



LIBERTY
MILLS LIMITED

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Half Yearly Accounts

for the half-year ended

December 31, 2007

(Un-Audited)

LIBERTY
MILLS LIMITED

**COMPANY INFORMATION****BOARD OF DIRECTORS:****CHAIRMAN:** Mr. Salim N. Mukaty**DIRECTORS:** Mr. Ashraf Salim Mukaty
Mr. Yusuf N. Mukaty
Mrs. Hamida Salim Mukaty
Mr. Noor Muhammad Yusuf Mukaty
Mr. Arif Haji Abdul Sattar Maniya
Mr. Luqman F. Poonawala
Mr. Madni Gul Muhammad
Mr. Asif Younus Bawany**CHIEF EXECUTIVE:** Mr. Ashraf Salim Mukaty**CHIEF FINANCIAL OFFICER:** Haji Younus Bhathda**COMPANY SECRETARY:** Mr. Muhammad Iqbal Haroon**AUDITORS :** Hyder Bhimji & Co.
Chartered AccountantsRauf Ayoob & Co.
Chartered Accountants**BANKERS :** Habib Metropolitan Bank Ltd.
Standard Chartered Bank
Habib Bank Limited
Bank Al Habib Ltd.**REGISTERED OFFICE AND MILLS :** A/51-A, S.I.T.E.,
Karachi-75700.
Tel No. (021) 2578103-16 (14 Lines)
Fax: (021) 2570086 & 2561050
Email: liberty@libertymillslimited.com
Website: www.lml.com.pk



DIRECTORS' REPORT TO THE MEMBERS

We feel pleasure in submitting herewith the un-audited Half-Yearly accounts for the period ended December 31, 2007.

The financial results are as under:

| | Rupees in Million | |
|----------------------------|-------------------|------------------|
| | Dec. 2007 | Dec. 2006 |
| Sales | 2,214.760 | 2,113.054 |
| Gross Profit | 289.050 | 294.886 |
| Profit / (loss) before tax | 111.194 | 152.480 |
| Profit after tax | 91.308 | 126.080 |

The company has been able to earn profit of Rs. 91.308 (Million) despite of very difficult situation to compete in the international market as against its regional competitors in securing marginal selling prices of its products.

Over all Textile export trade is in turmoil. In addition deteriorating law and order situation combines with political instability are affecting the trade adversely. On the other hand due to consistent increase in oil prices and currency fluctuation the cost of production had increased. The buyers of textiles are also not willing to increase the prices so the margins are declining. They also refuse to visit Pakistan for negotiation and our marketing teams have to visit Dubai, Mumbai, Delhi and even Bangalore to secure orders from them. Instead of any support from the authority, they continues to further increase the prices of gas, electric and other utilities. In spite of this situation the management of your company had made stringent cost cut and improve in quality of products, where ever possible.

A fire occurred at one of our grey fabric godown on November 19, 2007, resulting in the loss of fabrics and other property. The above stock and property are fully insured. The management is confident that the loss will be fully compensated by the insurance company.

We are thankful to all our customers, shareholders and all other stakeholder for their continued support. We also express our gratitude to all our staff for their dedication hard work and look forward to their long-lasting support.

For and on behalf of the
Board of Directors

(Ashraf Salim Mukaty)
Chief Executive

Karachi: 27th February, 2008



**AUDITORS REPORT TO THE MEMBERS
ON REVIEW OF INTERIM FINANCIAL STATEMENTS**

Introduction:

We have reviewed the accompanying balance sheet of LIBERTY MILLS LTD ("the Company") as of December 31, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with notes forming part thereof for the half year then ended (hereinafter referred to as the interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. Since we were required to review only the cumulative figures of half year ended of the profit and loss account hence quarterly figures of profit and loss account for the quarters ended on September 30, 2007 and September 30, 2006 have not been reviewed by us.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410. "Review of interim financial information performed by the Independent Auditor of the Entity. "A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Auditing Standards as applicable in Pakistan and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2007 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

The Financial statements for the year ended June 30, 2007 were co-audited by another firm of chartered accountants whose report dated September 28, 2007 expressed un-qualified opinion.

