



**LIBERTY**  
**MILLS LIMITED**

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Quarterly Accounts

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for the First Quarter ended

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September 30, 2010

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(Unaudited)

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**LIBERTY**  
**MILLS LIMITED**



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**COMPANY INFORMATION****BOARD OF DIRECTORS:****CHAIRMAN:** Mr. Salim N. Mukaty**DIRECTORS:** Mr. Ashraf Salim Mukaty  
Mr. Yusuf N. Mukaty  
Mr. Noor Muhammad Yusuf Mukaty  
Mr. Arif Haji Abdul Sattar Maniya  
Mr. Luqman F. Poonawala  
Mr. Madni Gul Muhammad  
Mr. Asif Younus Bawany  
Mr. Muhammad Imran Shekhani**CHIEF EXECUTIVE:** Mr. Ashraf Salim Mukaty**CHIEF FINANCIAL OFFICER:** Haji Younus Bhathda**COMPANY SECRETARY:** Mr. Muhammad Iqbal Haroon**AUDITORS :** Hyder Bhimji & Co.  
Chartered AccountantsF.R.A.N.T.S. & Co.  
Chartered Accountants**BANKERS :** Allied Bank Limited  
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.  
Summit Bank Ltd.**REGISTERED OFFICE AND MILLS :** A/51-A, S.I.T.E.,  
Karachi-75700.  
Tel No. (021) 32578100-116 (17 Lines)  
Fax: (021) 32570086 & 32561050  
Email: liberty@libertymillslimited.com  
Website: www.lml.com.pk**SHARES REGISTRAR :** F. D. Registrar Services (SMC - Pvt) Ltd.  
17th Floor, Saima Trade Tower, Block-A  
I.I. Chundrigar Road, Near Jang News Group  
Near HMB Main Branch, Karachi-74200.  
Tel No. 35478192-93



## **DIRECTORS' REPORT TO THE MEMBERS**

The Directors of the Company present the un-audited interim financial statements for the first quarter ended September 30, 2010. These accounts are presented in accordance with the requirements of Companies Ordinance, 1984.

### **OPERATING & FINANCIAL RESULTS:**

	Qtr. Ended	
	Sep. 2010	Sep 2009
The summarized financial results are given below	<i>(Rupees in Thousand)</i>	
Sales	1,897,448	1,310,107
Gross Profit	270,556	223,529
Operating Profit	189,763	249,575
Profit before tax	120,392	200,646
Profit after tax	107,600	187,781

During the first quarter under review the net sales increased to Rs. 1,897.45 million as compare to Rs. 1,310.11 million for the previous corresponding period, thus showing an increase of 44.83% and net profit reduced by 42.70% as compared for the previous corresponding period, due to higher cost of inputs.

The increase in the prices of cotton and non availability of cotton yarn because of the export to other countries, our economy affected due to high inflation and increasing the utilities tariff, despite of difficult business scenario, the management is trying to cut cost and improve the operation by increasing the sales volume of value added quality products.

### **Investment in subsidiary:**

The total investment in subsidiary Liberty Power Tech. Limited (LPTL) stands at Rs. 1,447.001 million. LPTL is progressing well and will Inshallah achieve its commercial operation date by the End 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 rupee.

On behalf of the Board of Directors I would like to acknowledge with thanks the guidance and support of regulatory authorities' patronage of customers, Share holders, Bank and Lending Institutions. I would also like to place on record the dedicated efforts and hard work of the management and the employees.

For and on behalf of the  
Board of Directors

**(Ashraf Salim Mukaty)**

Chief Executive

Karachi: 29<sup>th</sup> October, 2010



## CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT 30TH SEPTEMBER, 2010

ASSETS	Note	Unaudited 30.09.2010 Rupees	Audited 30.06.2010 Rupees
<b>NON CURRENT ASSETS</b>			
<b>Fixed Assets</b>			
Property, plant and equipment	4	1,273,846,685	1,288,310,688
Investment property	5	7,919,393	8,035,266
		1,281,766,078	1,296,345,954
Long term investment		1,447,001,000	1,447,001,000
Long term loans and advances		21,501,935	21,157,389
Long term deposits		3,026,023	3,026,023
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		113,558,145	113,281,217
Stock-in-trade		1,270,230,437	1,325,688,438
Trade debts	6	1,312,562,398	558,761,776
Loans and advances		50,430,552	31,773,382
Trade deposits and prepayments		12,836,192	2,685,581
Accrued profit		345,205	3,778,867
Other receivables		88,791,401	64,010,736
Tax refunds due from government		39,263,969	42,164,075
Financial assets at fair value through profit & loss		211,733,010	206,678,588
Cash and bank balances		97,134,711	299,425,678
		<u>3,196,886,020</u>	<u>2,648,248,338</u>
		<u>5,950,181,056</u>	<u>5,415,778,704</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>SHARE CAPITAL</b>			
Authorised capital: 40,000,000 ordinary shares of Rs. 10/- each		400,000,000	400,000,000
Issued, subscribed and paid-up		226,101,390	226,101,390
Reserves		1,570,000,000	1,570,000,000
Un-appropriated profit		676,520,190	568,920,319
		2,472,621,580	2,365,021,709
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	7	449,404,036	485,384,698
Deferred liabilities		105,126,239	100,901,488
Long term loans		16,255,913	17,755,913
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	530,358,358	456,903,115
Accrued mark-up		33,882,978	44,658,127
Short term borrowings		2,194,403,506	1,812,453,917
Current portion of long term financing and loans from related parties		143,115,631	128,506,750
Provision for Income tax net of payment		5,012,815	4,192,987
		2,906,773,288	2,446,714,896
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	9	—	—
		<u>5,950,181,056</u>	<u>5,415,778,704</u>

The annexed notes from 1 to 14 form an integral part of these financial statements.

