



**LIBERTY**  
**MILLS LIMITED**





## *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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## Company Information

### **BOARD OF DIRECTORS:**

**CHAIRMAN:**

Mr. Salim N. Mukaty

**DIRECTORS:**

Mr. Ashraf Salim Mukaty  
Mr. Yusuf N. Mukaty  
Mrs. Hamida Salim Mukaty  
Mr. Noor Muhammad Yusuf Mukaty  
Mr. Arif Haji Abdul Sattar Maniya  
Mr. Luqman F. Poonawala  
Mr. Madni Gul Muhammad  
Mr. Asif Younus Bawany

**CHIEF EXECUTIVE:**

Mr. Ashraf Salim Mukaty

**CHIEF FINANCIAL OFFICER:**

Haji Younus Bhattha

**COMPANY SECRETARY:**

Mr. Muhammad Iqbal Haroon

**AUDITORS :**

Gardezi & Co.  
Chartered Accountants

Rauf Ayoob & Co.  
Chartered Accountants

**BANKERS :**

Habib Metropolitan Bank Ltd.  
Soneri Bank Ltd.  
Standard Chartered Bank  
Habib Bank Limited  
Bank Al Habib Ltd.

**REGISTERED OFFICE AND MILLS :**

A/51-A, S.I.T.E.,  
Karachi-75700.  
Tel No. (021) 2578103-16 (14 Lines)  
Fax: (021) 2570086 & 2561050  
Email: liberty@libertymillslimited.com  
Website: www.lml.com.pk



## Notice of Meeting

Notice is hereby given that **41st 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 **October 27, 2007** at 11:30 a.m. to transact the following business:

### **Ordinary Business**

1. To confirm the Minutes of the 40th Annual General Meeting of the Company held on October 28, 2006.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2007 together with Directors' and Auditors' report thereon.
3. To approve the payment of cash dividend at Rs.02/= per share, i.e., Twenty Percent, for the year ended June 30, 2007 as recommended by the Board of Directors.
4. To appoint Auditors and fix their remuneration. The present auditors Gardezi & Co. Chartered Accountants retire and did not offer themselves for reappointment as Gardezi & Co have merged with Hyder Bhimji & Co. one of the member of the Company has given notice under section 253 of the Companies, Ordinance 1984 proposing the name of M/s. Hyder Bhimji & Co. Chartered Accountants as Auditors with Rauf Ayoob & Co of the Company to carry out the audit of accounts for the year ending June 30, 2008.
5. To transact any other business which may be placed before the meeting with permission of the Chair.

**Special Business:** To approve and fix the remuneration of following three working Directors.

This approval is been sought from the shareholders for the fixation of the remuneration of the following three working Directors.

<b>Name of Directors</b>	<b>Gross Salary</b>
1. Mr. Luqman F. Poonawala	Rs. 70,000/= P.M.
2. Mr. Madni Gul Muhammad	Rs. 55,000/= P.M.
3. Mr. Asif Younus Bawany	Rs. 50,000/= P.M.

Disclosure in compliance to Section 218 of the Companies Ordinance, 1984, that none of the Directors of the company are in any way interested in fixation of the above remuneration.

By Order of the Board

(Muhammad Iqbal Haroon)  
Company Secretary

Karachi: September 28, 2007



**NOTES:**

1. The Share Transfer Books of the Company will remain closed from October 20, 2007 to October 27, 2007 (Both days inclusive) for entitlement of Cash Dividend.
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 of the Company not less than 48 hours before the time of meeting.
3. Members are requested to promptly notify the Company of any change in their addresses.

**CDC Account holders will further have to follow the under mentioned guidelines as laid down in Circular I dated January 26, 2000 issued by the Security 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 showing his original Computerized 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 Appointing 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 uploaded 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 produce 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.



## Directors' Report

The directors of your Company are pleased to place their report together with the auditor's report and audited financial statements of the Company for the year ended June 30<sup>th</sup>, 2007 before the 41<sup>st</sup> Annual General Meeting.

### **OPERATING RESULT:**

Operating results of the Company are noted below:

	<b>June 30, 2007</b> <b>(Rs. in thousands)</b>	<b>June 30, 2006</b> <b>(Rs. in thousands)</b>
Sales and Services	4,428,140	3,783,710
Gross Profit	637,864	518,482
Profit before Taxation	328,606	243,108
Taxation	(52,309)	(72,481)
Profit after Taxation	276,297	170,628

By the Grace of Allah during the year under review we had achieve a growth of 17.03% in turnover as compare to the turnover of last year. The turnover for the year is comes to Rs. 4,428 Million. The resultant increase in turnover is due to the strategy of management and measures taken to attain the goal of management. The management is thriving hard to explore new markets and customers. The management also taking measures to increase the out put of value added products.

The year under the review witnessed rising exorbitant trends in most of the inputs and cost of the supply of gas was upward till 3rd Quarter of the company, During the last Quarter, Government has announced the decrease in gas charges and also major support from research and development would have positive impact to a certain level on the Company's accounts. The management of your company is to make stringent cost cut for survival and to make improvement where ever possible in both cost & quality.

### **EARNING PER SHARE:**

The Earning per Share has also affected to Rs. 12.22 from previous year 7.55 this is due to the impact of research and development support.

### **DIVIDEND:**

The Directors are pleased to recommend Cash dividend @ 20% i.e. Rs. 2/= per share for the year ended June 30, 2007.



**FUTURE OUTLOOK:**

The international textile industry is becoming very competitive. The Pakistan textile industries are facing lot of hardship in this competitive environment, its need Government support. We hope the Government will make plans to facilitate Pakistani manufactures to serve and compete in the international market.

**Corporate and Financial Reporting Framework**

The Directors declare that:

- i. The Financial Statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- ii. Proper Books of Accounts have been maintained.
- iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of Financial Statements.
- v. The Board is responsible that the Company's system of internal control and reviewing its effectiveness. The Board considers that the Company's system of internal control is sound and has been effectively implemented and monitored.
- vi. There are no significant doubts upon the Company's ability to continue as a going concern.
- vii. There have been no material departures from the best practices of corporate governance, as detailed in the listing regulations.
- viii. Un-audited Half yearly financial statements after limited review by the statutory auditors are circulated in time along with Director's Review on the affairs of the Company.
- ix. The CEO as well as CFO duly signed the Financial Statements presented to the Board of Directors for approval.
- x. Key operating and financial data for last six years in summarized form is also enclosed in the annual report.
- xi. The Company has complied with all the corporate and financial reporting requirements of the code.





### Number of Board Meeting held during the year and attendance of each Director.

During the year five board meetings were held and each director has attended meetings as follows:

<u>Name of Director</u>	<u>Meetings Attended</u>
1. Mr. Salim N. Mukaty	3
2. Mr. Ashraf Salim Mukaty	5
3. Mr. Yusuf N. Mukaty	5
4. Mrs. Hamida Salim Mukaty	3
5. Mr. Noor Muhammad Yusuf Mukaty	5
6. Mr. Arif Haji Abdul Sattar Maniya	5
7. Mr. Luqman F. Poonawala	4
8. Mr. Madni Gul Muhammad	5
9. Mr. Asif Younus Bawany	5

### AUDIT COMMITTEE:

The audit committee comprised of the following three Directors for the year ended June 30, 2007:

1. Mr. Salim N. Mukaty
2. Mr. Arif Haji Abdul Sattar Maniya
3. Mr. Madni Gul Muhammad

### INTERNAL AUDIT FUNCTION:

The Audit Committee is fully assisted by the Internal Audit function in maintaining a sound system of internal controls, which is headed by an Association Member of Cost & Management Accountant (ACMA).

### PATTERN OF SHAREHOLDINGS:

The Pattern of Shareholdings and additional information regarding pattern of shareholdings as on June 30, 2007 is attached to the financial statements included in this report.

### AUDITORS:

The present auditors Gardezi & Co., Chartered Accountants retire and have not offered themselves for reappointment as the Gardezi & Co. is merged with Hyder Bhimji & Co. The audit committee has recommended the name of Hyder Bhimji & Co., with Rauf Ayoob & Co. Chartered Accountants as Auditors above will for the ensuring year.

### ACKNOWLEDGEMENT:

In the end, your Directors are pleased to appreciate for the services rendered by the workers, staff and executives of the Company and look forward to their continued efforts and dedication. We also acknowledge the cooperation extended by our banks and financial institutions. At the same time we thank for the wishes of our valued shareholders.

