



LIBERTY
MILLS LIMITED

1

Half Yearly Accounts

for the half-year ended

December 31, 2010

(Un-Audited)

LIBERTY
MILLS LIMITED



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:

Mr. Younus Dawood

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
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

On behalf of the Board of Directors, I feel pleasure in presenting the unaudited financial statements of the Company for the Half-Year ended 31st December, 2010.

OPERATING & FINANCIAL RESULTS:

	Dec. 2010	Dec. 2009
	(Rupees in Thousand)	
The summarized financial results are given below		
Sales	3,773,765	2,682,296
Gross Profit	537,090	460,460
Profit / (loss) before tax	238,226	350,371
Profit after tax	197,165	320,491

Alhamdulillah, the Company's net sales increased by 28.92% in the Half Year ended December 2010, amounting to Rs. 3,773.77 million as compared to Rs. 2,682.30 million in the previous corresponding period. The gross profit for the current period has increased in term of rupee value to Rs. 537.09 million compared to Rs. 460.46 million in the previous corresponding period but in term of percentage of sales value, the overall gross profit has decreased. The main reason is due to high rise in the prices of raw cotton and cotton yarn where an unprecedented rise in international and local market and massive flood corroding of the production of raw cotton which resulted in acute shortage added with unprecedented power shortage resulting in shortage of production of spinning mills. In spite of the most difficult period in the country, Alhamdulillah, we have ably supported quality demand with continued emphasis on quality.

The Company has intensified its efforts to reduce cost, maximize synergies and diversify in order to remain profitable. The management is confident that it can achieve its goal and increase business viability over the long term.

Subsidiary Company

Liberty Power Tech Limited is the subsidiary of Liberty Mills Limited, The Company had achieved the Commercial Operation (COD) on January 12, 2011 and is Alhamdulillah doing very well. After COD the company is providing uninterrupted power to National Transmission & Distribution Company.

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

SALIM N. MUKATY

Chairman

Karachi: 28th February, 2011



AUDITORS REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

INTRODUCTION:

We have reviewed the accompanying condensed interim balance sheet of LIBERTY MILLS LIMITED as at December 31, 2010, and the related condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of change in equity together, with the notes forming part thereof (hereinafter referred to as the "condensed interim information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standard as applicable in Pakistan. Our responsibility is to express a conclusion of these condensed interim financial information based our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2009 and 2010 have not been reviewed, as we were required to review only the cumulative figures for the half year ended December 31, 2010.

SCOPE OF REIWEW:

We conducted our review in accordance with the 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 inquires primarily of persons responsible for financial and accounting matters, and applying analytically and other review procedures. A review is substantially less in scope then an audit conducted in accordance with International Standard on Auditing and consequently does not enable us to obtained assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit option.

CONCLUSION:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31,2010 is not prepared, in all material respect in accordance with approved accounting standards as applicable in Pakistan.