**ASHRAF S. MUKATY**  
Chief Executive

Karachi: 29<sup>th</sup> October, 2010

**ASIF Y. BAWANY**  
Director



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2010**

	Note	1st Quarter ended September 30, 2010 Rupees	1st Quarter ended September 30, 2009 Rupees
Sales and services	10	1,897,447,486	1,310,107,052
Cost of sales and services	11	(1,626,891,265)	(1,086,578,550)
Gross profit		270,556,221	223,528,502
Distribution cost		(49,434,178)	(24,068,765)
Administrative expenses		(39,017,519)	(40,601,180)
Other operating expenses		(8,922,702)	(12,650,097)
		(97,374,399)	(77,320,042)
		173,181,822	146,208,460
Other operating income		15,046,603	101,840,148
Income from investment property		1,534,127	1,526,451
Operating profit		189,762,552	249,575,059
Finance cost		(69,370,733)	(48,929,087)
Profit before taxation		120,391,819	200,645,972
Provision of Income tax		(12,791,948)	(12,864,648)
Profit after taxation		107,599,871	187,781,324
Earning per share - basic and diluted		4.76	8.31

The annexed notes from 1 to 14 form an integral part of these financial statements.

**ASHRAF S. MUKATY**  
Chief Executive  
Karachi: 29<sup>th</sup> October, 2010

**ASIF Y. BAWANY**  
Director



**STATEMENT OF CONDENSED  
INTERIM COMPREHENSIVE INCOME  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010**

	1st Quarter ended September 30, 2010 Rupees	1st Quarter ended September 30, 2009 Rupees
Profit for the year	107,599,871	187,781,324
Other comprehensive income - net of taxation	—	—
Total comprehensive income for the year	<u><b>107,599,871</b></u>	<u><b>187,781,324</b></u>

The annexed notes from 1 to 14 form an integral part of these financial statements.

**ASHRAF S. MUKATY**  
Chief Executive  
Karachi: 29<sup>th</sup> October, 2010

**ASIF Y. BAWANY**  
Director



**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2010**

	<b>30.09.2010</b>	<b>30.09.2009</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	120,391,819	200,645,972
<b>Adjustment for non cash charges and other items</b>		
Depreciation	27,921,767	30,062,101
Provision for staff retirements benefit (net)	4,224,751	3,363,401
Gain on disposal of fixed assets	(280,213)	
Finance cost	69,370,733	48,929,087
	101,237,038	82,354,589
	<b>221,628,857</b>	<b>283,000,561</b>
<b>WORKING CAPITAL CHANGES (INCREASE)/DECREASE IN CURRENT ASSETS</b>		
Stores spares parts & loose tools	(276,928)	(2,448,666)
Stock-in-trade	55,458,001	(3,300,202)
Trade debts	(753,800,622)	(364,514,598)
Loans and advances	(18,657,170)	10,442,435
Deposits and prepayments	(10,150,611)	4,053,908
Accrued mark-up	3,433,662	(5,747,663)
Other receivables	(24,780,665)	(9,438,700)
	(748,774,332)	(370,953,485)
<b>INCREASE/(DECREASE) IN CURRENT LIABILITIES</b>		
Short term borrowings	455,404,832	
Trade and other payables	381,949,589	148,925,640
	73,455,243	13,935,142
<b>Add: Working capital changes</b>	<b>(293,369,500)</b>	<b>(208,092,703)</b>
Less: (Increase) in long term loans & advances	(344,546)	(10,557,423)
Finance cost paid	(80,145,882)	(60,506,110)
Taxes paid	(11,972,120)	(10,763,396)
Sales tax refund	2,900,106	155,181
<b>Net cash in flow from operations</b>	<b>(161,303,085)</b>	<b>(6,763,889)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(13,661,679)	(5,921,776)
Proceeds from disposal of fixed assets	600,000	—
<b>Net cash out flow investing activities</b>	<b>(13,061,679)</b>	<b>(5,921,776)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceed of loan	(22,871,781)	—
<b>Net cash in flow / (out) flow from financing activities</b>	<b>(22,871,781)</b>	<b>—</b>
Net increase / (decrease) in cash and cash equivalents	(197,236,545)	(12,685,665)
Cash and cash equivalents at the beginning of the period	506,104,266	1,209,909,394
Cash and cash equivalents at the end of the period	308,867,721	1,197,223,729
<b>Cash and bank balances</b>	<b>308,867,721</b>	<b>1,197,223,729</b>

The annexed notes from 1 to 14 form an integral part of these financial statements.

