at fair value. Any change in fair value is recognized in profit and loss account.

4.7 STORES, SPARES PARTS AND LOOSE TOOLS

These are valued at cost less provision for slow moving and obsolete items applying first-in-first out (FIFO) basis, except items in transit if any are stated at cost incurred up to balance sheet date. Provision for slow moving and obsolescence, is based on their conditions as at balance sheet date depending upon the management's judgment.

4.8 STOCK-IN-TRADE

These are valued at lower of cost and net realizable value applying the following basis:

a) Finished Stock and Raw Materials at cost on FIFO basis.
b) Material in transit at cost accumulated up to the balance sheet date.
c) Work-in-process at weighted average manufacturing cost.

Weighted average cost in relation to work-in-process signifies weighted average manufacturing cost including a portion of related direct overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make sale.

4.9 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized at the time when Group becomes a party to the contractual provisions of the instrument and are derecognized in case of assets, when the contractual rights under the instrument are realized, expire or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, or amortized cost, as the case may be, as disclosed in the individual policy statements associated with each item.

4.10 TRADE DEBTS

Trade debts are carried at original invoice amount except export receivables. Export trade debts are translated into Pak Rupees at the rates ruling on the balance sheet date or as fixed under contractual arrangements. Debts considered irrecoverable are written off and provision is made for debts considered doubtful.

4.11 LOANS AND RECEIVABLES

Financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables. These are measured at amortized cost less impairment, if any.

4.12 TRADE AND OTHER PAYABLES

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

4.13 PROVISIONS

Provisions are recognized when the Group has a present obligation legal or constructive as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.14 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Group intends either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously.

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4.15 CASH AND CASH EQUIVALENTS

The cash and cash equivalents comprises cash and cheques in hand and balances with banks on current, savings and deposit accounts, short term investments and short term borrowings.

4.16 BORROWINGS

Borrowings are initially recognized at fair value net of transaction costs incurred, usually at the amount of proceeds received. Borrowings are subsequently carried at amortized costs; any difference between the proceeds (net of transaction costs) and redemption value is recognized in the profit and loss account over the periods of the borrowing using effective interest method.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer the payment for at least 12 months after the balance sheet date.

4.17 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 are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized in profit and loss in the period in which they are incurred.

4.18 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments (interest-rate and currency derivatives) for hedging purposes as part of its business operations, in particular to reduce foreign currency risk in forecast transactions involving foreign currencies and to reduce interest-rate risk through the use of interest-rate swaps.

Derivatives are initially recognized at their fair value on the day they are entered into and are subsequently measured at the fair value prevailing at the time. The fair value of derivatives corresponds to the present value of estimated future cash flows. The fair value of currency forwards is based on the forward exchange rate as at the balance sheet date.

Changes in the fair value of non-hedging derivatives are immediately recognized in the income statement.

4.19 IMPAIRMENT OF ASSETS

An assessment is made at each financial year end to determine whether there is an evidence that a financial asset or group of financial asset may be impaired, if such evidence exists, the estimated recoverable amount of that asset is determined and impairment loss is recognized for the difference between the recoverable amount and the carrying amount in profit and loss account.

4.20 REVENUE RECOGNITION

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognized on following basis:

- Sales are recorded on dispatch of goods to the customers.
- Processing income is recognized when processed goods are delivered to customers / invoices raised.
- Rental income from investment property is recorded on accrual basis.
- Interest and profit on bank deposits are recorded on accrual basis.
- Dividend income is recognized when the Group's right to receive the payment is established.

Revenue from sale of electricity to the NTDC, the sole customer of the Group, is recorded based upon the output delivered and capacity available at rates as specified under the Power Purchase Agreement (PPA).

4.22 DIVIDEND AND APPROPRIATION TO RESERVES

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

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4.23 SEGMENT REPORTING

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly administrative, other operating expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

5 ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

2013 No. of shares of	2012 No. of shares of PKR 10 each		Note	2013 PKR'000'	2012 PKR'000'
12,732,092	12,732,092	Ordinary Shares allotted for consideration in cash		**127,321**	127,321
9,878,047	9,878,047	Ordinary Shares fully paid allotted as Bonus Shares		**98,780**	98,780
485,169	485,169	Ordinary Shares fully paid allotted for consideration other than cash under scheme of arrangement for Merger		**4,852**	4,852
23,095,308	23,095,308			**230,953**	230,953

6 GENERAL RESERVE

Revenue Reserve

	Note	2013 PKR'000'	2012 PKR'000'
Balance at the beginning of the year		**2,350,000**	2,000,000
Transferred During the year		**370,000**	350,000
Balance at the end of the year	6.1	**2,720,000**	2,350,000

6.1 The reserve have been created out of unappropriated profit in order to meet future exigencies.

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7 LONG TERM FINANCING

FROM BANKING COMPANIES - SECURED	Note	**2013 PKR'000'**	2012 PKR'000'
Local currency loans			
Consortium of banks:			
Long term financing	7.1	**1,469,229**	1,557,121
Long term musharaka financing	7.1	**12,016,927**	12,735,805
Long term financing for export oriented projects	7.2 & 7.4	**420,008**	336,162
		13,906,164	14,629,088
Foreign currency loans	7.3 & 7.4	**-**	271,170
		13,906,164	14,900,258
Current portion shown under current liabilities		**(1,017,508)**	(1,003,823)
		12,888,656	13,896,435
Less: Transaction Cost		**(223,326)**	(237,470)
		12,665,330	13,658,965

7.1 Interest

LPTL has entered into long-term financing agreement with a consortium of banks / financial institutions led by Allied Bank Limited. The facility is of long-term musharaka finance except Askari Bank Limited as their portion represent long-term financing. The financing carries interest / mark-up rate of 3 months KIBOR plus 3.0% per annum and is repayable in 40 quarterly installments commencing from April 01, 2011.

Security

The financing is secured by first pari passu charge on immovable property, mortgage of project receivables, hypothecation of all present and future assets and all property of LPTL lien and setoff rights over project accounts, assignment over project insurance and pledge of 51% shares of all sponsors of LPTL. The LPTL may not pay dividend until certain financial covenants under the long-term financing agreement are satisfied.

7.2 Interest

It carries interest at the rate of 6.25%-11.4% (2012: 6.25% - 9.8%) per annum chargeable and payable on quarterly and half yearly basis.

Security

The finance is secured by exclusive charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project, and pledge of shares of subsidiary company owned by the Company and paripasu charge over stock / receivables, ranking charge over plant and machinery.

7.3 This represent 2013 Nil (2012 US$2,879 million) loan.

Interest

It carries interest at the rate of 3.5% per annum chargeable and payable on half yearly basis.

Repayment

The finance is repayable in 6 equal half yearly installments commencing from 7th October 2011.

Security

The finance is secured by Equitable Mortgage charge over Fixed Assets of the Company and Personal guarantee of two Directors.

