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.

CONTENTS

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 F.R.A.N.T.S. & 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 :	F.D. Registration Services (SMC-Pvt) Ltd. 17th Floor, Saima Trade Tower, Block-A I. I. Chundrigar Road, Near Jang News Group New HMB Main Branch, Karachi-74200. Tel No. 35478192-93

Notice of Meeting & Announcement

Notice is hereby given that **44th 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 30, 2010 at 3:00 PM to transact the following business.

Ordinary Business

1. To confirm the Minutes of the Extra Ordinary General Meeting of the Company held on June 30, 2010.
2. To receive, consider and adopt the Audited Financial statements of the Company for the year ended June 30, 2010 together with Directors' and Auditors' report thereon.
3. To approve the payment of Cash Dividend at Rs.3/- per share, i.e., 30% Percent, for the year ended June 30, 2010 as recommended by the Board of Directors.
4. To appoint Auditors and to fix their Remuneration, for the year ending June 30, 2011.
5. To transact any other business which may be placed before the meeting with permission of the Chair.

Special Business:

a. 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 17, 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

By Order of the Board

(Muhammad Iqbal Haroon)
Company Secretary

Karachi: October 05, 2010

Notes:

1. The Share Transfer Books of the Company will remain closed from October 23, 2010 to October 30,2010 (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.

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

A. For Attending the Meeting:

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

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

B. For Appointing Proxies:

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

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

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

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

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

STATEMENT UNDER SECTION 160 (1) (b) OF THE COMPANIES ORDINANCE, 1984

Liberty Power Tech Limited (LPTL) a subsidiary of the Company, was incorporated on September 13, 2007 as Public limited company (un-listed) for setting up and operate 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 47.84% share holdings in the LPTL.

Vide Special Resolutions passed by the Company on July 17, 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 and pledge of shares owned by the Company.

M/s. LPTL has commenced trial operation (Copy from Directors report)

The information required by the S.R.O. 865(I)/2000 are narrated herein below;

The Company and its major shareholders decided to set up an electric power generation project in order to meet the national needs and in collaboration amongst each other, the Company passed a special resolution for making investment in the LPTL as stated aforesaid. As the project progressed the circumstances of the Company changed with the passage of time and in view of the availability of funds available with the Company the company contributed as the circumstances permitted. The present share capital of LPTL amounts Rs. 4,649.324 Million out of which Liberty Mills Limited owns Rupees One billion four hundred forty seven million and one thousand (31.19%) and the above named persons jointly owns Rupees Two billion two hundred nineteen million two hundred and ninety thousand (47.84%). M/s. LPTL is now started its trial operation and its COD is likely to be started in the mid of November which date is much ahead of its targeted date i.e. end of December 2010. Thus final investment is likely to be made in the LPTL on the COD date. So far the Company has invested Rs. 1,447,001,000 which is 31.19% of LPTL investment. In view of the company financial status upto the extent of resolution passed by the Company, the directors and their family members contributed and final ratio of investment in LPTL will be determined upon disbursement of funds at the COD date.

The funding requirements of the investee company were continuously remained changing since inception due to US Dollars parity with the EURO and also devaluation of Pak rupees.

Directors' Review

The Directors of Liberty Mills Limited are pleased to present the Annual Report with the audited financial statements of the Company for the year ended June 30th, 2010.

OPERATING RESULT:

Operating results of the Company are noted below:

	June 30, 2010 (Rs. in thousands)	June 30, 2009 (Rs. in thousands)
Sales and Services	5,612,473	5,228,453
Gross Profit	895,989	902,422
Profit before Taxation	542,029	627,850
Taxation	(65,131)	(65,419)
Profit after Taxation	476,898	562,430

During the year under review our Sales registered a slight growth of 7.34% while our profits slides down namely gross profit (1.3%), operating profit (1.62%) and profit after tax (2.26%). Major reasons are increase in the prices of raw materials.

Our Cost of production remained under constant pressure as a result of higher prices of cotton because of the Exports to China, High inflation as well as devaluation of Pak rupee, increase in the utilities tariff. Furthermore law and order situation and frequent shut down due to strikes had impact on the results.

FUTURE OUTLOOK:

Pakistan economic is still under pressure and passing through a challenging phase, terrorism, law and order incidents have not subsided, energy shortages, inflation and GDP ratio still persist. The impact of recent rains and floods is being under assessment. All these factors including value of Pak rupee etc could effect the profitability of coming period. Notwithstanding the foregoing constraints, your directors would like to assure you that every endeavor will be made to achieve better results in the coming year.

MERGER OF LIBERTY MILLS LIMITED WITH LIBERTY ENERGY (PVT) LTD.

The Board of Directors of the Company in their meeting dated June 15, 2010 approved a Scheme of Arrangments (The Scheme) in terms of Section 284 - 287 of the Companies Ordinance, 1984 (The Ordinance) for the amalgamation of Liberty Mills Limited with Liberty Energy (Private) Limited with effect from January 01, 2010. The Company has filed the petition for sanctioning the Scheme to the High Court, however, the Order has not yet been issued by the date of issuance of these financial statements. Hence only financial statements of the Liberty Mills Limited has been prepared accordingly.

INVESTMENT IN SUBSIDIARY:

During the year your Company had further invested in the Subsidiary Company Liberty Power Tech Limited (LPTL) to the tune of Rs. 913 million making the total investment to the tune of Rs. 1,447.001 million. LPTL is progressing well and will Inshallah achieve its Commercial operation date by the 15th of November. The Company is in testing phase and is supplying the electricity to WAPDA during the commissioning and testing of the complex. Thus final investment is likely to be made in the LPTL on the COD date. So far the Company has invested Rs. 1,447,001,000 which is 31.39% of LPTL Investment. In view of the company financial status upto the extent of resolution passed by the Company, the directors and their family members contributed and final ratio of investment in LPTL will be determined upon disbursement of funds at the COD date.

The funding requirements of the investee company were continuously remained changing since inception due to US Dollars parity with EURO and also devaluation of Pak rupees.

EARNING PER SHARE:

The Earning per Share has also affected to Rs. 21.09 from previous year 24.88 this is due to increased in cost of product and overhead expenses.

DIVIDEND:

The Directors are pleased to recommend Cash dividend @ 30% i.e. Rs. 3 per share for the year ended June 30, 2010.

Corporate and Financial Reporting Framework

The Directors declare that:

i. The Financial Statements prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.

ii. Proper Books of Accounts have been maintained.

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

iv. The International Financial Reporting Standard 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 Director's Review on the affairs of the Company.

ix. The CEO as well as CFO duly signed the Financial Statements presented to the Board of Directors for approval.

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

xi. The Company has complied with all the corporate and financial reporting requirements of the code.

CORPORATE SOCIAL RESPONSIBILITIES:

Your Company is socially responsible and committed to conduct its business ethically and with responsibility. The company considers itself accountable to its stakeholders and has identified three dimension of performing the social responsibilities which were contribution to economy, environment and society.

The Company regularly pays donation to various health and welfare organizations. During the year the Company donated Rs. 17.97 million.

ENVIRONMENT, HEALTH & SAFETY:

We believe that performance is directly related with the healthy employees working in clean, green and unpolluted environment and that all the accidents/injuries are preventable. Therefore, we incur cost for health, safety and environment considering it as an investment.

Your Company has designed and structured its work place so as to minimize the accidental risks, provided medical facilities like ambulances. We continuously strive to improve greenery, maintain a clean environment around the factory and better housekeeping.

We shall not only continue with our above activities but also improve further health, education and civic services.

BOARD MEETINGS:

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	5
4.	Mr. Noor Muhammad Yusuf Mukaty	5
5.	Mr. Arif Haji Abdul Sattar Maniya	5
6.	Mr. Luqman F. Poonawala	5
7.	Mr. Madni Gul Muhammad	4
8.	Mr. Asif Younus Bawany	5
9.	Mr. Muhammad Imran Shekhani	5

Leave of absence was granted to those directors who couldn’t attend some of the board meetings.

AUDIT COMMITTEE:

The audit committee comprised of the following three Directors for the year ended June 30, 2010:

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, 2010 is attached to the financial statements included in this report.

AUDITORS:

The present auditors Hyder Bhimji & Co., Chartered Accountants and F.R.A.N.T.S. & 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.

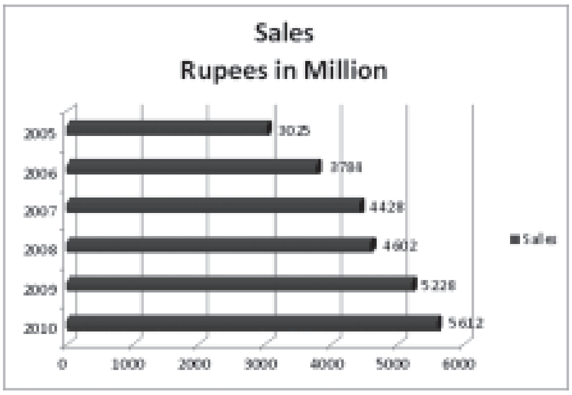
For and on behalf of the Board of Directors
Salim N. Mukaty
Chairman

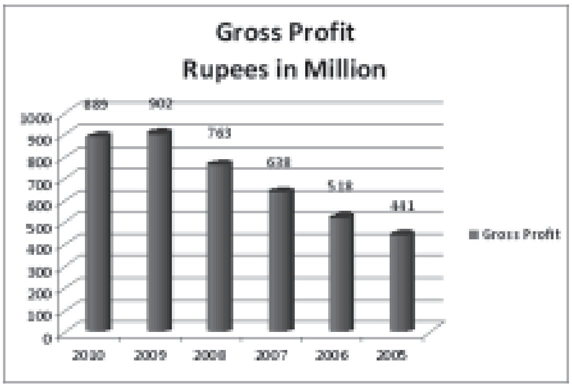
Karachi: October 5, 2010

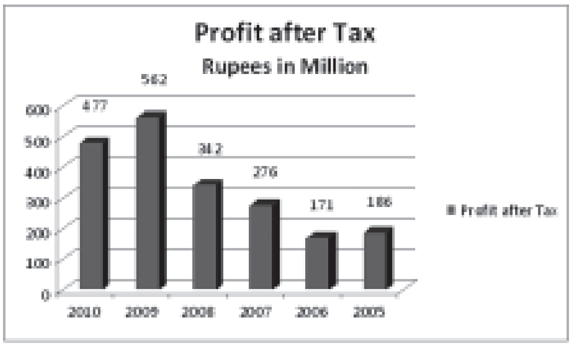
Key operating and financial data:

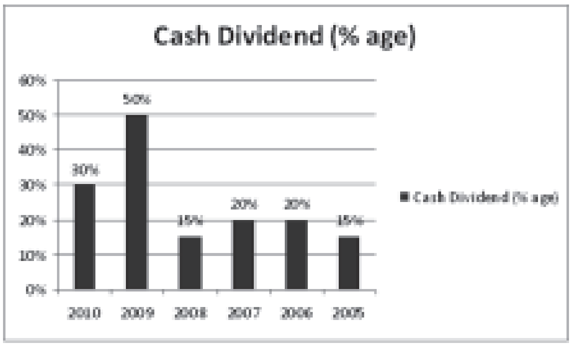
Rupees in Million

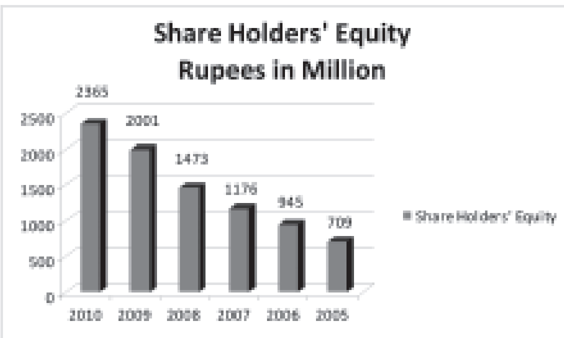
	2010	2009	2008	2007	2006	2005	2004
Sales	5,612	5,228	4602	4,428	3,784	3,025	2,820
Gross Profit	896	902	763	638	518	441	389
Operating Profit	748	782	474	395	311	269	233
Profit before Tax	542	627	379	329	243	225	198
Tax	65	65	37	52	72	39	45
Profit after Tax	**477**	**562**	**342**	**276**	**171**	**186**	**153**
Total Assets	5,416	4,530	3,322	2,978	2,714	2,453	1,930
Current Liabilities	2,447	2,280	1,605	1,608	1,140	837	929
	2,969	**2,250**	**1,717**	**1,371**	**1,574**	**1,616**	**1,001**
Represented by:							
Share Capital	226	226	226	226	226	206	206
Reserves and unappropriated profit	2,139	1,775	1,247	950	719	503	368
Equity	2,365	2,001	1,473	1,176	945	709	574
Long Term Loans	503	163	170	122	573	785	323
Deferred Liability	101	86	74	73	56	122	104
	2,969	**2,250**	**1,717**	**1,371**	**1,574**	**1,616**	**1,001**
Cash Dividend (% age)	30%	50%	15%	20%	20%	15%	25%
Bonus (% age)	—	—	—	—	—	10%	—

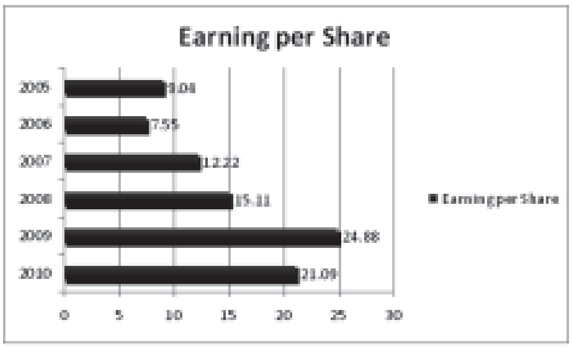

Sales
Rupees in Million
2005
2006
2007
2008
2009
2010
3025
3784
4428
4602
5228
5612
0
1000
2000
3000
4000
5000
6000
Sales


Gross Profit
Rupees in Million
889
902
763
638
518
441
1000
900
800
700
600
500
400
300
200
100
0
2010
2009
2008
2007
2006
2005
Gross Profit


Profit after Tax
Rupees in Million
477
562
342
276
171
186
600
500
400
300
200
100
0
2010
2009
2008
2007
2006
2005
Profit after Tax


Cash Dividend (% age)
60%
50%
40%
30%
20%
10%
0%
30%
50%
15%
20%
20%
15%
2010
2009
2008
2007
2006
2005
Cash Dividend (% age)


Share Holders' Equity
Rupees in Million
2365
2001
1473
1176
945
709
2500
2000
1500
1000
500
0
2010
2009
2008
2007
2006
2005
Share Holders' Equity


Earning per Share
2005
2006
2007
2008
2009
2010
9.04
7.55
12.22
15.11
24.88
21.09
0
5
10
15
20
25
30
Earning per Share

Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2010

This statement is being presented to comply with the Code of Corporate Governance (the code) contained in the Listing Regulation of all the three Stock Exchanges of the country 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 of the Company have confirmed that none of them is serving as director in ten or more listed Companies, including this Company.

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

4. During the year no vacancies were occurred in the Board.

5. The Board has developed a Vision/Mission Statement, over all 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.

6. The Company has prepared "Statement of Ethics and Business Practices", which has been signed by all the directors, managerial and secretarial staff of the Company.

7. Other policies as required under the code of Corporate Governance have been framed and are under review of the Board.

8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration wherever applicable and terms and condition of employment of the CEO, CFO, Company Secretary, Head of Internal Audit and other Executive Directors, have been taken by the Board.

9. The meetings of the Board were presided over by the Chairman and held at least once in each quarter. The minutes of the meeting were appropriately recorded and circulated.