**ASHRAF S. MUKATY**  
Chief Executive

Karachi: 29<sup>th</sup> October, 2010

**ASIF Y. BAWANY**  
Director



**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2010**

	Share Capital	Revenue Reserve	Un- Appropriated Profit	Total
	Rupees			
<b>Balance as at 30th September, 2008</b>	<b>226,101,390</b>	<b>870,000,002</b>	<b>537,092,678</b>	<b>1,633,194,070</b>
Net profit for the period 1st October 2008 to 30th June, 2009	—	—	401,895,053	401,895,053
Transfer to revenue reserve	—	299,999,998	(299,999,998)	—
Final dividend for the year ended 30th June, 2008: Cash dividend @ Rs. 15% Rs. 1.50 per share	—	—	(33,915,209)	(33,915,209)
<b>Balance as at 30th June, 2009</b>	<b>226,101,390</b>	<b>1,170,000,000</b>	<b>605,072,524</b>	<b>2,001,173,914</b>
Net profit for the quarter ended 30th September, 2009	—	—	187,781,324	187,781,324
<b>Balance as at 30th September, 2009</b>	<b>226,101,390</b>	<b>1,170,000,000</b>	<b>792,853,848</b>	<b>2,188,955,238</b>
Net profit for the period 1st October 2009 to 30th June, 2010	—	—	289,117,165	289,117,165
Transfer to revenue reserve	—	400,000,000	(400,000,000)	—
Final dividend for the year ended 30th June, 2009: Cash dividend @ Rs. 50% Rs. 5.00 per share	—	—	(113,050,694)	(113,050,694)
<b>Balance as at 30th June, 2010</b>	<b>226,101,390</b>	<b>1,570,000,000</b>	<b>568,920,319</b>	<b>2,365,021,709</b>
Net profit for the quarter ended 30th Sept. 2009	—	—	107,599,871	107,599,871
<b>Balance as at Sept. 30, 2010</b>	<b>226,101,390</b>	<b>1,570,000,000</b>	<b>676,520,190</b>	<b>2,472,621,580</b>

The annexed notes from 1 to 14 form an integral part of these financial statements.

**ASHRAF S. MUKATY**  
Chief Executive

**ASIF Y. BAWANY**  
Director

Karachi: 29<sup>th</sup> October, 2010





**SELECTED NOTES  
TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2010**

**1. LEGAL STATUS AND OPERATIONS**

The Company was incorporated in Pakistan on February 22, 1965 as private limited company and was converted into Public Limited Company on 12th September 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 Company has a Subsidiary Company named Liberty Power Tech Limited (The Subsidiary Company) . It was incorporated in Pakistan on September 13, 2007 as a public limited company. The principal activity of the Subsidiary Company is to own, operate and maintain a Residual Furnance Oil (RFO) power project with an installed capacity of 200 Megawatt near Faisalabad under 2002 Power Policy of the Government of Pakistan. The Registered Office of the Subsidiary Company is situated at 4th Floor, Rehman Plaza, Queens Road, Lahore.

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 statments. Hence only financial statments of the Liberty Mills Limited has been prepared accordingly.

**2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS**

These condensed interim financial statements are presented in condensed form in accordance with the requirement of International Accounting Standard 34' Interim Financial Reporting ' . These condensed interim financial statements do not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the



year ended June 30, 2009. These accounts are being submitted to the shareholders as required by the Section 245 of the Companies Ordinance, 1984.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates, judgements and method of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2010.

<b>4. PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>Unaudited 30.09.2010</b>	<b>Audited 30.06.2010</b>
Property, plant and equipment    Note 4.1	1,104,347,484	1,130,493,319
Capital work in progress        Note 4.2	169,499,201	157,817,368
	<u>1,273,846,685</u>	<u>1,288,310,688</u>
<b>4.1 Property, plant and equipment</b>		
Opening book value	1,130,493,319	1,198,568,567
Additions made during the period    Note 4.1.1	1,979,846	49,637,865
	<u>1,132,473,165</u>	<u>1,248,206,432</u>
Less:		
Written down value of disposals    Note 4.1.2	319,787	1,596,821
Depreciation charged for the period	27,805,894	116,116,292
	<u>1,104,347,484</u>	<u>1,130,493,319</u>
<b>4.1.1 Addition made during the year</b>		
Factory building on lease hold land	—	1,557,554
Non factory building on lease hold land	62,339	2,417,522
Plant & machinery	547,700	34,143,898
Factory equipments	495,000	4,801,707
Office equipments	—	409,700
Furniture & fixtures	—	1,448,353
Vehicles	715,029	4,843,831
Computers	159,778	15,300
	<u>1,979,846</u>	<u>49,637,865</u>



	<b>Unaudited 30.09.2010</b>	<b>Audited 30.06.2010</b>
<b>4.1.2 Written down value of disposal</b>		
Vehicles	319,787	1,596,821
	<u>319,787</u>	<u>1,596,821</u>
<b>4.2 Capital work in progress</b>		
Civil works under progress	71,485,114	67,794,088
Plant & Machinery	98,014,087	89,629,880
Other Assets	—	393,400
	<u>169,499,201</u>	<u>157,817,368</u>
<b>5. INVESTMENT PROPERTY</b>		
Opening book value	8,035,266	8,517,772
Additions made during the period	—	—
	<u>8,035,266</u>	<u>8,517,772</u>
Less: Depreciation charged during the period	(115,873)	(482,506)
Closing book value	<u>7,919,393</u>	<u>8,035,266</u>
<b>6. TRADE DEBTS - CONSIDERED GOOD</b>		
Export bills under collection (secured against export letter of credit)	1,163,037,292	407,235,301
Local (unsecured)	144,457,904	138,694,182
Related party	Note 6.1 5,067,202	12,832,293
	<u>1,312,562,398</u>	<u>558,761,776</u>