7.4 Repayment

The re-payment schedule of principal amount of group including transaction cost of subsidiary for the above loans is as follow:

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	Note	2013 PKR'000'	2012 PKR'000'
Payable within one year		**1,017,508**	1,003,823
Payable after one year within three years		**2,517,746**	2,287,171
Payable after three years within five years		**3,442,269**	2,910,127
Payable after five years within ten years		**6,928,642**	8,699,137
		13,906,164	14,900,258

8 DEFERRED LIABILITIES

	Note	2013	2012
Deferred tax	8.1	-	12,468
Staff retirement benefits	8.2	**160,052**	135,264
		160,052	147,732

8.1 Deferred Tax

Accelerated tax depreciation rates		-	22,746
Payment of staff retirement benefits		-	(9,280)
Provision for slow moving and obsolescence		-	(811)
Provision for doubtful trade debts		-	(187)
		-	12,468

8.2 Staff retirement benefits

Obligation of staff retirements benefits:

Present value of defined benefit obligation (PVDBO)	8.2.2	**138,592**	128,513
Add: Unrecognized actuarial gains	8.2.3	**21,825**	7,479
Less: Unrecognized transitional liability		**(365)**	(729)
Balance at the end of the year		**160,052**	135,263

8.2.1 To comply with the requirements of IAS-19 "Employee Benefits" as adopted by the Group provision is made as per actuarial valuation of the scheme, the latest actuarial valuation was carried out as on 30th June 2013 The valuation uses the Projected Unit Credit Method. The details of the same are as under :

Basic Actuarial assumption adopted

Expected rate of increase in salary in future periods	**10.5%**	13%
Discount rate	**10.5% & 9.5%**	12% & 13%
Average expected remaining working life time of employees	**7 & 4 years**	7 & 4 years

8.2.2 **Reconciliation of present value of defined benefit obligation**

Present value of defined benefit obligation at the start		**128,513**	115,066
Current service cost		**15,676**	16,196
Interest cost		**16,706**	13,347
Settlement gain	8.2.1	-	(4,173)
Benefits paid		**(6,144)**	(3,821)
Actuarial gains on remeasuremnet during the year		**(16,159)**	(8,102)
Present value of defined benefit obligation at the end		**138,592**	128,513

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		Note	2013 PKR'000'	2012 PKR'000'
8.2.3	**Reconciliation of Unrecognized actuarial gains**			
	Opening balance		**7,479**	(623)
	Actuarial gains on actuarial valuation		**16,159**	8,102
	Actuarial gains recognized during the year		**(1,813)**	-
	Closing balance		**21,825**	7,479
8.2.4	**Movement during the year in the net liability recognized in the financial statements is as under:**			
	Balance at the beginning of the year		**135,263**	113,624
	Charge for the year		**30,934**	25,460
	Paid during the year		**(6,144)**	(3,821)
	Balance at the end of the year		**160,052**	135,263
8.2.5	**Expenses recognized in the profit and loss account is:**			
	Current service cost		**15,676**	16,196
	Interest cost		**16,706**	13,347
	Settlement gain	8.2.1	**-**	(4,173)
	Transitional liability for the year		**365**	365
	Actuarial (gain) recognized		**(1,813)**	(275)
			30,934	25,460
8.2.6	**The allocation of charge for the is as follows:**			
	Cost of Sales		**24,706**	22,202
	Administrative expenses		**6,228**	3,258
			30,934	25,460

8.2.7 The gain was a result of an arrangement with employees leaving the Group during the year without taking gratuity benefit as part of their settlement.

9 <u>**LONG TERM LOANS FROM RELATED PARTIES**</u>

	Note	2013	2012
From directors		**5,756**	11,756
Current portion shown under current liabilities	13	**(5,756)**	(6,000)
		-	5,756

9.1 The above loan is mark-up free. The loan are repayable in 20 quarterly installments commencing from September 30, 2009.

10 <u>**TRADE AND OTHER PAYABLES**</u>

	Note	2013	2012
Creditors		**2,784,514**	2,283,964
Bills payable		**28,988**	14,487
Accrued liabilities		**73,789**	71,359
Advances from customers		**4,570**	3,296
Workers' profit participation fund.	10.1 & 10.2	**196,782**	137,070
Workers' welfare fund	10.2	**137,755**	78,709
Unclaimed dividend		**1,623**	2,428
Retention money		**-**	2,012
Other liabilities	10.3	**3,847**	4,678
		3,231,868	2,598,003

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		Note	2013 PKR'000'	2012 PKR'000'
10.1	**Workers' Profit Participation Fund**			
	Balance at the beginning of the year		**137,070**	70,158
	Interest on last year's balance		**12,559**	9,831
			149,629	79,989
	Paid to trust		**(149,629)**	(79,989)
			-	-
	Allocation for the year		**196,782**	137,070
	Balance at the end of the year		**196,782**	137,070

Interest on the W.P.P.F. is provided @ 14.61% - 19.33% per annum (2012: 14.9% - 15.70%).

10.2 Under Section 9.3 (a) of the PPA with NTDC, payments to WPPF and WWF are recoverable from NTDC as a pass through item.

		Note	2013 PKR'000'	2012 PKR'000'
10.3	**Other liabilities**			
	Employees vehicle purchase scheme		**-**	1,326
	Payable against expenses		**2,739**	1,729
	Government dues		**1,108**	1,623
			3,847	4,678
11	**RENTALS AND ACCRUED MARK - UP**			
	Rentals on long term musharaka		**375,467**	478,847
	Mark-up on long term financing		**56,196**	69,478
	Mark-up on short term borrowings		**182,755**	225,670
			614,418	773,995
12	**SHORT TERM BORROWINGS - SECURED**			
	Under mark-up arrangement from banking companies - Secured			
	Export Refinance	12.1 & 12.2	**2,849,000**	2,223,855
	Running Finance - Local currency	12.1 & 12.2	**1,117,711**	829,456
	Running Finance - Local currency	12.1 & 12.3	**5,387,137**	5,687,457
	Import Finance -Foreign currency	12.4	**-**	55,769
			9,353,848	8,796,537
	Unsecured from related parties			
	Loan from directors	12.5	**-**	91,000
			9,353,848	8,887,537

12.1 The Group has aggregate limits of PKR 14,135 million (2012: 11.551 million) of Short term borrowings from various banks which are interchangeable between Export Refinance, Bills discounting, Money Market Loans, Running Finances and Import Finances.

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12.2 ***The interest rates***

Export refinance: SBP rate plus 0.50% to 1.00% (2012: SBP rate plus 0.50% to 1.00%)
Running finance: 9.86% - 11.73% (2012: 2.91% - 15.28%)

Security

The above finances are secured against first pari passu hypothecation charge on export bills, stocks, trade receivables and personal guarantees of two Directors.

Renewal of Finances

The above facilities will be due for renewal during the period from 31-07-2012 to 30-06-2013 and will be renewed or replaced by new facilities.

12.3 ***The interest rates***

3 months KIBOR + 1.5% to 3% (2012: 3 months KIBOR + 1.5% to 3%)

Security

The aggregate running finances are secured against (1) first pari passu assignment and hypothecation charge over energy purchase price, (2) first pari passu hypothecation charge on fuel stock, (3) ranking hypothecation charge on all present and future assets of power project and (4) for certain arrangements, pledge of the shares of subsidiary company of certain sponsors.

Renewal of Finances

The above facilities will due for renewal during the period from 31-07-2012 to 31-03-2013 and will be renewed or replaced by new facilities.

12.4 ***The interest rates***

The interest rates ranges between nil (2012: 3.00% - 3.50%).

Security

The above finances are secured against first pari passu hypothecation charge on export bills, stocks, trade receivables and personal guarantees of two Directors.

Tenure of Finances

The finance is obtained for 180 days.