Thanks to all of you

For and on behalf of the Board of Directors  
**Salim N. Mukaty**  
 Chairman

Karachi: September 28, 2007



## Key operating and financial data:

Rupees in Million

	2007	2006	2005	2004	2003	2002
Sales	4,428	3,784	3,025	2,820	2,852	1,720
Gross Profit	638	518	441	389	384	248
Operating Profit	395	311	269	233	237	135
Profit before Tax	329	243	225	198	194	97
Tax	52	72	39	45	44	24
<b>Profit after Tax</b>	<b>276</b>	<b>171</b>	<b>186</b>	<b>153</b>	<b>150</b>	<b>73</b>
Total Assets	2,978	2,714	2,453	1,930	1,773	1,480
Current Liabilities	1,608	1,140	837	929	756	567
	<b>1,371</b>	<b>1,574</b>	<b>1,616</b>	<b>1,001</b>	<b>1,017</b>	<b>913</b>
Represented by:						
Share Capital	226	226	206	206	179	179
Reserves and unappropriated profit	950	719	503	368	260	112
Equity	1,176	945	709	574	439	291
Long Term Loans	122	573	785	323	491	560
Deferred Liability	73	56	122	104	87	62
	<b>1,371</b>	<b>1,574</b>	<b>1,616</b>	<b>1,001</b>	<b>1,017</b>	<b>913</b>
Cash Dividend (% age)	20%	20%	15%	25%	10%	17.50%
Bonus (% age)	—	—	10%	—	15%	—



## **Review report to the members on statement of compliance with best practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Liberty Mills Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2007.

*Gardezi*  
**GARDEZI & CO.**

Chartered Accountants

*Rauf Ayoob*

**RAUF AYOOB & CO.**  
Chartered Accountants



## Auditor's report to the members

We have audited the annexed balance sheet of LIBERTY MILLS LIMITED as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, where necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes stated in Note 2.4 to the financial statement with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investment made and the expenditure incurred during the year were in accordance with the objects of the company.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standard 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, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

*Gardezi*  
**GARDEZI & CO.**

Chartered Accountants

*Rauf Ayoob*

**RAUF AYOOB & CO.**  
Chartered Accountants



## **Statement of Compliance with the Code of Corporate Governance For the year ended June 30, 2007**

This statement is being presented to comply with the Code of Corporate Governance as contained in the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange 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 company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes five non-executive directors and four executive directors including Chief Executive officer (CEO).
2. The directors have confirmed that none of them is serving as director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFC or, being a member of stock exchange, has been declared as defaulter by that Stock Exchange.
4. No casual vacancy occurred in the Board during the year under review.
5. The Company has prepared a "statement of ethics and business practices", which has been signed by all the directors and employee of the company.
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 condition of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities, and briefed them regarding amendments in the Companies Ordinance / Corporate Laws.
10. The Board has approved appointment of CFO, including his remuneration and terms and conditions of employment, as determined by the CEO.
11. The Director's Report for this year has been prepared in compliance with the requirements of the



Code and it fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval by the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the Chairman of the committee.
16. The meetings of the committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function manned by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company. They are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that:
  - I. They have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan.
  - II. That they are or any partner of the firm, their spouses and minor children do not hold shares of the Company.
  - III. That the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the / Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.
20. We confirm that all material principles contained in the Code have been complied with.

**Ashraf S. Mukaty**  
Chief Executive



## Balance Sheet as at 30th June, 2007

<u>EQUITY AND LIABILITIES</u>	NOTE	2007 RUPEES	RESTATED 2006 RUPEES
<b>SHARE CAPITAL AND RESERVES</b>			
<b>SHARE CAPITAL</b>			
Authorised Capital: 40,000,000 (2006: 40,000,000) ordinary shares of Rs. 10/- each		400,000,000	400,000,000
Issued, subscribed and paid up capital	3	226,101,390	226,101,390
Reserves		570,000,002	450,000,002
Unappropriated profit		380,067,196	268,990,614
		1,176,168,588	945,092,006
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	4	122,433,167	146,575,550
Loans from related parties	5	—	426,000,000
Deferred tax (net)	6	25,545,000	24,270,000
Deferred liabilities for staff retirements benefit	7	46,604,878	31,655,104
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	568,404,553	332,341,523
Accrued mark-up	9	11,568,617	16,122,558
Short term borrowings	10	776,462,429	784,156,961
Current portion of long term financing and loans from related parties	11	249,884,888	4,192,250
Taxation		1,373,544	3,652,021
		1,607,694,031	1,140,465,313
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	12	—	—
	Total	2,978,445,664	2,714,057,973

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



# LIBERTY MILLS LIMITED

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<b><u>ASSETS</u></b>	<b>NOTE</b>	<b>2007 RUPEES</b>	<b>RESTATED 2006 RUPEES</b>
<b>NON CURRENT ASSETS</b>			
Property, plant & equipment	13	1,269,866,081	1,278,987,369
Investment property	14	1,670,589	1,851,112
Long term investment	15	500,000	500,000
Long term loans and advances	16	20,405,075	19,345,560
Long term deposits		2,828,605	2,772,245
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	17	94,640,544	70,135,011
Stock-in-trade	18	596,348,301	558,274,646
Trade debts	19	701,320,877	547,194,773
Loans and advances	20	30,876,145	28,587,797
Trade deposit and prepayments	21	581,214	411,262
Accrued markup		787,438	605,000
Other receivables	22	64,470,563	9,943,839
Tax refunds due from government	23	34,874,981	37,191,334
Financial assets at fair value through profit & loss	24	20,042,937	—
Cash and bank balances	25	139,232,314	158,258,025
		1,683,175,314	1,410,601,687
	<b>Total</b>	<b>2,978,445,664</b>	<b>2,714,057,973</b>

**Ashraf S. Mukaty**  
Chief Executive

**Asif Younus Bawany**  
Director





## Profit and Loss Account for the year ended 30th June, 2007

	NOTE	2007 RUPEES	2006 RUPEES
Sales & services	26	4,428,139,827	3,783,710,425
Cost of sales and services	27	<u>(3,790,275,715)</u>	<u>(3,265,228,437)</u>
Gross profit		637,864,112	518,481,988
Administrative expenses	28	(126,071,413)	(105,927,956)
Distribution cost	29	(103,379,902)	(88,988,622)
Other operating charges	30	(24,733,809)	(13,217,003)
Income from investment property	31	119,477	102,715
Other operating income	32	<u>11,662,650</u>	<u>1,364,348</u>
Operating profit		395,461,116	311,815,470
Finance cost	33	<u>(66,854,797)</u>	<u>(68,707,142)</u>
Profit before taxation		328,606,319	243,108,328
Taxation	34	<u>(52,309,458)</u>	<u>(72,480,512)</u>
Profit after taxation		276,296,860	170,627,817
Earning per share - basic & diluted	35	<u>12.22</u>	<u>7.55</u>

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


**Ashraf S. Mukaty**  
Chief Executive

**Asif Younus Bawany**  
Director



## Cash Flow Statement for the year ended 30th June, 2007

	NOTES	2007 RUPEES	2006 RUPEES
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>			
Profit before taxation		328,606,319	243,108,329
<b>Adjustments for non cash charges and other items</b>			
Depreciation		108,316,406	94,804,237
Provision for staff retirements benefit (net)		14,949,774	5,354,061
Gain on disposal of fixed assets		(1,948,964)	(886,805)
Finance cost		66,854,797	68,707,142
		<b>188,172,013</b>	<b>167,978,635</b>
		<b>516,778,332</b>	<b>411,086,964</b>
Working capital changes	36	(37,809,724)	17,773,327
(Increase) in long term loans and advances		(1,059,515)	(9,155,766)
Long term deposit		(56,360)	—
Financial cost paid		(71,408,738)	(59,886,373)
Income tax paid		(53,312,935)	(42,277,871)
Taxe refund received		2,316,353	64,281,460
		<b>355,447,413</b>	<b>381,821,741</b>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>			
Fixed capital expenditures		(100,467,134)	(289,265,177)
Proceeds from disposal of fixed assets		3,401,500	1,426,300
Net cash out flow from investing activities		(97,065,634)	(287,838,877)
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>			
(Payment) / Proceed of long term finance		(4,192,250)	(109,539,200)
(Payment) / Proceed of loan from related parties		(200,257,495)	(99,000,000)
Increase/ (decrease) in short term borrowings		(7,694,531)	255,893,900
Dividend paid		(45,220,278)	(30,832,010)
Net cash in flow / (out flow) from financing activities		(257,364,554)	16,522,690
Net increase / ( decrease ) in cash and cash equivalents		1,017,225	110,505,554
Cash and cash equivalents at the beginning of the year		158,258,026	47,752,472
Cash and cash equivalents at the end of the year	37	<b>159,275,251</b>	<b>158,258,025</b>