6.1 The Maximum amount outstanding due to related party is Rs.14.749 million (June 2010: Rs. 24.018 million).



<b>7. LONG TERM FINANCING - SECURED FROM BANKING COMPANIES</b>	<b>Unaudited 30.09.2010</b>	<b>Audited 30.06.2010</b>
Habib Metropolitan Bank Limited Note 7.1	65,633,661	66,453,495
Standard Chartered Bank (Pakistan) Limited Note 7.2	26,488,470	29,857,703
Allied Bank Limited Note 7.3	40,312,250	43,000,250
Habib Bank Limited Note 7.4	385,714,286	400,000,000
Bank Al-falah Limited Note 7.5	62,472,000	62,681,000
Faysal Bank Limited Note 7.6	5,899,000	5,899,000
	586,519,667	607,891,448
Current portion shown under current liabilities	137,115,631	122,506,750
	<b>449,404,036</b>	<b>485,384,698</b>

#### **7.1 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 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.

#### **7.2 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 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.

**7.3 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 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.

**7.4 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 commenced 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.

**7.5 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.

## 7.6 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 commenced 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.

8. <u>TRADE AND OTHER PAYABLES</u>	<b>Unaudited 30.09.2010</b>	<b>Audited 30.06.2010</b>
Creditors	399,526,799	355,932,424
Bills payable	26,577,889	18,899,050
Accrued liabilities                      Note 8.1	50,372,526	38,475,544
Advances from customers	5,715,203	6,348,432
Worker's profit participation fund	37,018,974	28,913,496
Worker's welfare fund	9,784,187	7,327,211
Unclaimed dividend & bonus fractions	881,638	881,638
Other liabilities	481,142	125,320
	<b><u>530,358,358</u></b>	<b><u>456,903,115</u></b>

8.1 Accrued liabilities includes provision of Rs. 98,412/- (June 2010: Rs. 112,994/-) due to associated company.



**9. CONTINGENCIES AND COMMITMENTS:**

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 (June 2010: 1,447) (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 (June 2010: 200).

Guarantees of Rs. 44.146 Million (June 2010: Rs. 44.146 Million) have been given by banks to Sui Southern Gas Company Limited & Collector of Customs.

Letter of Credits & Contracts for supply of raw materials & spares amounting to Rs. 3.293 Million (June 2010: Rs. 20.557 Million).

<b>10. SALES AND SERVICES</b>	<b>Unaudited 30.09.2010</b>	<b>Unaudited 30.09.2009</b>
Export sales	1,658,314,516	1,061,409,999
Local sales	79,944,175	45,963,155
Waste sales	1,253,422	914,059
	81,197,597	46,877,214
Less : Sales tax	(62,329)	(60,839)
	81,135,268	46,816,375
<b><u>SERVICES</u></b>		
Cloth processing, printing & Dyeing	157,997,702	201,880,678
	<b><u>1,897,447,486</u></b>	<b><u>1,310,107,052</u></b>



11. <b>COST OF SALES</b>	<b>Unaudited 30.09.2010</b>	<b>Unaudited 30.09.2009</b>
Raw material consumed	1,367,393,700	793,664,232
Stores & spare parts consumed	32,889,319	39,276,086
Salaries,wages and other benefits	71,602,770	62,137,926
Design, stitching, weaving, raising & mending charges	46,401,508	40,622,769
Power, water and gas	108,216,089	101,910,608
Repairs & maintenance	8,917,199	5,749,263
Packing expenses	4,308,144	3,745,095
Rent, rates & taxes	1,307,632	618,911
Insurance	3,193,125	3,055,500
Research and development expenses	1,765,570	351,589
Depreciation	25,589,539	27,494,593
Less: Duty drawback	(30,284,216)	(11,676,602)
<b>COST OF PRODUCTION</b>	<b>1,641,300,379</b>	<b>1,066,949,970</b>
Work-in-process		
-opening	289,491,818	93,827,537
- closing	(337,366,019)	(108,614,440)
	(47,874,201)	(14,786,903)
<b>COST OF GOODS MANUFACTURED</b>	<b>1,593,426,178</b>	<b>1,052,163,067</b>
Finished goods		
-opening	333,185,266	189,910,263
-closing	(299,720,179)	(155,494,780)
	33,465,087	34,415,483
	<b>1,626,891,265</b>	<b>1,086,578,550</b>

## 12. **TRANSACTION 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.

<b>Relationship</b>	<b>Nature of Transaction</b>	<b>Unaudited 30.09.2010</b>	<b>Audited 30.06.2010</b>
Subsidiary Company	Rent Received	1,000,000	6,000,000
Associated Company	Services Obtained (Inclusive of Sales Tax)	36,786,829	138,554,434
Associated Company	Services Provided	15,100,018	83,860,374
Associated Company	Payment Received	17,692,108	80,553,779
Associated Company	Rent Received	150,000	600,000
Associated Company	Rent Paid	375,000	1,500,000
Directors	Loan from directors	—	23,755,913





**13. DATE OF AUTHORISATION FOR ISSUE**

These Financial Statements were authorised for issue by the Board of Directors on 29, October 2010.

