



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
Mr. Noor Muhammad Yusuf Mukaty
Mr. Arif Haji Abdul Sattar Maniya
Mr. Luqman F. Poonawala
Mr. Madni Gul Muhammad
Mr. Asif Younus Bawany
Mr. Muhammad Imran Shekhani

CHIEF EXECUTIVE:

Mr. Ashraf Salim Mukaty

CHIEF FINANCIAL OFFICER:

Haji Younus Bhathda

COMPANY SECRETARY:

Mr. Muhammad Iqbal Haroon

AUDITORS :

Hyder Bhimji & Co.
Chartered Accountants

Rauf Ayoob & Co.
Chartered Accountants

BANKERS :

Allied Bank Limited
Arif Habib Bank Ltd.
Bank Al-Falah Ltd.
Bank Al Habib Ltd.
Habib Bank Limited
Habib Metropolitan Bank Ltd.
Meezan Bank Limited
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) 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 :

C & K Management Associates (Pvt) Ltd.
Room No. 404, Trade Tower,
Abdullah Haroon Road,
Near Hotel Metropole, KARACHI-75530.
Tel No. 35685930 & 35687839



Notice of Meeting

Notice is hereby given that **43rd 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 **October 17, 2009** at 12:00 noon to transact the following business:

Ordinary Business

1. To confirm the Minutes of the Extra Ordinary General Meeting of the Company held on March 14, 2009.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2009 together with Directors' and Auditors' reports thereon.
3. To approve the payment of Cash Dividend at Rs.5 per share, i.e., 50% Percent, for the year ended June 30, 2009 as recommended by the Board of Directors.
4. To appoint Auditors and to fix their Remuneration, for the year ending June 30, 2010.
5. To transact any other business which may be placed before the meeting with permission of the Chair.

Special Business:

- a. To approve Remuneration of working Director Mr. Muhammad Imran Shekhani. Statement under section 218(2) of the Companies Ordinance, 1984 is also being sent to the shareholders along with this notice.
- b. To apprise the shareholders regarding the status of the investment in subsidiary company yet to be made by the Company the approval of which was obtained under the authority of special resolution in the extraordinary general meetings held on Thursday July 11, 2008 and Saturday March 14, 2009. Statement under section 160(1) as required by SRO 865(I)/2000 is also being sent to the share holders along with this notice.

Notes:

1. The Share Transfer Books of the Company will remain closed from October 10, 2009 to October 17, 2009 (Both days inclusive).
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 / Registrar of any Change in their Addresses.

By Order of the Board

(Muhammad Iqbal Haroon)
Company Secretary

Karachi: September 16, 2009



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 showing his original National Identity Card (NIC) 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 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 NIC numbers shall be mentioned on the form.
- (iii) Attested copies of NIC or the passport of the beneficial owners and the Proxy shall be furnished with the proxy form.
- (iv) The proxy shall produces his original NIC 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 218(2) of the Companies Ordinance, 1984

The approval is been sought from the shareholders for the fixation of the Remuneration of the following Director.

NAME OF DIRECTOR	GROSS SALARY
Mr. Muhammad Imran Shekhani	Rs. 60,000 Per month

He will also be entitled to all other benefits and facilities as are provided to all employees of the Company. Previously he was drawing no Remuneration.

None of the Directors of the Company are in any way interested in fixation of the above Remuneration.



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

STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANES 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 195 Mega Watt electricity generating project. The proposed power plant will be a thermal IPP using Residual Fuel Oil as fuel.

Mr. Muhammad Salim Mukaty, the Chairman. Mr. Muhammad Ashraf Mukaty S/o Muhammad Salim Mukaty, the Chief Executive of Liberty Mills Limited respectively holds the position of Chairman of the Board of Directors and Directors of LPTL whereas two daughters and spouse of the Chairman and the spouse of Mr. Muhammad Ashraf Mukaty are also directors in LPTL. These persons are interested as members of the Company and are also interested as 39% shareholders in the LPTL. The present share capital of LPTL amounting to Rs. 1,287.32 Million is held by Liberty Mills Limited (Presently Five Hundred Thirty Four Million Rupees) and the above named persons jointly (Four Hundred Eighty Four Million Rupees.).

Vide Special Resolutions passed by the Company on July 11, 2008 and on March 14, 2009, the Company approved investment in the subsidiary namely Liberty Power Tech Limited to the extent of 51% for an amount upto Rs. 3.825 billion, loans and advances upto Rs. 250 Million and security or guarantees or lien or charge upon company's assets to be provided to the subsidiary's lender to the extent of Rs. 500 million.

As already communicated to the members, the Sponsors of the LPTL carried out a study of setting up a power project and after due financial study incorporated a company and proceeded to carry out necessary approvals from the Private Power Infrastructure Board (PPIB) on a fast track basis since the generation of the power is not only the need of the hour of the country but also it will benefit the company by achieving its target well within time and also achieving fruits of efficiency.

- LPTL has a projected capital outlay of approximately US\$ 240,000,000 exclusive of cost over runs with projected Debt to Equity ratio of 75:25. The Company would invest additional 3.291 billion in the subsidiary company.

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

Special Resolution regarding Equity Investment in the Subsidiary

- i) **Name of investee company or associated undertaking:**
Liberty Power Tech Limited
- ii) **Nature, amount and extent of investment**
Investment to the extent of additional 51% of share capital of LPTL approximately equivalent to 3.825 Billion (Presently Five Hundred Thirty Four Million Rupees) which amount is inclusive of any cost over runs and equivalent shares of Rs 10 each would be issued at par.



- iii) **Average market price of the shares intended to be purchased on the basis of last published financial statements**
As the investee Company is not presently quoted at any stock exchanges in Pakistan hence this is inapplicable.
- iv) **Break up value of shares intended to be purchased on the basis of last published Financial Statements**
As the investee Company is in the process of initial setting up hence after charging off all expenses so far incurred in connection with the Project, the break- up value of each share of the Company works out at Rs. (137.29) as per its audited accounts for the period ended June 30, 2008 and Rs. 8.80 per share as per audited accounts for the year ended June 30, 2009.
- v) **Price at which shares will be purchased**
Since the Company will be the main sponsor of the subsidiary, hence the shares will be acquired at face value i.e. Rs. 10 per share.
- vi) **Earning per share of the Investee Company in the Last three years**
As the investee Company is in initial phase and all initial expenses incurred on the project are to be charged to profit and loss account, the earning (Loss) per share for the accounts for the period ended June 30, 2008 is Rs (147.29) and for the period ended June 30, 2009 is Rs. (0.00056).
- vii) **Source of Funds of Investment**
The funds will be invested out of surplus fund already available with the Company and also by obtaining borrowing for the remainder amount which will be finally determined at the date of financial close. It is expected that 40% of the investment will be through own generated funds and balance will be borrowed.
Offer letters from the lenders have been obtained extending their concurrence for the borrowing which is yet to be accepted by the Company.
- viii) **Period for which investment will be made**
Long term strategic investment.
- ix) **Purpose of Investment**
As already explained in detail in the first paragraph above, the act of making investment in the subsidiary is expected to yield handsome amount of dividend to the Company, besides growth in shares value.
- x) **Benefits likely to accrue to the company and the shareholders from the proposed investment**
The whole scheme of formation a subsidiary company is likely to generate sizeable dividend income from the subsidiary company.
- xi) **Interest of the directors and their relatives in the investee company**
None of the directors or their relative or associates are interested in any of above resolutions in any way except as members of the Company.



Directors' Review

On behalf of the Board of Directors of Liberty Mills Limited, we are pleased to present the audited financial statement for the year ended 30th June, 2009.

OPERATING RESULT:

Operating results of the Company are noted below:

	June 30, 2009 (Rs. in thousands)	June 30, 2008 (Rs. in thousands)
Sales and Services	5,228,453	4,602,043
Gross Profit	902,422	762,971
Profit before Taxation	627,849	379,386
Taxation	(65,419)	(37,675)
Profit after Taxation	562,430	341,711

The year ended 30th June 2009 was a difficult year, as the global economic crisis spilled into Pakistan, the economic fundamentals were severely affected. This combined with the political and law & order situation of the country made running of our operations quite a challenge.