  
**Ashraf S. Mukaty**  
Chief Executive

  
**Asif Younus Bawany**  
Director



## Statement of Changes in Equity for the year ended 30th June, 2007

	Share Capital	Revenue Reserve	Un-Appropriated Profit	TOTAL
Balance as at 30th June, 2005 as reported	205,546,720	315,000,002	187,669,477	708,216,199
Effect of change in Accounting policy of deferred taxation	—	—	76,960,000	76,960,000
<b>Restated balance as on 30th June, 2005</b>	<b>205,546,720</b>	<b>315,000,002</b>	<b>264,629,477</b>	<b>785,176,199</b>
Final dividend for the year ended 30th June, 2005:				
Cash @ 15%			(30,832,010)	(30,832,010)
Bonus shares @ 10%	20,554,670		(20,554,670)	—
Transfer to revenue reserve		135,000,000	(135,000,000)	—
Profit for the year 30th June, 2006			170,627,817	170,627,817
<b>Balance as on 30th June, 2006</b>	<b>226,101,390</b>	<b>450,000,002</b>	<b>248,870,614</b>	<b>924,972,006</b>
Effect of change in Accounting policy of deferred taxation	—	—	20,120,000	20,120,000
<b>Restated balance as on 30th June, 2006</b>	<b>226,101,390</b>	<b>450,000,002</b>	<b>268,990,614</b>	<b>945,092,006</b>
Final dividend for the year ended 30th June, 2006:				
Cash @ 20%			(45,220,278)	(45,220,278)
Transfer to revenue reserve		120,000,000	(120,000,000)	—
Profit for the year 30th June, 2007			276,296,860	276,296,860
<b>Balance as at June 30, 2007</b>	<b>226,101,390</b>	<b>570,000,002</b>	<b>380,067,196</b>	<b>1,176,168,588</b>

**Ashraf S. Mukaty**  
Chief Executive

**Asif Younus Bawany**  
Director



## Notes to the Financial Statements for the year ended 30th June, 2007

### 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.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Statement of compliance

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

#### Accounting Standards not yet effective

The following standards, interpretations and amendments of approved accounting standards are applicable in Pakistan from the dated mentioned below against the respective standards, interpretations and amendments.

IAS 1 -	Presentation of Financial Statements - Amendments Relating to Capital Disclosures;	effective from accounting period beginning on or after January 01, 2007
IAS 23 -	Borrowing Costs (as Revised);	effective from accounting period beginning on or after January 01, 2009
IAS 41 -	Agriculture;	effective from accounting period beginning on or after May 22, 2007
IFRS 2 -	Share-Based Payments;	effective from accounting period beginning on or after December 06, 2006
IFRS 3 -	Business Combinations;	effective for business combinations for which agreement date is on or after December 06, 2006
IFRS 5 -	Non-Current Assets Held for Sale and Discontinued Operations;	effective from accounting period beginning on or after December 06, 2006
IFRS 6 -	Exploration for Evaluation of Mineral Resources.	effective from accounting period beginning on or after December 06, 2006
IFRIC 10 -	Interim Financial reporting and impairment	effective from accounting period beginning on or after November 01, 2006



IFRIC 11 - Group and treasury share transactions	effective from accounting period beginning on or after March 1, 2007
IFRIC 12 - Services concession arrangements	effective from accounting period beginning on or after January 01, 2008
IFRIC 13 - Customer loyalty program	effective from accounting period beginning on or after January 01, 2008
IFRIC 14 - The limit on a defined benefit assets, minimum funding requirements and their interaction.	effective from accounting period beginning on or after January 01, 2008

## 2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except that investments held for trading have been included at fair market value as at balance sheet date.

The preparation of financial statements in conformity with IASs requires management to make judgments, estimate and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which from the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. However, assumptions and judgments made by the management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amount of assets and liabilities in next year.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes.

## 2.3 Accounting estimates and judgments

### income taxes

The company takes into account the current income tax law and decisions taken by the appellate authorities. Instances where the company's view differ from the view taken by the income tax department at the assessment stage and where the company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. Furthermore, the company may be able to avail the benefit of payment of turnover tax, provided sufficient taxable profits are available in next five years when this credit can be utilized.

### Staff retirements benefit

Certain actuarial assumptions have been adopted as disclosed in note 7 to the financial statements for valuation of present value of defined benefit obligation. Any change in these assumptions in future year might affect unrecognized gains and losses in those years.



**Property, plant and equipment**

The company reviews the value of the assets for possible impairment on an annual basis. Any changes in the estimate in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

**2.4 Taxation**

**Current**

The charge for current taxation is based on taxable income at the current rates of taxation after considering admissible tax credits and rebates, if any.

**Deferred**

The Company has changed its accounting policy in compliance with TR-27 relating to the IAS-12 Income Taxes, according to which deferred tax accounting is not applicable to the income that is covered under presumptive tax regime i.e. tax deducted or collected is treated as full and final tax liability. Previously the Company was providing full provision for deferred taxation.

In accordance with the benchmark treatment prescribed in IAS - 8 "Net Profit or Loss for the period, Fundamental Errors and Change in Accounting Policy", the effect of this change has been recognized retrospectively. The Comparative Financial Statements for the year 2006 has been restated to conform to the changed policy. The effect of change has resulted in reducing the deferred tax liabilities by Rs. 3.3 million for the current year & Rs. 97.080 million in the previous years. Had the company didn't change its policy the profit for the period would be reduced by Rs. 3.3 million (2006 20.120 million).

**2.5 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 2007 for two years, using the Projected Unit Credit Method assuming a discount rate of 10 % per annum and expected rate of increase in salary @ 9% per annum.

**2.6 Foreign currency translation**

Transactions in foreign currencies are translated into Pak rupees at the exchange rates prevailing on the date of transactions. Assets and Liabilities in foreign currencies are translated into Pak rupees at the rates of exchange which approximate those ruling on the balance sheet date. Exchange differences are taken in the profit & loss account.

**2.7 Property, Plant and Equipment**

These are stated at cost less accumulated depreciation except for capital work-in-progress is stated at cost.

Depreciation on Property, Plant and Equipment is charged to income applying the reducing balance method, except lease hold land, at the rates specified in note no.13.1 whereby the cost of an asset is written off over its estimated useful life. 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.

Repair and maintenance and normal repairs including minor alteration are charged to income as and when incurred. Renewals and improvements are capitalized and the asset so replaced, if any are retired. Gain or loss on disposal of property plant and equipment if any included in the income currently.

Depreciation on additions during the year is charged from the month when the assets is available for use. Similarly the depreciation on deletion is charged upto the month preceding the month when the asset is derecognized.

#### **2.8 Investment property**

Investment property represents the company owned building which is rented out to its associated undertaking M/s. Liberty Energy (Pvt) Limited.

The company adopted the cost model instead of fair value model as described in IAS 40 'Investment Property' since the building rented out is transferred from the operating assets at the historical cost, The building has been recently erected therefore the company's management is of the view that the cost of the property approximate its fair value.

The building is stated at cost less accumulated depreciation, the depreciation method reflect the pattern in which the asset's economic benefits are consumed by the enterprise. Major renewals and improvements are capitalized and assets so replaced, if any are retired. Profit or Loss on disposal of investment property is included in income currently whereas maintenance and normal repairs are charged to income as and when incurred.

#### **2.9 Long term investments**

Held - to - maturity

These are investments with fixed or determinable payments and fixed maturity with the Company having positive intent and ability to hold to maturity. These are stated at cost.

#### **2.10 Stores, spares and loose tools**

These are valued at lower of cost and net realizable value applying first-in-first out (FIFO) basis, except items in transit if any are stated at cost incurred to date.

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

#### **2.11 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 upto 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 include a portion of related direct overheads. Net realizable value is determined on the basis mentioned in note 2.10



## **2.12 Financial Instruments**

### **a) Financial assets and financial liabilities**

Financial assets and liabilities includes investment, loans, deposits, trade debts, cash and cash equivalents, short term borrowings, trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

All 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.