**14. GENERAL**

- (i) Provision in respect of Worker's Profit Participation Fund, Worker's Welfare Fund and Taxation are estimated and are subject to final adjustment in the annual audited accounts.
- (ii) Figures have been rounded off to the nearest rupees.

**ASHRAF S. MUKATY**  
Chief Executive

**ASIF Y. BAWANY**  
Director

Karachi: 29<sup>th</sup> October, 2010

# Consolidated Financial Statements

**THE LIBERTY MILLS LIMITED and its Subsidiary Company  
LIBERTY POWER TECH LIMITED**



**CONDENSED CONSOLIDATE INTERIM  
BALANCE SHEET (UNAUDITED) AS AT 30TH SEPTEMBER, 2010**

		<b>Unaudited 30.09.2010 Rupees</b>	<b>Audited 30.06.2010 Rupees</b>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
<b>Fixed Assets</b>			
Property, plant and equipment	4	19,960,570,441	18,571,636,444
Investment property	5	7,919,393	8,035,266
Intangibles - goodwill		5,316,649	5,316,649
		19,973,806,483	18,584,988,359
Long term loans and advances		21,501,935	21,157,389
Long term deposits		3,026,023	3,026,023
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		113,558,145	113,281,217
Stock-in-trade		1,575,115,070	1,325,688,438
Trade debts	6	1,312,562,398	558,761,776
Loans and advances		287,159,193	33,888,414
Trade deposits and prepayments		13,052,192	2,901,581
Accrued profit		345,205	4,101,244
Other receivables		88,791,401	64,010,736
Tax refunds due from government		100,244,935	48,719,652
Financial assets at fair value through profit & loss		211,733,010	206,678,588
Cash and bank balances		340,588,306	547,731,156
		4,043,149,855	2,905,762,802
		<u>24,041,484,296</u>	<u>21,514,934,573</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>SHARE CAPITAL</b>			
Authorised capital: 240,000,000 ordinary shares of Rs. 10/- each		2,400,000,000	2,400,000,000
Issued, subscribed and paid-up		226,101,390	226,101,390
Revenue Reserves		1,570,000,000	1,570,000,000
Un-appropriated profit		657,024,763	552,243,334
		2,453,126,153	2,348,344,724
Minority interest		3,154,518,296	2,840,537,455
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	7	12,890,228,854	12,367,137,613
Deferred liabilities		109,456,845	104,129,288
Long term loans		16,255,913	17,755,913
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	1,541,610,403	1,132,520,083
Accrued mark-up		535,807,778	482,389,843
Short term borrowings		2,670,960,355	1,812,453,917
Current portion of long term financing and loans from related parties		664,506,883	405,472,750
Provision of income tax net of payment		5,012,815	4,192,987
		5,417,898,234	3,837,029,580
<b>CONTINGENCIES &amp; COMMITMENTS</b>	9	—	—
		<u>24,041,484,296</u>	<u>21,514,934,573</u>

The annexed notes from 1 to 14 form an integral part of these financial statements.

**ASHRAF S. MUKATY**  
Chief Executive

Karachi: 29<sup>th</sup> October, 2010

**ASIF Y. BAWANY**  
Director



**CONDENSED CONSOLIDATED INTERIM  
 PROFIT AND LOSS ACCOUNT (UNAUDITED)  
 FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2010**

	Note	1st Quarter ended September 30, 2010 Rupees	1st Quarter ended September 30, 2009 Rupees
Sales and services	10	1,897,447,486	1,310,107,052
Cost of sales and services	11	<u>(1,626,891,265)</u>	<u>(1,086,578,550)</u>
Gross profit		270,556,221	223,528,502
Distribution cost		(49,434,178)	(24,068,765)
Administrative expenses		(46,437,056)	(46,344,060)
Other operating expenses		(8,922,702)	(12,680,096)
		<u>(104,793,936)</u>	<u>(83,092,921)</u>
		165,762,285	140,435,581
Other operating income		15,046,603	101,840,148
Income from investment property		34,127	26,451
Operating profit		<u>180,843,015</u>	<u>242,302,180</u>
Finance cost		(69,487,584)	(48,929,087)
Profit before taxation		<u>111,355,431</u>	<u>193,373,093</u>
Taxation		(12,791,948)	(12,864,648)
Profit after taxation		<u>98,563,483</u>	<u>180,508,445</u>
Earning per share - basic and diluted		<u>4.36</u>	<u>7.98</u>

The annexed notes from 1 to 14 form an integral part of these financial statements.

**ASHRAF S. MUKATY**  
 Chief Executive  
 Karachi: 29<sup>th</sup> October, 2010

**ASIF Y. BAWANY**  
 Director



**STATEMENT OF CONDENSED CONSOLIDATED  
INTERIM COMPREHENSIVE INCOME  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2010**

	1st Quarter ended September 30, 2010 Rupees	1st Quarter ended September 30, 2009 Rupees
Profit for the year	98,563,483	180,508,445
Other comprehensive income - net of taxation	—	—
Total comprehensive income for the year	<u><b>98,563,483</b></u>	<u><b>180,508,445</b></u>

The annexed notes from 1 to 14 form an integral part of these financial statements.