Our cost remains under continuous pressure on account of many factors including rising material cost driven by high inflation, rupee devaluation, rising commodities and oil prices, high borrowing cost as well as sharp increase in energy costs. Despite all these negatives there is a positive side that is the devaluation of Pak rupee which in returns made our products saleable in terms of dollar and other currencies.

The company's growth considering above all factors remains satisfactory and sales as well as profit shows upward trends. Profit after tax came to PKR 562.43 million as compared to PKR 341.71 million for the year ended 30th June, 2008. Resulted in net increase of 64.59%, this measure in profitability is mainly due to increase in sales quantity and devaluation of Pak Rupee against Dollar, which played a key role in increasing revenue. This growth sales and profitability is by the Grace of Al-Mighty Allah and the results of management extra efforts on reducing costs and increase in the sales of value added products.

FUTURE OUTLOOK:

There is no improvement in the situation internationally as well as domestically and all Western and US economies are in recession phase, thus effecting exports. The Government is taking some measure for correction in the slump in the exports of textile made ups and few measures were also announced including duty draw backs and 1% cut in interest rate but, there is a need of doing more specially to reduce the cost of Utilities and further cut in interest rates to make our textile products viable for Exports.

INVESTMENT IN SUBSIDIARY:

During the year your Company had invested in the Subsidiary Company Liberty Power Tech Limited (LPTL) to the tune of Rs. 534 million and will invest further in the next year as approved through the resolution passed under section 208 in the meetings held on July 17, 2008 and March 14, 2009.

LPTL had achieved the Financial close on March 18, 2009 and expected to commence commercial operations in the last quarter of 2010.



We are for the first time presenting the Consolidated Financial Results of Liberty Group including Liberty Power Tech Limited for the year Ended June 30, 2009.

EARNING PER SHARE:

The Earning per Share has also risen to Rs. 24.88 from previous year 15.11 this is due to strict cost control measures.

DIVIDEND:

The Directors are pleased to recommend Cash dividend @ 50% i.e. Rs. 5.00 per share for the year ended June 30, 2009

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 Account 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 Financial Reporting Standards and 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 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 Directors' 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 Meetings 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:

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

AUDIT COMMITTEE:

The audit committee comprised of the following three Directors for the year ended June 30, 2009:

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.

PATTERN OF SHAREHOLDINGS:

The Pattern of Shareholdings and additional information regarding pattern of shareholdings as on June 30, 2009 is attached to the financial statements included in this report.

AUDITORS:

The present auditors Hyder Bhimji & Co., Chartered Accountants and Rauf Ayoob & Co., Chartered Accountants retire and being eligible have offered themselves for reappointment. The external auditors have been given satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP). The Board and audit committee has recommended their names as Auditors for the ensuing year for consideration in the forth coming Annual General Meeting.

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 16, 2009



Key operating and financial data:

Rupees in Million

	2009	2008	2007	2006	2005	2004
Sales	5,228	4602	4,428	3,784	3,025	2,820
Gross Profit	902	763	638	518	441	389
Operating Profit	782	474	395	311	269	233
Profit before Tax	627	379	329	243	225	198
Tax	65	37	52	72	39	45
Profit after Tax	562	342	276	171	186	153
Total Assets	4,530	3,322	2,978	2,714	2,453	1,930
Current Liabilities	2,280	1,605	1,608	1,140	837	929
	2,250	1,717	1,371	1,574	1,616	1,001
Represented by:						
Share Capital	226	226	226	226	206	206
Reserves and unappropriated profit	1,775	1,247	950	719	503	368
Equity	2,001	1,473	1,176	945	709	574
Long Term Loans	163	170	122	573	785	323
Deferred Liability	86	74	73	56	122	104
	2,250	1,717	1,371	1,574	1,616	1,001
Cash Dividend (% age)	50%	15%	20%	20%	15%	25%
Bonus (% age)	—	—	—	—	10%	—



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 M/S. Liberty Mills Limited to comply with the Listing Regulations No. 35 of the 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 personal 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 Sub-Regulation (xiii a) of Listing Regulations 35 (Previously Regulation No 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N269 dated January 19, 2009 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 prevailed in arm's length transactions and transaction 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.

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.

HYDER BHIMJI & CO.
Chartered Accountants

RAUF AYOOB & CO.
Chartered Accountants



Auditors' report to the members

We have audited the annexed Balance Sheet of M/s LIBERTY MILLS LIMITED as at June 30, 2009 and related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on 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 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.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet and profit and loss account, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required, and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the profit, and 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:
Hyder Ali Bhimji

RAUF AYOOB & CO.
Chartered Accountants

Engagement Partner:
Muhammad Fahim



Statement of Compliance with the Code of Corporate Governance For the year ended June 30, 2009

This statement is being presented to comply with the Code of Corporate Governance as contained in the Listing Regulations No. 35 (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 four non-executive directors and five 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 employees 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 meetings 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 Directors' 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, 2009

<u>EQUITY AND LIABILITIES</u>	NOTE	<u>2009 RUPEES</u>	<u>2008 RUPEES</u>
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorised Capital: 40,000,000 (2008: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	4	226,101,390	226,101,390
General reserves	5	1,170,000,000	870,000,002
Unappropriated profit		605,072,524	376,557,429
		2,001,173,914	1,472,658,821
NON-CURRENT LIABILITIES			
Long term financing	6	139,311,448	140,139,701
Loans from related parties	7	23,755,913	29,814,330
Deferred liabilities	8	85,449,287	74,801,823
CURRENT LIABILITIES			
Trade and other payables	9	512,384,592	519,148,986
Accrued mark-up	10	31,955,350	22,142,862
Short term borrowings	11	1,710,854,715	1,037,916,872
Current portion of long term financing and loans from related parties	12	18,232,567	25,127,966
Provision for taxation	13	7,021,753	390,289
		2,280,448,977	1,604,726,975
CONTINGENCIES & COMMITMENTS	14	—	—
		4,530,139,539	3,322,141,650

Note: The annexed notes 1 to 49 form an integral part of these financial statements.



LIBERTY MILLS LIMITED

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<u>ASSETS</u>	NOTE	<u>2009 RUPEES</u>	<u>2008 RUPEES</u>
NON CURRENT ASSETS			
Fixed Assets			
Property, plant & equipment	15	1,244,216,480	1,300,242,091
Investment property	16	8,517,772	1,509,475
		1,252,734,252	1,301,751,566
Long term investment	17	534,000,000	1,505,430
Long term loans and advances	18	20,930,967	23,888,445
Long term deposits		3,026,023	2,822,863
CURRENT ASSETS			
Stores, spares and loose tools	19	107,148,450	113,430,769
Stock-in-trade	20	783,221,171	748,537,715
Trade debts	21	494,723,409	856,008,990
Loans and advances	22	33,534,397	33,363,595
Deposits and prepayments	23	15,369,370	1,558,730
Accrued profit	24	8,567,795	—
Other receivables	25	38,965,112	56,541,181
Tax refunds due from government	26	27,509,199	36,604,407
Current maturity of long term investment		500,000	—
Financial assets at fair value through profit & loss	27	634,287,305	8,339,702
Cash and bank balances	28	575,622,089	137,788,257
		2,719,448,297	1,992,173,346
		<u>4,530,139,539</u>	<u>3,322,141,650</u>

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director



Profit and Loss Account for the year ended 30th June, 2009

	NOTE	2009 RUPEES	2008 RUPEES
Sales & services	29	5,228,453,235	4,602,042,882
Cost of sales and services	30	(4,326,031,399)	(3,839,072,137)
Gross profit		902,421,836	762,970,745
Administrative expenses	31	(129,211,911)	(131,397,704)
Distribution cost	32	(131,271,276)	(163,636,721)
Other operating charges	33	(35,222,311)	(27,393,060)
		(295,705,498)	(322,427,485)
		606,716,338	440,543,260
Income from investment property	34	6,125,940	198,886
Other operating income	35	168,976,599	33,536,561
Operating profit		781,818,877	474,278,707
Finance cost	36	(153,969,260)	(94,892,509)
Profit before taxation		627,849,617	379,386,198
Provision for Income Tax	37	(65,419,315)	(37,675,687)
Profit after taxation		562,430,302	341,710,511
Earning per share - basic & diluted	38	24.88	15.11