### **b) Trade debts**

Trade debts originated by the Company are recognized and carried at original invoice amount. Debts considered irrecoverable, are written off and provision are made for debts considered doubtful, if any.

### **c) Financial assets at fair value through profit and loss**

Finance assets are held for trading are classified in this category. These are stated at fair value which is reassessed at each reporting date and changes in carrying values are included in profit and loss account.

### **d) Provision**

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.

### **e) Offsetting**

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.

### **f) Cash and cash equivalents**

Cash and cash equivalents consist of Financial assets at fair value through profit & loss, Cash in hand and balances with banks and are carried on the balance sheet at fair value.

## **2.13 Borrowings 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

## **2.14 Related party transaction**

All transaction between the Company and related party are recorded at arm's length prices determined in accordance with Comparable Uncontrolled Price Method.

## **2.15 Impairment of Assets**

An assessment is made at each balance sheet date 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 income currently.

#### 2.16 Revenue Recognition

- Sales are recorded on dispatch of goods to the customers.
- Income from process services is recorded when earned.
- Income from rental is recorded on accrual basis.
- Interest and bank profit income is recorded on accrual basis.
- Interest on deposit / certificates is recognized on accrual basis.

#### 2.17 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. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

<u>2007</u> <u>No. of Shares</u>	<u>2006</u> <u>No. of Shares</u>		<u>2007</u> <u>RUPEES</u>	<u>RESTATED</u> <u>2006</u> <u>RUPEES</u>
12,732,092	12,732,092	Ordinary Shares fully paid in cash	127,320,920	127,320,920
9,878,047	9,878,047	Ordinary Shares fully paid issued as Bonus Shares	98,780,470	98,780,470
<u>22,610,139</u>	<u>22,610,139</u>		<u>226,101,390</u>	<u>226,101,390</u>

### 4. LONG TERM FINANCING - SECURED FROM BANKING COMPANIES

Habib metropolitan bank limited	Note 4.1	101,581,583	105,359,000
Standard chartered bank	Note 4.2	44,993,967	45,408,800
		<u>146,575,550</u>	<u>150,767,800</u>
Current portion		24,142,383	4,192,250
		<u>122,433,167</u>	<u>146,575,550</u>

#### 4.1 Interest

The Company pays interest at the rate of 6.5% per annum on quarterly basis.

#### Repayment

The tenure of the finance is 7½ years including one and a half year of grace period, repayable in 12 equal half yearly installments commencing after expiry of grace period i.e. from 18th April 2007.



**Security**

The finance is secured by 1st exclusive charge on the imported machinery or to be imported for Rs. 237.2 million under the scheme of Long Term Financing for Export Oriented Project and registered charge over stock / receivables in favour of Habib Metropolitan Bank Limited.

**4.2 Interest**

The Company pays interest at the rate of 7% per annum on quarterly basis.

**Repayment**

The tenure of the finance is 7½ years including one and half year of grace period is repayable in 12 equal half yearly installments commencing after expiry of grace period i.e. from 13th June 2007.

**Security**

The loan is secured by 1st exclusive charge on the machinery imported or to be imported for Rs. 259 million under the scheme of Long Term Financing for Export Oriented Project in favour of Standard Chartered Bank.

	<b><u>2007</u></b> <b><u>RUPEES</u></b>	<b><u>RESTATED</u></b> <b><u>2006</u></b> <b><u>RUPEES</u></b>
<b>5. <u>LOANS FROM RELATED PARTIES - UNSECURED</u></b>		
<b><u>Non Subordinated</u></b>		
From directors	225,742,505	426,000,000
Transfer to current portion	(225,742,505)	—
	—	426,000,000
No interest is payable on the above loan.		
<b>6. <u>DEFERRED TAX (NET):</u></b>		
Due to accelerated tax depreciation allowance	26,945,000	26,120,000
Due to timing difference in payments of staff retirements benefit	(1,400,000)	(1,850,000)
	25,545,000	24,270,000
<b>7. <u>DEFERRED LIABILITIES FOR STAFF RETIREMENTS BENEFIT:</u></b>		
Staff retirements benefit	46,604,878	31,655,104
	46,604,878	31,655,104

**7.1 Staff retirements benefit:**

To comply with the requirements of IAS-19 "Employee Benefits" as adopted by the Company with effect from 1st July 2002 provision are made as per actuarial valuation of the scheme, the latest actuarial valuation is carried out as on 30th June 2007. The valuation uses the Projected Unit Credit Method:

# LIBERTY MILLS LIMITED



	<b>2007</b>	<b>RESTATED</b>
	<b>RUPEES</b>	<b>2006</b>
		<b>RUPEES</b>
<b>Basic Actuarial assumption adopted:</b>		
Expected rate of increase in salary in future periods	9%	8%
Discount rate	10%	9%
Average expected remaining working life time of employees	7 years	6 years
<b>Transitional Obligation</b>		
Actuarial liability	16,866,900	16,866,900
Book provision	16,737,228	16,607,556
Balance transitional obligation	129,672	259,344

Transitional Obligation amounting to Rs. 129,672/- per annum is continued to be recognised for a period of 5 years started from 1st July, 2003.

<b>Movement in the present value during the year</b>		
Present value of obligation at the beginning	33,661,155	28,436,766
Service cost	14,986,998	5,501,829
Interest cost	3,029,504	2,559,309
Benefits paid	(3,196,400)	(2,836,749)
Actuarial loss on present value of defined benefit obligation	6,950,469	—
<b>Present value of defined obligation at the end</b>	<b>55,431,726</b>	<b>33,661,155</b>
<b>Movement in book reserve during the year</b>		
Opening balance as at 1st July 2006	31,655,104	26,301,043
Charge for the year	18,146,174	8,190,810
Paid during the year	(3,196,400)	(2,836,749)
<b>Closing balance as at 30th June 2007</b>	<b>46,604,878</b>	<b>31,655,104</b>
<b>Expenses for the year</b>		
Service cost	14,986,998	5,501,829
Interest cost	3,029,504	2,559,309
Transitional Obligation charged during the year	129,672	129,672
	<b>18,146,174</b>	<b>8,190,810</b>

## 8. TRADE AND OTHER PAYABLES

Creditors		456,913,381	269,039,531
Accrued liabilities		51,491,313	29,914,244
Advances from customers		16,879,331	5,012,563
Worker's profit participation fund	Note 8.1	33,902,871	26,587,144
Worker's welfare fund		7,066,803	400,736
Unclaimed dividend & bonus fractions		538,462	487,152
Other liabilities	Note 8.2	1,612,392	900,153
		568,404,553	332,341,523



# LIBERTY MILLS LIMITED

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	<u>2007</u> <u>RUPEES</u>	<u>RESTATED</u> <u>2006</u> <u>RUPEES</u>
<b>8.1 Worker's Profit Participation Fund:</b>		
Balance at the beginning of the year	26,587,144	25,353,638
Interest on last year's balance	3,419,597	1,922,689
	<u>30,006,741</u>	<u>27,276,327</u>
Paid to trust	(13,770,877)	(13,505,450)
	16,235,864	13,770,877
Allocation for the year	17,667,006	12,816,267
Balance at the end of the year	<u>33,902,871</u>	<u>26,587,144</u>
Interest on the W.P.P.F. is provided @ 15.00% per annum (2006: 11.25%).		
<b>8.2 Other liabilities</b>		
Employees vehicle purchase scheme	1,498,623	900,153
Employee EOBI & Income tax payable	113,769	—
	<u>1,612,392</u>	<u>900,153</u>
<b>9. ACCRUED MARK-UP</b>		
Mark-up on long term financing	2,318,069	2,499,870
Mark-up on short term borrowings	9,250,548	13,622,688
	<u>11,568,617</u>	<u>16,122,558</u>
<b>10. SHORT TERM BORROWINGS SECURED</b>		
Utilised under markup arrangement		
From banking companies		
Export refinance	751,000,000	767,000,000
Running finance	25,462,429	17,156,961
	<u>776,462,429</u>	<u>784,156,961</u>

BANK	Rate of mark-up range		Facility limit in million		Renewal	Secured against
	2007	2006	2007	2006		
<b>Export refinance</b>	paise per 1000/day					First pari pasu charge on export proceeds and Hypothecation of stock, Trade receivables and personal guarantee of Directors.
Habib Metropolitan Bank Ltd.	19	23	* 266	* 410	31-12-2007	
Soneri Bank Limited	19	23	* 200	* 210	31-12-2007	
Standard Chartered Bank	19	22	150	150	31-12-2007	
Meezan Bank Limited	19	—	200	—	31-10-2007	
<b>Running finance</b>						
Habib Metropolitan Bank Ltd.	33	27	10	10	31-12-2007	
Standard Chartered Bank	34	22	50	50	31-12-2007	

\* Combine limit interchangeable between export refinance and foreign currency export refinance.