**ASHRAF S. MUKATY**  
Chief Executive  
Karachi: 29<sup>th</sup> October, 2010

**ASIF Y. BAWANY**  
Director



## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2010

	<b>30.09.2010</b>	<b>30.09.2009</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	111,355,431	193,373,093
<b>Adjustment for non cash charges and other items</b>		
Depreciation	27,921,767	30,400,081
Provision for staff retirements benefit (net)	5,327,557	3,363,401
Gain on disposal of fixed assets	(280,213)	
Finance cost	69,487,584	48,929,087
	102,456,695	82,692,569
	<b>213,812,126</b>	<b>276,065,662</b>
<b>WORKING CAPITAL CHANGES (INCREASE)/DECREASE IN CURRENT ASSETS</b>		
Stores spares parts & loose tools	(276,928)	(2,448,666)
Stock-in-trade	(249,426,632)	(3,300,202)
Trade debts	(753,800,622)	(364,514,597)
Loans and advances	(253,270,778)	13,722,955
Trade deposits and prepayments	(10,150,611)	4,053,908
Accrued mark-up	3,756,039	(5,678,373)
Other receivables	(24,780,665)	(9,438,700)
	(1,287,950,196)	(367,603,674)
<b>INCREASE/(DECREASE) IN CURRENT LIABILITIES</b>		
Short term borrowings	858,506,438	148,925,640
Trade and other payables	409,090,320	469,067,089
Add: Working capital changes	<b>(20,353,438)</b>	<b>250,389,055</b>
Less: (Increase) in long term loans & advances	(344,546)	(10,557,423)
Finance cost paid	(16,069,649)	(43,461,491)
Tax paid	(11,972,120)	(10,763,396)
Tax refund received	(51,525,283)	(5,139,726)
<b>Net cash in flow from operations</b>	<b>113,547,089</b>	<b>456,532,681</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of Subsidiary		99,790,350
Fixed capital expenditures	(1,417,059,679)	(822,765,084)
Proceeds from disposal of fixed assets	600,000	
<b>Net cash out flow investing activities</b>	<b>(1,416,459,679)</b>	<b>(722,974,734)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Investment by minority shareholder	320,198,788	
Proceed of loan	780,625,374	303,077,208
<b>Net cash in flow / (out) flow from financing activities</b>	<b>1,100,824,162</b>	<b>303,077,208</b>
Net increase / (decrease) in cash and cash equivalents	(202,088,428)	36,635,155
Cash and cash equivalents at the beginning of the period	754,409,744	1,463,807,730
Cash and cash equivalents at the end of the period	552,321,316	1,500,442,885
<b>Cash and bank balances</b>	<b>552,321,316</b>	<b>1,500,442,885</b>

The annexed notes from 1 to 14 form an integral part of these financial statements.

**ASHRAF S. MUKATY**  
Chief Executive

Karachi: 29<sup>th</sup> October, 2010

**ASIF Y. BAWANY**  
Director



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2010**

	Share Capital	Revenue Reserve	Un-Appropriated Profit	Sub Total	Minority Interest	Total
<b>Rupees</b>						
<b>Balance as at 30th September, 2008</b>	226,101,390	870,000,002	537,092,678	1,633,194,070	—	1,633,194,070
Minority interest arising in investment in subsidiary					612,204,019	612,204,019
Effect of prior period errors					34,829,984	34,829,984
Net profit for the period 1st October 2008 to 30th June, 2009			391,842,031	391,842,031	(12,300,915)	379,541,116
Transfer to revenue reserve		299,999,998	(299,999,998)			
Final dividend for the year ended 30th June, 2008: Cash dividend @ Rs. 15% Rs. 1.50 per share			(33,915,209)	(33,915,209)		(33,915,209)
<b>Balance as at 30th June, 2009 Restated</b>	226,101,390	1,170,000,000	595,019,502	1,991,120,892	634,733,088	2,625,853,980
Net profit for the quarter ended 30th September, 2009			184,746,876	184,746,876	(4,238,431)	180,508,445
<b>Balance as at 30th September, 2009 Restated</b>	226,101,390	1,170,000,000	779,766,378	2,175,867,768	630,494,657	2,806,362,425
Minority interest arising in investment in subsidiary					2,218,953,050	2,218,953,050
Net profit for the period 1st October 2009 to 30th June, 2010			285,527,650	285,527,650	(8,910,253)	276,617,397
Transfer to revenue reserve		400,000,000	(400,000,000)			
Final dividend for the year ended 30th June, 2009: Cash dividend @ Rs. 50% Rs. 5.00 per share			(113,050,694)	(113,050,694)		(113,050,694)
<b>Balance as at 30th June, 2010</b>	226,101,390	1,570,000,000	552,243,334	2,348,344,724	2,840,537,455	5,188,882,179
Minority interest arising in investment in subsidiary					320,198,788	320,198,788
Net profit for the quarter ended 30th Sept, 2009			104,781,429	104,781,429	(6,217,947)	98,563,483
<b>Balance as at Sept. 30, 2010</b>	226,101,390	1,570,000,000	657,024,763	2,453,126,153	3,154,518,296	5,607,644,449

The annexed notes from 1 to 14 form an integral part of these financial statements.

**ASHRAF S. MUKATY**  
Chief Executive

Karachi: 29<sup>th</sup> October, 2010

**ASIF Y. BAWANY**  
Director



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**SELECTED NOTES TO THE CONDESED CONSOLIDATED  
FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 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**

The Company was incorporated in Pakistan on February 22, 1965 as private limited company and was converted into Public Limited Company on 12th September 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 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 Furnance 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 end of November 2010.