HYDER BHIMJI & CO.
Chartered Accountants

RAUF AYOOB & CO.
Chartered Accountants

Karachi: 27th February, 2008



LIBERTY MILLS LIMITED

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BALANCE SHEET (UN-AUDITED) AS AT 31ST DECEMBER, 2007

| | | Un-audited 31.12.2007 Rupees | Audited 30.06.2007 Rupees |
|--|---|------------------------------------|---------------------------------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 1,229,037,179 | 1,269,866,081 |
| Investment property | | 1,587,993 | 1,670,589 |
| Long term investment | | 500,000 | 500,000 |
| Long term loans and advances | | 23,397,225 | 20,405,075 |
| Long term deposits | | 2,822,863 | 2,828,605 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | | 105,920,215 | 94,640,544 |
| Stock-in-trade | | 541,231,057 | 596,348,301 |
| Trade debts | | 668,470,743 | 701,320,877 |
| Loans and advances | | 45,019,941 | 30,876,145 |
| Trade deposits and prepayments | | 3,341,722 | 581,214 |
| Accrued markup | | 859,938 | 787,438 |
| Other receivables | | 169,312,464 | 64,470,563 |
| Tax refunds due from government | | 43,727,036 | 34,874,981 |
| Financial assets at fair value through profit & loss | | 125,042,937 | 20,042,937 |
| Cash and bank balances | | 381,500,251 | 139,232,314 |
| | | <u>2,084,426,304</u> | <u>1,683,175,314</u> |
| | | <u>3,341,771,564</u> | <u>2,978,445,664</u> |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| SHARE CAPITAL | | | |
| Authorised capital: 40,000,000 ordinary shares of Rs. 10/- each | | <u>400,000,000</u> | <u>400,000,000</u> |
| Issued, subscribed and paid-up | | <u>226,101,390</u> | <u>226,101,390</u> |
| Revenue reserves | | <u>870,000,002</u> | <u>570,000,002</u> |
| Un-appropriated profit | | <u>126,155,077</u> | <u>380,067,196</u> |
| | | 1,222,256,469 | 1,176,168,588 |
| NON-CURRENT LIABILITIES | | | |
| Long term financing | | 109,869,184 | 122,433,167 |
| Loans from related parties | | 30,000,000 | — |
| Deferred tax (net) | | 25,545,000 | 25,545,000 |
| Deferred liabilities for staff retirements benefit | | 53,312,471 | 46,604,878 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 637,154,115 | 568,404,553 |
| Accrued mark-up | | 16,045,655 | 11,568,617 |
| Short term borrowings | | 1,041,334,049 | 776,462,429 |
| Current portion of long term financing and loans from related parties | | 205,118,511 | 249,884,888 |
| Taxation | | 1,136,110 | 1,373,544 |
| | | <u>1,900,788,440</u> | <u>1,607,694,031</u> |
| CONTINGENCIES & COMMITMENTS | 4 | <u>—</u> | <u>—</u> |
| | | <u>3,341,771,564</u> | <u>2,978,445,664</u> |

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

ASHRAF S. MUKATY
Chief Executive

ASIF Y. BAWANY
Director

Karachi: 27th February, 2008



PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED 31ST DECEMBER, 2007

| | Quarter ended 31.12.2007 Rupees | Six Months ended 31.12.2007 Rupees | Quarter ended 31.12.2006 Rupees | Six Months ended 31.12.2006 Rupees |
|---------------------------------------|--|---|--|---|
| Sales and services | 1,048,111,627 | 2,214,760,041 | 1,116,397,873 | 2,113,054,471 |
| Cost of sales and services | 903,993,892 | 1,925,709,558 | 957,788,575 | 1,818,168,162 |
| Gross profit | 144,117,735 | 289,050,483 | 158,609,298 | 294,886,309 |
| Administrative expenses | (29,187,478) | (61,957,556) | (29,681,999) | (57,970,578) |
| Distribution cost | (48,740,297) | (70,734,983) | (23,955,553) | (45,642,600) |
| Other operating charges | (3,114,754) | (8,122,865) | (4,521,928) | (8,025,267) |
| Income from investment property | 64,225 | 97,404 | 29,879 | 58,601 |
| Other operating Income | 3,299,934 | 5,402,878 | 1,978,218 | 3,069,759 |
| Operating profit | 66,439,365 | 153,735,361 | 102,457,914 | 186,376,224 |
| Finance cost | (21,781,595) | (42,541,261) | (16,541,269) | (33,896,147) |
| Profit before taxation | 44,657,770 | 111,194,100 | 85,916,645 | 152,480,077 |
| Taxation | (10,680,315) | (19,885,941) | (12,509,748) | (26,399,661) |
| Profit after taxation | 33,977,455 | 91,308,159 | 73,406,897 | 126,080,416 |
| Earning per share - Basic and diluted | 1.50 | 4.04 | 3.25 | 5.58 |