The annexed notes 1 to 49 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, 2009

	NOTES	2009 RUPEES	2008 RUPEES
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>			
Profit before taxation		627,849,617	379,386,198
Adjustments for non cash charges and other items			
Depreciation		122,405,387	109,969,770
Provision for staff retirements benefit (net)		10,717,464	15,001,945
Provision for slow moving and obsolete stores and spares		2,496,000	4,724,000
Gain on disposal of fixed assets		(364,411)	(185,977)
Finance cost		153,969,260	94,892,509
		289,223,700	224,402,247
		917,073,317	603,788,445
Working capital changes	39	992,594,155	(113,946,452)
(Increase)/decrease in long term loans and advances		2,957,478	(3,483,370)
Long term deposit		(203,160)	5,742
Financial cost paid		(144,156,772)	(84,318,262)
Taxes paid		(58,857,851)	(52,738,368)
Tax refund received		9,095,208	—
		1,718,502,375	349,307,735
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>			
Fixed capital expenditures		(75,584,662)	(147,114,453)
Proceeds from disposal of fixed assets		2,561,000	7,115,762
Investment made		(534,000,000)	—
Net cash out flow from investing activities		(607,023,662)	(139,998,691)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>			
Proceed / (Payment) of long term finance		(13,723,652)	18,692,117
(Payment) of loan from related parties		(58,417)	(195,928,175)
Dividend paid		(33,915,209)	(45,220,278)
Net cash in flow / (out flow) from financing activities		(47,697,278)	(222,456,336)
Net increase / (decrease) in cash and cash equivalents		1,063,781,435	(13,147,292)
Cash and cash equivalents at the beginning of the year		146,127,959	159,275,251
Cash and cash equivalents at the end of the year	40	1,209,909,394	146,127,959

The annexed notes 1 to 49 form an integral part of these Financial statements.


Ashraf S. Mukaty
Chief Executive


Asif Younus Bawany
Director



Statement of Changes in Equity for the year ended 30th June, 2009

	Share Capital	Revenue Reserve	Un-Appropriated Profit	TOTAL
Balance as at 30th June, 2007	226,101,390	570,000,002	380,067,196	1,176,168,588
Final dividend for the year ended 30th June, 2007:				
Cash @ 20% Rs. 2.00 per share			(45,220,278)	(45,220,278)
Transfer to revenue reserve		300,000,000	(300,000,000)	—
Profit for the year 30th June, 2008			341,710,511	341,710,511
Balance as at 30th June, 2008	226,101,390	870,000,002	376,557,429	1,472,658,821
Final dividend for the year ended 30th June, 2008:				
Cash @ 15% Rs. 1.50 per share			(33,915,209)	(33,915,209)
Transfer to revenue reserve		299,999,998	(299,999,998)	—
Profit for the year 30th June, 2009			562,430,302	562,430,302
Balance as at June 30, 2009	226,101,390	1,170,000,000	605,072,524	2,001,173,914

The annexed notes 1 to 49 form an integral part of these Financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director



Notes to the Financial Statements for the year ended 30th June, 2009

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 BASIS OF PREPARATION

2.1 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, provisions of 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.

2.2 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 management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- a) Property, plant and equipment with respect to estimated useful life and related depreciation charge and impairment.
- b) Provision for obsolescence and slow moving items in stores and spares with respect to parameter set out by management.
- c) Provision for income tax with respect to estimations of income tax based on income tax law and appellate decision.
- d) Staff retirements benefit with respect to actuarial valuation.
- e) Deferred taxation regarding estimation of share of local and export business.
- f) Stock in trade with respect to estimation of net realizable value.

2.3 Accounting Standards effective in 2008-09

In the Current year the Company has adopted IFRS 7, Financial instruments: Disclosure Adoption of this standard only impacts the formats and extent of disclosures as presented in financial statements.



2.4 Accounting Standards not yet effective

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods on or after the date specified hereunder which are either not relevant to Company's operation or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

		Effective Date for Accounting period beginning on or after
IFRS 1	First time Adoption of IFRS (Revised)	July 01, 2009
IFRS 2	Share Based payments (Amendments)	January 01, 2009
IFRS 3	Business Combinations (Revised)	January 01, 2009
IFRS 4	Insurance Contracts	January 01, 2009
IFRS 5	Non-current Assets held-for-sale and Discontinued operations (Amendments)	January 01, 2009
IFRS 7	Financial Instruments: Disclosure (Amendments)	January 01, 2009
IFRS 8	Operating Segments	January 01, 2009
IAS 1	Presentation of Financial Statements (Revised)	January 01, 2009
IAS 7	Statements of Cash Flow (Amendments)	January 01, 2009
IAS 12	Income Taxes (Amendments)	January 01, 2009
IAS 16	Property, Plant and equipments (Amendments)	January 01, 2009
IAS 18	Revenue (Amendments)	January 01, 2009
IAS 19	Employee Benefits (Amendments)	January 01, 2009
IAS 20	Government Grants and Disclosure of Government Assistance	January 01, 2009
IAS 21	The Effects of Changes in Foreign Exchange Rates (Amendments)	January 01, 2009
IAS 23	Borrowing Costs (Revised)	January 01, 2009
IAS 27	Consolidate and Separate Financial Statements (Revised)	January 01, 2009
IAS 28	Investment in Associates (Amendments)	January 01, 2009



		Effective Date for Accounting period beginning on or after
IAS 31	Interests in Joint Ventures	January 01, 2009
IAS 32	Financial Instruments : Presentation (Amendments)	January 01, 2009
IAS 33	Earnings per Share (Amendments)	January 01, 2009
IAS 34	Interim Financial Reporting (Amendments)	January 01, 2009
IAS 36	Impairment of Assets (Amendments)	January 01, 2009
IAS 38	Intangible Assets (Amendments)	January 01, 2009
IAS 39	Financial Instruments : Recognition and Measurement (Amendments)	January 01, 2009
IAS 40	Investment Property (Amendments)	January 01, 2009
IAS 41	Agriculture (Amendments)	January 01, 2009
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities (Amendments)	January 01, 2009
IFRIC 2	Member's Share in Corporate Entities and Similar Liabilities (Amendments)	January 01, 2009
IFRIC 4	Determine Whether as Arrangement containse a Lease	July 01, 2009
IFRIC 12	Service Concession Arrangements	July 01, 2009
IFRIC 14	The Limit on Defined Benefits Asset, Minimum Funding Requirements and Their Interaction (Amendments)	January 01, 2009
IFRIC 15	Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operations	October 01, 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	July 01, 2009
IFRIC 18	Transfer of Assets from Customers	July 01, 2009

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

These financial statements 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.



3.2 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.

3.3 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 2009 for two years, using the Projected Unit Credit Method assuming a discount rate of 13% per annum and expected rate of increase in salary @ 13% 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.

3.4 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.

3.5 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, at the rates specified in note no.15.1 whereby the depreciable amount 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.

The assets residual value and useful life are reviewed at each financial year end and adjusted if the impact on depreciation amount is significant. The company estimate of residual value of Property, plant and equipment as at balance sheet date doesn't require any such adjustment.

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.

3.6 Investment property

Investment property represents part of the company's owned building which is rented out to its associated undertaking M/s. Liberty Energy (Pvt) Limited and its subsidiary M/s Liberty Power Tech 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 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. Depreciation is charged on reducing balance method, 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.

3.7 Long term investments

Subsidiary

Investment in subsidiary are stated at cost less impairment, if any.

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.

3.8 Stores, spares and loose tools

These are valued at cost 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.

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

3.10 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

Financial 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) 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.

e) 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.

f) 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.

g) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consists of financial assets at fair value through profit and loss.