10. The Directors on the Board have adequate of corporate matters and well aware of their duties and responsibilities Orientation programs are also arranged for the Directors.

11. Chief Financial Officer (CFO) and Head of Internal Audit were appointed during the year. Their appointments including their remuneration and terms and conditions of employment are approved by the Board.

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

13. The CEO and CFO have duly endorsed the financial statements of the Company before approval of the Board.

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

15. The Company has complied with all the corporate and financial reporting requirements of the Code.

16. The Audit Committee comprises three members, including the Chairman of the Committee. Two are non executive and one is executive director.

17. The terms of reference of the Audit Committee have been formed and duly approved by the Board and advised to the Committee for compliance. The meetings of the Audit Committee were held once every quarter prior to approval of interim and final results of the Company as required by the Code.

18. 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.

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

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.

21. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors to comply with the requirements of listing regulations of the Karachi Stock Exchange (Guarantee) Limited.

22. We confirm that all other material principles contained in the Code have been complied except for those referred in preceding paragraphs and for that the Company intends to seek compliance during next accounting year.

Ashraf S. Mukaty
Chief Executive

Karachi: October 05, 2010

LIBERTY
MILLS LIMITED

HYDER BHIMJI & CO.
Chartered Accountants
2nd Floor, Standard Insurance House
I.I. Chundrigar Road
Karachi.

F.R.A.N.T.S. & Co.
Chartered Accountants
P.O. Box No. 12340,
Karachi – 75500.

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2010 prepared by the Board of Directors of Liberty Mills Limited to comply with the Listing Regulations of the respective Stock Exchanges, where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (Xiii a) of Listing Regulations 35 (Previously Regulation No.37) notified by the Karachi Stock exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the board of directors for their consideration and approval of related party transactions distinguishing transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction 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 insured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2010.

Hyder Bhimji & Co.

HYDER BHIMJI & CO.
Chartered Accountants

Frants & Co.

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

Karachi: October 05, 2010

HYDER BHIMJI & CO.
Chartered Accountants
2nd Floor, Standard Insurance House
I.I. Chundrigar Road
Karachi.

F.R.A.N.T.S. & Co.
Chartered Accountants
P.O. Box No. 12340,
Karachi – 75500.

Auditors' report to the members

We have audited the annexed Balance Sheet of Liberty Mills Limited as at June 30, 2010 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the accounting polices consistently applied except for the changes as described in note 5.2 with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and 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, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the profits, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

HYDER BHIMJI & CO.
Chartered Accountants

Engagement Partner:
Hyder Ali Bhimji

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

Engagement Partner:
Muhammad Fahim

Karachi: October 05, 2010

Balance Sheet
as at 30th June, 2010

EQUITY AND LIABILITIES	NOTE	2010 RUPEES	2009 RUPEES
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorised Capital: 40,000,000 (2009: 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	1,570,000,000	1,170,000,000
Unappropriated profit		568,920,319	605,072,524
		2,365,021,709	2,001,173,914
NON-CURRENT LIABILITIES			
Long term financing	6	485,384,698	139,311,448
Deferred liabilities	7	100,901,488	85,449,287
Long term loans	8	17,755,913	23,755,913
CURRENT LIABILITIES			
Trade and other payables	9	456,903,115	512,384,592
Accrued mark-up	10	44,658,127	31,955,350
Short term borrowings	11	1,812,453,917	1,710,854,715
Current portion of long term financing and loans from related parties	12	128,506,750	18,232,567
Provision for taxation	13	4,192,987	7,021,753
		2,446,714,896	2,280,448,977
CONTINGENCIES & COMMITMENTS	14	—	—
		5,415,778,704	4,530,139,539

Note: The annexed notes 1 to 50 form an integral part of these financial statements.

ASSETS	NOTE	2010 RUPEES	2009 RUPEES
NON CURRENT ASSETS			
Fixed Assets			
Property, plant & equipment	15	1,288,310,688	1,244,216,480
Investment property	16	8,035,266	8,517,772
		1,296,345,954	1,252,734,252
Long term investment	17	1,447,001,000	534,000,000
Long term loans and advances	18	21,157,389	20,930,967
Long term deposits		3,026,023	3,026,023
CURRENT ASSETS			
Stores, spares and loose tools	19	113,281,217	107,148,450
Stock-in-trade	20	1,325,688,438	783,221,171
Trade debts	21	558,761,776	494,723,409
Loans and advances	22	31,773,382	33,534,397
Trade deposits and prepayments	23	2,685,581	15,369,370
Accrued profit	24	3,778,867	8,567,795
Other receivables	25	64,010,736	38,965,112
Tax refunds due from government	26	42,164,075	27,509,199
Current maturity of long term investment		—	500,000
Financial assets at fair value through profit & loss	27	206,678,588	634,287,305
Cash and bank balances	28	299,425,678	575,622,089
		2,648,248,338	2,719,448,297
		5,415,778,704	4,530,139,539

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Profit and Loss Account
for the year ended 30th June, 2010

	NOTE	2010 RUPEES	2009 RUPEES
Sales & services	29	5,612,473,256	5,228,453,235
Cost of sales and services	30	(4,716,483,905)	(4,326,031,399)
Gross profit		895,989,351	902,421,836
Distribution cost	31	(137,012,716)	(131,271,276)
Administrative expenses	32	(157,787,772)	(129,211,911)
Other operating expenses	33	(36,240,707)	(35,222,311)
		(331,041,195)	(295,705,498)
		564,948,156	606,716,338
Income from investment property	34	6,117,492	6,125,940
Other operating income	35	176,878,385	168,976,599
Operating profit		747,944,033	781,818,877
Finance cost	36	(205,914,824)	(153,969,260)
Profit before taxation		542,029,209	627,849,617
Provision for Income Tax	37	(65,130,720)	(65,419,315)
Profit after taxation		476,898,489	562,430,302
Earning per share - basic & diluted	38	21.09	24.88

The annexed notes 1 to 50 form an integral part of these financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Statement of Comprehensive Income
for the year ended 30th June, 2010

	2010 RUPEES	2009 RUPEES
Profit for the year	476,898,489	562,430,302
Other comprehensive income - net of taxation	—	—
Total comprehensive income for the year	**476,898,489**	**562,430,302**

The annexed notes 1 to 50 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, 2010

	NOTES	2010 RUPEES	2009 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		542,029,209	627,849,617
Adjustments for non cash charges and other items			
Depreciation		116,598,800	122,405,387
Provision for staff retirements benefit (net)		16,242,201	10,717,464
Provision for slow moving and obsolete stores and spares		2,080,000	2,496,000
Gain on disposal of fixed assets		(888,180)	(364,411)
Finance cost		205,914,824	153,969,260
		339,947,645	**289,223,700**
		881,976,854	**917,073,317**
Working capital changes	39	(573,912,567)	992,594,155
(Increase)/decrease in long term loans and advances		(226,422)	2,957,478
Long term deposit		—	(203,160)
Financial cost paid		(193,212,047)	(144,156,772)
Taxes paid		(68,749,485)	(58,857,851)
Tax refund received		(14,654,876)	9,095,208
Net cash in flow from operations		**31,221,456**	**1,718,502,375**
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditures		(161,807,322)	(75,584,662)
Proceeds from disposal of fixed assets		2,485,000	2,561,000
Investment made		(913,001,000)	(534,000,000)
Net cash out flow from investing activities		(1,072,323,322)	(607,023,662)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceed / (Payment) of long term finance		456,347,433	(13,723,652)
(Payment) of loan from related parties		(6,000,000)	(58,417)
Dividend paid		(113,050,695)	(33,915,209)
Net cash in flow / (out flow) from financing activities		337,296,738	(47,697,278)
Net increase / (decrease) in cash and cash equivalents		(703,805,128)	1,063,781,435
Cash and cash equivalents at the beginning of the year		1,209,909,394	146,127,959
Cash and cash equivalents at the end of the year	40	**506,104,266**	**1,209,909,394**

The annexed notes 1 to 50 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, 2010

	Share Capital	Revenue Reserve	Un-Appropriated Profit	TOTAL
Balance as at 30th June, 2008	**226,101,390**	**870,000,002**	**376,557,429**	**1,472,658,821**
			(33,915,209)	(33,915,209)
Transfer to revenue reserve		299,999,998	(299,999,998)	
Comprehensive income for the year ended 30th June, 2009			562,430,302	562,430,302
Balance as at 30th June, 2009	**226,101,390**	**1,170,000,000**	**605,072,524**	**2,001,173,914**
Final dividend for the year ended 30th June, 2009:				
Cash @ 50% Rs. 5.00 per share			(113,050,695)	(113,050,695)
Transfer to revenue reserve		400,000,000	(400,000,000)	
Comprehensive income for the year ended 30th June, 2010			476,898,489	476,898,489
Balance as at June 30, 2010	**226,101,390**	**1,570,000,000**	**568,920,319**	**2,365,021,709**

The annexed notes 1 to 50 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, 2010

1. **COMPANY AND ITS BUSINESS**

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

The Board of Directors of the Company in their meeting dated June 15, 2010 approved a Scheme of Arrangments(The Scheme) in terms of Section 284 - 287 of the Companies Ordinance, 1984 (The Ordinance) for the amalgamation of Liberty Mills Limited with Liberty Energy (Private) Limited with effect from January 01, 2010. The Company has filed the petition for sanctioning the Scheme to the High Court, however, the Order has not yet been issued by the date of issuance of these financial statements. Hence only financial statments of the Liberty Mills Limited has been prepared accordingly.

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 judgements**

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 judgement in the process of applying the Company's accounting policies. Estimate and judgements 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 judgements which are significant to the financial statements:

a) Property, plant and equipment with respect to estimated useful life and related depreciation charge and impairment. (note no. 15 & 16)

b) Provision for obsolescence and slow moving items in stores and spares with respect to parameter set out by management. (note no. 19)

c) Provision for income tax with respect to estimations of income tax based on income tax law and appellate decision. (note no. 37)

d) Staff retirements benefit with respect to actuarial valuation. (note no. 7.2)

e) Deferred taxation regarding estimation of share of local and export business. (note no. 7.1)

f) Stock in trade with respect to estimation of net realizable value. (note no. 20)

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE:

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

	Standard or Interpretation	Effective Date for Accounting period beginning on or after
IFRS 2	Share-based payment: Amended relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IAS -24	Related Party Disclosures (revised)	January 01, 2011
IAS 32	Financial Instruments: Presentation- Classification of Right Issue	February 1, 2010
IFRIC 14	The limit on defined benefit asset, minimum funding requirements and their interaction (Amendments)	January 01, 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company expect that the adoption of the above revisions, amendments and interpretations of the standards will not have any material impact on the Company's financial statements in the period of initial application.

In Addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project April 2009 primarily with a view to remove inconsistencies and clarify wordings. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Company expect that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Standards, amendments and interpretations adopted during the year

During the year, the following new/revised standards, amendments and interpretations of accounting standards become effective:

Standards, amendments and interpretations:

IFRS-2	Share based payment - Vesting Conditions and Cancellations (Amendment)
IFRS-3	Business Combinations (Revised)
IFRS-7	Financial Instruments: Disclosures (Amendment)
IFRS-8	Operating Segments
IAS -1	Presentation of Financial Statements (Revised)
IAS -23	Borrowing Costs (Revised)
IAS -27	Consolidated and Separate Financial Statements (Amendments)
IAS -32	Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements-puttable Financial Instruments and Obligations Arising on Liquidation (Amendment)
IAS -39	Financial Instruments: Recognition and Measurement- Eligible hedged items (Amendments)
IFRIC -15	Agreement for the Construction of Real Estate
IFRIC -16	Hedges of a Net Investment in a foreign Operation
IFRIC -17	Distributions of Non-Cash Assets to Owners
IFRIC -18	Transfer of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements

2.3 Change in accounting policy

The accounting policies adopted in preparation of these financial statements are consistent with those of the previous financial year except for the followings:

Revised IAS 1 ' Presentation of financial Statements'

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line item in the statement of changes in equity. In addition, the standard introduces the statement of comprehensive income which presents all items of recognized income and expense, either in one single statement (the statement of comprehensive income), or in two linked statements (the profit and loss account and the statement of comprehensive income).

The Company has chosen to present all non-owner changes in equity in two performance statement - profit and loss account and statement of comprehensive income.

IAS 23 ' Borrowing Costs'

This standard requires that the Company capitalised the borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that assets.

IAS 36 ' Impairment of Assets'

This standard requires that the disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows.

IAS 38 'intangible Assets'

This standard requires that the a prepayment may only be recognised in the event that prepayment has been made in advance of obtaining right of access to goods or receipt of services.

IFRS 7 ' Financial Instruments - Disclosures'

This standard requires enhanced disclosures about the fair value measurement and liquidity risk. In particular, the ammendment requires disclosures of fair value measurements by level of fair value measurement hierarchy.

IFRS 8 'Operating Segments'

This standards requires the Company to determine and present operating segments based on the information that is provided internally to the Company's Chief Operating Decision Maker', that is, the organisation's function which allocates resources to and assesses performance of its operating segments. Management has determined that the adoption of the said IFRS has only resulted in the some enhanced disclosures.

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 2010 for two years, using the Projected Unit Credit Method assuming a discount rate of 12 % per annum and expected rate of increase in salary @ 12% 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 30/06/2010 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

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

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 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

2010 No. of Shares of Rs. 10 each	2009 No. of Shares of Rs. 10 each		2010 RUPEES	2009 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 fully paid alloted as Bonus Shares	98,780,470	98,780,470
22,610,139	22,610,139		226,101,390	226,101,390

5. GENERAL RESERVE

	2010	2009
Revenue reserve	1,570,000,000	1,170,000,000

The reserve have created out of revenue in order to meet future exigencies.

6. LONG TERM FINANCING - SECURED FROM BANKING COMPANIES

		2010	2009
Habib Metropolitan Bank Limited	Note 6.1	66,453,495	74,901,996
Standard Chartered Bank (Pakistan) Limited	Note 6.2	29,857,703	33,641,769
Allied Bank Limited	Note 6.3	43,000,250	43,000,250
Habib Bank Limited	Note 6.4	400,000,000	—
Bank Al-falah Limited	Note 6.5	62,681,000	—
Faysal Bank Limited	Note 6.6	5,899,000	—
		607,891,448	151,544,015
Current portion shown under current liabilities		(122,506,750)	(12,232,567)
		485,384,698	139,311,448

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 LTF finance 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 commenced 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 finance 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.

6.4 **Interest**
It carries interest ranges between 14.1% to 14.3% per annum chargeable and payable on quarterly basis.

Repayment
There are four finances three of them are repayable in 7 equal quarterly installments and the last one is repayable in 9 equal Quarterly Installment commencing from 12th September 2010.

Security
The finance is secured by 1st Pari passu Equitable Mortgage and Hypothecation Charge over Land, Building, Plant & Machinery of the Company. Personal Guarantee of Chairman and Chief Executive Officer of the Company.

6.5 Interest
It carries interest ranges between 8.9% to 9.2% per annum chargeable and payable on quarterly basis.

Repayment
The finance is repayable in 40 equal quarterly installments commenced from 5th June 2010.

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 ranking charge over Company's Plant & Machinery.

6.6 Interest
It carries interest at the rate of 9.8% per annum chargeable and payable on quarterly basis.

Repayment
The finance is repayable in 6 equal half yearly installments commencing from 16th October 2010.

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.