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


ASHRAF S. MUKATY
 Chief Executive


ASIF Y. BAWANY
 Director

Karachi: 27th February, 2008



LIBERTY MILLS LIMITED

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CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED 31ST DECEMBER, 2007

| | 31.12.2007 Rupees | 31.12.2006 Rupees |
|--|----------------------|----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Profit before taxation | 111,194,100 | 152,480,077 |
| Adjustments for non cash charges and other items | | |
| Depreciation | 52,702,624 | 53,672,673 |
| Provision for staff retirement benefits (net) | 6,707,593 | 2,331,698 |
| Gain on disposal of fixed assets | (22,262) | (272,228) |
| Finance cost | 42,541,261 | 33,896,147 |
| | 101,929,216 | 89,628,290 |
| | 213,123,316 | 242,108,368 |
| WORKING CAPITAL CHANGES (INCREASE)/DECREASE IN CURRENT ASSETS | | |
| Stores, spares and loose tools | (11,279,671) | (7,923,526) |
| Stock-in-trade | 55,117,244 | 34,827,976 |
| Trade debts | 32,850,134 | (138,643,576) |
| Loans and advances | (14,143,796) | (7,987,378) |
| Trade deposits and prepayments | (2,760,508) | (3,047,539) |
| Accrued mark-up | (72,500) | (72,500) |
| Other receivables | (104,841,901) | (5,756,503) |
| Financial assets at fair value | (105,000,000) | — |
| | (150,130,998) | (128,603,046) |
| INCREASE/(DECREASE) IN CURRENT LIABILITIES | | |
| Short term borrowings | 264,871,620 | (254,441,369) |
| Trade and other payables | 68,749,561 | 164,717,316 |
| Working capital changes | 183,490,183 | (218,327,099) |
| (Increase) in long term loans & advances | (2,992,150) | (2,151,148) |
| Long term deposit | 5,742 | — |
| Finance cost paid | (38,064,223) | (39,066,840) |
| Tax refund received | — | 11,621,601 |
| Taxes paid | (28,975,430) | (26,007,888) |
| | 326,587,438 | (31,823,006) |
| CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Fixed capital expenditures | (11,883,863) | (32,509,686) |
| Proceeds from disposal of fixed assets | 115,000 | 442,500 |
| | (11,768,863) | (32,067,186) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceed of long term finance | (11,744,150) | — |
| (Payment) / Proceed of Loan from related parties | (15,586,210) | 60,000,000 |
| Dividend paid | (45,220,278) | (45,220,278) |
| Net cash in flow / (out flow) from financing activities | (72,550,638) | 14,779,722 |
| Net increase / (decrease) in cash and cash equivalents | 242,267,937 | (49,110,470) |
| Cash and cash equivalents at the beginning of the period | 139,232,314 | 158,258,025 |
| Cash and cash equivalents at the end of the period | 381,500,251 | 109,147,555 |

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

ASHRAF S. MUKATY
Chief Executive

Karachi: 27th February, 2008

ASIF Y. BAWANY
Director



STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED 31ST DECEMBER, 2007

| | Share Capital | Revenue Reserve | Un-Appropriated Profit | Total |
|--|--------------------|--------------------|------------------------|----------------------|
| | Rupees | | | |
| Balance as at June 30, 2006 | 226,101,390 | 450,000,002 | 248,870,614 | 924,972,006 |
| Effect of change in Accounting policy of deferred taxation | — | — | 20,120,000 | 20,120,000 |
| Restated balances as at June 30, 2006 | 226,101,390 | 450,000,002 | 268,990,614 | 945,092,006 |
| Transfer to revenue reserve | — | 120,000,000 | (120,000,000) | — |
| Final dividend for the year 2006 Rs. 2.00 per share (20%) | — | — | (45,220,278) | (45,220,278) |
| Net profit for the half year ended 31st December, 2006 | — | — | 126,080,416 | 126,080,416 |
| Balance as at Dec 31, 2006 | 226,101,390 | 570,000,002 | 229,850,752 | 1,025,952,144 |
| Net Profit for the half year ended 30 June 2007 | — | — | 150,216,444 | 150,216,444 |
| Balances as at June 30, 2007 | 226,101,390 | 570,000,002 | 380,067,196 | 1,176,168,588 |
| Transfer to revenue reserve | — | 300,000,000 | (300,000,000) | — |
| Final dividend for the year 2007 Rs. 2.00 per share (20%) | — | — | (45,220,278) | (45,220,278) |
| Net profit for the half year ended 31st December, 2007 | — | — | 91,308,159 | 91,308,159 |
| Balance as at Dec 31, 2007 | 226,101,390 | 870,000,002 | 126,155,077 | 1,222,256,469 |