12.5 These loans carry mark-up at the rate of 2.0% per annum above 3 months KIBOR. Available limit of the loan from two directors are Rs. 100 million each.

	Note	**2013** PKR'000'	2012 PKR'000'
13 CURRENT PORTION OF LONG TERM FINANCING AND LOANS FROM RELATED PARTIES			
Current portion of long term financing	7 & 7.4	**1,017,508**	1,003,823
Current portion of loans from related parties	9	**5,756**	6,000
		1,023,264	1,009,823
14 SALES TAX PAYABLE			
Sales tax - Liberty Power Tech		**295,678**	-

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15	PROVISION FOR TAXATION - NET OF PAYMENTS	Note	2013 PKR'000'	2012 PKR'000'
	Tax payable at beginning of the year		-	5,855
	Taxes paid during the year		-	(102,923)
	Provision for - current		-	109,818
	- prior year		-	(2,216)
	Tax payable at the end of the year		-	10,534

16 CONTINGENCIES AND COMMITMENTS

16.1 Holding Company's Guarantees of PKR 136.564 Million (June 2012: PKR 92.249 Million) have been given by banks to Sui Southern Gas Company Limited and Collector of Customs which are secured against the personal guarantees and assets of the Directors.

16.2 Holding Company's Letter of Credits and Contracts for supply of plant and machinery amounting to PKR 14.333 Million (2012: PKR 102.259 Million) and for supply of raw materials and spares amounting to PKR 108.854 Million (2012: PKR 53.239 Million).

16.3 Holding Company's Contingent Liabilities at the year end in respect of Bills discounted during the year are Nil (2012: US$ 3.105 million equivalent to the PKR 292.468 million).

16.4 Subsidiary Company has entered into Fuel Supply Agreement (FSA) with Shell Pakistan Limited (Shell) for the purchase of fuel and diesel oil required for use in generating electricity for a period of ten years from the date of commercial operations. However, the Company has not purchased any fuel from Shell during the year.

16.5 Subsidiary Company has entered into agreements with Wartsila Pakistan (Private) Limited and Wartsila Finland OY for operations and maintenance and spare parts supply, respectively. The agreements will remain in effect until the earlier of the end of a period of 5 years from COD or the last day of the month in which the running hours of the first generator set reaches 35,000 hours. With reference to Operations and Maintenance Agreement with Wartsila Pakistan (Private) Limited, the Company has arranged an irrevocable unconditional standby letter of credit of Rs. 56 million, covering the Company's fulfillment of its payment obligations under the agreement.

16.6 In order to secure the fuel supply to operate the power plant, Subsidiary Company has entered into fuel supply arrangements with various oil marketing companies for which it has provided Letters of Guarantee (LGs) amounting to Rs. 2,560 million (2012: 2,560 million).

16.7 Subsidiary Company's commitments in respect of purchase of spare parts from Wartsila Finland OY amount to Rs. 40.461 million (2012: Rs. 22.679 million).

		Note	2013 PKR'000'	2012 PKR'000'
17	PROPERTY, PLANT AND EQUIPMENT			
	Operating Fixed Assets	17.1	**18,844,513**	19,398,417
	Capital work in progress	17.2	**8,750**	255,377
			18,853,263	19,653,794

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		Note	2013 PKR'000'	2012 PKR'000'
17.1.1	Depreciation Charge has been allocated to:			
	Cost of sales		**1,595,638**	1,625,243
	Administrative expenses		**27,216**	21,036
			1,622,854	1,646,279

17.1.2 Detail of Disposal of Operating Fixed Assets

S.No.	Desciption	Cost	Accumulated Dep	Written Down Value	Sales Proceeds	Gain on Disposal	Sold To	Mode Of Disposal
	Plant & Machinery:							
1	Hydrolic 5 Bowl Cal. M/C Ramish.	3,771	3,550	221	300	79	HOUSE # 3-242, KAZAFI GALI LIAQUATABAD, KARACHI, Pakistan	Negotiation
2	Wire Card Raising Machine.	551	519	32	45	13	HOUSE # J-25/5, NAZIMABAD # 1 , KARACHI, Pakistan	Negotiation
3	Brand New Wire Card Raising M/C-3.	2,592	2,423	169	180	11	HOUSE # J-25/5, NAZIMABAD # 1 , KARACHI, Pakistan	Negotiation
4	Bruckner Stenter.	15,521	13,618	1,904	1,983	79	Union export (pvt) ltd D - 204 / A,S.I.T.E.KARACHI	Negotiation
5	Honda Civic Vti - Aeg 946 (Gak)	1,245	1,106	139	155	16	Abu Talib S/O Mohammed Younus, Flat No. 706, Al-Arz Arcade, Alamgir Road, Karachi	Negotiation
6	Suzuki Mehran Aep-633	329	292	37	210	173	EFU General insurance ltd, Karachi	Insurance Claim
7	Suzuki Ravi Pickup Km-5586	339	301	38	125	87	Mr. Sailuddin. flat # 4, Defence garden,main korangi road,block 35, karachi	Negotiation
8	Honda Civic Vti (Agt 903)	1,108	904	203	250	47	Mohammad Junaid Marfani S/O Mohammad Sadiq Marfani, House No. A-296, Bait-E-Noori, Block-1, Gulshan-E-Iqbal, Karachi	Negotiation
9	Honda City (Agj-083)	845	673	172	223	51	Adnan Siddiq S/O Mohammed Siddiq, House No. R-29, 7Th Lane, Railway Society, Sindhi Muslim, Block B, Karachi	Negotiation
10	Honda Civic Vti Akp-463	1,198	914	284	317	33	Muhammad Abdullah S/O Muhammad Qasim, Plot # 684, 1St Floor, P.I.B Colony Karachi	Negotiation
11	Honda City 2006	941	378	563	575	12	Ali Mohammad S/O Moahmmad Younus, Flat No 607, Suleman Arcade, Bmphs Society.	Negotiation
12	Suzuki Cultus Vxr (Ant-803)	715	241	474	550	76	Rasheed commander	Negotiation
13	Motor Cycle Unique Kdl-0214	35	22	13	19	6	EFU General insurance ltd, Karachi	Insurance Claim
	June 2013	**29,190**	**24,941**	**4,249**	**4,932**	**683**		
	June 2012	52,181	41,722	10,459	12,535	2,075		

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17.2 Capital Work in Progress

Description	Factory/ Non factory Building on Lease Hold Land	Plant & Machinery	Total
	---PKR'000'---		
Balance as at June 30, 2011	264,385	248,065	512,450
Capital expenditure incurred during the year	71,154	128,113	199,267
Capitalization of borrowing cost	-	8,518	8,518
Transfer to operating fixed assets	(205,428)	(259,430)	(464,858)
Balance as at June 30, 2012	130,111	125,266	255,377
Capital expenditure incurred during the year	121,670	520,335	642,005
Capitalization of borrowing cost	-	7,392	7,392
			-
Transfer to operating fixed assets	(244,566)	(651,458)	(896,024)
Balance as at June 30, 2013	7,215	1,535	8,750