HYDER BHIMJI & CO.
Chartered Accountants

Engagement Partner:
Hyder Ali Bhimji

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

Engagement Partner:
Muhammad Fahim



**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT 31ST DECEMBER, 2010**

ASSETS		Unaudited 31.12.2010 Rupees	Audited 30.06.2010 Rupees
NON CURRENT ASSETS	Note		
Fixed Assets			
Property, plant and equipment	4	1,271,012,732	1,288,310,688
Investment property	5	7,805,355	8,035,266
		1,278,818,087	1,296,345,954
Long term investment		1,447,001,000	1,447,001,000
Long term loans and advances		17,499,309	21,157,389
Long term deposits		3,026,023	3,026,023
CURRENT ASSETS			
Stores, spares and loose tools		125,307,599	113,281,217
Stock-in-trade		1,691,340,925	1,325,688,438
Trade debts	6	1,085,984,733	558,761,776
Loans and advances		46,031,484	31,773,382
Trade deposits and prepayments		6,951,032	2,685,581
Accrued profit		365,040	3,778,867
Other receivables		116,098,856	64,010,736
Tax refunds due from government		42,252,080	42,164,075
Financial assets at fair value through profit & loss		217,368,447	206,678,588
Cash and bank balances		141,261,405	299,425,678
		3,472,961,601	2,648,248,338
		<u>6,219,306,020</u>	<u>5,415,778,704</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorised capital: 40,000,000 ordinary shares of Rs. 10/- each		400,000,000	400,000,000
Issued, subscribed and paid-up capital		226,101,390	226,101,390
Revenue reserves		2,000,000,000	1,570,000,000
Un appropriated profit		268,254,484	568,920,319
		2,494,355,874	2,365,021,709
NON-CURRENT LIABILITIES			
Long term financing	7	332,069,632	485,384,698
Deferred liabilities		110,059,002	100,901,488
Long term loans		14,755,913	17,755,913
CURRENT LIABILITIES			
Trade and other payables	8	621,354,531	456,903,115
Accrued mark-up		52,926,923	44,658,127
Short term borrowings		2,355,490,495	1,812,453,917
Current portion of long term financing and loans from related parties		235,234,403	128,506,750
Provision for Income tax net of payment		3,059,247	4,192,987
		3,268,065,599	2,446,714,896
CONTINGENCIES & COMMITMENTS	9	—	—
		<u>6,219,306,020</u>	<u>5,415,778,704</u>

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

SALIM N. MUKATY

Chairman

Karachi: 28th February, 2011

ASIF Y. BAWANY

Director



CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR ENDED 31ST DECEMBER, 2010

		Quarter ended 31.12.2010 Rupees	Six Months ended 31.12.2010 Rupees	Quarter ended 31.12.2009 Rupees	Six Months ended 31.12.2009 Rupees
Sales and services	10	1,876,317,413	3,773,764,899	1,372,188,600	2,682,295,652
Cost of sales and services	11	1,609,783,648	3,236,674,913	1,135,257,311	2,221,835,861
Gross profit		266,533,765	537,089,986	236,931,289	460,459,791
Distribution cost		(51,868,125)	(101,302,303)	(31,933,983)	(56,002,748)
Administrative expenses		(42,669,006)	(81,686,525)	(36,465,826)	(77,067,006)
Other operating expenses		(8,733,123)	(17,655,825)	(10,163,415)	(22,813,512)
		(103,270,254)	(200,644,653)	(78,563,224)	(155,883,266)
		163,263,511	336,445,333	158,368,065	304,576,524
Income from investment property		1,535,962	3,070,089	1,528,423	3,054,874
Other operating Income		28,758,245	43,804,848	41,916,361	143,756,509
Operating profit		193,557,718	383,320,270	201,812,849	451,387,907
Finance cost		(75,723,846)	(145,094,579)	(52,087,696)	(101,016,783)
Profit before taxation		117,833,872	238,225,691	149,725,153	350,371,124
Provision for income tax		(28,269,162)	(41,061,110)	(17,015,117)	(29,879,765)
Profit after taxation		89,564,711	197,164,582	132,710,036	320,491,359
Earning per share - Basic and diluted		3.96	8.72	5.87	14.17

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

SALIM N. MUKATY
Chairman

Karachi: 28th February, 2011

ASIF Y. BAWANY
Director



**STATEMENT OF CONDENSED
INTERIM COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED 31ST DECEMBER, 2010**

	Quarter ended 31.12.2010 Rupees	Six Months ended 31.12.2010 Rupees	Quarter ended 31.12.2009 Rupees	Six Months ended 31.12.2009 Rupees
Profit for the year	89,564,711	197,164,582	132,710,036	320,491,359
Other comprehensive income - net of taxation	—	—	—	—
Total comprehensive income for the year	89,564,711	197,164,582	132,710,036	320,491,359

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

SALIM N. MUKATY
Chairman

Karachi: 28th February, 2011

ASIF Y. BAWANY
Director



CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR ENDED 31ST DECEMBER, 2010