# LIBERTY MILLS LIMITED



	<u>2007</u> <u>RUPEES</u>	<u>RESTATED</u> <u>2006</u> <u>RUPEES</u>
<b>11. <u>CURRENT PORTION OF LONG TERM FINANCING AND LOANS FROM RELATED PARTIES</u></b>		
Current portion of long term financing	24,142,383	4,192,250
Current portion of loans from related parties	225,742,505	—
	249,884,888	4,192,250
<b>12. <u>CONTINGENCIES AND COMMITMENTS</u></b>		
<b><u>COMMITMENTS</u></b>		
For outstanding L/C in respect of raw material & spares etc.	15,248,617	16,750,456
For capital expenditures	2,202,225	—
Bank guarantee issued: to Sui southern gas company ltd.	34,484,000	34,484,000
: to Defence purchases, wah cantt.	1,076,400	1,076,400
<b>13. <u>PROPERTY, PLANT AND EQUIPMENT</u></b>		
Property, plant and equipment	Note 13.1 1,058,370,225	1,026,457,299
Capital work in progress		
Plant & machinery - under erection	18,821,620	101,424,325
Advances for vehicles purchases	345,000	1,115,640
Civil work under construction	192,329,236	149,990,104
	211,495,856	252,530,069
	1,269,866,081	1,278,987,369



# LIBERTY MILLS LIMITED

### 13.1 PROPERTY, PLANT AND EQUIPMENT

P A R T I C U L A R S	C O S T			D E P R E C I A T I O N			Book value as on 30-06-07	Rate %	
	As at 01.07.06	Additions during the year	Disposal during the year	As at 30.06.07	Upto 01.07.06	For the year			on disposal/ during the year
Lease Hold Land	39,572,334	—	—	39,572,334	3,341,726	360,953	—	3,702,679	1
Factory Building on lease hold land	209,173,490	8,375,485	—	217,548,975	98,002,845	10,940,355	—	108,943,200	10
Non Factory Building on lease hold land	25,027,854	13,110	—	25,040,964	7,882,084	841,675	—	8,723,759	5
Plant & Machinery	1,442,746,398	122,612,480	—	1,565,358,878	649,604,043	84,572,156	—	734,176,199	10
Factory Equipments	48,376,396	2,146,807	—	50,523,203	29,477,339	1,969,164	—	31,446,503	10
Office Equipments	9,574,983	497,338	—	10,072,321	5,896,916	429,217	—	6,326,133	10
Computers / Printers	10,610,169	186,825	—	10,796,994	7,271,862	942,083	—	8,213,945	30
Furniture & Fixtures	8,953,038	388,660	—	9,341,698	4,385,295	458,821	—	4,844,116	10
Vehicles	82,959,283	7,280,640	8,911,480	81,328,443	44,674,536	7,621,459	7,458,944	44,837,051	20
<b>Total Rupees: June 2007</b>	<b>1,876,993,945</b>	<b>141,501,345</b>	<b>8,911,480</b>	<b>2,009,583,810</b>	<b>850,536,646</b>	<b>108,135,883</b>	<b>7,458,944</b>	<b>951,213,585</b>	
<b>Total Rupees: June 2006</b>	<b>1,660,397,051</b>	<b>218,977,556</b>	<b>2,380,661</b>	<b>1,876,993,946</b>	<b>757,770,860</b>	<b>94,606,952</b>	<b>1,841,166</b>	<b>850,536,646</b>	

**2007**                      **2006**  
**RUPEES**                      **RUPEES**

Note: Depreciation charge has been allocated to

Cost of sales	97,842,628	83,870,615
Administrative expenses	10,293,255	10,736,337
	<b>108,135,883</b>	<b>94,606,952</b>

# LIBERTY MILLS LIMITED



### 13.2 DETAILS OF DISPOSAL OF FIXED ASSETS

S. No.	PARTICULARS	Original Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	S O L D T O	Mode of Disposal
	<b>Vehicles</b>						
1	Honda Civic AAV-693	798,780	718,542	80,238	358,000	Ms. Najma Shaheen Qureshi D/o M. Yahya	Negotiation
2	Toyota Corolla ACB-036	719,000	606,149	112,851	250,000	Ideal International A/63-A, SITE, KHI.	Negotiation
3	Toyota Corolla ACJ-219	729,000	585,975	143,025	305,000	Ideal International A/63-A, SITE, KHI.	Negotiation
4	Toyota Corolla ACJ-146	729,000	585,975	143,025	285,000	Ideal International A/63-A, SITE, KHI.	Negotiation
5	Toyota Corolla ACJ-023	729,000	585,975	143,025	270,000	Ideal International A/63-A, SITE, KHI.	Negotiation
6	Daihatsu Coure ACX-437	419,000	316,243	102,757	150,000	Abdul Samed S/o Abu Talib	Negotiation
7	Suzuki Cultus ACW-549	516,000	389,454	126,546	200,000	Abdul Rahim S/o Siddique	Negotiation
8	Honda Civic ABB-264	1,040,250	901,642	138,608	400,000	Zaheeruddin Mujahid S/o Zainul Abedin	Negotiation
9	Honda Civic Vti ACP-974	1,052,000	845,605	206,395	475,000	Kashif Ahmed S/o Abdul Basit Khan	Negotiation
10	Suzuki Mehran ACG-987	320,000	257,217	62,783	165,000	Burhan S/o Manzar	Negotiation
11	Suzuki Swift ACH-722	434,000	348,852	85,148	275,000	Adnan Siddiq S/o Mohammed Siddiq	Negotiation
12	Honda Civic Exi	748,000	690,895	57,105	100,000	Mohammad Anwar S/o Abdul Majeed	Negotiation
13	Items having book value of less than Rs. 50,000 each	677,450	626,422	51,028	168,500	Various	Negotiation
	<b>JUNE 2007</b>	<b>8,911,480</b>	<b>7,458,944</b>	<b>1,452,536</b>	<b>3,401,500</b>		
	<b>JUNE 2006</b>	<b>2,380,661</b>	<b>1,841,166</b>	<b>539,495</b>	<b>1,426,300</b>		



**14. INVESTMENT PROPERTY:**

PARTICULARS	C O S T			D E P R E C I A T I O N			Book value as on 30.06.07	RATE
	As at 01.07.06	Additions during the year	As at 30.06.07	Upto 01.07.06	For the year	Upto 30.06.07		
	(Rupees)							
Building on lease hold land	3,454,823	—	3,454,823	1,603,711	180,523	1,784,234	1,670,589	10%
<b>June 2007</b>	<b>3,454,823</b>	<b>—</b>	<b>3,454,823</b>	<b>1,603,711</b>	<b>180,523</b>	<b>1,784,234</b>	<b>1,670,589</b>	
<b>June 2006</b>	<b>3,454,823</b>	<b>—</b>	<b>3,454,823</b>	<b>1,406,426</b>	<b>197,285</b>	<b>1,603,711</b>	<b>1,851,112</b>	

The company adopted the cost model instead of fair value model as described in IAS 40 'Investment Property' since the building rented out is transferred from the operating assets at the historical cost, The building has been recently erected therefore the company's management is of the view that the cost of the property approximate its fair value.

	<b>2007 RUPEES</b>	<b>RESTATED 2006 RUPEES</b>
<b>15. LONG TERM INVESTMENT</b>		
Defence saving certificate - held to maturity.	500,000	500,000
15.1 The above investment is maturing on 22 May, 2010		
15.2 The rate of mark-up used for current period is 33% (2006: 29%)		
<b>16. LONG TERM LOANS &amp; ADVANCES - UNSECURED (CONSIDERED GOOD)</b>		
Due from executives	20,000	140,000
Less: Receivable within one year	20,000	120,000
	—	20,000
Due from employees	32,660,363	26,952,340
Less: Receivable within one year	12,255,288	7,626,780
	20,405,075	19,325,560
	20,405,075	19,345,560
Outstanding for periods		
- Exceeding three years	—	—
- After one year within three year	20,405,075	19,345,560
	20,405,075	19,345,560
<b>Reconciliation of the carrying amount of loans to executives</b>		
Opening balance at the beginning of the year	140,000	260,000
Repayments	(120,000)	(120,000)
Balance at the end of the year	20,000	140,000

16.1 Loans to executives and employees are given for purchase of motor cars and motorcycles with out any interest in accordance with the Company's policy and are repayable over a period of three years.