17.2.1 Rate of Mark-up of borrowing cost capitalized 9.90% to 10.10% (2012: 9.90%)

	Note	2013 PKR'000'	2012 PKR'000'
18 INTANGIBLES			
Goodwill	18.1	**2,126**	3,190
Software	18.2	**391**	1,000
		2,517	4,190
18.1 Goodwill			
Balance at the beginning of the year		**3,190**	4,254
Amortized During the year		**(1,064)**	(1,064)
Balance at the end of the year		**2,126**	3,190
18.2 Software			
Balance at the beginning of the year		**1,000**	1,667
Addition During the year		**77**	-
		1,077	1,667
Amortized During the year		**(686)**	(667)
Balance at the end of the year		**391**	1,000
18.3 Gross Carrying Value Basis			
Goodwill			
Cost		**5,317**	5,317
Addition		**-**	-
Amortization to date		**(3,191)**	(2,127)
		2,126	3,190
Software			
Cost		**2,000**	2,000
Addition		**77**	-
Amortization to date		**(1,686)**	(1,000)
		391	1,000
		2,517	4,190

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	Note	2013 PKR'000'	2012 PKR'000'
19 LONG TERM LOANS AND ADVANCES			
Considered Good			
Loans to Employees			
Due from executives	19.1	**9,217**	5,394
Due from employees	19.1	**46,518**	35,378
		55,735	40,772
Less: Current portion shown under current assets			
from executives	23	**1,605**	999
from employees	23	**18,156**	12,940
		19,761	13,939
		35,974	26,833
Outstanding for periods			
- After one year but within three years		**16,938**	11,441
- Exceeding three years		**19,036**	15,392
		35,974	26,833

19.1 Loans to employees are given for purchase of motor cars and motorcycles, house and renovation of house, performing hajj and marriage of staff or their daughters with out any interest in accordance with the Group's policy and are recoverable over a period of five years. The loans are secured against title of vehicles and retirement benefits.

19.2 Reconciliation of Carrying Amount are:

	2013 PKR'000'			2012 PKR '000'		
	Executives	Employee other than executive	Total	Executives	Employee other than executive	Total
Balance at the beginning of the year	5,394	35,378	**40,772**	4,200	33,484	**37,684**
Disbursed during the year	6,054	37,106	**43,160**	2,149	31,153	**33,302**
Repayments made during the year	(2,231)	(25,966)	**(28,197)**	(955)	(29,259)	**(30,214)**
Balance at the end of the year	**9,217**	**46,518**	**55,735**	**5,394**	**35,378**	**40,772**

19.3 The maximum aggregate amount outstanding at any month end during the year due from executives was PKR 10,214 thousands (2012: 5,394 thousands).

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		Note	2013 PKR'000'	2012 PKR'000'
20	**STORES, SPARE PARTS AND LOOSE TOOLS**			
	Stores		**43,086**	44,416
	Spare parts		**739,578**	589,061
	Loose tools		**132**	107
	Store in transit		**1,567**	-
			784,363	633,584
	Less: Provision for slow moving and obsolescence	20.1	**(15,587)**	(11,622)
			768,776	621,962
20.1	**Reconciliation of Provision for slow moving and obsolescence**			
	Balance at the beginning of the year		**11,622**	11,900
	Add: Provision made during the year		**5,144**	1,841
	Less: Reversal due to consumption during the year		**(1,179)**	(2,119)
	Balance at the end of the year		**15,587**	11,622

		Note	2013 PKR'000'	2012 PKR'000'
21	**STOCK-IN-TRADE**			
	Raw materials	31.1	**1,778,312**	1,373,886
	Work-in-process	31	**953,485**	232,816
	Finished goods	31	**624,469**	563,695
	Packing materials	31.1	**14,144**	9,546
			3,370,410	2,179,943
	Raw materials - in transit		**342,623**	192,970
			3,713,033	2,372,913
22	**TRADE DEBTS**			
	Considered Good - Secured			
	Export - Bills under collection (against export letter of credit)		**1,415,142**	999,187
	Local - National Transmission and Despatch Company Limited	22.1 & 22.2	**7,443,139**	12,395,476
			8,858,281	13,394,663
	Considered Good - Unsecured			
	Local			
	Related party - Soorty Enterprises (Pvt) Limited	22.3	**5,968**	29,359
	Others		**88,171**	140,136
			94,139	169,495
	Considered doubtful	22.4 & 22.5	**191,991**	2,671
			9,144,411	13,566,829
	Provision against doubtful debts	22.5	**(191,991)**	(2,671)
			8,952,420	13,564,158

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22.1 This represents trade receivables from NTDC and includes an amount of Rs. 1,708.294 (2012: Rs. 8,556.840 million) which is overdue but not impaired because the payment of receivables is guaranteed by the Government of Pakistan (GoP) through a sovereign guarantee under the Implementation Agreement. These are in normal course of business and interest free, however, a mark-up at the rate of three months KIBOR plus 4.5% per annum compounded semi-annually is charged in case the dues are not paid within due dates, in accordance with the terms of PPA. The aging of past due but not impaired receivables is as follows:

Aging of debts from NTDC past due but not impaired		
Up to 3 months	**694,467**	5,950,469
3-6 months	**-**	1,232,471
Over 6 months	**1,013,827**	1,373,900
	1,708,294	8,556,840

22.2 Included in trade debts is an amount of Rs. 1,013.827 million (2012: Rs. 777 million) relating to capacity purchase price not acknowledged by NTDC as the plant was not fully available for power generation. However, the sole reason of this under-utilization of plant capacity was non-availability of fuel owing to non-payment by NTDC.

Since management considers that the primary reason for claiming these payments was that plant was available, however, electricity could not be generated due to non-payment by NTDC. Therefore, management believes that the Company cannot be penalized in the form of payment deductions due to NTDC's default of making timely payments under the Power Purchase Agreement. Hence, the Company has taken up this issue at appropriate forums. On June 28, 2013 the Company entered into a Memorandum of Understanding (MoU) for cooperation on extension of credit terms with NTDC whereby it was agreed that the constitutional petition filed by the Company before the Supreme Court of Pakistan on the above mentioned issued would be withdrawn unconditionally and it would be resolved through the dispute resolution mechanism under the PPA. Accordingly, as per terms of the MoU, subsequent to year end, the Company applied for withdrawal of the aforesaid petition with is pending adjudication before the Supreme Court of Pakistan. An Expert, under the dispute resolution mechanism provided in the PPA, has also been appointed after consultation with other IPPs and NTDC. Management, based on the advice of the legal counsel, believes that ther

22.3 The Maximum aggregate amount outstanding at any month end during the year due from related party is PKR 117.794 million (2012: 139.992 million).
The amounts outstanding from related party at the year end are not standing for more than 31 days.

22.4

National Electric Power Regulatory Authority (NEPRA) issued an order dated February 8, 2013 through which it raised a demand of Rs. 157.454 million payable by the Company to NTDC for the period up to June 30, 2011 in respect of Calorific Value (CV) adjustment on fuel consumed for power generation as per the terms of the PPA and various CV adjustment mechanisms prescribed by NEPRA. NEPRA directed the Company to submit consignment-wise record of CV for the period up to June 30, 2011. The Company disputed such direction as it was not required to maintain consignment-wise record prior to July 2011. However, NEPRA computed retrospectively and determined Rs. 157.454 million payable the Company to NTDC for the period up to June 30, 2011 in respect of CV adjustment on the basis of the mechanism directed by it in July 2011. The Company filed a Motion for Leave for Review before NEPRA requesting it to reconsider its decision, which was decided against the Company. Consequently, the Company filed a writ petition before the Islamabad High Court against NEPRA's decision on the grounds that change in CV adjustment mechanism in July 2011 cannot be applied retrospectively and credible information is also nc

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In July 2011, NEPRA revised its CV adjustment mechanism and directed all Independent Power Producers (IPPs) to maintain consignment-wise CV record of fuel received and consumed for power generation, Consequently, the Company started maintaining such CV records after such direction was received from NEPRA and as per this mechanism, the Company has already recorded Rs.26.01 million as adjustment to revenue in these financial statements.