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

ASHRAF S. MUKATY
Chief Executive

ASIF Y. BAWANY
Director

Karachi: 27th February, 2008



**SELECTED NOTES
TO THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 31ST DECEMBER, 2007**

1. THE COMPANY AND ITS OPERATIONS

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

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

2.1 These financial statements are the interim un-audited condensed financial statements. These are prepared in accordance with the requirements of International Accounting Standard - 34 "Interim financial Reporting". These interim financial Statements should be read in conjunction with the published financial statements of the Company for the year ended 30th June 2007.

2.2 These financial statements are un-audited. However, a limited scope review of these interim financial statements has been performed by the external auditors of the Company in accordance with the requirement of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan.

2.3 These accounts are being submitted to the shareholders as required by section 245 of the Companies Ordinance 1984.

3. ACCOUNTING POLICIES

The accounting policies used are consistent with those used in the audited financial statements of the Company for the year ended 30th June 2007.



| | Un-audited | Audited |
|---|-------------------------|---------------------------|
| | 31.12.2007 | 30.06.2007 |
| 4. CONTINGENCIES AND COMMITMENTS: | | |
| For outstanding L/C's in respect of: | | |
| Raw material & spares etc. | 20,769,039 | 15,248,617 |
| For capital expenditures | 46,395,000 | 2,202,225 |
| Bank guarantees issued | | |
| to Sui Southern Gas Company Ltd. | 34,484,000 | 34,484,000 |
| to Defence purchases, wah cantt. | 1,076,400 | 1,076,400 |
| Counter Guarantee issued | | |
| to ABL for Liberty Power Tech Ltd., | 249,431,400 | — |
| 5. TANGIBLE FIXED ASSETS | | |
| Cost of Additions | | |
| Factory building on lease hold land | 232,743 | 8,375,485 |
| Non factory building on lease hold land | — | 13,110 |
| Plant & machinery | 981,768 | 122,612,480 |
| Factory equipments | 1,606,114 | 2,146,807 |
| Office equipments | 211,226 | 497,338 |
| Computers / printers | 18,700 | 186,825 |
| Furniture & fixtures | 820,714 | 388,660 |
| Vehicles | 1,476,500 | 7,280,640 |
| | <u>5,347,765</u> | <u>141,501,345</u> |
| Cost of disposal | | |
| Vehicles | 419,000 | 8,911,480 |
| | <u>419,000</u> | <u>8,911,480</u> |
| 6. | | |
| Provisions in respect of Workers Profit Participation Fund, Workers Welfare Fund and Taxation are estimated and are subject to final adjustment in the annual audited accounts. | | |



7. TRANSACTION WITH RELATED PARTIES

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

| | Quarter ended 31.12.2007 Rupees | Six Months ended 31.12.2007 Rupees | Quarter ended 31.12.2006 Rupees | Six Months ended 31.12.2006 Rupees |
|-------------------|--|---|--|---|
| Services obtained | 22,218,156 | 48,313,736 | 23,612,350 | 46,185,514 |
| Rent received | 90,000 | 180,000 | 75,000 | 150,000 |
| Rent paid | 300,000 | 2,700,000 | — | — |

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

- 8.** A fire occurred at one of our grey fabric godown on November 19, 2007, resulting in the loss of fabrics and other property. The above stock and property are fully insured. The management is confident that the loss will be fully compensated by the insurance company.

Except to the above there are no unusual items included in the accounts affecting, liabilities, equity, net income or cash flow of the Company.

9. DATE OF AUTHORISATION FOR ISSUE

These financial Statements were authorized for issue by the Board of Directors on 27, February 2008.

10. GENERAL

Figures have been rounded off to the nearest rupees.

ASHRAF S. MUKATY
Chief Executive

ASIF Y. BAWANY
Director

Karachi: 27th February, 2008