3.11 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

3.12 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 income currently.

3.13 Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

- 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.

3.14 Research and Development Support

Research & Development Support contributed by the government is recognized only when there is reasonable assurance that the Company will comply with all the condition attaching to it and the same will be received.

3.15 Dividend and appropriation to reserves

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

4. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

2009	2008		2009	2008
No. of Shares of Rs. 10 each	No. of Shares of Rs. 10 each		RUPEES	RUPEES
12,732,092	12,732,092	Ordinary Shares of Rs. 10/- each paid in Cash	127,320,920	127,320,920
9,878,047	9,878,047	Ordinary Shares of Rs. 10/- each issued as fully paid 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>

LIBERTY MILLS LIMITED



	2009 RUPEES	2008 RUPEES
5. <u>GENERAL RESERVE</u>		
Revenue reserve	<u>1,170,000,000</u>	<u>870,000,002</u>
The reserve have created out of revenue in order to meet future exigencies.		
6. <u>LONG TERM FINANCING - SECURED FROM BANKING COMPANIES</u>		
Habib metropolitan bank limited	Note 6.1 74,901,996	84,841,582
Standard chartered bank (Pakistan) limited	Note 6.2 33,641,769	37,425,835
Allied bank limited	Note 6.3 43,000,250	43,000,250
	<u>151,544,015</u>	<u>165,267,667</u>
Current portion shown under current liabilities	(12,232,567)	(25,127,966)
	<u>139,311,448</u>	<u>140,139,701</u>

6.1 Interest

It carries interest at the rate of 6.25% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 12 equal half yearly installments commenced from 18th April 2007. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of LTF finances through SMEFD circular dated January 22, 2009.

Security

The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project and registered charge over stock / receivables

6.2 Interest

It carries interest at the rate of 6.5% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 12 equal half yearly installments commenced from 13th June 2007. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of finances through SMEFD circular dated January 22, 2009.

Security

The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project and registered charge over stock / receivables

6.3 Interest

It carries interest at the rate of 8.7% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 32 equal quarterly installments commencing from 15th May 2010. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of LTF finances through SMEFD circular dated January 22, 2009.



Security

The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project and registered charge over stock / receivables

7. <u>LOANS FROM RELATED PARTIES - UNSECURED</u>	<u>2009</u> <u>RUPEES</u>	<u>2008</u> <u>RUPEES</u>
From directors	29,755,913	29,814,330
Current portion shown under current liabilities	(6,000,000)	—
	23,755,913	29,814,330

The above loan is mark-up free

The loan are repayable in 20 quarterly installments commencing from September 30, 2009.

8. DEFERRED LIABILITIES

Deferred tax	Note 8.1	13,125,000	13,195,000
Staff retirements benefit	Note 8.2	72,324,287	61,606,823
		85,449,287	74,801,823

8.1 DEFERRED TAX:

Due to:			
Accelerated tax depreciation rates		18,625,000	17,825,000
Payments of staff retirements benefit		(5,000,000)	(4,300,000)
Provision for slow moving and obsolescence		(500,000)	(330,000)
		13,125,000	13,195,000

8.2 Staff retirements benefit:

To comply with the requirements of IAS-19 "Employee Benefits" provision is made as per actuarial valuation, the latest actuarial valuation was carried out as on 30th June 2009. 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	13%	9%
Discount rate	13%	10%
Average expected remaining working life time of employees	7 years	7 years

Movement in the present value during the year

Present value of obligation at the beginning	69,964,575	55,431,726
Service cost	7,505,586	12,085,698
Interest cost	6,996,458	5,543,173
Benefits paid	(3,979,050)	(3,096,022)
Actuarial loss on present value of defined benefit obligation	(8,980,920)	—
Present value of defined obligation at the end	71,506,649	69,964,575

LIBERTY MILLS LIMITED



	2009	2008
	<u>RUPEES</u>	<u>RUPEES</u>
Movement during the year in the net liability recognized in the financial statements is as under:		
Opening balance	61,606,823	46,604,878
Charge for the year	14,696,514	18,097,967
Paid during the year	(3,979,050)	(3,096,022)
Closing balance	<u>72,324,287</u>	<u>61,606,823</u>
Reconciliation of obligation of staff retirements benefit:		
Present value of obligation	71,506,649	69,964,575
Net actuarial gain / (loss) to be recognized in later period	817,638	(8,357,752)
	<u>72,324,287</u>	<u>61,606,823</u>
Expenses recognized in the profit & loss account is:		
Current Service cost	7,505,586	12,085,698
Interest cost	6,996,458	5,543,173
Actuarial loss	194,470	469,096
	<u>14,696,514</u>	<u>18,097,967</u>
The allocation of charge for the year is as follows:		
Cost of Sales	12,571,801	14,932,608
Administrative expenses	2,124,713	3,165,359
	<u>14,696,514</u>	<u>18,097,967</u>
9. <u>TRADE AND OTHER PAYABLES</u>		
Creditors	385,935,959	421,669,461
Accrued liabilities	Note 9.1 56,653,931	40,597,979
Advances from customers	1,269,191	3,508,329
Workers' profit participation fund	Note 9.2 58,542,058	43,182,735
Workers' welfare fund	9,096,316	7,054,097
Unclaimed dividend & bonus fractions	611,340	585,615
Other liabilities	Note 9.3 275,797	2,550,770
	<u>512,384,592</u>	<u>519,148,986</u>
9.1	It includes an amount of Rs. 10,229,733/- (2008: 7,165,643/-) due to associated company.	
9.2 <u>Workers' Profit Participation Fund:</u>		
Balance at the beginning of the year	43,182,735	33,902,871
Interest on last year's balance	5,049,497	5,176,765
	<u>48,232,233</u>	<u>39,079,636</u>
Paid to trust	(22,843,772)	(16,235,864)
	<u>25,388,461</u>	<u>22,843,772</u>
Allocation for the year	33,153,596	20,338,963
Balance at the end of the year	<u>58,542,058</u>	<u>43,182,735</u>

Interest on the W.P.P.F. is provided @ 16.50% per annum (2008: 16.50%).



LIBERTY MILLS LIMITED

	2009	2008
	RUPEES	RUPEES
9.3 Other liabilities		
Employees vehicle purchase scheme	244,670	1,503,362
Employees EOBI & Income tax payable	31,127	1,047,408
	275,797	2,550,770
10. ACCRUED MARK-UP		
Mark-up on long term financing	2,645,011	2,858,415
Mark-up on short term borrowings	29,310,339	19,284,447
	31,955,350	22,142,862
11. SHORT TERM BORROWINGS-SECURED		
Utilised under markup arrangement		
From banking companies		
Export refinance	1,706,000,000	1,026,000,000
Running finance	4,854,715	11,916,872
	1,710,854,715	1,037,916,872

BANK	Rate of mark-up range		Facility limit in million		Renewal
	2009	2008	2009	2008	
Export refinance					
Habib Metropolitan Bank Ltd.	7.50%	7.50%	* 366	* 266	31-03-2010
Soneri Bank Limited	7.50%	7.50%	* 200	* 200	31-12-2009
Standard Chartered Bank (Pakistan) Ltd.	7.50%	7.50%	150	150	31-12-2009
Meezan Bank Limited	7.00%	7.00%	185	135	31-12-2009
Allied Bank Limited	7.25%	6.90%	275	275	30-11-2009
Habib Bank Limited	7.50%	–	150	–	31-03-2010
Arif Habib Bank Limited	7.50%	–	200	–	04-11-2009
Bank Al Habib Limited	7.50%	–	180	–	31-01-2010
Running finance					
Habib Metropolitan Bank Ltd.	14.25%	15.74%	20	10	31-12-2009
Standard Chartered Bank (Pakistan) Ltd.	14.25%	16.10%	50	50	31-12-2009

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

* In the current financial statements there are no foreign currency export refinance.