		Note	2013 PKR'000'	2012 PKR'000'
22.5	The movement in the provision during the year is as follows:			
	Balance at the beginning of the year		**2,671**	-
	Reversed during the year		**(1,674)**	-
	Provision made during the year		**190,994**	2,671
	Balance at the end of the year		**191,991**	2,671

23 LOANS AND ADVANCES - UNSECURED (CONSIDERED GOOD)

	Note	2013 PKR'000'	2012 PKR'000'
Current portion of long term loans and advances to:			
Executives	19	**1,605**	999
Employees	19	**18,156**	12,940
		19,761	13,939
Advances :			
Against Purchases and Services		**98,235**	34,481
Against salaries and expenses		**2,244**	2,725
		100,479	37,206
		120,240	51,145

24 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Considered good

	Note	2013 PKR'000'	2012 PKR'000'
Trade / Security deposits		**529**	535
Short term prepayments		**93,757**	38,668
		94,286	39,203

25 OTHER RECEIVABLES

	Note	2013 PKR'000'	2012 PKR'000'
Duty drawback receivable		**132,520**	137,389
Mark up rate subsidy		**-**	2,592
Claims recoverable from NTDC for pass through items			
Workers' Profit Participation Fund (WPPF)	10.2	**148,049**	157,940
Workers' Welfare Fund (WWF)	10.2	**119,237**	60,017
Others		**3,714**	662
		403,520	358,600

26 TAX REFUNDS DUE FROM GOVERNMENT

	Note	2013 PKR'000'	2012 PKR'000'
Income tax refundable		**14,139**	12,456
Sales tax refundable - LML		**157,988**	67,213
		172,127	79,669

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		Note	2013 PKR'000'	2012 PKR'000'
27	**INCOME TAX REFUNDABLE - PAYMENTS LESS PROVISION**			
	Tax payable at beginning of the year		**(10,534)**	-
	Taxes paid during the year		**114,807**	-
	Provision for - current		**(74,909)**	-
	- prior year		**29,182**	-
			58,546	-
28	**SHORT TERM INVESTMENTS**			
	At fair value through profit and loss account			
	Meezan cash fund		**268**	247
	Average yield during the year 8.5% (2012: 10.62%)			
29	**CASH AND BANK BALANCES**			
	Local currency			
	Cash in hand		**1,710**	2,491
	Cash at banks - in current accounts		**129,649**	21,855
	- in saving and multiplier accounts	29.1	**6,322,222**	31,065
			6,451,871	52,920
			6,453,581	55,411
	Foreign currency			
	Cash at banks - in current accounts		**14,519**	14
			6,468,100	55,425

29.1 The profit rate on multiplier and saving accounts are ranges between 8% - 11% (2012: 7.5% - 11.50%)

			2013 PKR'000'	2012 PKR'000'
30	**SALES AND SERVICES**			
	SALES			
	Export sales		**9,206,369**	8,890,684
	Local sales		**842,642**	871,893
	Waste sales		**21,535**	12,846
			864,177	884,739
	Less : Sales tax		**(9,655)**	(476)
			854,522	884,263
	FABRIC PROCESSIN			
	Cloth processing, printing and Dyeing		**881,720**	678,307
	Less : Sales Tax		**(5,870)**	-
			875,850	678,307
	SERVICES			
	Energy Purchase Price		**25,286,147**	18,395,796
	Capacity Price		**5,505,218**	5,987,378
			30,791,365	24,383,174
	Less : Sales Tax		**(3,479,010)**	(2,537,351)
			27,312,355	21,845,823
			38,249,096	32,299,077

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31 COST OF SALES AND SERVICES

		Note	2013 PKR'000'	2012 PKR'000'
Raw material consumed		31.1	**27,876,182**	21,542,271
Stores, spares and loose tools consumed			**321,676**	320,352
Salaries, wages and other benefits		31.2	**466,481**	377,356
Outside process charging			**379,745**	319,108
Power, water and gas			**598,305**	537,553
Repair and maintenance			**391,322**	331,059
Packing expenses			**22,979**	23,722
Provision for slow moving and obsolescence for stores and spares			**3,965**	1,841
Rent, rates and taxes			**22,956**	7,058
Insurance			**163,064**	137,363
Research and development expenses			**24,975**	21,145
Other expenses			**1,469**	2,615
Depreciation expense		17.1.1	**1,595,638**	1,625,243
Less: Duty drawback			**(53,079)**	(57,036)
			31,815,678	25,189,650
Work-in-process	-Opening stock	21	**232,816**	471,807
	-Closing stock	21	**(953,485)**	(232,816)
			(720,669)	238,991
Cost of goods manufactured and services provided			**31,095,009**	25,428,641
Finished goods	-Opening stock	21	**563,695**	672,697
	-Closing stock	21	**(624,469)**	(563,695)
			(60,774)	109,002
			31,034,235	25,537,643

31.1 Raw Material Consumed

Particulars	RAW MATERIALS	PACKING MATERIALS	TOTAL 2013	TOTAL 2012
Opening Stock	1,544,443	9,546	**1,553,989**	2,327,258
Add: Purchases (net)	28,213,867	243,403	**28,457,270**	20,769,002
	29,758,310	252,949	**30,011,259**	23,096,260
Less: Closing Stock	(2,120,934)	(14,144)	**(2,135,078)**	1,553,989
Consumed	27,642,477	152,381	**27,876,181**	21,542,271

31.2 It includes PKR 24.706 million in respect of staff retirement benefits (2012: PKR 22.202 million).

32 DISTRIBUTION COST

	2013	2012
Export expenses	**87,173**	63,152
Export freight and insurance	**167,223**	145,141
Cartage	**6,472**	5,182
Forwarding and handling charges	**19,472**	14,769
Commission on processing and sales	**39,044**	29,879
	319,384	258,123

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		Note	2013 PKR'000'	2012 PKR'000'
33	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and other benefits	33.1	**163,056**	131,659
	Security charges		**5,819**	5,637
	Rent, rates and taxes		**1,791**	2,059
	Legal and professional charges		**14,540**	10,148
	Insurance		**1,965**	5,185
	Conveyance		**1,611**	1,196
	General expenses		**13,786**	9,118
	Postage and telegram		**2,685**	483
	Telephone		**4,815**	7,898
	Fees and subscription		**8,810**	8,928
	Traveling		**18,811**	15,821
	Printing and stationery		**2,731**	2,803
	Motor Vehicle expenses		**8,534**	10,789
	Repair and maintenance		**4,831**	2,718
	Advertisement		**191**	251
	Other expenses		**4,483**	2,669
	Provision against doubtful trade debts		**189,320**	2,671
	Donations and corporate social responsibilities	33.2	**36,339**	19,532
	Auditors' remuneration	33.3	**2,312**	1,803
	Amortization		**1,750**	1,731
	Depreciation expense	17.1.1	**27,216**	21,036
	Property, plant and equipment written off		**-**	1,110
			515,396	265,245

33.1 Salaries and wages including bonus, gratuity and expenses on staff welfare includes PKR 6.228 million in respect of staff retirement benefits (2012: PKR 3.258 million).