16.2 The maximum aggregate amount due from executives at the end of any month during the year were Rs.140,000/- (2006 : Rs.260,000/-).



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	<b>2007</b>	<b>RESTATED</b>
	<b>RUPEES</b>	<b>2006</b>
		<b>RUPEES</b>
<b>17. <u>STORES, SPARES AND LOOSE TOOLS</u></b>		
Stores	33,990,511	31,504,811
Spare parts	60,592,833	38,542,000
Loose tools	57,200	88,200
	94,640,544	70,135,011
	94,640,544	70,135,011
There were no items in transit at the year end.		
The Company does not hold any stores and spares for specific capitalization.		
<b>18. <u>STOCK-IN-TRADE</u></b>		
Raw materials	359,274,749	292,473,107
Work-in-process	110,020,373	191,782,998
Finished goods	126,631,556	73,809,913
Packing materials	421,623	208,628
	596,348,301	558,274,646
	596,348,301	558,274,646
There were no items in transit at the year end.		
<b>19. <u>TRADE DEBTS CONSIDERED GOOD</u></b>		
Others-(unsecured)	174,525,036	144,926,802
Export bills under collection (secured against export letter of credit)	526,795,841	402,267,971
	701,320,877	547,194,773
	701,320,877	547,194,773
<b>20. <u>LOANS AND ADVANCES - UNSECURED (CONSIDERED GOOD)</u></b>		
Current portion of long term loans to:		
Executives	20,000	120,000
Employees	12,255,288	7,626,780
	12,275,288	7,746,780
Advances		
Against Purchases & Services	12,709,730	15,185,044
For Expenses	5,891,127	5,655,973
	30,876,145	28,587,797
	30,876,145	28,587,797
<b>21. <u>TRADE DEPOSITS AND PREPAYMENTS - UNSECURED (CONSIDERED GOOD)</u></b>		
Trade deposits	70,000	167,500
Prepayments	511,214	243,762
	581,214	411,262
	581,214	411,262



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	<u>2007</u> <u>RUPEES</u>	<u>RESTATED</u> <u>2006</u> <u>RUPEES</u>
<b>22. <u>OTHER RECEIVABLES</u></b>		
Balances with statutory authorities		
Duty Drawbacks	64,220,563	9,660,132
Others	250,000	283,707
	<u>64,470,563</u>	<u>9,943,839</u>
<b>23. <u>TAX REFUNDS DUE FROM GOVERNMENT</u></b>		
Income tax	4,378,508	4,378,508
Sales tax	30,496,473	32,812,826
	<u>34,874,981</u>	<u>37,191,334</u>
<b>24. <u>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT &amp; LOSS</u></b>		
Held for trading		
Meezan islamic income fund - open end fund 383743.77 units	<u>20,042,937</u>	<u>—</u>
The interest rate are variable and determined on Net Asset value of Fund.		
<b>25. <u>CASH AND BANK BALANCES</u></b>		
Cash in hand	2,409,020	321,329
Balance with banks in current accounts in multiplier accounts	35,581,238 101,242,056	23,130,590 134,806,106
	<u>139,232,314</u>	<u>158,258,025</u>
<b>26. <u>SALES AND SERVICES</u></b>		
Export sales	3,413,653,888	2,655,367,241
Local sales	562,732,889	628,711,048
Waste sales	4,139,813	6,253,055
	566,872,702	634,964,103
Less: Sales tax	(48,293)	(63,215)
	<u>566,824,409</u>	<u>634,900,888</u>
<b><u>SERVICES:</u></b>		
Cloth processing printing & dyeing	447,661,530	493,442,295
	<u>4,428,139,827</u>	<u>3,783,710,425</u>

# LIBERTY MILLS LIMITED



		<u>2007</u> <u>RUPEES</u>	<u>2006</u> <u>RUPEES</u>
<b>27. COST OF SALES &amp; SERVICES</b>			
Raw material consumed	Note 27.1	2,990,224,375	2,670,029,101
Stores, spares and loose tools consumed		87,934,974	80,518,156
Salaries and wages including bonus, gratuity and expenses on staff welfare	Note 27.2	192,361,080	150,689,722
Design, stitching, weaving, raising & mending charges		97,895,239	109,689,383
Power, water and gas		281,659,597	249,490,496
Repairs & maintenance		19,573,425	18,233,868
Packing charges		10,762,346	9,554,272
Rent, rates & taxes		593,892	574,019
Insurance		3,726,390	3,600,723
Research & development expenses	Note 27.3	1,094,661	-
Depreciation		97,842,628	83,870,615
Less: Duty drawback		(22,333,874)	(21,046,993)
<b>COST OF PRODUCTION</b>		<u>3,761,334,733</u>	<u>3,355,203,362</u>
Work-in-process		191,782,998	131,655,076
- Opening stock		(110,020,373)	(191,782,998)
- Closing stock		81,762,625	(60,127,922)
<b>COST OF GOODS MANUFACTURED</b>		<u>3,843,097,358</u>	<u>3,295,075,440</u>
Finished goods		73,809,913	43,962,910
- Opening stock		(126,631,556)	(73,809,913)
- Closing stock		(52,821,643)	(29,847,003)
		<u><u>3,790,275,715</u></u>	<u><u>3,265,228,437</u></u>

## 27.1 RAW MATERIAL CONSUMED:

P A R T I C U L A R S	Raw Materials	Packing Materials	Total 2007	Total 2006
	Rs.	Rs.	Rs.	Rs.
Opening Stock	292,473,107	208,628	292,681,735	275,431,155
Add: Purchases	3,006,209,370	51,029,641	3,057,239,012	2,687,279,681
	3,298,682,478	51,238,269	3,349,920,747	2,962,710,836
Less: Closing Stock	359,274,749	421,623	359,696,372	292,681,735
<b>Consumed</b>	<b>2,939,407,728</b>	<b>50,816,646</b>	<b>2,990,224,375</b>	<b>2,670,029,101</b>

**27.2** Salaries and wages including bonus, gratuity and expenses on staff welfare includes Rs.15,007,517/- in respect of staff retirements benefit (2006 : Rs. 6,844,861/-).



# LIBERTY MILLS LIMITED

	<b>2007 RUPEES</b>	<b>2006 RUPEES</b>
<b>27.3 Research and development expenses</b>		
Support on account of research and development Note 27.3.1	94,076,621	—
Less: Utilization	85,647,224	—
Products development expenses	1,236,771	—
Professional charges	8,287,287	—
Participation in exhibition	95,171,282	—
	(1,094,661)	—

**27.3.1** The Research and Development Support has been given by Ministry of Commerce, Government of Pakistan vide SRO 803 (i)/2006 dated August 04, 2006 in order to encourage and regulate the research and development in home textile sector.

**28. ADMINISTRATIVE EXPENSES**

Salaries and wages including bonus, gratuity and expenses on staff welfare	Note 28.1	69,146,007	55,918,109
Security charges		1,454,390	2,327,348
Rent, rates & taxes		1,524,650	1,430,212
Legal & professional charges		692,200	999,350
Insurance		451,906	460,905
Conveyance		499,078	970,808
General expenses		3,370,132	2,890,843
Postage & telegram		189,081	278,014
Telephone		3,478,571	4,032,610
Subscription		1,046,504	1,065,065
Travelling		6,733,142	8,949,933
Printing & stationary		1,511,909	1,332,406
Motor vehicle expenses		5,354,263	4,885,906
Cartage		—	1,935,773
Advertisement		216,355	431,617
Charity & donation	Note 28.2	19,898,589	7,049,420
Auditors remuneration	Note 28.3	211,380	233,300
Depreciation		10,293,255	10,736,337
		126,071,413	105,927,956

**28.1** Salaries and wages including bonus, gratuity and expenses on staff welfare includes Rs. 3,138,657/- in respect of staff retirements benefit (2006: Rs. 1,345,949/-).