**2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS**

These condensed interim financial statements are presented in condensed form in accordance with the requirement of International Accounting Standard 34' Interim Financial Reporting ' . These condensed interim financial statements do not include all the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2009. These accounts are being submitted to the shareholders as required by the Section 245 of the Companies Ordinance, 1984.





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

Intra Group balance 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. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates, judgements and method of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2010.

4. PROPERTY, PLANT & EQUIPMENT		<b>Unaudited 30.09.2010</b>	<b>Audited 30.06.2010</b>
Property, plant and equipment	Note 4.1	1,196,973,328	1,217,947,807
Capital work in progress	Note 4.2	18,763,597,113	17,353,688,636
		<b><u>19,960,570,441</u></b>	<b><u>18,571,636,444</u></b>
<b>4.1 Property, plant and equipment</b>			
Opening book value		1,217,947,807	1,264,567,954
Additions made during the period	Note 4.1.1	9,196,584	76,706,397
		<u>1,227,144,391</u>	<u>1,341,274,351</u>
Less:			
Written down value of disposal	Note 4.1.2	319,787	1,596,821
Depreciation charged for the period		29,851,276	121,729,723
		<b><u>1,196,973,328</u></b>	<b><u>1,217,947,807</u></b>



	<b>Unaudited 30.09.2010</b>	<b>Audited 30.06.2010</b>
<b>4.1.1 Additions made during the year</b>		
Free hold Land	5,300,000	—
Factory building on lease hold land	—	1,557,554
Non factory building on lease hold land	62,339	2,417,522
Plant & machinery	547,700	34,143,898
Factory equipments	495,000	4,801,707
Office equipments	—	421,200
Furniture & fixtures	—	4,159,353
Vehicles	2,548,209	28,577,545
Computers	243,336	627,618
	<b>9,196,584</b>	<b>76,706,397</b>
<b>4.1.2 Written down value of disposal</b>		
Vehicles	319,787	1,596,821
	<b>319,787</b>	<b>1,596,821</b>
<b>4.2 Capital work in progress</b>		
Building under construction	1,999,371,485	1,521,759,305
Plant, machinery and equipment	14,398,758,351	14,030,955,011
Professional fee	261,153,441	251,187,741
Insurance	180,852,236	180,852,236
Borrowing Cost	1,628,296,288	1,131,505,807
Others	295,165,312	237,428,536
	<b>18,763,597,113</b>	<b>17,353,688,636</b>
<b>5. INVESTMENT PROPERTY</b>		
Opening book value	8,035,266	8,517,772
Additions during period	—	—
	8,035,266	8,517,772
Less: Depreciation charged during the period	(115,873)	(482,506)
Closing book value	7,919,393	8,035,266
<b>6. TRADE DEBTS - CONSIDERED GOOD</b>		
Export bills under collection (secured against export letter of credit).	1,163,037,292	407,235,301
Local (unsecured)	144,457,904	138,694,182
Related party <span style="float: right;">Note 6.1</span>	5,067,202	12,832,293
	<b>1,312,562,398</b>	<b>558,761,776</b>



6.1 The Maximum amount outstanding due to related party is Rs.14.749 million (June 2010: Rs. 24.018 million).

<b>7. LONG TERM FINANCING - SECURED FROM BANKING COMPANIES</b>	<b>Unaudited 30.09.2010</b>	<b>Audited 30.06.2010</b>
Habib Metropolitan Bank Limited Note 7.1	65,633,661	66,453,495
Standard Chartered Bank (Pakistan) Limited Note 7.2	26,488,470	29,857,703
Allied Bank Limited Note 7.3	40,312,250	43,000,250
Habib Bank Limited Note 7.4	385,714,286	400,000,000
Bank Al-falah Limited Note 7.5	62,472,000	62,681,000
Faysal Bank Limited Note 7.6	5,899,000	5,899,000
Askari Bank Limited Note 7.7	1,428,854,338	1,342,207,338
Long term musharaka Note 7.7	11,764,086,267	11,042,839,000
	<u>13,779,460,272</u>	<u>12,992,937,786</u>
Less: Debt arrangement fee	(230,724,535)	(226,327,423)
Current portion shown under current liabilities	(658,506,883)	(399,472,750)
	<u><b>12,890,228,854</b></u>	<u><b>12,367,137,613</b></u>

#### 7.1 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 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.

#### 7.2 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 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.

**7.3 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 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.

**7.4 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 commenced 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.



#### **7.5 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.

#### **7.6 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 commenced 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.

- 7.7** The Company has entered into long-term financing agreement with a consortium of banks/financial institutions for Rs. 15,200 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 Company, lien and setoff rights over project accounts, assignment over project insurance and pledge of 51% shares of all sponsors in the Company. The 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.