33.2 Donation and corporate social responsibilities

None of the Directors or their Spouses has any interest in donee's fund.

33.3 Auditors' Remuneration

	2013 PKR '000'				2012 PKR '000'			
	Hyder Bhimji & Co.	F.R.A.N.T.S & CO.	MYASCO	TOTAL	Hyder Bhimji & Co.	F.R.A.N.T.S & CO.	MYASCO	TOTAL
Annual Audit Fee	500	500	800	**1,800**	500	500	300	**1,300**
Half yearly review fee	25	25	125	**175**	25	25	125	**175**
Audit fee for consolidation of accounts	25	25	-	**50**	25	25	-	**50**
Review fee for code of corporate governance	15	15	-	**30**	15	15	-	**30**
Out of pocket expenses	76	53	128	**257**	101	46	101	**248**
	641	**618**	**1,053**	**2,312**	**666**	**611**	**526**	**1,803**

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	Note	2013 PKR'000'	2012 PKR'000'
34 OTHER OPERATING CHARGES			
Workers' profit participation fund	10.1	**48,733**	29,223
Workers' welfare fund	10.1	**18,518**	11,105
Long term deposits written off		**-**	953
Loss on fair value adjustment of derivative financial	34.1	**-**	1,576
		67,251	42,857

34.1 The Company entered into an interest rate swap agreement to manage its PKR interest rate exposure on floating rate KIBOR committed borrowing for a notional amount of USD 2.964 Million equivalent to PKR 250 Million (2012: PKR 250 Million). Under the swap agreement the Company would receive KIBOR from Habib Bank Limited on notional amount and pay USD-LIBOR which is settled on quarterly basis.

	Note	2013 PKR'000'	2012 PKR'000'
35 OTHER INCOME			
Income from financial assets			
Profit on bank deposits		**3,927**	5,047
Income of Financial assets through profit and loss		**22**	24
Foreign exchange gain - net		**41,961**	93,480
Gain on fair value adjustment of derivative	34.1	**2,915**	-
		48,825	98,551
Income from non financial assets			
Other income		**1,164**	15
Gain on disposal of property, plant and equipment		**682**	2,075
		1,846	2,090
		50,671	100,641
36 FINANCE COST			
Mark-up on long term financing		**233,606**	288,066
Musharaka rentals		**1,636,236**	2,046,695
Amortization of debt arrangement fee		**18,394**	20,550
Mark-up on short term borrowing		**885,973**	1,156,630
Interest on workers' participation fund		**12,560**	9,831
Bank charges and commission		**63,942**	73,914
		2,850,710	3,595,686
37 TAXATION			
Current	37.1	**75,163**	109,818
Prior year		**(29,177)**	(2,216)
		45,986	107,602
Deferred		**(12,469)**	(48)
		33,517	107,554

37.1 Relationship between tax expense and accounting profit

	2013 %	2012 %
Applicable Tax Rate	**35.00**	35.00
Tax effect of tax credits	**(1.35)**	-
Tax effect of income covered under presumptive income	**(32.34)**	(31.02)
Effective Tax rate for the current year	**1.31%**	3.98

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	Note	2013 PKR'000'	2012 PKR'000'
38 EARNING PER SHARE - BASIC & DILUTED			
Profit after taxation		**3,479,274**	2,592,610
Less attributable to Non-controlling interest		**(2,111,663)**	(1,538,382)
		1,367,611	1,054,228
Weighted average number of ordinary shares		**23,095,308**	23,095,308
Basic and diluted earning per share (Rupees)		**59.22**	45.65

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

39 WORKING CAPITAL CHANGES

(INCREASE) / DECREASE IN CURRENT ASSETS:

	2013 PKR'000'	2012 PKR'000'
Stores, spares and loose tools	**(150,779)**	(83,768)
Stock-in-trade	**(1,340,120)**	1,098,850
Trade debts	**4,422,418**	(5,430,775)
Loans and advances	**(69,095)**	3,066
Trade deposit and Short Term Prepayments	**(55,083)**	(7,659)
Accrued profit / Mark - up	**(98)**	382
Other receivables	**(44,920)**	(132,952)
	2,762,323	(4,552,856)
INCREASE IN CURRENT LIABILITIES		
Trade and other payables	**633,865**	481,926
	3,396,188	(4,070,930)

40 CASH AND CASH EQUIVALENTS

	2013 PKR'000'	2012 PKR'000'
Cash and bank balances	**6,468,100**	55,425
Short term investments	**268**	247
Short term borrowings	**(9,353,848)**	(8,887,537)
	(2,885,480)	(8,831,865)

41 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Detail of aggregate amount charged in above accounts as remuneration of Chief Executive, Directors and Executives are as under:

Particulars	2013				2012			
	Chief Executive*	Directors	Executives	Total	Chief Executive*	Directors	Executives	Total
Perquisites and Allowances:	-	2,820	43,573	46,393	-	2,820	37,296	40,116
Other benefits (approximate monitory value)	627	546	1,903	3,076	944	1,477	797	3,218
	627	3,366	45,476	49,469	944	4,297	38,093	43,334
Number of Persons	2	4	29	35	2	4	25	31

* The chief executive is not drawing any remuneration.

41.1 The chief executive and directors are provided with free use of company maintained cars in accordance with the terms of employment.

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42 TRANSACTIONS WITH RELATED PARTIES

The related party comprises of related group companies, associated companies and undertakings where directors also held directorship, directors and key management personnel. Transaction with associated companies and other related companies are as under.

Relationship	Nature of transaction	2013 PKR'000'	2012 PKR'000'
Associated company	Sales of goods	**200,820**	542,920
	Fabric Processing	**255,872**	111,544
Associated undertaking	Rent paid	**1,500**	1,500
	Operation & Maintenance payments	**271,286**	182,986
	Spare parts supply payments	**260,440**	293,544
Directors	Short term borrowings - received/(repaid)	**(91,000)**	91,000
	Loan paid off	**6,000**	6,000
	Interest paid	**26,650**	12,861

Remuneration of key management personnel are disclosed in Note No 41 and Loans to Executive are disclosed in Note No. 19. There are no transaction with key management personnel other than under their terms of employment.

43 SEGMENT REPORTING

43.1 The group has the following reportable business segments:

a) **Sale of Fabrics and Made-up :** Sale of fabrics to Garment and Home Textile Manufactures and Sale of Home Textile Products and other made-up as per requirements of customers.
b) **Processing :** Finishing and processing of fabrics.
c) **Power generation:** Generation and sale of power to NTDC under Power Purchase Agreement

Transactions among the business segments are recorded at cost.