7. DEFERRED LIABILITIES		2010 RUPEES	2009 RUPEES
Deferred tax	Note 7.1	12,335,000	13,125,000
Staff retirements benefit	Note 7.2	88,566,488	72,324,287
		100,901,488	85,449,287

7.1 DEFERRED TAX:

Due to:		
Accelerated tax depreciation rates	19,085,000	18,625,000
Payments of staff retirements benefit	(6,100,000)	(5,000,000)
Provision for slow moving and obsolescence	(650,000)	(500,000)
	12,335,000	13,125,000

7.2 Staff retirements benefit:

To comply with the requirements of IAS-19 "Employee Benefits" as adopted by the Company with effect from 1st July 2002 provision is made as per actuarial valuation of the scheme, the latest actuarial valuation was carried out as on 30th June 2010. 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	12%	13%
Discount rate	12%	13%
Average expected remaining working life time of employees	7 years	7 years

	2010 RUPEES	2009 RUPEES
Movement in the present value during the year		
Present value of obligation at the beginning	71,506,649	69,964,575
Service cost	10,160,956	7,505,586
Interest cost	9,295,864	6,996,458
Benefits paid	(3,214,619)	(3,979,050)
Actuarial loss/gain on present value of defined benefit obligation	1,571,758	(8,980,920)
Present value of defined obligation at the end	**89,320,608**	**71,506,649**
Movement during the year in the net liability recognized in the financial statements is as under:		
Opening balance	72,324,287	61,606,823
Charge for the year	19,456,820	14,696,514
Paid during the year	(3,214,619)	(3,979,050)
Closing balance	**88,566,488**	**72,324,287**
Reconciliation of obligation of staff retirements benefit:		
Present value of obligation	89,320,608	71,506,649
Net actuarial loss to be recognized in later period	(754,120)	817,638
	88,566,488	**72,324,287**
Expenses recognized in the profit & loss account is:		
Current service cost	10,160,956	7,505,586
Interest cost	9,295,864	6,996,458
Actuarial loss	—	194,470
	19,456,820	**14,696,514**
The allocation of charge for the year is as follows:		
Cost of Sales	16,979,703	12,571,801
Administrative expenses	2,477,117	2,124,713
	19,456,820	**14,696,514**

		2010 RUPEES	2009 RUPEES

8. LONG TERM LOANS
LOANS FROM RELATED PARTIES - UNSECURED

		2010 RUPEES	2009 RUPEES
From directors		23,755,913	29,755,913
Current portion shown under current liabilities		(6,000,000)	(6,000,000)
		17,755,913	23,755,913

The above loan is mark-up free

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

9. TRADE AND OTHER PAYABLES

		2010 RUPEES	2009 RUPEES
Creditors		355,932,424	371,717,678
Bills payable		18,899,050	14,218,281
Accrued liabilities	Note 9.1	38,475,544	56,653,931
Advances from customers		6,348,432	1,269,191
Workers' profit participation fund	Note 9.2	28,913,496	58,542,058
Workers' welfare fund		7,327,211	9,096,316
Unclaimed dividend & bonus fractions		881,638	611,340
Other liabilities	Note 9.3	125,320	275,797
		456,903,115	512,384,592

9.1 Accrued liabilities includes provision of Rs. 112,994/- (2009: 10,229,733/-) due to associated company Liberty Energy (Pvt) Limited.

The maximum aggregate amount due to an associated undertaking at the end of any month during the year was Rs 16,998,273/- (2009 : Rs. 9,167,309/-).

9.2 Workers' Profit Participation Fund:

	2010 RUPEES	2009 RUPEES
Balance at the beginning of the year	58,542,058	43,182,735
Interest on last year's balance	13,143,397	5,049,497
	71,685,455	48,232,233
Paid to trust	(71,685,455)	(22,843,772)
	—	25,388,461
Allocation for the year	28,913,496	33,153,596
Balance at the end of the year	28,913,496	58,542,058

Interest on the W.P.P.F. is provided @ 37.50% per annum (2009: 16.50%).

		2010 RUPEES	2009 RUPEES
9.3	**Other liabilities**		
	Employees vehicle purchase scheme	85,400	244,670
	Income tax payable	39,920	31,127
		125,320	275,797

10. ACCRUED MARK-UP

Mark-up on long term financing	10,065,655	2,645,011
Mark-up on short term borrowings	34,592,472	29,310,339
	44,658,127	31,955,350

11. SHORT TERM BORROWINGS-SECURED

Utilised under markup arrangement		
From banking companies		
Export refinance	1,805,959,000	1,706,000,000
Running finance	6,494,917	4,854,715
	1,812,453,917	1,710,854,715

BANK	Rate of mark-up range		Facility limit in million		Renewal
	2010	2009	2010	2009	
Export refinance					
Habib Metropolitan Bank Ltd.	8.50%	7.50%	* 166	* 366	27-07-2010
Soneri Bank Limited	8.50%	7.50%	* 100	* 200	31-12-2009
Standard Chartered Bank (Pakistan) Ltd.	–	7.50%	–	150	31-12-2009
Meezan Bank Limited	8.00%	7.00%	185	185	31-12-2009
Allied Bank Limited	8.25%	7.25%	275	275	30-11-2009
Habib Bank Limited	8.50%	7.50%	400	150	31-03-2010
Arif Habib Bank Limited	8.50%	7.50%	200	200	04-11-2009
Bank Al Habib Limited	8.50%	7.50%	180	180	04-11-2009
Faysal Bank Limited	8.50%	–	300	–	31-01-2010
Running finance					
Habib Metropolitan Bank Ltd.	13.25%	14.25%	20	20	31-12-2009
Standard Chartered Bank (Pakistan) Ltd.	14.25%	14.25%	50	50	31-12-2009

* Combined limiti interchangeable between export refinance and foreign currency export refinance.
* In the current financial statements there are no foreign currency export refinance.

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

	2010 RUPEES	2009 RUPEES
12. CURRENT PORTION OF LONG TERM FINANCING AND LOANS FROM RELATED PARTIES		
Current portion of long term financing	122,506,750	12,232,567
Current portion of loans from related parties	6,000,000	6,000,000
	128,506,750	18,232,567
13. PROVISION FOR TAXATION		
Tax payable at beginning of the year	7,021,753	390,289
Tax paid during the year	(68,749,485)	(58,857,851)
Provision for taxation - current	65,920,720	65,689,050
" " " - prior year	—	(199,735)
Tax payable at the end of the year	4,192,987	7,021,753

14. CONTINGENCIES AND COMMITMENTS

14.1 Vide special resolution passed in the Extra Ordinary General Meetings dated March 14, 2009 and July 17, 2008 The Company approved (a) Investment in Subsidiary Liberty Power Tech Limited to the tune of Rs. 3,825 million was approved out of which Rs. 1,447 million have been invested (2009: 534) (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 (2009: 200).

14.2 Guarantees of Rs. 44.146 Million (June 2009: Rs. 44.146 Million) have been given by banks to Sui Southern Gas Company Limited & Collector of Customs.

14.3 Letter of Credits & Contracts for supply of plant and machinery Rs. 3.538 Million (2009: Nil) and for supply of raw materials & spares amounting to Rs. 15.829 Million (June 2009: Rs. 20.557 Million).

14.4 Capital commitment for the next year around Rs. 200 Million (2009; Rs. 150 Million)

15. PROPERTY, PLANT AND EQUIPMENT

		2010	2009
Property, plant and equipment	Note 15.1	1,130,493,319	1,198,568,567
Capital work in progress	Note 15.2	157,817,369	45,647,913
		1,288,310,688	1,244,216,480

15.1 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	Lease hold Land	Factory Building on lease hold land	Non Factory Building on lease hold land	Plant & Machinery	Factory Equip-ments	Office Equip-ments	Computers / Printers	Furniture & Fixtures	Vehicles	Total
As at July 01, 2008										
Cost	39,572,334	360,423,058	51,255,381	1,680,816,656	55,217,101	10,335,677	11,000,639	10,055,046	82,744,333	2,301,420,225
Accumulated Depreciation	4,060,033	100,557,913	9,852,129	815,870,928	33,511,107	6,794,478	8,925,716	5,269,175	50,061,531	1,034,903,010
Net book value	35,512,301	259,865,145	41,403,252	864,945,728	21,705,994	3,541,199	2,074,923	4,785,871	32,682,802	1,266,517,215
Year ended June 30, 2009										
Additions	—	6,333,396	—	42,193,924	4,214,137	506,139	309,684	439,478	2,422,510	56,419,628
Disposals										
Cost	—	—	—	15,425,615	—	331,000	—	—	64,000	15,820,615
Depreciation	—	—	—	13,300,196	—	296,233	—	—	27,597	13,624,025
Net book value	—	—	—	21,125,419	—	34,767	—	—	36,403	2,196,589
Depreciation for the year	353,792	25,228,885	2,031,665	84,365,546	2,342,174	467,015	604,126	467,926	6,310,198	122,171,327
Closing net book value	35,158,509	240,969,657	39,371,587	820,648,687	23,577,957	3,545,556	1,780,481	4,757,422	28,758,711	1,198,568,567
As at June 30, 2009										
Cost	**39,572,334**	**366,756,454**	**51,255,381**	**1,707,584,965**	**59,431,238**	**10,510,816**	**11,310,323**	**10,494,524**	**85,102,843**	**2,342,018,878**
Accumulated Depreciation	**4,413,825**	**125,786,798**	**11,883,794**	**886,936,278**	**35,853,281**	**6,965,260**	**9,529,842**	**5,737,101**	**56,344,132**	**1,143,450,312**
Net book value	**35,158,509**	**240,969,657**	**39,371,587**	**820,648,687**	**23,577,957**	**3,545,556**	**1,780,481**	**4,757,422**	**28,758,711**	**1,198,568,567**
Rate	**1%**	**10%**	**5%**	**10%**	**10%**	**10%**	**30%**	**10%**	**20%**	
As at July 01, 2009										
Cost	39,572,334	366,756,454	51,255,381	1,707,584,965	59,431,238	10,510,816	11,310,323	10,494,524	85,102,843	2,342,018,878
Accumulated Depreciation	4,413,825	125,786,798	11,883,794	886,936,278	35,853,281	6,965,260	9,529,842	5,737,101	56,344,132	1,143,450,312
Net book value	35,158,509	240,969,657	39,371,587	820,648,687	23,577,957	3,545,556	1,780,481	4,757,422	22,758,711	1,198,568,567
Year ended June 30, 2010										
Additions	—	1,557,554	2,417,522	34,143,898	4,801,707	409,700	15,300	1,448,353	4,843,831	49,637,865
Disposals										
Cost	—	—	—	—	—	—	—	—	5,077,680	5,077,680
Depreciation									3,480,859	3,480,859
Net book value	—	—	—	—	—	—	—	—	1,596,821	1,596,821
Depreciation for the year	350,270	23,253,801	1,962,195	80,800,619	2,422,868	505,446	475,136	508,888	5,837,069	116,116,292
Closing net book value	34,808,239	219,273,410	39,826,914	773,991,966	25,956,796	3,449,810	1,320,645	5,696887	26,168,652	1,130,493,319
As at June 30, 2010										
Cost	**39,572,334**	**368,314,008**	**53,672,903**	**1,741,728,863**	**64,232,945**	**10,920,516**	**11,325,623**	**11,942,877**	**84,868,994**	**2,386,579,063**
Accumulated Depreciation	**4,764,095**	**149,040,599**	**13,845,989**	**967,736,897**	**38,276,149**	**7,470,706**	**10,004,978**	**6,245,989**	**58,700,342**	**1,256,085,745**
Net book value	**34,808,239**	**219,273,410**	**39,826,914**	**773,991,966**	**25,956,796**	**3,449,810**	**1,320,645**	**5,696,887**	**26,168,652**	**1,130,493,319**
Rate	**1%**	**10%**	**5%**	**10%**	**10%**	**10%**	**30%**	**10%**	**20%**	

Note: Depreciation charge has been allocated to	**2010 RUPEES**	**2009 RUPEES**
Cost of sales	106,827,558	112,290,397
Administrative expenses	9,288,734	9,880,930
	116,116,292	**122,171,327**

15.2 Capital work in progress:

	Factory/Non factory Building on Lease Hold Land	Plant & Machinery	Other Assets	Total
Balance as at July 01, 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**
Capital expenditure incurred during the year	28,336,250	121,015,585	2,094,799	151,446,634
Capitalization of borrowing cost	—	543,195	—	543,195
Transfer to operating fixed assets	(3,975,076)	(34,143,898)	(1,701,399)	(39,820,373)
Balance as at June 30, 2010	**67,794,088**	**89,629,880**	**393,400**	**157,817,369**

Rate of Mark-up of borrowing cost capitalized between 8.95% to 9.80%

15.3 DETAILS OF DISPOSAL OF FIXED ASSETS

S. No.	DESCRIPTION	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	S O L D T O	Mode of Disposal
	Plant & Machinery						
1	Suzuki Cultus Car AHM-802	609,000	367,098	241,902	300,000	MR. Noor Mohammad Moten House #373-B, Block "B" Adamjee Nagar Karachi.	Negotiation
2	Honda Civic Exi Car ADS-182	945,000	780,223	164,777	475,000	EFU General Insurance Ltd. Karachi.	Insurance claim
3	Toyota Corolla Car AED-131	1,192,680	932,724	259,956	400,000	Mrs.Qurat Ul Ain Khurram Flat# F-103, Tosso Apartment, Sharafabad, Karachi.	Negotiation
4	Honda Civic Car AHK-238	1,042,000	628,103	413,897	450,000	Mr. Awal Nawaz Khattak House # 1/H-30, Falcon Comples, Malir Cantt, Karachi.	Negotiation
5	Suzuki Mehran Car ANA-397	350,000	170,330	179,670	260,000	EFU General Insurance Ltd. Karachi.	Insurance claim
6	Toyota Corolla Car AGV-876	939,000	602,382	336,618	600,000	EFU General Insurance Ltd. Karachi.	Insurance claim
	JUNE 2010	**5,077,680**	**3,480,860**	**1,596,820**	**2,485,000**		
	JUNE 2009	**15,820,615**	**13,624,026**	**2,196,589**	**2,561,000**		

		2010 RUPEES	2009 RUPEES
16.	**INVESTMENT PROPERTY**		
	COST		
	Opening balance	10,697,180	3,454,823
	Addition during the year	—	7,242,357
	Closing balance	10,697,180	10,697,180
	DEPRECIATION		
	Opening balance	2,179,408	1,945,348
	Provided during the year	482,506	234,060
	Closing balance	2,661,914	2,179,408
	Closing written down value	8,035,266	8,517,772

16.1 Carrying Value

	2010 RUPEES	2009 RUPEES
Net book value as at July 01, 2009	8,517,772	1,509,475
Add: addition during the year	—	7,242,357
Less: Depreciation	(482,506)	(234,060)
Closing balance as at June 30, 2010	8,035,266	8,517,772

17. LONG TERM INVESTMENT

		2010 RUPEES	2009 RUPEES
In subsidiary company			
Liberty power tech limited - unquoted	Note 17.1		
144,700,100 ordinary shares (2009: 53,400,000)			
of Rs. 10/- each. Equity held 33.50% (2009: 44.97%)		1,447,001,000	534,000,000
Held to maturity			
Defence saving certificates - at cost	Note 17.2	—	500,000
Less: current maturity		—	(500,000)
Accrued profit thereon		—	1,288,293
Less: Profit maturing currently		—	(1,288,293)
		1,447,001,000	534,000,000

17.1 The Company had passed special resolution under section 208 for investment to the tune of Rs. 3,825 million as disclosed in Note 14.1.

As per Letter of Support issued by Private Power Infrastructural Board the Company has to maintain at least 20% holding in the Share Capital of Liberty Power Tech Limited (LPTL) during the First Six Year from the date of Commercial Operation of LPTL. The Company has also pledged 73,797,050 (2009: 28,459,000) shares break-up value at Rs. 729.115 million (2009: Rs. 250.439 million) of LPTL to lenders of LPTL as a condition of financing by lenders.