<b>8. TRADE AND OTHER PAYABLES</b>	<b>Unaudited 30.09.2010</b>	<b>Audited 30.06.2010</b>
Creditors	1,405,272,858	1,025,095,148
Bills payable	26,577,889	18,899,050
Accrued liabilities <span style="float: right;">Note 8.1</span>	53,977,011	42,790,950
Advances from customers	5,715,203	6,348,432
Worker's profit participation fund	37,018,974	28,913,496
Worker's welfare fund	9,784,187	7,327,211
Unclaimed dividend & bonus fractions	881,638	881,638
Retention money	1,338,283	1,298,283
Other liabilities	1,044,360	965,875
	<b><u>1,541,610,403</u></b>	<b><u>1,132,520,083</u></b>

8.1 Accrued liabilities includes provision of Rs. 98,412/- (June 2010: Rs. 112,994/-) due to associated company.

**9. CONTINGENCIES AND COMMITMENTS:**

**Contingencies**

The Company has provided following guarantees:

(i) Guarantees of Rs. 44.159 Million (June 2009: Rs. 44.146 Million) have been given by banks to Sui Southern Gas Company Limited & Collector of Customs.

(ii) Guarantee in favour of NTDC for USD 5.36 million equals to Rs. 462.032 million (June 2010: USD 5.36 million equivalent to Rs 458.816) secured against first charge on all present and future current (excluding fuel stock) and fixed assets ranking pari passu with senior financiers. Foreign exchange risk cover through personal properties of Sponsors.

(iii) The Company has entered into a construction contract with an associated undertaking for the construction of the plant. The remaining capital commitments against this contract amounts to USD 5.548 million (Rs. 478.211 million) (June 2010: USD 7.321 million). In order to meet this commitment, the Company has made arrangement with financial institutions for issuance of guarantee to the extent of 20% of the total amount of initial commitment amounting to USD 4.44 million



equivalent to Rs. 382.728 million (June 2010: USD 4.44 million ). The guarantee is valid until January 31, 2011 and is secured by way of securities mentioned in note 7.7.

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 6.027 million (Rs. 706.425 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 7.7

#### **Commitments**

Letter of Credits & Contracts for supply of raw materials, spares & machinery amounting to Rs. nil (June 2010: Rs. 3.538 Million).

The Capital Commitment for the next year is around Rs. 200 Million (June 2010. Rs 200 million)

	<b>Unaudited 30.09.2010</b>	<b>Unaudited 30.09.2009</b>
<b>10. <u>SALES AND SERVICES</u></b>		
Export sales	1,658,314,516	1,061,409,999
Local sales	79,944,175	45,963,155
Waste sales	1,253,422	914,059
	81,197,597	46,877,214
Less : Sales tax	(62,329)	(60,839)
	81,135,268	46,816,375
<b><u>SERVICES</u></b>		
Cloth processing, printing & Dyeing	157,997,702	201,880,678
	<b><u>1,897,447,486</u></b>	<b><u>1,310,107,052</u></b>



11. <b><u>COST OF SALES</u></b>	<b>Unaudited 30.09.2010</b>	<b>Unaudited 30.09.2009</b>
Raw material consumed	1,367,393,700	793,664,232
Stores & spare parts consumed	32,889,319	39,276,086
Salaries, wages and other benefits	71,602,770	62,137,926
Design, stitching, weaving, raising & mending charges	46,401,508	40,622,769
Power, water and gas	108,216,089	101,910,608
Repairs & maintenance	8,917,199	5,749,263
Packing expenses	4,308,144	3,745,095
Rent, rates & taxes	1,307,632	618,911
Insurance	3,193,125	3,055,500
Research and development expenses	1,765,570	351,589
Depreciation	25,589,539	27,494,593
Less: Duty drawback	(30,284,216)	(11,676,602)
<b>COST OF PRODUCTION</b>	<b>1,641,300,379</b>	<b>1,066,949,970</b>
Work-in-process		
-opening	289,491,818	93,827,537
-closing	(337,366,019)	(108,614,440)
	(47,874,201)	(14,786,903)
<b>COST OF GOODS MANUFACTURED</b>	<b>1,593,426,178</b>	<b>1,052,163,067</b>
Finished goods		
-opening	333,185,266	189,910,263
-closing	(299,720,179)	(155,494,780)
	33,465,087	34,415,483
	<b><u>1,626,891,265</u></b>	<b><u>1,086,578,550</u></b>

## 12. **TRANSACTION 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.

<b>Relationship</b>	<b>Nature of Transaction</b>	<b>Unaudited 30.09.2010</b>	<b>Audited 30.06.2010</b>
Associated Company	Services Obtained (Inclusive of Sales Tax)	36,786,829	138,554,434
Associated Company	Services Provided	15,100,018	83,860,374
Associated Company	Payment Received	17,692,108	80,553,779
Associated Company	Rent Received	150,000	600,000
Associated Company	Rent Paid	375,000	1,500,000
Directors	Loan from directors	—	23,755,913
Associated Company	Share Issued	67,200,000	657,284,000





# LIBERTY MILLS LIMITED

32

Associated Company	Equipment Supply	946,486,000	13,354,258,000
Associated Company	Construction Supply		
	Contract	456,852,272	741,438,000
Directors	Share Issued	252,800,000	1,561,715,000

### 13. DATE OF AUTHORISATION FOR ISSUE

These Financial Statements were authorised for issue by the Board of Directors on 29, October 2010.

### 14. GENERAL

- (i) Provision in respect of Worker's Profit Participation Fund, Worker's Welfare Fund and Taxation are estimated and are subject to final adjustment in the annual audited accounts.
- (ii) Figures have been rounded off to the nearest rupees.

**ASHRAF S. MUKATY**  
Chief Executive  
Karachi: 29<sup>th</sup> October, 2010

**ASIF Y. BAWANY**  
Director