**28.2 Charity and Donation**

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

**28.3 Auditor's Rumenration**

	<b>2007 RUPEES</b>			<b>2006 RUPEES</b>		
	Gardezi & Co.	Rauf Ayoob & Co.	Total	Gardezi & Co.	Rauf Ayoob & Co.	Total
Audit fee annual	75,000	75,000	150,000	75,000	75,000	150,000
Audit fee half yearly review	15,000	15,000	30,000	15,000	15,000	30,000
Out of pocket expenses.	23,540	7,840	31,380	34,045	19,255	53,300
	<b>113,540</b>	<b>97,840</b>	<b>211,380</b>	<b>124,045</b>	<b>109,255</b>	<b>233,300</b>

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	<b>2007 RUPEES</b>	<b>2006 RUPEES</b>
<b>29. DISTRIBUTION COST</b>		
Export expenses	17,231,759	21,521,122
Export freight & insurance	78,181,144	59,545,129
Cartage	702,155	996,950
Forwarding & handling charges	7,184,030	6,864,303
Local processing commission	80,814	61,119
	103,379,902	88,988,623
<b>30. OTHER OPERATING CHARGES</b>		
Worker's profit participation fund	17,667,006	12,816,267
Worker's welfare fund	7,066,803	400,736
	24,733,809	13,217,003
<b>31. INCOME FROM INVESTMENT PROPERTY</b>		
Rental Income	300,000	300,000
Less: Depreciation expenses	(180,523)	(197,285)
	119,477	102,715
<b>32. OTHER OPERATING INCOME</b>		
Profit on multiplier A/c	5,059,284	2,887,401
Insurance claim	—	135,856
Foreign exchange gain	4,429,027	(2,693,424)
Miscellaneous Income	—	2,710
Gain on disposal of fixed assets	1,948,964	886,805
Interest on defence saving certificate	182,438	145,000
Gain on re-measurement of fair value of meezan islamic investment fund	42,937	—
	11,662,650	1,364,348
<b>33. FINANCE COST</b>		
Interest on long term financing	8,721,066	10,948,024
Mark-up on short term borrowings	41,888,068	44,837,119
Interest on worker's participation fund	3,419,597	1,922,689
Bank charges and commission	12,826,066	10,999,310
	66,854,797	68,707,142
<b>34. TAXATION:</b>		
Current	52,229,851	46,144,464
Prior year	(1,195,393)	1,186,048
	51,034,458	47,330,512
Deferred (net)	1,275,000	25,150,000
	52,309,458	72,480,512

Note 34.1



# LIBERTY MILLS LIMITED

	<b>2007 RUPEES</b>	<b>2006 RUPEES</b>
<b>34.1 Relationship between tax expense and accounting profit</b>	<b>%</b>	<b>%</b>
Applicable Tax rate	35.00	35.00
Tax effect of expenses that are admissible for tax purpose	—	(3.80)
Tax effect of expenses that are non admissible for tax purpose	—	2.52
Tax effect of income covered under presumptive income	(19.08)	(14.74)
Effective Tax rate for the current year	15.92	18.98
 <b>35. <u>EARNING PER SHARE - BASIC &amp; DILUTED</u></b>		
There is no dilutive effect on the basic earnings per share of the Company, which is based on:		
Profit after taxation	276,296,860	170,627,818
Weighted average number of ordinary shares	22,610,139	22,610,139
Basic & diluted earning per share	12.22	7.55
 <b>36. <u>WORKING CAPITAL CHANGES (INCREASE)/DECREASE IN CURRENT ASSETS:</u></b>		
Stores, spare parts and loose tools	(24,505,533)	(16,506,620)
Stock-in-trade	(38,073,655)	(107,225,505)
Trade debts	(154,126,104)	110,348,396
Loans and advances	(2,288,348)	(2,748,592)
Trade deposits and prepayments	(169,952)	347,340
Accrued markup	(182,438)	(145,000)
Other receivables	(54,526,724)	2,971,053
<b><u>INCREASE/(DECREASE) IN CURRENT LIABILITIES</u></b>	<b>(273,872,754)</b>	<b>(12,958,928)</b>
Trade and other payables	236,063,030	30,732,255
	<b>(37,809,724)</b>	<b>17,773,327</b>
 <b>37. <u>CASH AND CASH EQUIVALENTS</u></b>		
Cash & bank balances	<b>139,232,314</b>	<b>158,258,025</b>
Financial assets at fair value through profit & loss	<b>20,042,937</b>	—
	<b>159,275,251</b>	<b>158,258,025</b>



### 38. 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	2007				2006			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
<b>Managerial Remuneration</b>	—	1,500,000	2,925,000	4,425,000	—	1,500,000	2,925,000	4,425,000
<b>Perquisites and Allowances</b>								
Car for Company's and Personal Use (approximate monetary value)	532,444	255,012	350,000	1,137,456	552,000	965,537	165,600	1,683,137
	532,444	1,755,012	3,275,000	5,562,456	552,000	2,465,537	3,090,600	6,108,137
<b>Number of Persons</b>	1	5	2	8	1	5	2	8

### 39. TRANSACTIONS WITH RELATED PARTIES

The related party comprises of related group companies, Liberty Energy (Pvt.), Limited where directors also held directorship, directors and key management personal. Transaction with associated companies and other related companies.

Relationship	Nature of transaction		
Associated company	Services obtained (inclusive of sales tax)	98,271,107	93,090,540
Associated company	Rent received	300,000	300,000

The cost of services and rent received have been decided on the basis of the agreements between the Company and the related associate company. It is based on an agreed methodology, consistently applied, on an arm's length basis. The price charged to related party is determined using the "Comparable Uncontrolled Price Method".

The maximum aggregate amount due to an associated undertaking at the end of any month during the year was Rs. 9,541,265/- (2006: Rs. 9,131,461/-).



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## 40. FINANCIAL ASSETS AND LIABILITIES

	2007							(Amount in Rupees)
	Interest / mark-up bearing			Non Interest / mark-up bearing				Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
<b>Financial Assets</b>								
Long term investments	—	500,000	500,000	—	—	—	500,000	
Trade debts	—	—	—	701,320,877	—	701,320,877	701,320,877	
Loans and advances	—	—	—	12,275,288	20,405,075	32,680,363	32,680,363	
Other receivables	—	—	—	1,037,438	—	1,037,438	1,037,438	
Investments	—	—	—	20,042,937	—	20,042,937	20,042,937	
Cash and bank	101,242,057	—	101,242,057	37,990,258	—	37,990,258	139,232,315	
<b>Total</b>	<b>101,242,057</b>	<b>500,000</b>	<b>101,742,057</b>	<b>772,666,798</b>	<b>20,405,075</b>	<b>793,071,873</b>	<b>894,813,930</b>	

<b>Financial Liabilities</b>							
Long term financing	24,142,383	122,433,167	146,575,550	—	—	—	146,575,550
Loan from related parties	—	—	—	225,742,505	—	225,742,505	225,742,505
Short term borrowings	776,462,429	—	776,462,429	—	—	—	776,462,429
Trade & other paybles	33,862,282	—	33,862,282	534,502,536	—	534,502,536	568,364,818
<b>Total</b>	<b>834,467,094</b>	<b>122,433,167</b>	<b>956,900,261</b>	<b>760,245,041</b>	<b>—</b>	<b>760,245,041</b>	<b>1,717,145,302</b>

	2006							(Amount in Rupees)
	Interest / mark-up bearing			Non Interest / mark-up bearing				Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
<b>Financial Assets</b>								
Long term investment	—	500,000	500,000	—	—	—	500,000	
Trade debts	—	—	—	547,194,773	—	547,194,773	547,194,773	
Loans and advances	—	—	—	7,746,780	19,345,560	27,092,340	27,092,340	
Other receivables	—	—	—	855,000	—	855,000	855,000	
Cash and bank	134,806,106	—	134,806,106	23,451,919	—	23,451,919	158,258,025	
<b>Total</b>	<b>134,806,106</b>	<b>500,000</b>	<b>135,306,106</b>	<b>579,248,472</b>	<b>19,345,560</b>	<b>598,594,032</b>	<b>733,900,138</b>	
<b>Financial Liabilities</b>								
Long term financing	4,192,250	146,575,550	150,767,800	—	—	—	150,767,800	
Loan from related parties	—	—	—	—	426,000,000	426,000,000	426,000,000	
Short term borrowings	784,156,961	—	784,156,961	—	—	—	784,156,961	
Trade & other paybles	26,587,144	—	26,587,144	305,754,380	—	305,754,380	332,341,524	
<b>Total</b>	<b>814,936,355</b>	<b>146,575,550</b>	<b>961,511,905</b>	<b>305,754,380</b>	<b>426,000,000</b>	<b>731,754,380</b>	<b>1,693,266,285</b>	

	2007 RUPEES	2006 RUPEES
<b>Off balance sheet items</b>		
Letter of credit	17,450,842	16,750,456
Indemnity bonds and guarantee	35,560,400	35,560,400





**40.1 Effective interest rates:-** The effective interest rates on financial assets and liabilities were as follows:

	<b>2007</b>	<b>2006</b>
<b>In Multiplier account</b>	7 % per annum	6 - 7 % per annum
<b>Long term financing</b>	6.5 - 7 % p.a.	6.5 - 7 % p.a.
<b>Short term borrowing:</b>		
Export refinance	19 Paisa per Rs. 1000 / per day	22 - 23 Paisa per Rs. 1000 / per day
Running finance	33 Paisa per Rs. 1000 / per day	27 Paisa per Rs. 1000 / per day

#### 41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

**a) Financial risk management objectives:**

The company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as State Bank of Pakistan's repo rate and treasury bills rate, credit and liquidity risk associated with various financial assets and liabilities respectively as referred to in note 40.