The Breakup value of LPTL shares are Rs. 9.88 (2009: Rs. 8.80). The decrease in breakup value is due to the fact that the LPTL is in pre Commercial operation phase hence the administrative expenses are charged to Profit & Loss account as per the requirements of Accounting practices.

		2010 RUPEES	2009 RUPEES
	Reconciliation of Carrying Amount of Investment		
	Balance at the begning of the year	534,000,000	
	Investment During the year	913,001,000	534,000,000
	Balance at the end of the year	1,447,001,000	534,000,000

18. LONG TERM LOANS & ADVANCES - UNSECURED (CONSIDERED GOOD)

	2010 RUPEES	2009 RUPEES
Due from employees	35,094,669	33,186,255
Less: Current portion shown under current assets	13,937,280	12,255,288
	21,157,389	20,930,967
Outstanding for periods		
- Exceeding three years	—	—
- After one year within three years	21,157,389	20,930,967
	21,157,389	20,930,967

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. STORES, SPARES AND LOOSE TOOLS

	2010 RUPEES	2009 RUPEES
Stores	30,187,047	21,297,978
Spare parts	92,318,959	92,981,014
Loose tools	75,211	89,458
	122,581,217	114,368,450
Less: Provision for slow moving and obsolescence	(9,300,000)	(7,220,000)
	113,281,217	107,148,450

20. STOCK-IN-TRADE

	2010 RUPEES	2009 RUPEES
Raw materials	696,758,636	498,202,331
Work-in-process	289,491,818	93,827,537
Finished goods	333,185,266	189,910,263
Packing materials	6,252,718	1,281,040
	1,325,688,438	783,221,171

21. TRADE DEBTS-CONSIDERED GOOD

		2010 RUPEES	2009 RUPEES
Export bills under collection (secured against export letter of credit)		407,235,301	294,836,984
Local-(unsecured)		—	—
Others		138,694,182	190,361,476
Related party	Note 21.1	12,832,293	9,524,949
		558,761,776	494,723,409

21.1 The Maximum amount outstanding due to related party (Soorty Enterprises) is Rs.24.018 million (2009: 22.22million)

22. LOANS AND ADVANCES - UNSECURED (CONSIDERED GOOD)

	2010 RUPEES	2009 RUPEES
Current portion of long term loans to:		
Employees	13,937,280	12,255,288
Advances:		
Against purchases & services	17,575,663	12,189,471
For Expenses	260,439	9,089,638
	31,773,382	33,534,397

23. TRADE DEPOSITS AND PREPAYMENTS

Security deposits	311,000	321,000
Prepayments	2,374,581	15,048,370
	2,685,581	15,369,370

24. ACCRUED PROFIT

Accrued profit on DSC maturing Currently	—	1,288,293
Accrued profit on Multiplier account	50,100	2,446,625
Accrued profit on term deposit	3,728,767	4,832,877
	3,778,867	8,567,795

25. OTHER RECEIVABLES

Duty drawback receivable	63,440,361	38,681,405
Others	570,375	283,707
	64,010,736	38,965,112

26. TAX REFUNDS DUE FROM GOVERNMENT

Sales tax	42,164,075	27,509,199
	42,164,075	27,509,199

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS

Held for trading		
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
Meezan cash fund (3998424.9986 units)	206,678,588	—
	206,678,588	634,287,305

Average yield during the year ranges between 8.15% to 11.99%

The above Investment are under lien to the tune of Rs. 200 million in favour of the lending bank of the Subsidiary Company Liberty Power Tech limited as disclosed in note 14.1

		2010 RUPEES	2009 RUPEES
28. CASH AND BANK BALANCES			
Cash in hand		1,174,575	2,029,796
Balance with banks - in current accounts		39,852,325	76,309,312
- in multiplier & savings accounts	Note 28.1	8,398,778	247,282,981
- in term deposits accounts	Note 28.2	250,000,000	250,000,000
		299,425,678	575,622,089

28.1 The profit rate on multiplier & saving accounts are ranges between 7% to 16.5% (2009: 7% to 16.5%)

28.2 The profit on term deposit account between 10.75% to 11% (2009: 13%)

		2010 RUPEES	2009 RUPEES
29. SALES AND SERVICES			
Export sales		4,402,741,215	4,224,566,346
Local sales		364,271,815	261,739,195
Waste sales		5,861,458	6,758,929
		370,133,273	268,498,124
Less: Sales tax		(161,805)	(210,884)
		369,971,468	268,287,240
SERVICES:			
Cloth processing, printing & dyeing		839,760,573	735,599,648
Less: Sales tax		—	—
		839,760,573	735,599,648
		5,612,473,256	5,228,453,235

		2010 RUPEES	2009 RUPEES
30. COST OF SALES & SERVICES			
Raw material consumed	Note 30.1	3,931,452,851	3,287,202,080
Stores, spares and loose tools consumed	Note 30.2	156,623,284	148,490,351
Salaries and wages including bonus, gratuity and expenses on staff welfare	Note 30.3	250,580,032	216,015,610
Design, stitching, weaving, raising & mending charges		177,960,783	137,909,461
Power, water and gas		434,039,840	390,701,761
Repairs & maintenance		31,284,960	27,169,099
Packing expenses		19,492,982	15,312,638
Provision for slow moving and obsolescence for stores and spares		2,080,000	2,496,000
Rent, rates & taxes		1,951,146	1,946,811
Insurance		12,250,819	7,220,150
Research & development expenses		13,750,773	108,924,570
Depreciation		106,827,558	112,290,397
Less: Duty drawback		(82,871,839)	(25,455,374)
COST OF PRODUCTION		5,055,423,189	4,430,223,555
Work-in-process - Opening stock		93,827,537	84,532,970
- Closing stock		(289,491,818)	(93,827,537)
		(195,664,281)	(9,294,567)
COST OF GOODS MANUFACTURED		4,859,758,908	4,420,928,988
Finished goods - Opening stock		189,910,263	95,012,674
- Closing stock		(333,185,266)	(189,910,263)
		(143,275,003)	(94,897,589)
		4,716,483,905	4,326,031,399

30.1 RAW MATERIAL CONSUMED:

PARTICULARS	Raw Materials	Packing Materials	Total 2010	Total 2009
	Rs.	Rs.	Rs.	Rs.
Opening Stock	498,202,331	1,281,040	499,483,371	568,992,071
Add: Purchases	4,078,345,021	56,635,813	4,134,980,834	3,217,693,380
	4,576,547,352	57,916,853	4,634,464,205	3,786,685,451
Less: Closing Stock	696,758,636	6,252,718	703,011,354	499,483,371
Consumed	**3,879,788,715**	**51,664,136**	**3,931,452,851**	**3,287,202,080**

30.2 Stores, spares and loose tools consumed	**2010 RUPEES**	**2009 RUPEES**
Opening stock	114,368,450	118,154,769
Add: Purchases	226,545,854	191,882,884
	340,914,304	310,037,653
Less:		
Capitalized		
Capital work in progress	61,709,803	39,936,495
Investment Property	—	7,242,357
	61,709,803	47,178,852
Closing Stock	122,581,217	114,368,450

30.3 It includes Rs.16,979,703\= in respect of staff retirement benefits (2009 : Rs. 12,571,801\=).

31. DISTRIBUTION COST

Export expenses	24,057,830	18,427,805
Export freight & insurance	95,264,271	99,148,876
Cartage	1,319,295	2,106,827
Forwarding & handling charges	8,357,125	11,546,858
Commission on processing & sales	8,014,195	40,910
	137,012,716	131,271,276

		2010 RUPEES	2009 RUPEES
32. ADMINISTRATIVE EXPENSES			
Salaries and wages including bonus, gratuity and expenses on staff welfare	Note 32.1	92,584,607	81,011,706
Security charges		3,057,980	1,940,320
Rent, rates & taxes		347,344	398,614
Legal & professional charges		2,295,748	1,460,327
Insurance		321,325	236,769
Conveyance		535,629	477,547
General expenses		5,599,370	4,580,401
Postage & telegram		257,846	219,232
Telephone		3,402,333	3,621,413
Subscription		2,156,691	1,369,874
Travelling		9,909,839	5,309,501
Printing & stationary		1,657,595	1,452,219
Motor vehicle expenses		7,742,514	6,804,072
Advertisement		316,173	229,861
Donations and corporate social responsibilities	Note 32.2	17,970,119	9,928,923
Auditors remuneration	Note 32.3	343,925	290,200
Depreciation		9,288,734	9,880,930
		157,787,772	129,211,911

32.1 Salaries and wages including bonus, gratuity and expenses on staff welfare includes Rs. 2,477,117/= in respect of staff retirement benefits (2009 : Rs. 2,124,713/=).

32.2 Donation and corporate social responsibilities:
None of the Directors or their Spouses has any interest in donee's fund.

32.3 Auditors' Rumenration

	2010 RUPEES			2009 RUPEES		
	Hyder Bhimji & Co.	F.R.A.N.T.S & 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.	74,225	39,700	113,925	34,800	25,400	60,200
	189,225	**154,700**	**343,925**	**149,800**	**140,400**	**290,200**

		2010 RUPEES	2009 RUPEES
33. OTHER OPERATING EXPENSES			
Workers' profit participation fund	Note 9.1	28,913,496	33,153,596
Workers' welfare fund		7,327,211	2,068,715
		36,240,707	35,222,311

		2010 RUPEES	2009 RUPEES
34.	**INCOME FROM INVESTMENT PROPERTY**		
	Rental Income	6,600,000	6,360,000
	Less: Depreciation expenses	(482,508)	(234,060)
		6,117,492	6,125,940
35.	**OTHER OPERATING INCOME**		
	Income from financial assets		
	Profit on bank deposits	37,288,987	33,111,370
	Dividend income		170,965
	Income on investment in defence saving certificate	236,707	282,863
	Income of Financial assets through profit & loss	43,069,311	30,533,617
		80,595,005	64,098,815
	Income from non financial assets		
	Foreign exchange gain	93,691,821	102,782,620
	Commission	1,703,379	1,730,753
	Gain on disposal of fixed assets	888,180	364,411
		96,283,380	104,877,784
		176,878,385	168,976,599
36.	**FINANCE COST**		
	Interest on long term financing	24,417,783	10,847,721
	Mark-up on short term borrowings	127,582,954	102,631,479
	Interest on workers' participation fund	13,143,397	5,049,497
	Bank charges and commission	40,770,690	35,440,562
		205,914,824	153,969,260
37.	**TAXATION:**		
	Current Note 37.1	65,920,720	65,689,050
	Prior year	—	(199,735)
		65,920,720	65,489,315
	Deferred	(790,000)	(70,000)
		65,130,720	65,419,315

37.1 Relationship between tax expense and accounting profit

	2010 %	2009 %
Applicable Tax rate	35.00	35.00
Tax effect of income covered under presumptive income	(22.84)	(24.57)
Effective Tax rate for the current year	12.16	10.43

		2010 RUPEES	2009 RUPEES
38.	**EARNING PER SHARE - BASIC & DILUTED**		
	Profit after taxation	476,898,489	562,430,302
	Weighted average number of oridinary shares	22,610,139	22,610,139
	Basic & diluted earning per share	21.09	24.88

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

39. WORKING CAPITAL CHANGES
(INCREASE)/DECREASE IN CURRENT ASSETS:

	2010	2009
Stores, spares and loose tools	(8,212,767)	3,786,319
Stock-in-trade	(542,467,267)	(34,683,456)
Trade debts	(64,038,367)	361,285,581
Loans and advances	1,761,015	(170,802)
Trade deposit and prepayments	12,683,789	(13,810,640)
Accrued profit	4,788,928	(7,562,365)
Other receivables	(25,045,624)	17,576,069
Current maturity of long term investment	500,000	—
	(620,030,293)	**326,420,706**
INCREASE/(DECREASE) IN CURRENT LIABILITIES		
Trade and other payables	(55,481,476)	(6,764,394)
Short term borrowings	101,599,202	672,937,843
	(573,912,567)	**992,594,155**

40. CASH AND CASH EQUIVALENTS

	2010	2009
Cash & bank balances	**299,425,678**	**575,622,089**
Financial assets at fair value through profit & loss	**206,678,588**	**634,287,305**
	506,104,266	**1,209,909,394**

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	2010				2009			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial Remuneration	—	2,766,000	3,904,055	6,670,055	—	2,184,000	2,750,000	4,934,000
Perquisites and Allowances								
Car for Company's and Personal Use (approximate monitory value)	533,607	475,645	259,775	1,269,027	508,807	568,599	292,161	1,369,567
	533,607	3,241,645	4,163,830	7,939,082	508,807	2,752,599	3,042,161	6,303,567
Number of Persons	1	4	3	8	1	5	2	8

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	2010 RUPEES	2009 RUPEES
Subsidiary company	Rent received	6,000,000	6,000,000
Associated company	Services obtained (inclusive of sales tax)	138,554,434	120,766,203
Associated company	Services Provided	83,860,374	64,575,089
Associated company	Payment Received	80,553,779	65,340,260
Associated company	Machinery Sold	—	2,500,000
Associated company	Rent received	600,000	360,000
Associated company	Rent Paid	1,500,000	1,425,000
Associated company	Reimbursement of bank charges & commission	—	58,417
Directors	Loan from directors	23,755,913	29,755,913

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.

43. FINANCIAL INSTRUMENTS BY CATEGORY

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

FINANCIAL ASSETS:

Long term Investments	1,447,001,000	534,000,000
Long term loans and advances	21,157,389	20,930,967
Long term deposits	3,026,023	3,026,023
Trade debts	558,761,776	494,723,409
Loans and advances	31,773,382	33,534,397
Trade deposits and prepayments	2,685,581	15,369,370
Accrued profit	3,778,867	8,567,795
Other receivables	64,010,736	38,965,112
Financial assets at fair value through profit & loss	206,678,588	634,287,305
Cash and bank balances	299,425,678	575,622,089
	2,638,299,020	2,359,026,466

	2010 RUPEES	2009 RUPEES
FINANCIAL LIABILITIES:		
Long term financing	607,891,448	151,544,015
Long term loans	23,755,913	29,755,913
Trade and other payables	456,903,115	512,384,592
Accrued markup	44,658,127	31,955,350
Short term borrowings	1,812,453,917	1,710,854,715
	2,945,662,520	2,436,494,585

44. FINANCIAL INSTRUMENTS & RELATED DISCLOSURES

44.1 Financial Risk Management Objectives

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

A 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.

Credit risk arises from all financial assets as mention in note 42 except cash in hand. Out of total financial assets, those that are subject to credit risk amounted to Rs. 2,637.124 million (Rs. 2,436.495 million).

For Trade debts, credit risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and through letter of credit. The utilization of credit limit is regularly monitored. Accordingly the credit risk is minimal and the Company also believes that it is not exposed to major concentration of credit risk.

Due to Company's long standing relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company.

B Liquidity Risk Management

Liquidity risk reflects the company’s inability in raising funds to meet commitments. Management closely monitors the company’s liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments excluding the impact of netting arrangements.

2010 (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 Liabilities							
Long term financing	122,506,750	485,384,698	607,891,448	—	—	—	607,891,448
Loan from related parties	—	—	—	6,000,000	17,755,913	23,755,913	23,755,913
Short term borrowings	1,812,453,917	—	1,812,453,917	—	—	—	1,812,453,917
Trade & other paybles	28,913,542	—	28,913,542	427,989,636	—	427,989,636	456,903,178
Total	**1,963,874,209**	**485,384,698**	**2,449,258,907**	**433,989,636**	**17,755,913**	**451,745,549**	**2,901,004,456**

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 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**

The contractual cashflows relating to the above financial liabilities have been determined on the basis of markup rate effective as at 30 June. The rate of markup have been disclosed in the respective notes of the Financial Statements.