	31.12.2010 Rupees	30.12.2009 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	238,225,691	350,371,124
Adjustment for non cash charges and other items		
Depreciation	57,618,650	59,386,863
Provision for staff retirements benefit (net)	9,157,514	5,658,621
Gain on disposal of fixed assets	(523,966)	(544,468)
Finance cost	145,094,579	101,016,783
	211,346,777	165,517,799
	449,572,468	515,888,923
WORKING CAPITAL CHANGES		
(INCREASE)/DECREASE IN CURRENT ASSETS		
Stores spares parts & loose tools	(12,026,382)	(13,314,999)
Stock-in-trade	(365,652,487)	(71,942,632)
Trade debts	(527,222,957)	(326,551,551)
Loans and advances	(14,258,102)	3,361,892
Trade deposits and prepayments	(4,265,451)	7,605,360
Accrued profit	3,413,827	—
Other receivables	(52,088,120)	(5,498,605)
	(972,099,672)	(406,340,535)
INCREASE/(DECREASE) IN CURRENT LIABILITIES		
Short term borrowings	543,036,578	95,104,285
Trade and other payables	104,069,531	(3,790,601)
Add: Working capital changes	(324,993,563)	(315,026,851)
(Increase)/decrease in long term loans & advances	3,658,080	(3,980,457)
Long term investment	—	(466,250,000)
Finance cost paid	(136,825,783)	(96,139,691)
Sales tax refunded	(88,005)	(11,393,650)
Taxes paid	(42,194,849)	(32,962,885)
Dividend paid	(7,448,532)	(108,390,786)
Net cash in/(out)flow from operations	(58,320,184)	(518,255,397)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(40,726,817)	(35,222,948)
Proceeds from disposal of fixed assets	1,160,000	1,625,000
Net cash in/(out) flow investing activities	(39,566,817)	(33,597,948)
CASH FLOW FROM FINANCING ACTIVITIES		
(Payment)/Proceed of long term finance	(46,587,413)	—
(Payment)/Proceed of loan from related parties	(3,000,000)	(3,000,000)
Net cash in/(out) flow from financing activities	(49,587,413)	(3,000,000)
Net increase in cash and cash equivalents	(147,474,414)	(554,853,345)
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	358,629,852	655,056,049

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

SALIM N. MUKATY

Chairman

Karachi: 28th February, 2011

ASIF Y. BAWANY

Director



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
(UNAUDITED) FOR THE HALF YEAR ENDED 31ST DECEMBER, 2010**

	Share Capital	Revenue Reserve	Un-Appropriated Profit	Total
	Rupees			
Balance as at 30th June, 2009	226,101,390	1,170,000,000	605,072,524	2,001,173,914
Transfer to revenue reserve	—	400,000,000	(400,000,000)	—
Final dividend for the year 2009 cash @ 50% Rs. 5.00 per share	—	—	(113,050,695)	(113,050,695)
Net comprehensive income for the half year ended 31st December, 2009	—	—	320,491,359	320,491,359
Balance as at 31st December, 2009	226,101,390	1,570,000,000	412,513,189	2,208,614,579
Net comprehensive income for the year ended 30th June, 2010	—	—	156,407,130	156,407,130
Balance as at 30th June, 2010	226,101,390	1,570,000,000	568,920,319	2,365,021,709
Transfer to revenue reserve	—	430,000,000	(430,000,000)	—
Final dividend for the year 2010 cash @ 30% Rs. 3.00 per share	—	—	(67,830,417)	(67,830,417)
Net comprehensive income for the half year ended 31st December, 2010	—	—	197,164,582	197,164,582
Balance as at 31st December, 2010	226,101,390	2,000,000,000	268,254,484	2,494,355,874

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

SALIM N. MUKATY
Chairman

Karachi: 28th February, 2011

ASIF Y. BAWANY
Director



SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED 31ST DECEMBER, 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 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, and the matter is under final process by the date of issuance of these financial statements. Hence only financial statements 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 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, 2010. 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.