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

Taken as a whole, risk arising from the company's financial instruments is limited as there is no significant exposure to market risk in respect of such instruments.

**b) Cash Flow Risk:**

The company regularly determines the quantum & amount of cash inflow & provision for any shortfall is duly provided in accounts.

**c) Price risk:**

The company could be exposed through Price Risk due to any of the following below risks:

- i. Currency risk
- ii. Interest rate risk
- iii. Market risk

**c.i) Currency risk:**

The currency risk arises where financial instruments contains receivables and payables in foreign currency. Liabilities are covered through forward foreign exchange cover whereas the receivables have limited risk and the company closely monitors the currency rates and is not exposed to currency risk.

**c.ii) Interest rate risk management:**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in the interest rates. The Company manages this risk through risk management strategies.

**c.iii) Market risk:**

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



**d) Liquidity risk:-**

Liquidity risk is the risk that the Company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company's management closely monitors the company's liquidity and cash flow position. This includes the maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of over all funding mix and avoidance of undue reliance on large customers.

**e) Concentration of credit risk:**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the credit worthiness of the same.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or have similarly economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of a company's performance to developments affecting a particular industry.

The company is exposed to credit risk on trade debts, loans, funds placements and certain advances. The company seeks to minimise its credit risk exposure through having exposures only to customers considered creditworthy by obtaining adequate collateral. Out of the total financial assets of Rs.701.321 million (2006: 547.195 million) are subject to credit risk.

**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.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or undertake a transaction on adverse terms

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values.

**42. PLANT CAPACITY AND PRODUCTION:**

The production capacity of the plant cannot be determined accurately as it depends upon quality of fabric and process, the quality of fabrics used for printing and dyeing compose of different kinds of fabrics and texture having different construction and weights. The production will vary accordingly.

**43. DIVIDEND AND APPROPRIATIONS:**

Subsequent to the year ended June 30, 2007, the Board of Directors have proposed a final dividend of Rs.2 per share in their meeting held on September 28, 2007 for approval of the members at the Annual General Meeting. In addition the Board of Directors has also approved appropriation to general reserve of Rs 300 million.



44. DATE OF AUTHORIZATION FOR ISSUE:

These Financial statements were authorized for the issue on September 28, 2007 by the Board of Directors of the company at Karachi.

45. CORRESPONDING FIGURES:

Figures have been restated as follows:

45.1 Comparative information regarding balance of deferred tax has been restated to comply with changes of estimates made in note 2.4

46. GENERAL

Figures have been rounded off to the nearest rupee.

**Ashraf S. Mukaty**  
Chief Executive

**Asif Younus Bawany**  
Director



## Pattern of share holding as on June 30, 2007

NUMBER OF SHARE HOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
1650	1	100	19,236
222	101	500	55,257
84	501	1000	47,552
95	1001	5000	199,704
10	5001	10000	79,941
7	10001	15000	94,224
14	15001	20000	258,316
9	20001	25000	202,701
25	25001	30000	698,832
16	30001	35000	516,070
12	35001	40000	441,487
8	40001	45000	334,656
4	45001	50000	194,607
6	50001	55000	314,335
9	55001	60000	509,312
2	60001	65000	127,967
10	65001	70000	677,792
1	70001	75000	70,131
1	80001	85000	82,331
1	165001	170000	167,195
198 -CDC-	17540001	17547000	17,546,340
<b>2384</b>			<b>22,610,139</b>

BREAK-UP CDC =187= AS:-

NUMBER OF SHARE HOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
61	1	100	2,318
49	101	500	18,580
22	501	1000	19,950
39	1501	2000	70,466
8	6001	7000	58,692
2	10001	15000	20,411
1	39001	40000	44,291
2	252001	253000	256,143
4	400001	500000	1,857,921
4	600001	700000	2,595,685
1	770001	780000	773,363
1	869001	870000	869,111
1	1701001	1711500	1,701,253
2	2600001	2700000	5,380,190
1	3800001	3900000	3,877,966
<b>198</b>			<b>17,546,340</b>



### Pattern of share holding as on June 30, 2007 Additional Information

CATEGORIES OF SHARE HOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Directors, Chief Executives Officer and their spouses and minor children.	04 06	(A) 6,903,730 (CDC) (B) 43,915 (Phy)	30.73
Associated Companies, undertakings and related parties.	0	—	—
N.I.T. and I.C.P.	2	1,451 (Phy)	0.01
Banks, Development Financial Institutions, Non Banking Financial Institutions.	0	—	—
Insurance Companies	1	1,284 (Phy)	0.01
Modarbas and Mutual Funds	0	—	—
Shareholders holding shares 10% or more	2	5,380,190 (CDC)	23.79
General Public a. Local b. Foreign	2176 0	5,017,099 (Phy) —	22.19 —
Joint Stock Companies	1	50 (Phy)	0.00
Central Depository Company (a)	192	5,262,420	23.27
<b>TOTAL</b>	<b>2,384</b>	<b>22,610,139</b>	<b>100.00</b>

(a) Categories of Account Holders and Sub Account Holder as per Central Depository Register:

CATEGORIES OF SHAREHOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Individuals	187	5,211,110	99.02
Joint Stock Companies	04	50,485	0.96
Financial Institutions	01	825	0.02
<b>TOTAL</b>	<b>192</b>	<b>5,262,420</b>	<b>100.00</b>



## Details of pattern of share holding as per requirements of Code of Corporate Governance as on June 30, 2007

S. NO.	NAME WISE DETAILS	SHARES HELD
1.	<b>Associated Companies</b>	Nil
2.	<b>NIT / ICP</b> Investment Corporation of Pakistan (Karachi) Investment Corporation of Pakistan (Lahore)	718 733 <u>1,451 (Phy)</u>
3.	<b>Directors, CEO, their Spouses and Minor Children</b> Mr. Salim N. Mukaty Mr. Ashraf Salim Mukaty Mrs. Hameeda Salim Mukaty Mrs. Farheen Ashraf Mukaty Mr. Arif Haji Abdul Sattar Maniya Mr. Yusuf N. Mukaty Mr. Noor Muhammad Yusuf Mukaty Mr. Madni Gul Muhammad Mr. Luqman F. Poonawala Mr. Asif Younus Bawany	3,877,966 (CDC) 1,701,253 (CDC) 869,111 (CDC) 455,400 (CDC) 25,466 (Phy) 3,902 (Phy) 3,795 (Phy) 3,795 (Phy) 3,795 (Phy) 3,162 (Phy) <u>6,947,645</u>
4.	<b>Executives</b>	Nil
5.	<b>Public Sector Companies and Corporations</b>	Nil
6.	<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds</b> EFU General Insurance Ltd.	1,284 (Phy)
7.	<b>Shareholders holding shares 10% or more</b> Mrs. Nargis Shahid Soorty Mrs. Marzia Obaid Bawany	2,689,990 2,690,200 <u>5,380,190 (CDC)</u>
8.	<b>Details of Trade carried out by Directors, CEO, CFO, Company Secretary and their spouses and minor children during the period from July 1, 2006 to June 30, 2007.</b>  No trade was carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.	

# 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 **Forty First Annual General Meeting** of the  
Company to be held on **October 27, 2007 at 11:30 a.m.** at any adjournment thereof.

Signed this day ..... of ..... 2007

### WITNESSES:

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

**Signature on  
Rs. 5/-  
Revenue Stamp**

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

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

### 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 effective must be received at the Registered Office 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.