C Market Risk

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

D Liquidity Risk Management

Interest / Markup rate risk management arises from the possibility of changes in interest / Markup rates which may affect the value of financial instruments. At June 30, 2010 the company's financial instruments mainly affected due to changes in the interest rate are balances placed on deposits with banks where changes in interest rates may have impact on the future profits / cash flows. The effect of changes in interest rates on the future profits arising on the balances placed on deposits with banks is not considered to be material.

E Foreign exchange risk management

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

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

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

	2010 US Dollars	2009 US Dollars
Trade Debts	4,767,318	3,635,387
Bills Payable	228,498	174,887
Balance sheet Exposure	**4,995,816**	**3,810,274**

The following significant rates applied during the year:	2010	2009
	Balance Sheet Date Rate	
US Dollar to PKR	85.40	81.10

Sensitivity Analysis

A 10 percent strengthening / weakning of the Rupees against US Dollar at 30 June would have increased / decreased equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit and Loss Account 2010	2009
As at June 30		
Effects in US Dollars (gain / loss)	38,761,519	28,064,658

Fair value of financial instruments

The carrying value of all the financial assets & liabilities reflected in the financial statements approximates their fair value. The methods used for in determining fair values of each class of financial assets and liabilities are disclosed in respective policy notes.

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, 2010.

During the year the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2010 and 2009 were as follows:

Total borrowings	2,444,101,278	1,892,154,643
Less : cash and bank balances	299,425,678	575,622,089
Net debt	2,144,675,600	1,316,532,554
Total equity	2,365,021,709	2,001,173,914
Total Capital	4,509,697,309	3,317,706,468
Gearing ratio	47.56%	39.68%

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.

46. ENTITY WIDE INFORMATION

46.1 The Company constitutes of a single reportable segment, the principal classes of customers to which products are provided are:

	2010	2009
Export Sales	78.45%	80.80%
Local Sales	6.59%	5.13%
Services	14.96%	14.07%

46.2 Information about Geographical areas

The Company holds following non current assets in foreign currency

	USD	USD
Trade Debts	4,767,318	3,635,387

47. PLANT CAPACITY AND PRODUCTION

Dyeing, Printing & Finishing		**47.56%**	**39.68%**
Production capacity for 3 shifts per day	meters	66,000,000	66,000,000
Actual production	meters	69,343,954	60,718,057

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.

48. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2010, the Board of Directors have proposed a final dividend of Rs. 3/= per share, in their meeting held on October 5, 2010 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. 430 million.

49. DATE OF AUTHORIZATION FOR ISSUE

These Financial statements were authorized for the issue on October 5, 2010 by the Board of Directors of the company at Karachi.

50. GENERAL

Figures have been rounded off to the nearest rupee.

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Combined Pattern CDC and Physical shareholding as on June 30, 2010

NUMBER OF SHARE HOLDERS	SHARE HOLDING FROM	TO	TOTAL SHARES HELD
1,497	1	100	16,274
162	101	500	40,994
45	501	1000	32,500
57	1001	5000	123,258
6	5001	10000	46,154
4	10001	15000	50,298
1	15001	20000	15,571
1	25001	30000	25,466
1	35001	40000	36,291
1	395001	400000	400,000
1	545001	550000	545,150
1	1645001	1650000	1,646,694
1	1720001	1725000	1,721,064
1	2175001	2180000	2,177,020
1	3030001	3035000	3,033,424
1	3925001	3930000	3,929,474
1	4345001	4350000	4,348,678
1	4420001	4425000	4,421,829
1,783			**22,610,139**

Categories of shareholders as at June 30, 2010

S. No.	Shareholders Category	Number of Shareholders	Number of Shares Held	Percentage
1	Individual	1,771	21,625,771	95.65
2	Joint Stock Company	9	982,950	4.35
3	Financial Institutions	3	1,418	0.01
		1,783	**22,610,139**	**100.00**

Details of pattern of share holding as per requirements of Code of Corporate Governanace as on June 30, 2010

S. NO.	CATEGORIES OF SHARE HOLDERS	Number of shareholders	Number shares held	Category wise No. of Shares Held	Percentage
1.	**Associated Companies**		Nil		
2.	**NIT / ICP**	3		1,418	0.01
	Investment Corporation of Pakistan (Karachi)		741		
	Investment Corporation of Pakistan (Lahore)		227		
	IDBP (Investment Corporation of Pakistan-Unit)		450		
3.	**Directors, CEO, their Spouses and Minor Children**	11		11,326,601	50.10
	Mr. Salim N. Mukaty	4,348,678			
	Mr. Muhammad Ashraf Salim Mukaty	2,177,020			
	Mrs. Hameeda Salim Mukaty - Spouse (Chairman)	1,721,064			
	Mrs. Farheen Ashraf Mukaty - Spouse (C.E.O.)	3,033,424			
	Mr. Arif Haji Abdul Sattar Maniya	25,466			
	Mr. Yusuf N. Mukaty	3,902			
	Mr. Noor Muhammad Yusuf Mukaty	3,795			
	Mr. Madni Gul Muhammad	3,795			
	Mr. Luqman F. Poonawala	3,795			
	Mr. Asif Younus Bawany	3,162			
	Mr. M. Imran Sheikhani	2,500			
4.	**Executives**		Nil		
5.	**Public Sector Companies and Corporations**		Nil		
6.	**Banks, Fianance Institutions, Non-Banking Finanace Institutions, Insurance Companies, Modaraba and Mutual Funds**				

Shareholders holding Shares 10% or more

Total Paid up Capital	**22,610,139**	**Shares Holding**	**%**
Mrs. Marzia Obaid Bawany		**4,421,829**	**19.56**
Mr. Muhammad Salim N. Mukaty		**4,348,678**	**19.23**
Mrs. Nargis Shahid Soorty		**3,929,474**	**17.38**
Mrs. Farheen Ashraf Mukaty		**3,033,424**	**13.42**

Consolidated Financial Statements

THE LIBERTY MILLS LIMITED and its Subsidiary Company

LIBERTY POWER TECH LIMITED

Directors' Review on Consolidated Financial Statements

The Board of Directors has pleasure in presenting the Audited Financial Statements of Liberty Mills Limited (The Company) and its Subsidiary Liberty Power Tech Limited (The Subsidiary Company) for the year ended June 30, 2010.

The Company holds 33.50% shares in the Subsidiary Company. The Subsidiary Company LPTL is progressing well and will Inshallah achieve its Commercial operation date by the end of October or first week of November 2010, which is ahead of its expected COD date that was December 31, 2010.

OPERATING RESULT:

Operating results of the Company are noted below:	**June 30, 2010 (Rs. in thousands)**	**Restated June 30, 2009 (Rs. in thousands)**
Sales and Services	5,612,473	5,228,453
Gross Profit	895,989	902,422
Profit before Taxation	522,257	605,496
Taxation	(65,131)	(65,419)
Profit after Taxation	457,126	540,076
Attributable to:		
- Equity Holders	470,275	552,377
- Minority interest	(13,149)	(12,301)
Earning per share is	20.22	23.89

The Directors Report on the Liberty Mills Limited for the year ended June 30, 2010 has been separately presented in this report.

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

Karachi: October 05, 2010

HYDER BHIMJI & CO.
Chartered Accountants
2nd Floor, Standard Insurance House
I.I. Chundrigar Road
Karachi.

F.R.A.N.T.S. & Co.
Chartered Accountants
P.O. Box No. 12340,
Karachi – 75500.

Auditors' report on consolidated financial statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of LIBERTY MILLS LIMITED (the Holding Company) and LIBERTY POWER TECH LIMITED (the Subsidiary) as at June 30, 2010 and the related consolidated Profit and Loss Account, consolidated statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company. Subsidiary have been audited by another firm of Chartered Accountants, whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such Subsidiary, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Based on information provided to us by management, the depreciation method used by the management of subsidiary company is not in accordance with the policy of the holding company.

With the exception of the matter described in the preceding paragraph, in our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its Subsidiary as at June 30, 2010 and the result of their operations for the year then ended.

Hyder Bhimji & Co.

HYDER BHIMJI & CO.
Chartered Accountants

Engagement Partner:
Hyder Ali Bhimji

Frants & Co.

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

Engagement Partner:
Muhammad Fahim

Karachi: October 05, 2010

Consolidated Balance Sheet as at 30th June, 2010

EQUITY AND LIABILITIES	NOTE	2010 RUPEES	Restated 2009 RUPEES
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorised Capital: 40,000,000 (2009: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	6	226,101,390	226,101,390
General reserves	7	1,570,000,000	1,170,000,000
Unappropriated profit		552,243,334	595,019,502
		2,348,344,724	1,991,120,892
Minority interest		2,840,537,455	634,733,088
NON-CURRENT LIABILITIES			
Long term financing	8	12,367,137,613	3,390,210,938
Deferred liabilities	9	104,129,288	85,449,287
Long term loans	10	17,755,913	23,755,913
CURRENT LIABILITIES			
Trade and other payables	11	1,132,520,083	574,613,999
Accrued mark-up	12	482,389,844	152,441,310
Short term borrowings	13	1,812,453,917	1,710,854,715
Current portion of long term financing and loans from related parties	14	405,472,750	18,232,567
Provision for taxation	15	4,192,987	7,021,753
		3,837,029,581	2,463,164,344
CONTINGENCIES & COMMITMENTS	16	—	—
		21,514,934,573	8,588,434,462

Note: The annexed notes 1 to 50 form an integral part of these financial statements.

LIBERTY
MILLS LIMITED

ASSETS	NOTE	2010 RUPEES	Restated 2009 RUPEES
NON CURRENT ASSETS			
Fixed Assets			
Property, plant & equipment	17	18,571,636,444	5,573,207,750
Investment property	18	8,035,266	8,517,772
Intangibles - goodwill		5,316,649	5,316,649
		18,584,988,359	5,587,042,171
Long term investment	19	—	—
Long term loans and advances	20	21,157,389	20,930,967
Long term deposits		3,026,023	3,026,023
CURRENT ASSETS			
Stores, spares and loose tools	21	113,281,217	107,148,450
Stock-in-trade	22	1,325,688,438	783,221,171
Trade debts	23	558,761,776	494,723,410
Loans and advances	24	33,888,414	37,061,917
Trade deposits and prepayments	25	2,901,581	15,585,370
Accrued profit	26	4,101,244	8,762,645
Other receivables	27	64,010,736	38,965,112
Tax refunds due from government	28	48,719,652	27,659,496
Current maturity of long term investment		—	500,000
Financial assets at fair value through profit & loss	29	206,678,588	634,287,305
Cash and bank balances	30	547,731,156	829,520,425
		2,905,762,802	2,977,435,301
		21,514,934,573	8,588,434,462

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Consolidated Profit and Loss Account for the year ended 30th June, 2010

	NOTE	2010 RUPEES	Restated 2009 RUPEES
Sales & services	31	5,612,473,256	5,228,453,235
Cost of sales and services	32	(4,716,483,905)	(4,326,031,399)
Gross profit		895,989,351	902,421,836
Distribution cost	33	(137,012,716)	(131,271,276)
Administrative expenses	34	(171,560,419)	(144,592,581)
Other operating expenses	35	(36,240,707)	(35,222,311)
		(344,813,842)	(311,086,168)
		551,175,509	591,335,668
Income from investment property	36	117,492	125,940
Other operating income	37	176,878,385	168,976,599
Operating profit		728,171,386	760,438,207
Finance cost	38	(205,914,824)	(154,942,527)
Profit before taxation		522,256,562	605,495,680
Provision for Income Tax	39	(65,130,720)	(65,419,315)
Profit after taxation		457,125,842	540,076,365
Earning per share - basic & diluted	40	20.22	23.89

The annexed notes 1 to 50 form an integral part of these financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

LIBERTY
MILLS LIMITED

Consolidated Statement of Comprehensive Income for the year ended 30th June, 2010

	2010 RUPEES	Restated 2009 RUPEES
Profit for the year	457,125,842	540,076,365
Other comprehensive income - net of taxation	—	—
Total comprehensive income for the year	**457,125,842**	**540,076,365**

Note: The annexed notes 1 to 50 form an integral part of these financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Consolidated Cash Flow Statement
for the year ended 30th June, 2010

	NOTES	2010 RUPEES	Restated 2009 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		522,256,562	605,495,680
Adjustments for non cash charges and other items			
Depreciation		122,212,232	124,190,539
Provision for staff retirements benefit (net)		19,470,001	10,717,464
Provision for slow moving and obsolete stores and spares		2,080,000	2,496,000
Gain on disposal of fixed assets		(888,180)	(364,411)
Finance cost		205,914,824	154,942,527
		348,788,877	**291,982,119**
		871,045,439	**897,477,799**
Working capital changes	41	40,759,955	1,050,885,191
(Increase)/decrease in long term loans and advances		(226,422)	2,957,478
Long term deposit		—	(203,160)
Financial cost paid		124,033,710	(24,644,079)
Taxes paid		(68,749,485)	(58,857,851)
Tax refund received		(21,060,156)	8,944,911
Net cash in flow from operations		**945,801,372**	**1,876,560,289**
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditures		(13,121,755,240)	(4,406,379,452)
Acquisition of subsidiary		—	641,717,354
Proceeds from disposal of fixed assets		2,485,000	2,561,000
Assets written off		—	18,367
Net cash out flow from investing activities		(13,119,270,240)	(3,762,082,731)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceed from Share Insurance		2,218,953,050	—
Proceed / (Payment) of long term finance		9,364,166,858	3,237,175,838
(Payment) of loan from related parties		(6,000,000)	(58,417)
Dividend paid		(113,050,695)	(33,915,209)
Net cash in flow / (out flow) from financing activities		11,464,069,213	3,203,202,212
Net increase / (decrease) in cash and cash equivalents		(709,399,655)	1,317,679,771
Cash and cash equivalents at the beginning of the year		1,463,807,730	146,127,959
Cash and cash equivalents at the end of the year	42	**754,409,744**	**1,463,807,730**

The annexed notes 1 to 50 form an integral part of these Financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

LIBERTY
MILLS LIMITED

Statement of Changes in Equity
for the year ended 30th June, 2010

	Share Capital	General Reserve Revenue	Un-Appropriated Profit	Sub TOTAL	Minority Interest	TOTAL
Balance as on 30th June, 2008	**226,101,390**	**870,000,002**	**376,557,429**	**1,472,658,821**	—	**1,472,658,821**
Minority Interest arrising in Investment in Subsidiary	—	—	—	—	612,204,019	**612,204,019**
Effect of Prior period errors	—	—	—	—	34,829,984	**34,829,984**
Final dividend for the year ended 30th June, 2008 Cash @ 15% Rs. 1.50 per share	—	—	(33,915,209)	(33,915,209)	—	**(33,915,209)**
Transfer to revenue reserve	—	299,999,998	(299,999,998)	—	—	—
Comprehensive Income for the year ended 30th June, 2009	—	—	552,377,280	552,377,280	(12,300,915)	**540,076,365**
Balance as on 30th June, 2009 Restated	**226,101,390**	**1,170,000,000**	**595,019,502**	**1,991,120,892**	**634,733,088**	**2,625,853,980**
Minority Investment during the period	—	—	—	—	2,218,953,050	**2,218,953,050**
Final dividend for the year ended 30th June, 2009 Cash @ 50% Rs. 5.00 per share	—	—	(113,050,695)	(113,050,695)	—	**(113,050,695)**
Transfer to revenue reserve	—	400,000,000	(400,000,000)	—	—	—
Comprehensive Income for the year ended 30th June, 2010	—	—	470,274,526	470,274,526	(13,148,684)	457,125,842
Balance as at June 30, 2010	**226,101,390**	**1,570,000,000**	**552,243,334**	**2,348,344,724**	**2,840,537,455**	**5,188,882,178**

The annexed notes 1 to 50 form an integral part of these Financial statements.