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

12. CURRENT PORTION OF LONG TERM FINANCING AND LOANS FROM RELATED PARTIES

Current portion of long term financing	12,232,567	25,127,966
Current portion of loans from related parties	6,000,000	—
	18,232,567	25,127,966

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	2009	2008
	<u>RUPEES</u>	<u>RUPEES</u>
13. PROVISION FOR TAXATION		
Balance at beginning of the year	390,289	1,373,544
Tax paid during the year	(58,857,851)	(51,008,942)
Provision for taxation - current	65,689,050	46,823,028
- prior year	(199,735)	3,202,659
Balance at the end of the year	<u>7,021,753</u>	<u>390,289</u>
14. CONTINGENCIES AND COMMITMENTS		
14.1 Vide special resolution passed in the Extra Ordinary General Meetings dated March 14, 2009 and July 11, 2008 The Company approved (a) Investment in Subsidiary Liberty Power Tech Limited to the tune of Rs. 3,825 million out of which Rs. 534 million have been invested (2008: nil) (b) short term loans to the tune of Rs. 250 million and (c) guarantees or lien or charge of properties to the tune of Rs 500 million in favor of lending banks of the subsidiary Liberty Power tech Limited. Security in favor of lending banks to the tune of Rs 200 million is given in the year (2008: Nil).		
14.2 Guarantees of Rs. 44.146 Million (June 2008: Rs. 35.56 Million) have been given by banks to Sui Southern Gas Company Limited & Collector of Customs.		
14.3 Letter of Credits & Contracts for supply of raw materials & spares amounting to Rs. 20.557 million (June 2008: Rs. 17.074 Million).		
15. PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	Note 15.1 1,198,568,567	1,266,517,215
Capital work in progress	Note 15.2 45,647,913	33,724,876
	<u>1,244,216,480</u>	<u>1,300,242,091</u>



15.1 PROPERTY, PLANT AND EQUIPMENT

2008-09

PARTICULARS	C O S T				D E P R E C I A T I O N				Book value as on 30-06-09	Rate %
	As at 01.07.08	Additions during the year	Disposal during the year	As at 30.06.09	Upto 01.07.08	For the year	on disposal/ during the year	Upto 30.06.09		
Lease Hold Land	39,572,334	—	—	39,572,334	4,060,033	353,792	—	4,413,825	35,158,509	1
Factory Building on lease hold land	360,423,058	6,333,396	—	366,756,454	100,557,913	25,228,885	—	125,786,798	240,969,657	10
Non Factory Building on lease hold land	51,255,381	—	—	51,255,381	9,852,129	2,031,665	—	11,883,794	39,371,587	5
Plant & Machinery	1,680,816,656	42,193,924	15,425,615	1,707,584,965	815,870,928	84,365,546	13,300,196	886,936,278	820,648,687	10
Factory Equipments	55,217,101	4,214,137	—	59,431,238	33,511,107	2,342,174	—	35,853,281	23,577,957	10
Office Equipments	10,335,677	506,139	331,000	10,510,816	6,794,478	467,015	296,233	6,965,260	3,545,556	10
Computers / Printers	11,000,639	309,684	—	11,310,323	8,925,716	604,126	—	9,529,842	1,780,481	30
Furniture & Fixtures	10,055,046	439,478	—	10,494,524	5,269,175	467,926	—	5,737,101	4,757,422	10
Vehicles	82,744,333	2,422,510	64,000	85,102,843	50,061,531	6,310,198	27,597	56,344,132	28,758,711	20
Total Rupees: June 2009	2,301,420,225	56,419,268	15,820,615	2,342,018,878	1,034,903,010	122,171,327	13,624,025	1,143,450,312	1,198,568,567	

2007-08

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 30-06-08	Rate %
	As at 01.07.07	Additions during the year	Disposal during the year	As at 30.06.08	Upto 01.07.07	For the year	on disposal/ during the year	Upto 30.06.08		
Lease Hold Land	39,572,334	—	—	39,572,334	3,702,679	357,354	—	4,060,033	35,512,301	1
Factory Building on lease hold land	217,548,975	171,060,106	28,186,023	360,423,058	108,943,200	14,487,767	22,873,054	100,557,913	259,865,145	10
Non Factory Building on lease hold land	25,040,964	26,214,417	—	54,255,381	8,723,759	1,128,370	—	9,852,129	41,403,252	5
Plant & Machinery	1,565,358,878	117,860,080	2,402,302	1,680,816,656	734,176,199	82,960,709	1,265,980	815,870,928	864,945,728	10
Factory Equipments	50,523,203	4,693,898	—	55,217,101	31,446,503	2,064,604	—	33,511,107	21,705,994	10
Office Equipments	10,072,321	263,356	—	10,335,677	6,326,133	468,345	—	6,794,478	3,541,199	10
Computers / Printers	10,796,994	203,645	—	11,000,639	8,213,945	711,771	—	8,925,716	2,074,923	30
Furniture & Fixtures	9,341,698	936,214	222,866	10,055,046	48,440,116	508,675	83,616	5,269,175	4,785,871	10
Vehicles	81,328,443	3,653,715	2,237,825	82,744,333	44,837,051	7,121,061	1,896,581	50,061,531	32,682,802	20
Total Rupees: June 2008	2,009,583,810	324,885,431	33,049,016	2,301,420,225	951,213,585	109,808,656	26,119,231	1,034,903,010	1,266,517,215	

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	2009	2008
Note: Depreciation charge has been allocated to	RUPEES	RUPEES
Cost of sales	112,290,397	99,870,434
Administrative expenses	9,880,930	9,938,222
	122,171,327	109,808,656

Carrying Value

P A R T I C U L A R S	Carrying Value as at 01.07.08	Additions during the year	Disposal during the year	Depreciation for the year	Depreciation on disposal during the year	Carrying Value as on 30.6.2009
Lease Hold Land	35,512,301	—	—	353,792	—	35,158,509
Factory Building on lease hold land	259,865,145	6,333,396	—	25,228,885	—	240,969,657
Non Factory Building on lease hold land	41,403,252	—	—	2,031,665	—	39,371,587
Plant & Machinery	864,945,728	42,193,924	15,425,615	84,365,546	13,300,196	820,648,687
Factory Equipments	21,705,994	4,214,137	—	2,342,174	—	23,577,957
Office Equipments	3,541,199	506,139	331,000	467,015	296,233	3,545,556
Computers / Printers	2,074,923	309,684	—	604,126	—	1,780,481
Furniture & Fixtures	4,785,871	439,478	—	467,926	—	4,757,422
Vehicles	32,682,802	2,422,510	64,000	6,310,198	27,597	28,758,711
Total Rupees 2009	1,266,517,215	56,419,268	15,820,615	122,262,028	13,624,025	1,198,568,567

15.2 Capital work in progress:	Factory/Non factory Building on Lease Hold Land	Plant & Machinery	Other Assets	Total
Balance as at July 01, 2007	192,329,236	18,821,620	345,000	211,495,856
Capital expenditure incurred during the year	21,000,005	116,219,901	9,405,828	146,625,734
Capitalization of borrowings cost	—	488,717	—	488,717
Transfer to operating fixed assets	(197,274,523)	(117,860,080)	(9,750,828)	(324,885,431)
Balance as at June 30, 2008	16,054,718	17,670,158	—	33,724,876
Capital expenditure incurred during the year	40,953,949	26,738,765	—	67,692,714
Transfer to operating fixed assets	(6,333,396)	(42,193,924)	—	(48,527,320)
Transfer to investment property	(7,242,357)	—	—	(7,242,357)
Balance as at June 30, 2009	43,432,914	2,214,999	—	45,647,913



15.3 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
1	Plant & Machinery Calendar Machine	15,425,615	13,300,196	2,125,419	2,500,000	Related Party: Soorty Enterprises (Pvt.) Ltd. Plot # 26, Sector 23 Korangi Industrial Area,	Negotiation
2	Items having book value of less than Rs. 50,000/-	395,000	323,830	71,170	61,000	Various	Various
	JUNE 2009	15,820,615	13,624,026	2,196,589	2,561,000		
	JUNE 2008	33,049,016	26,119,231	6,929,785	7,115,762		

16. INVESTMENT PROPERTY	2009 RUPEES	2008 RUPEES
COST		
Opening balance	3,454,823	3,454,823
Addition during the year	7,242,357	—
Closing balance	10,697,180	3,454,823
DEPRECIATION		
Opening balance	1,945,348	1,784,234
Provided during the year	234,060	161,114
Closing balance	2,179,408	1,945,348
Closing written down value	8,517,772	1,509,475
17. LONG TERM INVESTMENT		
In subsidiary company		
Liberty Power Tech Limited - unquoted 53,400,000 ordinary shares (2008: NIL) of Rs. 10/- each. Equity held 49.11% (2008: NIL)	Note 17.1 534,000,000	—
Held to maturity		
Defense saving certificates - at cost	500,000	500,000
Less: current maturity	(500,000)	—
Accrued profit thereon	1,288,293	1,005,430
Less: Profit maturing currently	(1,288,293)	—
	534,000,000	1,505,430

17.1 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 Years from the date of Commercial Operation of LPTL. The Company has also pledged 28,459,000 shares of LPTL to lenders of LPTL as a condition of financing by lenders.