43.2 Segment Profitability

	Sales of fabric and made-ups		Fabric processing		Power generation and sale		Elimination of inter segment transactions		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Sales	**10,242,376**	9,864,747	**2,162,735**	1,847,243	**27,326,333**	21,852,659	**(1,482,348)**	(1,265,571)	**38,249,096**	32,299,077
Cost of sales	**(8,761,509)**	(8,564,831)	**(2,121,528)**	(1,876,416)	**(21,633,547)**	(16,361,968)	**1,482,348**	1,265,571	**(31,034,235)**	(25,537,643)
Gross profit	**1,480,867**	1,299,916	**41,208**	(29,173)	**5,692,786**	5,490,691	**-**	-	**7,214,861**	6,761,434
Administrative and selling expenses	**(485,826)**	(367,412)	**(92,551)**	(66,208)	**(224,297)**	(59,819)	**4,936**	5,198	**(797,738)**	(488,241)
Finance Cost	**(279,303)**	(259,567)	**(80,095)**	(62,420)	**(2,495,207)**	(3,279,450)	**3,895**	5,751	**(2,850,710)**	(3,595,686)
	(765,129)	(626,979)	**(172,646)**	(128,628)	**(2,719,504)**	(3,339,269)	**8,831**	10,949	**(3,648,448)**	(4,083,927)
Profit/(loss) before tax and before charging followings	**715,738**	672,937	**(131,438)**	(157,801)	**2,973,282**	2,151,422	**8,831**	10,949	**3,566,413**	2,677,507
Common administrative expenses									**(37,042)**	(35,127)
Other operating expenses									**(67,251)**	(42,857)
Other income									**50,671**	100,641
Taxation									**(33,517)**	(107,554)
									(87,139)	(84,897)
Profit/(loss) after taxation									**3,479,274**	2,592,610

43.3 Segment assets and liabilities

	Sales of Fabric and Made-ups		Processing		Power generation and sale		Unallocated		Elimination of intragroup balances		Total Company	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Assets	**5,171,589**	3,068,443	**2,131,515**	1,603,834	**31,912,966**	31,736,964	**2,000,680**	3,020,731	**(1,571,248)**	(2,599,499)	**39,645,502**	36,830,474
Liabilities	**3,453,656**	3,048,754	**1,432,384**	719,364	**22,042,183**	23,590,659	**542,691**	889,254	**(126,456)**	(1,155,686)	**27,344,458**	27,092,345

43.4 Unallocated items represent those assets and liabilities which are common to all segments and investment in subsidiary.

43.5 **Information about major customers**

Revenue from major customers whose revenue exceeds 10% of gross sales is Rs14,465 million (2012: Rs.14,194 million).

In case of power generation segment there is only one sole customer, i.e., NTDC.

43.6 All non-current assets of the Group as at June 30, 2012 and 2011 are located in Pakistan.

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44 FINANCIAL INSTRUMENTS BY CATEGORY

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the Group's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risking respect of such instruments.

	Note	2013 PKR'000'	2012 PKR'000'
FINANCIAL ASSETS:			
Investment at fair value through profit and loss			
Short term investments		**268**	247
Loans and Receivables			
Loans and Advances		**55,735**	40,772
Deposits		**2,863**	2,869
Trade debts		**9,144,411**	13,566,829
Accrued profit		**98**	-
Other receivables		**271,000**	221,211
Cash and bank balances		**6,468,100**	55,425
		15,942,207	13,887,106
		15,942,475	13,887,353
FINANCIAL LIABILITIES:			
At amortized costs			
Long term financing		**13,906,164**	14,900,258
Long term loans from related parties		**5,756**	11,756
Trade and other payables		**3,227,298**	2,594,707
Accrued markup		**614,418**	773,995
Short term borrowings		**9,353,848**	8,887,537
		27,107,484	27,168,253

45 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

45.1 Financial Risk Management Objectives

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). The Group's overall risk management programs focus on the under predictability of financial markets and seek to minimize potential adverse effects on the Group's financial performance.

A Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Group manages credit risk interalia by setting out credit limits in relation to individual customers and / or by obtaining government guarantees against supply of power and advance against sales and / or through letter of credits and by providing for allowance for doubtful debts. Also the Group does not have unsecured significant exposure in relation to individual customer. Consequently the Group believes that it is not exposed to any major concentration of credit risk.

The Group is exposed to credit risk from its operating and certain investing activities and the maximum exposure to credit risk at the reporting date was as followings:

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	Note	2013 PKR'000'	2012 PKR'000'
Loans and Advances		**55,735**	40,772
Deposits		**2,863**	2,869
Trade debts		**9,144,411**	13,566,829
Accrued profit		**98**	-
Other receivables		**271,000**	221,211
Short term investments		**268**	247
Cash and bank balances		**6,466,390**	52,934
		15,940,765	13,884,862

The Group's significant credit risk exposures are categorized under the following headings:

Bank balances

The Group limits its exposure to credit risk by investing only in liquid securities and maintaining bank accounts only with counter-parties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

The bank balances along with credit ratings are tabulated below:

Long Term Ratings	Note	2013 PKR'000'	2012 PKR'000'
AAA		**6,303,642**	364
AA+		**49,463**	12,980
AA		**1,738**	7,405
AA-		**111,111**	31,622
A-		**436**	563
		6,466,390	52,934

Trade debts

Trade debts are essentially due from local and foreign customers. Export debts are secured under irrevocable letter of credit, document acceptance, cash against documents and other acceptable banking instruments. Trade debts against supply of power are secured by the guarantee of government. Further the Group actively persue for the recovery of trade debts and the Group does not expect that these counter parties will fail to meet their obligations except for certain customers against which an allowance for doubt debt is provided in these financial statements. The movement in provision for impairment in respect of trade debts during the year can be assessed by reference to note no. 22. Aging of trade debts is as follows:

Trade Debts excluding under Power Purchase Agreement:

1 to 6 months	**1,513,427**	1,159,059
6 months to 1 year	**15,611**	9,626
1 year to 3 years	**14,781**	2,671
	1,543,819	1,171,356

Aging of receivables from NTDC - past due but not impaired

Up to 3 months	**694,467**	5,950,469
3-6 months	**-**	1,232,471
Over 6 months	**1,013,827**	1,373,900
	1,708,294	8,556,840

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Loans and advances

These are essentially due from the employees of the Group. Guarantees by two employees are obtained against each disbursement made on account of loans to employees. The carrying amount of guarantees are up to the extent of loans outstanding as at the date of default. The guarantor will pay the outstanding amount if the counter party will not meet their obligation. The Group also ensures that these amounts are secured against retirement benefits or other security provided by the employee and end of service dues of the relevant employee. These can be assessed by reference to note no. 19.

The Group is actively pursuing for the recovery of these balances and does not expect the employees will fail to meet their obligations. The Group believes that no impairment allowance is necessary in respect of the loans and advances.

Other receivables

The Group is actively pursuing for the recovery and based on the past experience expects that the recovery will be made soon. The Group believes that no impairment allowance is necessary in respect of receivable that are past due.

Financial assets that are either past due or impaired

The credit quality of financial assets that are either past due or impaired is assessed by reference to historical information and external ratings or to historical information about counter party default rates. The management believes that there are no financial assets are impaired; however certain trade debts are past due against which appropriate provision has been made as a matter of prudence.