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Notes to the Consolidated Financial Statements for the year ended 30th June, 2010

1. THE GROUP AND ITS OPERATIONS

The Group consist of:

Holding Company
Liberty Mills Limited

Subsidiary Company
Liberty Power Tech Limited

LIBERTY MILLS LIMITED

Liberty Mills Limited 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.

LIBERTY POWER TECH LIMITED

Liberty Power Tech Limited (The Company) was incorporated in Pakistan on September 13, 2007 as a public limited company under the Companies Ordinance, 1984 (The Ordinance) and is the subsidiary company of Liberty Mills Limited. The principal activity of the Company is to own, operate and maintain a Residual Furnace Oil (RFO) power project with an installed capacity of 200 Megawatt near Faisalabad under 2002 Power Policy of the Government of Pakistan. The Company will supply electricity to WAPDA through its subsidiary National Transmission Distribution Company (NTDC). The Registered Office of the Company is situated at 4th Floor, Rehman Plaza, Queens Road, Lahore. The Company achieved Financial Close on March 12, 2009 and is expected to commence commercial production in second half of 2010.

2 BASIS OF CONSOLIDATION

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

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

Intra group balances and transactions have been eliminated

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

3 BASIS OF PREPARATION

3.1 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.

3.2 Accounting estimates and judgements

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 judgement in the process of applying the Company's accounting policies. Estimate and judgements 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

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE:

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

	Standard or Interpretation	Effective Date for Accounting period beginning on or after
IFRS 2	Share-based payment: Amended relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IAS -24	Related Party Disclosures (revised)	January 01, 2011
IAS 32	Financial Instruments: Presentation- Classification of Right Issue	February 1, 2010
IFRIC 14	The limit on defined benefit asset, minimum funding requirements and their interaction (Amendments)	January 01, 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Company expect that the adoption of the above revisions, amendments and interpretations of the standards will not have any material impact on the Company's financial statements in the period of initial application.

In Addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project April 2009 primarily with a view to remove inconsistencies and clarify wordings. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Company expect that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Standards, amendments and interpretations adopted during the year

During the year, the following new/revised standards, amendments and interpretations of accounting standards become effective:

Standards, amendments and interpretations:

IFRS-2	Share based payment - Vesting Conditions and Cancellations (Amendment)
IFRS-3	Business Combinations (Revised)
IFRS-7	Financial Instruments: Disclosures (Amendment)
IFRS-8	Operating Segments
IAS -1	Presentation of Financial Statements (Revised)
IAS -23	Borrowing Costs (Revised)
IAS -27	Consolidated and Separate Financial Statements (Amendments)
IAS -32	Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements-puttable Financial Instruments and Obligations Arising on Liquidation (Amendment)

IAS -39 Financial Instruments: Recognition and Measurement- Eligible hedged items (Amendments)

IFRIC -15 Agreement for the Construction of Real Estate

IFRIC -16 Hedges of a Net Investment in a foreign Operation

IFRIC -17 Distributions of Non-Cash Assets to Owners

IFRIC -18 Transfer of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements

Change in accounting policy

The accounting policies adopted in preparation of these financial statements are consistent with those of the previous financial year except for the followings:

Revised IAS 1 ' Presentation of financial Statements'

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line item in the statement of changes in equity. In addition, the standard introduces the statement of comprehensive income which presents all items of recognized income and expense, either in one single statement (the statement of comprehensive income), or in two linked statements (the profit and loss account and the statement of comprehensive income).

The Company has chosen to present all non-owner changes in equity in two performance statement - profit and loss account and statement of comprehensive income

IAS 23 ' Borrowing Costs'

This standard requires that the Company capitalised the borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets as part of the cost of that assets.

IAS 36 ' Impairment of Assets'

This standard requires that the disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows.

IAS 38 'intangible Assets'

This standard requires that the prepayment may only be recognised in the event that prepayment has been made in advance of obtaining right of access to goods or receipt of services.

IFRS 7 ' Financial Instruments - Disclosures'

This standard requires enhanced disclosures about the fair value measurement and liquidity risk. In particular, the ammendment requires disclosures of fair value measurements by level of fair value measurement hierarchy.

IFRS 8 'Operating Segments'

This standards requires the Company to determine and present operating segments based on the information that is provided internally to the Company's Chief Operating Decision Maker', that is, the organisation's function which allocates resources to and assesses performance of its operating segments. Management has determined that the adoption of the said IFRS has only resulted in the some enhanced disclosures.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 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.

4.2 Taxation

Current

Provision for current taxation for holding company 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.

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

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.

4.3 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.

4.4 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.

4.5 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 of Holding Company is charged to income applying the reducing balance method, while during the year subsidiary company is charging depreciation on straight line method over the estimated useful lives of assets at the rates specified in note no.17.1 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.

Depreciation on additions is charged for the full month in which an asset is put to use and on disposal upto the month immediately preceding the disposals.

4.6 Investment property

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

The company adopted the cost model instead of fair value model as described in IAS 40 'Investment Property' since the building rented out is transferred from the operating assets at the historical cost, The 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.

4.7 Intangible assets and amortisation

Goodwill

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

4.8 Long term investments

Held - to - maturity

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

4.9 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 obsolete items, if any, is based on their conditions as at balance sheet date depending upon the management's judgment.

4.10 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.

4.11 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) Provisions
Provisions are recognized when the Company has a present obligation legal or constructive as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

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 purposes of Cash flow statement Cash and cash equivalents consist of Financial assets at fair value through profit & loss.

4.12 Borrowings and Borrowing costs

Borrowings are recognized initially at fair value less directly attributable transaction costs, if any, and subsequently measured at amortized cost. Any difference between proceeds (net of transaction cost) and the redemption value is recognized in the profit and loss account over the period of the borrowings using effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

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

4.13 Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets and investment property may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

4.14 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.

4.15 Dividend and appropriation to reserves

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

5 Prior period errors

During the current period, the Subsidiary Company has rectified the prior period errors related to years ended June 30, 2008 and June 30, 2009, due to which comparative figures in these financial statements have been restated in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The errors pertained to charging off certain expenditures to profit and loss account that were allowed to be capitalized under IAS 16 'Property, Plant and Equipment' or allowed to be netted against the borrowings under IAS 39 'Financial Instruments: Recognition and Measurement'. These errors has been rectified retrospectively and the comparative figures have been restated as follows:

Restatement in balance sheet	**As originally reported June 2009**	**Effect of prior period adjustments**	**(Restated) June 2009**
		Rs. '000'	
Property, plant and equipment	5,471,315	**101,893**	5,573,208
Un-appropriate profit	574,979	**20,041**	595,020
Long-term financing - Secured	(3,408,406)	**5,962**	(3,402,444)
Goodwill	33,785	**(28,468)**	5,317
Minority interest	575,386	**59,347**	634,733

Restatement in profit and loss account	**As originally reported June 2009**	**Effect of prior period adjustments**	**(Restated) June 2009**
		Rs. '000'	
Administrative expenses	(189,149)	**44,556**	(144,593)
Profit for the period	495,520	**44,556**	540,076

6. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

2010 No. of Shares of Rs. 10 each	2009 No. of Shares of Rs. 10 each		2010 RUPEES	Restated 2009 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 alloted as Bonus Shares	98,780,470	98,780,470
22,610,139	22,610,139		226,101,390	226,101,390

7. GENERAL RESERVE

Revenue reserve	1,570,000,000	1,170,000,000

The reserve have created out of revenue in order to meet future exigencies.

8. LONG TERM FINANCING - SECURED FROM BANKING COMPANIES

LTF loan			
Habib Metropolitan Bank Limited	Note 8.1	66,453,495	74,901,996
Standard Chartered Bank (Pakistan) Limited	Note 8.2	29,857,703	33,641,769
Allied Bank Limited	Note 8.3	43,000,250	43,000,250
Habib Bank Limited	Note 8.4	400,000,000	—
Bank Al-falah Limited	Note 8.5	62,681,000	—
Faysal Bank Limited	Note 8.6	5,899,000	—
Long term finance	Note 8.7	1,342,207,338	374,118,359
Long term musharaka	Note 8.7	11,042,839,000	3,080,181,000
		12,992,937,786	3,605,843,374
Less; debt arrangment fee		(226,327,423)	(203,399,869)
		12,766,610,363	3,402,443,505
Current portion shown under current liabilities		(399,472,750)	(12,232,567)
		12,367,137,613	3,390,210,938

8.1 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 commencing 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 for one year 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.

8.2 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 commencing from 13th June 2007. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of LTF finance for one year 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.

8.3 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 finance for one year 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.

8.4 Interest

It carries interest ranges between 14.1% to 14.3% per annum chargeable and payable on quarterly basis.

Repayment

There are four finances three of them are repayable in 7 equal quarterly installments and the last one is repayable in 9 equal Quarterly Installment commencing from 12th September 2010.

Security

The finance is secured by 1st Pari passu Equitable Mortgage and Hypothecation Charge over Land, Building, Plant & Machinery of the Company. Personal Guarantee of Chairman and Chief Executive Officer of the Company.

8.5 Interest

It carries interest ranges between 8.9% to 9.2% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 40 equal quarterly installments commencing from 5th June 2010. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of LTF finance for one year 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 ranking charge over Company's Plant & Machinery.

8.6 Interest

It carries interest at the rate of 9.8% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 6 equal half yearly installments commencing from 16th October 2010. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of LTF finance for one year 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.

8.7 The Subsidiary Company has entered into long-term financing agreement with a consortium of banks/financial institutions for Rs. 13,850 million. It carries interest/mark-up rate of 3 months KIBOR plus 3.0% per annum and is repayable in 40 quarterly installments, commencing from March 31, 2011 or within three months of commercial operations whichever is earlier. It is secured by first pari passu charge on immovable property, mortgage of project receivables, hypothecation of all present and future assets and all property of the Subsidiary Company, lien and setoff rights over project accounts, assignment over project insurance and pledge of 51% shares of all sponsors in the Subsidiary Company. The Subsidiary Company may not pay dividend until certain financial requirements under the long term financing agreement are satisfied.

Subsequent to the year end on July 15, 2010 and August 21, 2010, the Subsidiary Company entered into additional long term financing agreements with the same consortium of banks/ financial institutions for Rs. 1,400 million. The interest/mark-up rate, repayment terms and security are same as for the existing financing facility of Rs. 13,850 million.

Holding Company had given lien over its assets to the tune of Rs. 200 million to the lenders.

9. DEFERRED LIABILITIES

		2010 RUPEES	Restated 2009 RUPEES
Deferred tax	Note 10.1	12,335,000	13,125,000
Staff retirements benefit	Note 10.2	91,794,288	72,324,287
		104,129,288	85,449,287

9.1 DEFERRED TAX:

Due to accelerated tax depreciation allowance	19,085,000	18,625,000
Due to timing difference in payments of staff retirements benefit	(6,100,000)	(5,000,000)
Due to timing difference of Provision for slow moving and obsolete item	(650,000)	(500,000)
	12,335,000	13,125,000

9.2 Staff retirements benefit:

To comply with the requirements of IAS-19 "Employee Benefits" as adopted by the Company with effect from 1st July 2002 provision is made as per actuarial valuation of the scheme, the latest actuarial valuation was carried out as on 30th June 2009. The valuation uses the Projected Unit Credit Method. The details are as under:

	2010 RUPEES	Restated 2009 RUPEES
Basic Actuarial assumption adopted:		
Expected rate of increase in salary in future periods	12%	13%
Discount rate	12% & 11%	13%
Average expected remaining working life time of employees	7 & 5 years	7 years

	2010 RUPEES	2009 RUPEES
Movement in the present value during the year		
Present value of obligation at the beginning	71,506,649	69,964,575
Service cost	10,160,956	7,505,586
Interest cost	9,295,864	6,996,458
Benefits paid	(3,214,619)	(3,979,050)
Actuarial loss/gain on present value of defined benefit obligation	1,571,758	(8,980,920)
Present value of defined obligation at the end	**89,320,608**	**71,506,649**
Movement during the year in the net liability recognized in the financial statements is as under:		
Opening balance	72,324,287	61,606,823
Charge for the year	22,684,620	14,696,514
Paid during the year	(3,214,619)	(3,979,050)
Closing balance	**91,794,288**	**72,324,287**
Reconciliation of obligation of staff retirements benefit:		
Present value of obligation	89,320,608	71,506,649
Net actuarial loss to be recognized in later period	(754,120)	817,638
	88,566,488	**72,324,287**
Expenses recognized in the profit & loss account is:		
Current Service cost	10,160,956	7,505,586
Interest cost	9,295,864	6,996,458
Actuarial loss	–	194,470
	19,456,820	**14,696,514**
Expenses recognized in the profit & loss account is:		
Cost of Sales	16,979,703	12,571,801
Administrative expenses	2,477,117	2,124,713
	19,456,820	**14,696,514**

10. LONG TERM LOANS

LOANS FROM RELATED PARTIES - UNSECURED

	2010	2009
From directors	23,755,913	29,755,913
Current portion shown under current liabilities	(6,000,000)	(6,000,000)
	17,755,913	23,755,913

The above loan is mark-up free

The loan are repayable in 20 quarterly installments first payment due on September 30, 2009

11. TRADE AND OTHER PAYABLES

		2010 RUPEES	Restated 2009 RUPEES
Creditors		1,025,095,148	431,387,274
Bills payable		18,899,050	14,218,281
Accrued liabilities	Note 11.1	42,790,950	57,145,390
Advances from customers		6,348,432	1,269,191
Workers' profit participation fund	Note 11.2	28,913,496	58,542,058
Workers' welfare fund		7,327,211	9,096,316
Unclaimed dividend & bonus fractions		881,638	611,340
Retention money		1,298,283	2,067,726
Other liabilities	Note 11.3	965,875	276,424
		1,132,520,083	574,613,999

11.1 Accrued liabilities includes provision of Rs. 112,994/= (2009: 10,229,733\=) due to associated company Liberty Energy (Pvt) Limited.

The maximum aggregate amount due to an associated undertaking at the end of any month during the year was Rs 16,998,273/= (2009 : Rs. 11,980,029/=).

11.2 Workers' Profit Participation Fund:

Balance at the beginning of the year	58,542,058	43,182,736
Interest on last year's balance	13,143,397	5,049,497
	71,685,455	48,232,233
Paid to trust	(71,685,455)	(22,843,772)
		25,388,461
Allocation for the year	28,913,496	33,153,596
Balance at the end of the year	28,913,496	58,542,058

Interest on the W.P.P.F. is provided @ 37.50% per annum (2009: 16.50%).