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The Breakup value of LPTL share is Rs. 8.80. The decrease in breakup value is due to the fact that the LPTL is in setup phase hence the administrative expenses are charged to Profit & Loss account as per the setup requirements of Accounting practices.

- 17.2** The above investment is for 10 years maturing on 22 May, 2010 with a accumulated average yield of 24.38% (2008: 24.38%). It is intended that the investment will be encashed upon maturity in 2010.

	<u>2009</u> <u>RUPEES</u>	<u>2008</u> <u>RUPEES</u>
18. <u>LONG TERM LOANS & ADVANCES - UNSECURED (CONSIDERED GOOD)</u>		
Due from employees	33,186,255	36,143,733
Less: Current portion shown under current assets	12,255,288	12,255,288
	20,930,967	23,888,445
Outstanding for periods		
- Exceeding three years	—	—
- After one year within three year	20,930,967	23,888,445
	20,930,967	23,888,445
18.1 Loans to employees are given for purchase of motor cars and motorcycles with out any interest in accordance with the Company's policy and are recoverable over a period of three years.		
19. <u>STORES, SPARES AND LOOSE TOOLS</u>		
Stores	21,297,978	32,872,205
Spare parts	92,981,014	85,224,114
Loose tools	89,458	58,450
	114,368,450	118,154,769
Less: Provision for slow moving and obsolescence	(7,220,000)	(4,724,000)
	107,148,450	113,430,769
20. <u>STOCK-IN-TRADE</u>		
Raw materials	498,202,331	567,666,493
Work-in-process	93,827,537	84,532,970
Finished goods	189,910,263	95,012,674
Packing materials	1,281,040	1,325,578
	783,221,171	748,537,715
21. <u>TRADE DEBTS-CONSIDERED GOOD</u>		
Export bills under collection (secured against export letter of credit)	294,836,984	645,731,899
Local-(unsecured)		
Related party	Note 21.1 9,524,949	—
Others	190,361,476	210,277,091
	494,723,409	856,008,990
21.1 The Maximum amount due from related party at any month is Rs.22.22 million (2008: Nil)		



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	2009 RUPEES	2008 RUPEES
22. <u>LOANS AND ADVANCES - UNSECURED (CONSIDERED GOOD)</u>		
Current portion of long term loans to:		
Employees	12,255,288	12,255,288
Advances:		
Against purchases & services	12,189,471	12,843,047
For Expenses	9,089,638	8,265,260
	33,534,397	33,363,595
23. <u>DEPOSITS AND PREPAYMENTS</u>		
Security deposits	321,000	201,000
Prepayments	15,048,370	1,357,730
	15,369,370	1,558,730
24. <u>ACCRUED PROFIT</u>		
Accrued profit on DSC maturing Currently	1,288,293	—
Accrued profit on multiplier account	2,446,625	—
Accrued profit on term deposit	4,832,877	—
	8,567,795	—
25. <u>OTHER RECEIVABLES</u>		
Duty drawbacks receivables	38,681,405	56,257,474
Others	283,707	283,707
	38,965,112	56,541,181
26. <u>TAX REFUNDS DUE FROM GOVERNMENT</u>		
Sales tax	27,509,199	36,604,407
	27,509,199	36,604,407
27. <u>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS</u>		
Held for trading		
Meezan islamic income fund (100846.06 units)	—	5,179,454
Arif habib pak income fund (61411.73 units)	—	3,160,248
Allied bank limited income fund (34750351.99 units)	348,080,376	—
IGI income fund (1419916.70 units)	151,206,929	—
Faysal savings growth fund (1311188.81 units)	135,000,000	—
	634,287,305	8,339,702
Average yield ranges between 8.15% to 11.99%		
28. <u>CASH AND BANK BALANCES</u>		
Cash in hand	2,029,796	2,493,656
Balance with banks - in current accounts	76,309,312	70,479,559
- in multiplier & savings accounts Note 28.1	247,282,981	64,815,042
- in term deposits accounts Note 28.2	250,000,000	—
	575,622,089	137,788,257

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28.1 The profit rate on multiplier & saving accounts are ranges between 7% to 16.5% (2008: 7%)

28.2 The profit on term deposit account is 13% (2008: NIL)

29. SALES AND SERVICES

	2009 RUPEES	2008 RUPEES
Export sales	4,224,566,346	3,655,615,180
Local sales	261,739,195	466,403,004
Waste sales	6,758,929	5,561,304
	268,498,124	471,964,308
Less: Sales tax	(210,884)	(85,109)
	268,287,240	471,879,199
SERVICES:		
Cloth processing, printing & dyeing	735,599,648	474,548,503
	735,599,648	474,548,503
	5,228,453,235	4,602,042,882

30. COST OF SALES & SERVICES

Raw material consumed	Note 30.1	3,287,202,080	2,933,240,301
Stores, spares and loose tools consumed		148,490,351	91,093,229
Salaries and wages including bonus, gratuity and expenses on staff welfare	Note 30.2	216,015,610	184,107,872
Design, stitching, weaving, raising & mending charges		137,909,461	135,114,335
Power, water and gas		390,701,761	311,341,249
Repairs & maintenance		27,169,099	23,735,219
Packing expenses		15,312,638	13,049,318
Provision for slow moving and obsolescence stores and spares		2,496,000	4,724,000
Rent, rates & taxes		1,946,811	3,704,951
Insurance		7,220,150	3,912,150
Research & development expenses	Note 30.3	108,924,570	3,147,891
Depreciation		112,290,397	99,870,434
Less: Duty drawback		(25,455,374)	(25,075,097)
COST OF PRODUCTION		4,430,223,555	3,781,965,852
Work-in-process		84,532,970	110,020,373
- Opening stock		(93,827,537)	(84,532,970)
- Closing stock		(9,294,567)	25,487,403
COST OF GOODS MANUFACTURED		4,420,928,988	3,807,453,255
Finished goods		95,012,674	126,631,556
- Opening stock		(189,910,263)	(95,012,674)
- Closing stock		(94,897,589)	31,618,882
		4,326,031,399	3,839,072,137



30.1 RAW MATERIAL CONSUMED:

PARTICULARS	Raw Materials	Packing Materials	Total 2009	Total 2008
	Rs.	Rs.	Rs.	Rs.
Opening Stock	567,666,493	1,325,578	568,992,071	359,696,372
Add: Purchases	3,163,717,171	53,976,209	3,217,693,380	3,142,536,000
	3,731,383,664	55,301,787	3,786,685,451	3,502,232,372
Less: Closing Stock	498,202,331	1,281,040	499,483,371	568,992,071
Consumed	3,233,181,333	54,020,747	3,287,202,080	2,933,240,301

30.2 It includes Rs.12,571,801/- in respect of staff retirement benefits (2008 : Rs. 14,932,608\/-).

30.3 Research and development expenses

	2009 RUPEES	2008 RUPEES
Support on account of research and development Note 30.3.1	—	108,312,333
Less: Utilization	91,586,704	97,767,579
Products development expenses	2,028,282	1,729,122
Professional charges	15,309,584	11,963,523
Participation in exhibition	108,924,570	111,460,224
	<u>(108,924,570)</u>	<u>(3,147,891)</u>

30.3.1 The Research and Development Support has been granted 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. The Support is suspended with effect from July 01, 2008.