B Liquidity risk

Liquidity risk represent the risk where the Group will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. Financial liabilities (the exposure of the Group to liquidity risk) are analyzed into the relevant maturity buckets based on their contractual maturity dates in the table below:

	Less than 1 year	**1-5 years**	**Over 5 years**	Total
	-------------------------------PKR'000'-------------------------------			
June 30, 2013				
Long term financing	1,017,508	5,960,015	**6,928,642**	13,906,164
Long term loans from related parties	5,756	-	-	5,756
Short term borrowings	9,353,848	-	-	9,353,848
Accrued markup	614,418	-	-	614,418
Trade and other payables	3,231,868	-	-	3,231,868
	14,223,398	5,960,015	**6,928,642**	27,112,054
June 30, 2012				
Long term financing	1,017,508	5,960,015	**6,928,642**	13,906,164
Short term borrowings	8,887,537	-	-	8,887,537
Accrued markup	773,995	-	-	773,995
Long term loans	11,756	-	-	11,756
Trade and other payables	2,598,003	-	-	2,598,003
	13,288,799	5,960,015	**6,928,642**	26,177,455

The Group manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2013, the Group has PKR 16,123 million (2012: PKR13,645 million) available short term borrowing limit from financial institutions. Unutilized borrowing facilities of PKR 6,769 million (2012: PKR 4,891 million) and also has PKR 6,468 million (2012: PKR 53million) being balances at banks and cash in hand. Based on the above, management believes the liquidity risk is insignificant.

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C Market Risk

Market risk refers to fluctuation in value of financial instruments as a result of changes in market prices. The Group manages market risk through binding contracts.

D Interest/ markup rate risk management

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term financings and short term borrowings. The Group analyses its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging alternatives as disclosed in notes to the financial statements. The at the balance sheet date the interest rate profile of the Group's interest bearing financial instruments is:

	Note	2013 PKR'000'	2012 PKR'000'
Financial liabilities			
Fixed rate instruments:			
Long term financing		**420,008**	607,332
Variable rate instruments:			
Long term financing		**13,262,830**	14,292,926
Short term borrowing		**9,353,848**	8,796,537
		22,616,678	23,089,463
		23,036,686	23,696,795

Sensitivity Analysis

A change of 100 basis points in interest rates at the reporting date would have increased/ decreased profit for the year by the amounts shown below. The analysis assumes that all other variables remains constant.

Effect due to 100 basis points change		**230,367**	236,968

E Foreign exchange risk management

Foreign exchange risk is the risk that the fair value of future cash flows of financial statements will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk arises mainly from future economical transactions or receivables and payables that exist due to transactions in foreign currencies.

Currently, the Group's foreign exchange risk exposure is restricted to the amounts receivables / payable from / to the foreign entities and outstanding letters of credit, foreign currency loans and bills payable. In appropriate cases, the Group takes out forward contracts to mitigate risk. The Group's exposure to foreign currency risk is as follows:

	Note	2013		2012	
~~**Balance Sheet Exposure**~~					
Trade Debts		**$**	**13,260,519**	$	10,609,247
		€	**88,040**	€	28,896
Advance from Customers		**$**	**(42,036)**	$	(5,113)
Bills Payable		**$**	**(367,537)**	$	(526,907)
		€	**55,780**	€	(57,256)
Long Term Loan		**$**	**-**	$	(2,902,170)
On Balance Sheet Exposure					
Net US$ Balance Sheet Exposure		**$**	**12,850,946**	$	7,175,057
Net Euro Balance Sheet Exposure		**€**	**143,820**	€	(28,360)
Off Balance Sheet Exposure					
Commitments		**$**	**(1,169,272)**	$	(1,479,657)
Cross Currency Swap		**$**	**-**	$	(2,640,473)
Commitments		**€**	**(61,600)**	€	(124,420)

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Net Exposure

	2013	2012
US$	**$ 11,681,674**	$ 3,054,927
Euro to PKR	**€ 82,220**	€ (152,780)

The following significant rates applied:

	2013	2012
US$ to PKR	**98.60**	94.00
Euro to PKR	**128.85**	118.25

Sensitivity Analysis

A 10 percent strengthening / weakening of the PKR against international currencies at 30 June would have increased / decreased equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

As at June 30 2013		
Effects in US$ gain / (loss)	**115,181**	28,716
Effects in Euro (loss) / gain	**1,059**	(1,807)

F Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described in respective notes.

G Capital risk management

The primary objectives of the Group when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

During 2013 the Group's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2013 were as follows:

	Note	2013 PKR'000'	2012 PKR'000'
Total borrowings		**23,042,442**	24,336,076
Less: Cash and bank		**6,468,368**	55,425
Net debt		**16,574,074**	24,280,651
Total equity		**12,301,044**	9,738,129
Total equity and debt		**28,875,118**	34,018,780
Gearing ratio (%)		**57%**	71%

The Group finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

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46 PLANT CAPACITY AND PRODUCTION

Dyeing, Printing and Finishing

It is difficult to describe precisely the production capacity in textile processing industry since it fluctuates widely depending upon quality of fabrics and process used.

Production capacity	linear meters	**78,000,000**	72,000,000
Actual production	linear meters	**71,439,019**	68,217,635

Energy production capacity and production

Theoretical maximum output [based on 8,760 hours (2012: 8,784 hours)]	**1,718,178**	1,718,178
Total output	**1,438,335**	1,068,468
Load factor	**84%**	62%

Theoretical maximum output is of 365 days (2012: 366 days) over theoretical maximum output of 365 days (2012: 366 days).

47 NUMBER OF EMPLOYEES

Average number of persons employed during the period 1471 (2012: 1481) and number of employees at the year end 1396 (2012:1387).

48 DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2013, the Board of Directors have proposed a final dividend of Nil per share, in their meeting held on November 07, 2013 (2012: Rs. 1.5 per share) for approval of the members at the Annual General Meeting. In addition the Board of Directors has also approved appropriation to general reserve of PKR 350 million (2012: PKR 370 million).

49 DATE OF AUTHORIZATION FOR ISSUE

These Financial statements were authorized for the issue on ______________________ by the Board of Directors of the holding company at Karachi.

50 CORRESPONDING FIGURES

Corresponding figures have been rearranged, wherever necessary for the purpose of comparison.

51 GENERAL

Figures have been rounded off to the nearest Pakistani thousand of Rupees.

Ashraf S. Mukaty	**Asif Y. Bawany**
Chief Executive	Director

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LIBERTY
MILLS LIMITED

The Secretary,
LIBERTY MILLS LIMITED
A/51-A, S.I.T.E.,
Karachi-75700.

FORM OF PROXY

I/We ....

of ....

being a member of **LIBERTY MILLS LIMITED,** and holder of ....

.... Ordinary shares as per share register Folio
(No. of Shares)
No. .... and / or CDC Participant I. D. No. ....

and Sub Account No. .... hereby appoint ....

of ....

as my/our proxy to vote for me/us on my/our behalf at the **Fourty Seventh Annual General Meeting** of the Company to be held on **November 30, 2013 at 11:30 am** at any adjournment thereof.

Singed this day .... of 2013

WITNESSES:

1. Signature ....
   Name ....
   Address ....
   ....
   CNIC or ....
   Passport No. ....

2. Signature ....
   Name ....
   Address ....
   ....
   CNIC or ....
   Passport No. ....

Signature on Rs. 5/- Revenue Stamp

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

Note:
1. A member entitled to be present and vote at the Meeting may appoint another member of the Company as a proxy to attend and vote for him / her.
2. Proxies in order to be affective must be received at the Registered Office / Registrar of the Company not less than 48 hours before the Meeting.
3. CDC shareholders and their proxies must each attach an attested photocopy of their National Identity Card of Passport with this proxy form.