11.3 Other liabilities

Employees vehicle purchase scheme	85,400	244,670
Income tax payable	880,475	31,754
	965,875	276,424

12. ACCRUED MARK-UP

Mark-up on long term financing	447,797,372	123,130,972
Mark-up on short term borrowings	34,592,472	29,310,338
	482,389,844	152,441,310

		2010 RUPEES	Restated 2009 RUPEES
13. SHORT TERM BORROWINGS-SECURED			
Utilised under markup arrangement			
From banking companies			
Export refinance	Note 13.1	1,805,959,000	1,706,000,000
Running finance		6,494,917	4,854,715
		1,812,453,917	1,710,854,715

BANK	Rate of mark-up range		Facility limit in million		Renewal
	2010	2009	2010	2009	
Export refinance					
Habib Metropolitan Bank Ltd.	8.50%	7.50%	* 166	* 366	27-07-2010
Soneri Bank Limited	8.50%	7.50%	* 100	* 200	31-12-2009
Standard Chartered Bank (Pakistan) Ltd.	–	7.50%	–	150	31-12-2009
Meezan Bank Limited	8.00%	7.00%	185	185	31-12-2009
Allied Bank Limited	8.25%	7.25%	275	275	30-11-2009
Habib Bank Limited	8.50%	7.50%	400	150	31-03-2010
Arif Habib Bank Limited	8.50%	7.50%	200	200	04-11-2009
Bank Al Habib Limited	8.50%	7.50%	180	180	31-01-2010
Faysal Bank Limited	8.50%	–	300	–	
Running finance					
Habib Metropolitan Bank Ltd.	13.25%	14.25%	20	20	31-12-2009
Standard Chartered Bank (Pakistan) Ltd.	14.25%	14.25%	50	50	31-12-2009

* Combined limiti interchangeable between export refinance and foreign currency export refinance.
* In the current financial statements there no foreign currency export refinance.

Security

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

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

	2010 RUPEES	Restated 2009 RUPEES
Current portion of long term financing	399,472,750	12,232,567
Current portion of loans from related parties	6,000,000	6,000,000
	405,472,750	18,232,567

15. PROVISION FOR TAXATION	2010 RUPEES	Restated 2009 RUPEES
Balance at beginning of the year	7,021,753	390,289
Tax paid during the year	(68,749,485)	(58,857,851)
Provision for taxation - current	65,920,720	65,689,050
" " " - prior year	—	(199,735)
Balance at the end of the year	4,192,987	7,021,753

16. CONTINGENCIES AND COMMITMENTS

16.1 The Company has entered into a facility agreement with a commercial bank for issuance of performance guarantee to the Private Power Infrastructure Board (PPIB) for USD 1 million equivalent to Rs. 85.6 million (2009: USD 1 million). The guarantee is valid up to March 31, 2011 and is secured by securities provided by sponsors.

16.2 Under the Power Purchase Agreement (PPA) entered into with NTDC, the Company is required to achieve the COD by December 31, 2010 failing which the Company will be required to pay liquidated damages to the power purchaser. In order to meet this obligation, the Company has entered into a Letter of Credit (LC) facility agreement with a commercial bank in the amount of USD 5.36 million (Rs. 458.816 million) (2009 USD 5.36 million). The LC will expire on January 15, 2011 and is secured by way of securities mentioned in note 7.4

16.3 The Company has entered into equipment supply contract with an associated undertaking to construct the power plant. The remaining capital commitments against this contract amounts to Euro 8.368 million (Rs. 875.124 million) (2009: EURO 90.405 million). In order to meet this commitment, the Company has made arrangement with financial institutions for issuance of Letter of Credit (LC) in the aforementioned amount. The LC facility will expire on January 31, 2011 and is secured by way of securities mentioned in note 7.4

16.4 Guarantees of Rs. 44.146 Million (June 2009: Rs. 44.146 Million) have been given by banks to Sui Souther Gas Company Limited & Collector of Customs.

16.5 Letter of Credits & Contracts for supply of plant & machinery Rs. 3.538 Million (2009: Nil) and for supply of raw materials & spares amounting to Rs. 15.829 Million (June 2009: Rs. 20.557 Million).

17. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	Note 17.1	1,217,947,807	1,264,567,954
Capital work in progress	Note 17.2	17,353,688,636	4,308,639,797
		18,571,636,444	5,573,207,750

17.1 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	Free hold Land	Lease hold Land	Factory Building on lease hold land	Non Factory Building on lease hold land	Plant & Machinery	Factory Equip-ments	Office Equip-ments	Computers / Printers	Furniture & Fixtures	Vehicles	**Total**
As at July 01, 2008											
Cost	—	39,572,334	360,423,058	51,255,381	1,680,816,656	55,217,101	10,335,677	11,000,639	10,055,046	82,744,333	2,301,420,225
Accumulated Depreciation	—	4,060,033	100,557,913	9,852,129	815,870,928	33,511,107	6,794,478	8,925,716	5,269,175	50,061,531	1,034,903,010
Net book value	—	35,512,301	259,865,145	41,403,252	864,945,728	21,705,994	3,541,199	2,074,923	4,785,871	32,682,802	1,266,517,215
Year ended June 30, 2009											
Additions	6,600,00	—	6,333,396	—	42,193,924	4,214,137	506,139	597,407	792,878	13,420,617	74,658,498
Acquisition Cost	48,225,158	—	—	—	—	—	18,600	162,925	329,500	1,021,100	49,757,283
Accumulated Depreciation	—	—	—	—	—	—	323	29,023	11,186	153,165	193,697
	48,225,158	—	—	—	—	—	18,277	133,902	318,314	867,935	49,563,586
Disposals											
Cost	—	—	—	—	15,425,615	—	349,600	—	—	64,000	15,839,215
Depreciation	—	—	—	—	13,300,196	—	296,556	—	—	27,597	13,624,348
Net book value	—	—	—	—	2,125,419	—	53,044	—	—	36,403	2,214,866
Depreciation for the year	—	353,792	25,228,885	2,031,665	84,365,546	2,342,174	467,015	732,551	592,860	7,841,991	123,956,479
Closing net book value	54,825,158	35,158,509	240,969,657	39,371,587	820,648,687	23,577,957	3,545,556,	2,073,681	5,304,202	39,092,960	1,264,567,954
As at June 30, 2009											
Cost	**54,825,158**	**39,572,334**	**366,756,454**	**51,255,381**	**1,707,584,965**	**59,431,238**	**10,510,816**	**11,760,971**	**11,177,424**	**97,122,050**	**2,409,996,791**
Accumulated Depreciation	—	**4,413,825**	**125,786,798**	**11,883,794**	**886,936,278**	**35,853,281**	**6,965,260**	**9,687,290**	**5,873,221**	**58,029,090**	**1,145,235,141**
Net book value	**54,825,158**	**35,158,509**	**240,969,657**	**39,371,587**	**820,648,687**	**23,577,957**	**3,545,556**	**2,073,681**	**5,304,202**	**39,092,960**	**1,264,567,954**
Rate	—	**1%**	**10%**	**5%**	**10%**	**10%**	**10%**	**30-33%**	**10-20%**	**20%**	
As at July 01, 2009											
Cost	54,825,158	39,572,334	366,756,454	51,255,381	1,707,584,965	59,431,238	10,510,816	11,760,971	11,177,424	97,122,050	2,409,996,791
Accumulated Depreciation	—	4,413,825	125,786,798	11,883,794	886,936,278	35,853,281	6,965,260	9,687,290	5,873,221	58,029,090	1,145,428,838
Net book value	54,825,158	35,158,509	240,969,657	39,371,587	820,648,687	23,577,957	3,545,556	2,073,681	5,304,202	39,092,960	1,264,567,954
Year ended June 30, 2010											
Additions	—	—	1,557,554	2,417,522	34,143,898	4,801,707	421,200	627,618	4,159,353	28,577,545	76,706,397
Disposals											
Cost	—	—	—	—	—	—	—	—	—	5,077,680	5,077,680
Depreciation										3,480,859	3,480,859
Net book value	—	—	—	—	—	—	—	—	—	1,596,821	1,596,821
Depreciation for the year	—	350,270	23,253,801	1,962,195	80,800,619	2,422,868	507,171	767,133	724,198	10,941,469	121,729,724
Closing net book value	54,825,158	34,808,239	219,273,410	39,826,914	773,991,966	25,956,796	3,459,585	1,934,166	8,739,357	55,132,215	1,217,947,806
As at June 30, 2010											
Cost	**54,825,158**	**39,572,334**	**368,314,008**	**53,672,903**	**1,741,728,863**	**64,232,945**	**10,932,016**	**12,388,589**	**15,336,777**	**120,621,915**	**2,481,625,508**
Accumulated Depreciation	—	**4,764,095**	**149,040,599**	**13,845,989**	**967,736,897**	**38,276,149**	**7,472,431**	**10,545,423**	**6,597,419**	**65,489,700**	**1,263,677,703**
Net book value	**54,825,158**	**34,808,239**	**219,273,410**	**39,826,914**	**773,991,966**	**25,956,796**	**3,459,585**	**1,934,166**	**8,739,357**	**55,132,215**	**1,217,947,806**
Rate	—	**1%**	**10%**	**5%**	**10%**	**10%**	**10%**	**30-33%**	**10-20%**	**20%**	

Note: Depreciation charge has been allocated to	**2010 RUPEES**	**Restated 2009 RUPEES**
Cost of sales	106,827,558	112,290,397
Administrative expenses	9,288,734	9,880,930
	116,116,292	**122,171,327**

17.2 CAPITAL WORK IN PROGRESS	2010 RUPEES	Restated 2009 RUPEES
Advances to:		
- suppliers	—	3,207,540,472
- civil contractors	—	356,948,626
Building under construction	1,521,759,305	193,578,092
Plant, machinery and equipment	14,030,955,011	47,999,727
Professional fees	251,187,741	155,277,670
Insurance	180,852,236	180,852,236
Borrowing costs	1,131,505,807	120,495,344
Others	237,428,536	45,947,629
	17,353,688,636	4,308,639,797

17.3 DETAILS OF DISPOSAL OF FIXED ASSETS

S. No.	DESCRIPTION	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	SOLD TO	Mode of Disposal
	Plant & Machinery						
1	Suzuki Cultus Car AHM-802	609,000	367,098	241,902	300,000	MR. Noor Mohammad Moten House #373-B, Block "B" Adamjee Nagar Karachi.	Negotiation
2	Honda Civic Exi Car ADS-182	945,000	780,223	164,777	475,000	EFU General Insurance Ltd. Karachi.	Insurance claim
3	Toyota Corolla Car AED-131	1,192,680	932,724	259,956	400,000	Mrs.Qurat Ul Ain Khurram Flat# F-103, Tosso Apartment, Sharafabad, Karachi.	Negotiation
4	Honda Civic Car AHK-238	1,042,000	628,103	413,897	450,000	Mr. Awal Nawaz Khattak House # 1/H-30, Falcon Comples, Malir Cantt, Karachi.	Negotiation
5	Suzuki Mehran Car ANA-397	350,000	170,330	179,670	260,000	EFU General Insurance Ltd. Karachi.	Insurance claim
6	Toyota Corolla Car AGV-876	939,000	602,382	336,618	600,000	EFU General Insurance Ltd. Karachi.	Insurance claim
	JUNE 2010	**5,077,680**	**3,480,860**	**1,596,820**	**2,485,000**		
	JUNE 2009	**15,820,615**	**13,624,026**	**2,196,589**	**2,561,000**		

		2010 RUPEES	Restated 2009 RUPEES
18.	**INVESTMENT PROPERTY**		
	COST		
	Opening balance	10,697,180	3,454,823
	Addition during the year	—	7,242,357
	Closing balance	10,697,180	10,697,180
	DEPRECIATION		
	Opening balance	2,179,408	1,945,348
	Provided during the year	482,506	234,060
	Closing balance	2,661,914	2,179,408
	Closing written down value	8,035,266	8,517,772
18.1	**Carrying Value**		
	Net book value as at July 01, 2009	8,517,772	1,509,475
	Add: addition during the year	—	7,242,357
	Less: Depreciation	(482,506)	(234,060)
	Closing balance as at June 30, 2010	8,035,266	8,517,772
19.	**LONG TERM INVESTMENT**		
	Held to maturity		
	Defence saving certificates - at cost	—	500,000
	Less: current maturity	—	(500,000)
	Accrued profit thereon	—	1,288,293
	Less: Profit maturing currently	—	(1,288,293)
		—	—
20.	**LONG TERM LOANS & ADVANCES - UNSECURED (CONSIDERED GOOD)**		
	Due from employees	35,094,669	33,186,255
	Less: Current portion shown under current assets	13,937,280	12,255,288
		21,157,389	20,930,967
	Outstanding for periods		
	- Exceeding three years	—	—
	- After one year within three years	21,157,389	20,930,967
		21,157,389	20,930,967

20.1 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.

		2010 RUPEES	Restated 2009 RUPEES
21.	**STORES, SPARES AND LOOSE TOOLS**		
	Stores	30,187,047	21,297,978
	Spare parts	92,318,959	92,981,014
	Loose tools	75,211	89,458
		122,581,217	114,368,450
	Less: Provision for slow moving and obsolescence	(9,300,000)	(7,220,000)
		113,281,217	107,148,450
22.	**STOCK-IN-TRADE**		
	Raw materials	696,758,636	498,202,331
	Work-in-process	289,491,818	93,827,537
	Finished goods	333,185,266	189,910,263
	Packing materials	6,252,718	1,281,040
		1,325,688,438	783,221,171
23.	**TRADE DEBTS-CONSIDERED GOOD**		
	Export bills under collection (secured against export letter of credit)	407,235,301	294,836,984
	Local-(unsecured)	—	—
	Others	138,694,182	190,361,476
	Related party Note 23.1	12,832,293	9,524,949
		558,761,776	494,723,409

23.1 The Maximum amount outstanding due to related party Soorty Enterprises (Pvt) Limited is Rs.24.018 million (2009: 22.22million)

		2010 RUPEES	Restated 2009 RUPEES
24.	**LOANS AND ADVANCES - UNSECURED (CONSIDERED GOOD)**		
	From Employees	13,937,280	12,294,288
	Advances:		
	Against purchases & services	19,574,087	13,986,471
	For Expenses	377,047	10,781,158
		33,888,414	37,061,917
25.	**TRADE DEPOSITS AND PREPAYMENTS**		
	Security deposits	527,000	537,000
	Prepayments	2,374,581	15,048,370
		2,901,581	15,585,370
26.	**ACCRUED PROFIT**		
	Accrued profit on DSC maturing Currently	—	1,288,293
	Accrued profit on multiplier account	372,477	2,641,475
	Accrued profit on term deposit	3,728,767	4,832,877
		4,101,244	8,762,645

		2010 RUPEES	Restated 2009 RUPEES
27.	**OTHER RECEIVABLES**		
	Duty drawbacks receivables	63,440,361	38,681,405
	Others	570,375	283,707
		64,010,736	38,965,112
28.	**TAX REFUNDS DUE FROM GOVERNMENT**		
	Income tax	3,648,371	—
	Sales tax	45,071,281	27,659,496
		48,719,652	27,659,496
29.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS**		
	Held for trading		
	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
	Meezan cash fund (3998424.9986 units)	206,678,588	—
		206,678,588	634,287,305

Average yield during the year ranges between 8.15% to 11.99%

			2010 RUPEES	Restated 2009 RUPEES
30.	**CASH AND BANK BALANCES**			
	Cash in hand		1,206,886	2,079,165
	Balance with banks - in current accounts	Note 30.1	54,775,567	92,661,755
	- in pls savings accounts	Note 30.2	241,748,704	484,779,505
	- in term deposits accounts	Note 30.3	250,000,000	250,000,000
			547,731,156	829,520,425

30.1 Cash with banks in current accounts includes Euro 100,000 (2009: Euro100,000) held in Euro Equity account.

30.2 The profit rate on multiplier & saving accounts are ranges between 7% to 16.5% (2009: 7% to 16.5%)

30.3 The profit on term deposit account between 10.75% to 11% (2009: 13%)

		2010 RUPEES	Restated 2009 RUPEES
31.	**SALES AND SERVICES**		
	Export sales	4,402,741,215	4,224,566,346
	Local sales	364,271,815	261,739,195
	Waste sales	5,861,458	6,758,929
		370,133,273	268,498,124
	Less: Sales tax	(161,805)	(210,884)
		369,971,468	268,287,240
	SERVICES:		
	Cloth processing, printing & dyeing	839,760,573	735,599,648
		5,612,473,256	5,228,453,235