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	<u>2009 RUPEES</u>	<u>2008 RUPEES</u>
31. ADMINISTRATIVE EXPENSES		
Salaries and wages including bonus, gratuity and expenses on staff welfare	Note 31.1 81,011,706	74,284,676
Security charges	1,940,320	1,868,059
Rent, rates & taxes	398,614	1,449,847
Legal & professional charges	1,460,327	1,413,071
Insurance	236,769	380,653
Conveyance	477,547	471,496
General expenses	4,580,401	3,626,430
Postage & telegram	219,232	341,146
Telephone	3,621,413	3,533,875
Subscription	1,369,874	1,566,394
Travelling	5,309,501	6,313,231
Printing & stationary	1,452,219	1,671,555
Motor vehicle expenses	6,804,072	5,963,055
Advertisement	229,861	198,536
Donations and corporate social responsibilities	Note 31.2 9,928,923	18,098,658
Auditors remuneration	Note 31.3 290,200	278,800
Depreciation	9,880,930	9,938,222
	129,211,911	131,397,704

31.1 It includes Rs. 2,124,713/- in respect of staff retirement benefits (2008: Rs. 3,165,359/-).

31.2 Donation and corporate social responsibilities:

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

31.3 Auditors' Rumenration

	2009 RUPEES			2008 RUPEES		
	Hyder Bhimji & Co.	Rauf Ayoob & Co.	Total	Hyder Bhimji & Co.	Rauf Ayoob & Co.	Total
Audit fee annual	100,000	100,000	200,000	100,000	100,000	200,000
Half yearly review	15,000	15,000	30,000	15,000	15,000	30,000
Out of pocket expenses.	34,800	25,400	60,200	31,850	16,950	48,800
	149,800	140,400	290,200	146,850	131,950	278,800

	<u>2009 RUPEES</u>	<u>2008 RUPEES</u>
32. DISTRIBUTION COST		
Export expenses	18,427,805	10,098,613
Export freight & insurance	99,148,876	117,321,809
Cartage	2,106,827	4,668,114
Forwarding & handling charges	11,546,858	31,335,548
Local processing commission	40,910	212,637
	131,271,276	163,636,721



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		2009 RUPEES	2008 RUPEES
33. <u>OTHER OPERATING CHARGES</u>			
Workers' profit participation fund	Note 9.2	33,153,596	20,338,963
Workers' welfare fund		2,068,715	7,054,097
		35,222,311	27,393,060
34. <u>INCOME FROM INVESTMENT PROPERTY</u>			
Rental Income		6,360,000	360,000
Less: Depreciation expenses		(234,060)	(161,114)
		6,125,940	198,886
35. <u>OTHER OPERATING INCOME</u>			
Income from financial assets			
Profit on bank deposits		33,111,370	5,203,473
Dividend income		170,965	6,328,696
Income on investment in defence saving certificate		282,863	217,992
Income of Financial assets through profit & loss		30,533,617	2,600,938
		64,098,815	14,351,099
Income from non financial assets			
Foreign exchange gain		102,782,620	18,999,485
Commission		1,730,753	—
Gain on disposal of fixed assets		364,411	185,977
		104,877,784	19,185,462
		168,976,599	33,536,561
36. <u>FINANCE COST</u>			
Interest on long term financing		10,847,721	9,532,978
Mark-up on short term borrowings		102,631,479	64,555,604
Interest on workers' participation fund		5,049,497	5,176,765
Bank charges and commission		35,440,562	15,627,162
		153,969,260	94,892,509
37. <u>TAXATION:</u>			
Current	Note 37.1	65,689,050	46,823,028
Prior year		(199,735)	3,202,659
		65,489,315	50,025,687
Deferred		(70,000)	(12,350,000)
		65,419,315	37,675,687

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	<u>2009</u> <u>RUPEES</u>	<u>2008</u> <u>RUPEES</u>
37.1 Relationship between tax expense and accounting profit	%	%
Applicable Tax rate	35.00	35.00
Tax effect of income covered under presumptive income	(24.57)	(22.66)
Effective Tax rate for the current year	<u>10.43</u>	<u>12.34</u>
38. <u>EARNING PER SHARE - BASIC & DILUTED</u>		
Profit after taxation	562,430,302	341,710,511
Weighted average number of ordinary shares	22,610,139	22,610,139
Basic & diluted earning per share	24.88	15.11
There is no dilutive effect on the basic earnings per share of the Company.		
39. <u>WORKING CAPITAL CHANGES</u>		
<u>(INCREASE)/DECREASE IN CURRENT ASSETS:</u>		
Stores, spare parts and loose tools	3,786,319	(23,514,225)
Stock-in-trade	(34,683,456)	(152,189,414)
Trade debts	361,285,581	(154,688,113)
Accrued profit	(7,562,365)	(217,992)
Loans and advances	(170,802)	(2,487,450)
Deposits and prepayments	(13,810,640)	(977,516)
Other receivables	17,576,069	7,929,382
	326,420,706	(326,145,328)
<u>INCREASE/(DECREASE) IN CURRENT LIABILITIES</u>		
Trade and other payables	(6,764,394)	(49,255,566)
Short term borrowings	672,937,843	261,454,443
	992,594,155	(113,946,451)
40. <u>CASH AND CASH EQUIVALENTS</u>		
Cash & bank balances	575,622,089	137,788,257
Financial assets at fair value through profit & loss	634,287,305	8,339,702
	1,209,909,394	146,127,959



**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	2009				2008			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial Remuneration	—	2,184,000	2,750,000	4,934,000	—	1,950,000	2,925,000	4,875,000
Perquisites and Allowances								
Car for Company's and Personal Use (approximate monetary value)	508,807	568,599	292,161	1,369,567	678,269	609,098	425,000	1,712,367
	508,807	2,752,599	3,042,161	6,303,567	678,269	2,559,098	3,350,000	6,587,367
Number of Persons	1	4	2	8	1	4	2	7

42. TRANSACTIONS WITH RELATED PARTIES

The related party comprises of related group companies, Liberty Energy (Pvt.) Limited, Ashraf Enterprises, Soorty Enterprises (Pvt) Limited & Liberty Power Tech Limited, 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	2009 RUPEES	2008 RUPEES
Subsidiary company	Rent received	6,000,000	—
Associated company	Services obtained (inclusive of sales tax)	120,766,203	98,978,144
Associated company	Services Provided	64,575,089	—
Associated company	Payment Received	65,340,260	—
Associated company	Sales of Property, Plant and Equipment	2,500,000	—
Associated company	Rent received	360,000	360,000
Associated company	Rent Paid	1,425,000	3,300,000
Associated company	Reimbursement of bank charges & commission	—	728,359
Directors	Loan from directors	29,755,913	29,814,330

Remuneration of key management personnel are disclosed in Note no 41. There are no transaction with key management personnel other than under their terms of employment.