			2010 RUPEES	Restated 2009 RUPEES
32.	**COST OF SALES & SERVICES**			
	Raw material consumed	Note 32.1	3,931,452,851	3,287,202,080
	Stores, spares and loose tools consumed	Note 32.2	156,623,284	148,490,351
	Salaries and wages including bonus, gratuity and expenses on staff welfare	Note 32.3	250,580,032	216,015,610
	Design, stitching, weaving, raising & mending charges		177,960,783	137,909,461
	Power, water and gas		434,039,840	390,701,761
	Repairs & maintenance		31,284,960	27,169,099
	Packing charges		19,492,982	15,312,638
	Provision for slow moving and obsolescence stores and spares		2,080,000	2,496,000
	Rent, rates & taxes		1,951,146	1,946,811
	Insurance		12,250,819	7,220,150
	Research & development expenses		13,750,773	108,924,570
	Depreciation		106,827,558	112,290,397
	Less: Duty drawback		(82,871,839)	(25,455,374)
	COST OF PRODUCTION		5,055,423,189	4,430,223,555
	Work-in-process	- Opening stock	93,827,537	84,532,970
		- Closing stock	(289,491,818)	(93,827,537)
			(195,664,281)	(9,294,567)
	COST OF GOODS MANUFACTURED		4,859,758,908	4,420,928,988
	Finished goods	- Opening stock	189,910,263	95,012,674
		- Closing stock	(333,185,266)	(189,910,263)
			(143,275,003)	(94,897,589)
			4,716,483,905	4,326,031,399

32.1 RAW MATERIAL CONSUMED:

P A R T I C U L A R S	Raw Materials	Packing Materials	Total 2010	Total 2009
	Rs.	Rs.	Rs.	Rs.
Opening Stock	498,202,331	1,281,040	499,483,371	568,992,071
Add: Purchases	4,078,345,021	56,635,813	4,134,980,834	3,217,693,380
	4,576,547,352	57,916,853	4,634,464,205	3,786,685,451
Less: Closing Stock	696,758,636	6,252,718	703,011,354	499,483,371
Consumed	**3,879,788,715**	**51,664,136**	**3,931,452,851**	**3,287,202,080**

		2010 RUPEES	Restated 2009 RUPEES
32.2 Stores, spares and loose tools consumed			
Opening stock		114,368,450	118,154,769
Add: Purchases		226,545,854	184,640,527
		340,914,304	302,795,296
Less:			
Capitalized		61,709,803	33,192,923
Capital work in progress			6,743,572
Investment Property		61,709,803	39,936,495
Closing Stock		122,581,217	114,368,450

32.3 It includes Rs.16,979,703\= in respect of staff retirement benefits (2009 : Rs. 12,571,801\=).

33. DISTRIBUTION COST

		2010 RUPEES	Restated 2009 RUPEES
Export expenses		24,057,830	18,427,805
Export freight & insurance		95,264,271	99,148,876
Cartage		1,319,295	2,106,827
Forwarding & handling charges		8,357,125	11,546,858
Commission on processing of sales		8,014,195	40,910
		137,012,716	131,271,276

34. ADMINISTRATIVE EXPENSES

		2010 RUPEES	Restated 2009 RUPEES
Salaries and wages including bonus, gratuity and expenses on staff welfare	Note 34.1	97,690,458	87,446,771
Security charges		3,057,980	1,940,320
Rent, rates & taxes		347,344	530,227
Legal & professional charges		2,725,748	5,431,168
Insurance		321,325	236,769
Conveyance		535,629	590,542
General expenses		9,785,798	5,714,591
Postage & telegram		257,846	219,232
Telephone		3,402,333	3,957,783
Subscription		2,317,401	1,652,908
Travelling		9,909,839	5,309,501
Printing & stationary		1,657,595	1,690,311
Motor vehicle expenses		7,742,514	7,410,428
Asset written off		—	18,367
Advertisement		316,173	264,156
Donations and corporate social responsibilities	Note 34.2	17,970,119	9,928,923
Auditors remuneration	Note 34.3	905,039	584,500
Depreciation		12,617,278	11,666,082
		171,560,419	144,592,581

34.1 Salaries and wages including bonus, gratuity and expenses on staff welfare includes Rs. 2,477,117/= in respect of staff retirement benefits (2009 : Rs. 2,124,713/=).

34.2 Donation and corporate social responsibilities:
None of the Directors or their Spouses has any interest in donee's fund.

32.3 Auditors' Rumenration

	2010 RUPEES				2009 RUPEES			
	Hyder Bhimji & Co.	F.R.A.N.T.S. & Co.	M. Yousuf Adil Saleem & Co.	Total	Hyder Bhimji & Co.	Rauf Ayoob & Co.	M. Yousuf Adil Saleem & Co.	Total
Audit fee annual	100,000	100,000	475,000	675,000	100,000	100,000	200,000	400,000
Half yearly review	15,000	15,000		30,000	15,000	15,000		30,000
Out of pocket expenses.	74,225	39,700	86,114	200,039	34,800	25,400	94,300	154,500
	189,225	**154,700**	**561,114**	**905,039**	**149,800**	**140,400**	**294,300**	**584,500**

35. OTHER OPERATING CHARGES		**2010 RUPEES**	**Restated 2009 RUPEES**
Workers' profit participation fund	Note 11.2	28,913,496	33,153,596
Workers' welfare fund		7,327,211	2,068,715
		36,240,707	35,222,311

36. INCOME FROM INVESTMENT PROPERTY

Rental Income	600,000	360,000
Less: Depreciation expenses	(482,508)	(234,060)
	117,492	125,940

37. OTHER OPERATING INCOME

Income from financial assets		
Profit on bank deposits	37,288,987	33,111,370
Dividend income	—	170,965
Income on investment in defence saving certificate	236,707	282,863
Income of Financial assets through profit & loss	43,069,311	30,533,617
	80,595,005	64,098,815
Income from non financial assets		
Foreign exchange gain	93,691,821	102,782,620
Commission	1,703,379	1,730,753
Gain on disposal of fixed assets	888,180	364,411
	96,283,380	104,877,784
	176,878,385	168,976,599

		2010 RUPEES	Restated 2009 RUPEES
38.	**FINANCE COST**		
	Interest on long term financing	24,417,783	10,847,721
	Mark-up on short term borrowings	127,582,954	102,631,479
	Interest on workers' participation fund	13,143,397	5,049,497
	Bank charges and commission	40,770,690	36,413,829
		205,914,824	154,942,527
39.	**TAXATION:**		
	Current Note 38.1	65,920,720	65,689,050
	Prior year		(199,735)
		65,920,720	65,489,315
	Deferred	(790,000)	(70,000)
		65,130,720	65,419,315
39.1	**Relationship between tax expense and accounting profit**	**%**	**%**
	Applicable Tax Rate	35.00	35.00
	Tax effect of income covered under presumptive income	(22.38)	(24.67)
	Effective Tax rate for the current year	12.62	10.33
40.	**EARNING PER SHARE - BASIC & DILUTED**		
	Profit after taxation	457,125,842	540,076,365
	Weighted average number of ordinary shares	22,610,139	22,610,139
	Basic & diluted earning per share	20.22	23.89

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

		2010 RUPEES	Restated 2009 RUPEES
41.	**WORKING CAPITAL CHANGES**		
	(INCREASE)/DECREASE IN CURRENT ASSETS:		
	Stores, spare parts and loose tools	(8,212,767)	3,786,319
	Stock-in-trade	(542,467,267)	(34,683,456)
	Trade debts	(64,038,366)	361,285,580
	Loans and advances	3,173,503	(3,698,322)
	Trade deposits and prepayments	12,683,789	(14,026,640)
	Accrued profit	4,661,401	(7,757,215)
	Other receivables	(25,045,624)	17,576,069
	Current maturity of long term investment	500,000	—
		(618,745,331)	**322,482,335**
	INCREASE/(DECREASE) IN CURRENT LIABILITIES		
	Trade and other payables	557,906,084	55,465,013
	Short term borrowings	101,599,202	672,937,843
		40,759,955	**1,050,885,191**
42.	**CASH AND CASH EQUIVALENTS**		
	Cash & bank balances	**547,731,156**	**829,520,425**
	Financial assets at fair value through profit & loss	**206,678,588**	**634,287,305**
		754,409,744	**1,463,807,730**

43. 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	2010				2009			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial Remuneration	10,347,000	2,766,000	31,647,055	44,760,055	9,294,623	2,184,000	15,441,183	26,919,806
Perquisites and Allowances								
Car for Company's and Personal Use (approximate monitory value)	533,607	475,645	259,775	1,269,027	908,807	568,599	292,161	1,769,567
	10,880,607	3,241,645	31,906,830	46,029,082	10,203,430	2,752,599	15,733,344	28,689,373
Number of Persons	2	4	11	17	3	4	7	14

44. 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	2010 RUPEES	Restated 2009 RUPEES
Associated company	Services obtained (inclusive of sales tax)	138,554,434	120,766,203
Associated company	Rent received	600,000	360,000
Associated company	Rent Paid	1,500,000	1,425,000
Associated company	Share Issued	657,284,000	248,538,670
Associated company	Equipment Supply	13,354,258,000	3,207,540,472
Associated company	Construction Supply Contract	741,438,000	427,793,472
Directors	Share Issued	1,561,715,000	399,685,000
Directors	Loan from Directors	—	73,744,000
Directors	Loan Repaid	—	178,261,343

Transaction with key management personnel are disclosed in Note no 43. There are no transaction with key management personnel other than under their terms of employment.

45. FINANCIAL INSTRUMENTS BY CATEGORY

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

FINANCIAL ASSETS:	2010 RUPEES	Restated 2009 RUPEES
Long term loans and advances	21,157,389	20,930,967
Long term deposits	3,026,023	3,026,023
Trade debts	558,761,776	494,723,410
Loans and advances	33,888,414	37,061,917
Trade deposits	2,901,581	15,585,370
Accrued profit	4,101,244	8,762,645
Other receivables	64,010,736	38,965,112
Financial assets at fair value through profit & loss	206,678,588	634,287,305
Cash and bank balances	547,731,156	829,520,425
	1,442,256,907	2,082,863,174

FINANCIAL LIABILITIES:	2010 RUPEES	Restated 2009 RUPEES
Long term financing	12,766,610,363	3,402,443,505
Long term loans	23,755,913	29,755,913
Trade and other payables	1,132,518,414	574,613,999
Accrued markup	482,389,844	152,441,310
Short term borrowings	1,812,453,917	1,710,854,715
	16,217,728,451	5,870,109,442

46. FINANCIAL INSTRUMENTS & RELATED DISCLOSURES	16,216,521,565	5,868,030,277

46.1 Financial Risk Management Objectives

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

A 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.

Credit risk arises from all financial assets as mention in note 42 except cash in hand. Out of total financial assets, those that are subject to credit risk amounted to Rs. 16,216.522 million (Rs. 5,868.030 million).

For Trade debts, credit risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and through letter of credit. The utilization of credit limit is regularly monitored. Accordingly the credit risk is minimal and the Company also believes that it is not exposed to major concentration of credit risk.

Due to Company's long standing relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company.

B Liquidity Risk Management

Liquidity risk reflects the company's inability in raising funds to meet commitments. Management closely monitors the company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments excluding the impact of netting arrangements.

2010 **(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 Liabilities							
Long term financing	399,472,750	12,367,137,613	12,766,610,363	—	—	—	12,766,610,363
Loan from related parties	—	—	—	6,000,000	17,755,913	23,755,913	23,755,913
Short term borrowings	1,812,453,917	—	1,812,453,917	—	—	—	1,812,453,917
Trade & other paybles	28,913,496	—	28,913,496	1,103,604,918	—	1,103,604,918	1,132,518,414
Total	**2,240,840,163**	**12,367,137,613**	**14,607,977,776**	**1,109,604,918**	**17,755,913**	**1,127,360,831**	**15,735,338,607**

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 Liabilities							
Long term financing	12,232,567	3,390,210,938	3,402,443,505	—	—	—	3,402,443,505
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	516,071,941	—	516,071,941	574,613,999
Total	**1,781,629,340**	**3,390,210,938**	**5,171,840,278**	**522,071,941**	**23,755,913**	**545,827,854**	**5,717,668,132**

The contractual cashflows relating to the above financial liabilities have been determined on the basis of markup rate effective as at 30 June. The rate of markup have been disclosed in the respective notes of the Financial Statements.

C Market Risk

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

D Interest/ markup rate risk management

Interest / Markup rate risk management arises from the possibility of changes in interest / Markup rates which may affect the value of financial instruments. At June 30, 2010 the company's financial instruments mainly affected due to changes in the interest rate are balances placed on deposits with banks where changes in interest rates may have impact on the future profits / cash flows. The effect of changes in interest rates on the future profits arising on the balances placed on deposits with banks is not considered to be material.

E Foreign exchange risk management

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

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

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

		2010	2009
Trade Debts	USD	4,767,318	3,635,387
Bills Payable	USD	228,498	174,887
Creditors	EURO	5,847,054	304,379
Balance sheet Exposure		**10,842,870**	**4,114,653**

The following significant rates applied during the year:	2010	2009
	Balance Sheet Date Rate	
US Dollar to PKR	85.40	81.10
EURO to PKR	104.33	135.05

Sensitivity Analysis

A 10 percent strengthening / weakning of the Rupees against US Dollar and Euro at 30 June would have increased / decreased equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit and Loss Account	
As at June 30	**2010**	**2009**
Effects in Foreign Exchange (gain / loss)	22,240,792	23,954,019

Fair value of financial instruments

The carrying value of all the financial assets & liabilities reflected in the financial statements approximates their fair value. The methods used for in determining fair values of each class of financial assets and liabilities are disclosed in respective policy notes.

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, 2008 and 2007 were as follows:

	2010 RUPEES	Restated 2009 RUPEES
Total borrowings	14,602,820,193	5,143,054,133
Less : cash and bank balances	2,905,762,802	2,977,435,301
Net debt	11,697,057,391	2,165,618,832
Total equity	2,348,344,724	1,991,120,892
Total Capital	14,045,402,115	4,156,739,724
Gearing ratio	83.28%	52.10%

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.

47. PLANT CAPACITY AND PRODUCTION:

Dyeing, Printing & Finishing

Production capacity for 3 shifts per day	meters	66,000,000	66,000,000
Actual production	meters	69,343,954	60,718,057

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

48. DIVIDEND AND APPROPRIATIONS:

Subsequent to the year ended , the Board of Directors of Holding Company has proposed a final dividend of Rs.3/= per share, in their meeting held on October 5, 2010 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. 430 million.

49. DATE OF AUTHORIZATION FOR ISSUE:

These Financial statements were authorized for the issue on October 05, 2010 by the Board of Directors of the company at Karachi.

50. GENERAL

Figures have been rounded off to the nearest rupee.

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

LIBERTY
MILLS LIMITED

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

FORM OF PROXY

I/We ....

of ....

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

.... Ordinary shares as per share register Folio
(No. of Shares)

No. .... and / or CDC Participant I. D. No. ....

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

of ....

as my/our proxy to vote for me/us on my/our behalf at the **Fourty Fourth Annual General Meeting** of

the Company to be held on **October 30, 2010 at 03:00 pm** at any adjournment thereof.

Singed this day .... of 2010

WITNESSES:

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

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

Signature on
Rs. 5/-
Revenue Stamp

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

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