LIBERTY MILLS LIMITED



43. FINANCIAL ASSETS AND LIABILITIES

	2009							(Amount in Rupees)	
	Interest / mark-up bearing			Non Interest / mark-up bearing					
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total		
Financial Assets									
Long term investments	—	—	—	—	534,000,000	534,000,000	534,000,000		
Trade debts	—	—	—	494,723,409	—	494,723,409	494,723,409		
Loans and advances	—	—	—	12,255,288	20,930,967	33,186,255	33,186,255		
Deposits	—	—	—	321,000	3,026,023	3,347,023	3,347,023		
Other receivables	—	—	—	283,707	—	283,707	283,707		
Investments	—	—	—	634,287,305	—	634,287,305	634,287,305		
Cash and bank	497,282,981	—	497,282,981	78,339,108	—	78,339,108	575,622,089		
Total	497,282,981	—	497,282,981	1,220,209,817	557,956,990	1,778,166,807	2,275,449,788		
Financial Liabilities									
Long term financing	12,232,567	139,311,448	151,544,015	—	—	—	151,544,015		
Loan from related parties	—	—	—	6,000,000	23,755,913	29,755,913	29,755,913		
Short term borrowings	1,710,854,715	—	1,710,854,715	—	—	—	1,710,854,715		
Trade & other paybles	58,542,058	—	58,542,058	453,842,534	—	453,842,534	512,374,592		
Total	1,781,629,340	139,311,448	1,920,940,788	459,842,534	23,755,913	483,598,447	2,404,539,235		
	2008							(Amount in Rupees)	
	Interest / mark-up bearing			Non Interest / mark-up bearing					
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total		
Financial Assets									
Long term investment	—	1,505,430	1,505,430	—	—	—	1,505,430		
Trade debts	—	—	—	856,008,990	—	856,008,990	856,008,990		
Loans and advances	—	—	—	12,255,288	23,888,445	36,143,733	36,143,733		
Deposits	—	—	—	201,000	2,822,863	3,023,863	3,023,863		
Other receivables	—	—	—	283,707	—	283,707	283,707		
Investments	—	—	—	8,339,702	—	8,339,702	8,339,702		
Cash and bank	64,815,042	—	64,815,042	72,973,215	—	72,973,215	137,888,257		
Total	64,815,042	1,505,430	66,320,472	950,061,902	26,711,308	976,773,210	1,043,093,682		
Financial Liabilities									
Long term financing	25,127,966	140,139,701	165,267,667	—	—	—	165,267,667		
Loan from related parties	—	—	—	—	29,814,330	29,814,330	29,814,330		
Short term borrowings	1,037,916,872	—	1,037,916,872	—	—	—	1,037,916,872		
Trade & other paybles	43,182,736	—	43,182,736	475,966,251	—	475,966,251	519,148,987		
Total	1,106,227,574	140,139,701	1,246,367,275	475,966,251	29,814,330	505,780,581	1,752,147,856		
Off balance sheet items									
Letter of credit				20,557,000		17,073,830			
Indemnity bonds and guarantee				44,146,000		35,560,000			



44. FINANCIAL RISK MANAGEMENT, OBJECTIVE AND POLICIES

44.1 Capital Management

The primary objective of the Company when managing capital are to safeguard the company'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 Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. No changes were made in the objective, policies or processes during the year ended June 30, 2009.

During the year the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Total borrowings	1,892,154,643	1,232,998,869
Less : cash and bank balances	<u>(575,622,088)</u>	<u>(137,788,257)</u>
Net debt	1,316,532,555	1,095,210,612
Total equity	2,001,173,915	1,472,658,821
Total Capital	<u>3,317,706,470</u>	<u>2,567,869,433</u>
Gearing ratio	39.68%	42.65%

The Company 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.

44.2 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seek to minimize potential adverse effects on the Company's financial performance.

Risk Management is carried out under policies and principles approved by the Board. All treasury related transactions are carried out within the parameters of these policies and principles.

A) Market risks:

i) Foreign exchange risk management

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future economic transactions or receivables and payables that exist due to transaction in foreign exchange.



The Company is exposed to foreign exchange risk arising from currency value fluctuations primarily with respect to the United States Dollar (USD) and Euro, currently, the Company's foreign exchange risk exposure in relation to foreign trade transactions are managed through the forward booking and discounting of bills.

ii) Price risk:

Price risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest or currency rate risk), whether those changes are caused by factors specified to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

iii) Interest / markup rate risk management

Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in the interest / markup rates. The Company has long term borrowings and short term borrowings at fixed rates. The term deposits and multiplier accounts are at rates that vary quarterly and the Company is exposed to interest rate risk in this regard.

B) Credit risk:

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company manages credit risk internally by setting out credit limits in relation to individual customers and / or by obtaining advance against sales and / or through letter of credits. Also the company doesn't have significant exposure in relation to individual customer. Consequently the company believes that it is not exposed to any major concentration of credit risk.

C) Liquidity risk:

Liquidity risk represents the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2009, the Company has Rs. 1776 million available borrowing limit from financial institution. Unutilized borrowing facilities of Rs. 70 million and also has 573.592 million being balances at banks. Based on the above, management believes the liquidity risk to be insignificant.

44.3 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 Long term investments which are carried at cost.



45. PLANT CAPACITY AND PRODUCTION:

Dyeing, Printing & Finishing		2009	2008
Production capacity for 3 shifts per day	meters	66,000,000	66,000,000
Actual production	meters	60,718,057	55,715,563

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.

46. DIVIDEND AND APPROPRIATIONS:

Subsequent to the year ended, the Board of Directors have proposed a final dividend of Rs.5/- per share, in their meeting held on September 16, 2009 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. 400 million.

47. DATE OF AUTHORIZATION FOR ISSUE:

These Financial statements were authorized for the issue on September 16, 2009 by the Board of Directors of the company at Karachi.

48. CORRESPONDING FIGURES

48.1 Deposit is categorized as financial assets in Financial Assets and Liabilities in current period and the corresponding period.

49. 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, 2009

NUMBER OF SHARE HOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
1472	1	100	35,328
296	101	500	64,752
84	501	1000	55,936
38	1001	5000	89,462
12	5001	10000	66,285
4	10001	15000	55,429
11	15001	20000	191,840
8	20001	25000	179,420
7	25001	30000	177,800
5	30001	35000	151,750
4	35001	40000	143,600
9	40001	45000	385,524
5	45001	50000	231,114
188 -CDC-	Details Below		20,781,899
2143			22,610,139

BREAK-UP CDC =188= AS:-

NUMBER OF SHARE HOLDERS	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
58	1	100	4,280
51	101	500	24,260
24	501	1000	18,365
42	1001	5000	137,361
3	5001	10000	21,242
1	150001	200000	167,531
3	300001	600000	1,261,899
1	1000001	2000000	1,721,064
1	2000001	3000000	2,177,020
3	3000001	4000000	10,900,199
1	4000001	5000000	4,348,678
188			20,781,899



**Pattern of share holding
as on June 30, 2009
Additional Information**

CATEGORIES OF SHARE HOLDERS	NUMBER	SHARES HELD	PERCENTAGE
Directors, Chief Executives Officer and their spouses and minor children.	04 07	(A) 11,280,186 (CDC) (B) 46,415 (Phy)	50.10
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	7,866,775 (CDC)	31.18
General Public a. Local b. Foreign	1994 0	1,828,240 (Phy) —	14.70 —
Joint Stock Companies	3	945,000 (CDC) 50 (Phy)	4.18
Central Depository Company (a)	180	640,738	02.82
TOTAL	2,143	22,610,139	100.00



Details of pattern of share holding as per requirements of Code of Corporate Governance as on June 30, 2009

S. NO.	NAME WISE DETAILS	SHARES HELD
1.	Associated Companies	Nil
2.	NIT / ICP Investment Corporation of Pakistan (Karachi) Investment Corporation of Pakistan (Lahore)	718 733 <u>1,451 (Phy)</u>
3.	Directors, CEO, their Spouses and Minor Children Mr. Salim N. Mukaty Mr. Ashraf Salim Mukaty Mrs. Hameeda Salim Mukaty - Spouse - Chairman Mrs. Farheen Ashraf Mukaty - Spouse - CEO 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 Mr. M. Imran Sheikhani	4,348,678 (CDC) 2,177,020 (CDC) 1,721,064 (CDC) 3,033,424 (CDC) 25,466 (Phy) 3,902 (Phy) 3,795 (Phy) 3,795 (Phy) 3,795 (Phy) 3,162 (Phy) 2,500 (Phy) <u>11,326,601</u>
4.	Executives	Nil
5.	Public Sector Companies and Corporations	Nil
6.	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds EFU General Insurance Ltd.	1,284 (Phy)
7.	Shareholders holding shares 10% or more Mrs. Nargis Shahid Soorty Mrs. Marzia Obaid Bawany	3,929,474 3,937,301 <u>7,866,775 (CDC)</u>