4. <u>PROPERTY, PLANT & EQUIPMENT</u>		Unaudited 31.12.2010	Audited 30.06.2010
Property, plant and equipment	Note 4.1	1,170,273,621	1,130,493,319
Capital work in progress	Note 4.2	100,739,111	157,817,368
		<u>1,271,012,732</u>	<u>1,288,310,688</u>
4.1 <u>Property, plant and equipment</u>			
Opening book value		1,130,493,319	1,198,568,567
Additions made during the period	Note 4.1.1	97,805,075	49,637,865
		<u>1,228,298,394</u>	<u>1,248,206,432</u>
Less:			
Written down value of disposals	Note 4.1.2	636,034	1,596,821
Depreciation charged for the period		57,388,739	116,116,292
		<u>1,170,273,621</u>	<u>1,130,493,319</u>
4.1.1 <u>Addition made during the year</u>			
Factory building on lease hold land		—	1,557,554
Non factory building on lease hold land		62,339	2,417,522
Plant & machinery		90,985,815	34,143,898
Factory equipments		695,000	4,801,707
Office equipments		286,520	409,700
Furniture & fixtures		192,636	1,448,353
Vehicles		5,158,026	4,843,831
Computers		424,739	15,300
		<u>97,805,075</u>	<u>49,637,865</u>



4.1.2 <u>Written down value of disposal</u>	Unaudited 31.12.2010	Audited 30.06.2010
Vehicles	636,034	1,596,821
	<u>636,034</u>	<u>1,596,821</u>
4.2 <u>Capital work in progress</u>		
Civil works under progress	83,589,374	67,794,088
Plant & Machinery	17,149,737	89,629,880
Other Assets	—	393,400
	<u>100,739,111</u>	<u>157,817,368</u>
5. <u>INVESTMENT PROPERTY</u>		
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	(229,911)	(482,506)
Closing book value	<u>7,805,355</u>	<u>8,035,266</u>
6. <u>TRADE DEBTS - CONSIDERED GOOD</u>		
Export bills under collection (secured against export letter of credit)	893,026,436	407,235,301
Local (unsecured)	177,732,702	138,694,182
Related party	Note 6.1 15,225,595	12,832,293
	<u>1,085,984,733</u>	<u>558,761,776</u>
6.1 The Maximum amount outstanding due to related party (Soorty Enterprises) is Rs.18.538 million (June 2010: Rs. 24.018 million).		



7. <u>LONG TERM FINANCING - SECURED FROM BANKING COMPANIES</u>	Unaudited 31.12.2010	Audited 30.06.2010
Habib Metropolitan Bank Limited Note 7.1	57,673,577	66,453,495
Standard Chartered Bank (Pakistan) Limited Note 7.2	26,073,637	29,857,703
Allied Bank Limited Note 7.3	40,312,250	43,000,250
Habib Bank Limited Note 7.4	371,428,571	400,000,000
Bank Al-falah Limited Note 7.5	60,900,000	62,681,000
Faysal Bank Limited Note 7.6	4,916,000	5,899,000
	<hr/>	<hr/>
	561,304,035	607,891,448
Current portion shown under current liabilities (229,234,403)		(122,506,750)
	<hr/>	<hr/>
	332,069,632	485,384,698

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>	Unaudited 31.12.2010	Audited 30.06.2010
Creditors	481,663,131	355,932,424
Bills payable	18,293,914	18,899,050
Accrued liabilities	Note 8.1 33,988,676	38,475,544
Advances from customers	8,295,269	6,348,432
Worker's profit participation fund	12,794,076	28,913,496
Worker's welfare fund	4,861,749	7,327,211
Unclaimed dividend & bonus fractions	61,263,523	881,638
Other liabilities	194,193	125,320
	<u>621,354,531</u>	<u>456,903,115</u>



8.1 Accrued liabilities includes provision of Rs. 89,876\= (June 2010: Rs. 112,994\=) due to associated company.

9. CONTINGENCIES AND COMMITMENTS:

9.1 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 (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).

9.2 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.

9.3 Letter of Credits & Contracts for supply of plant and machinery Rs. 239.918 Million (2010: Rs. 3.538 Million) and for supply of raw materials & spares amounting to Rs. 24.035 Million (June 2010: Rs. 15.829 Million).

10. <u>SALES AND SERVICES</u>	Unaudited 31.12.2010	Unaudited 31.12.2009
Export sales	3,115,449,697	2,100,922,447
Local sales	307,908,801	163,574,298
Waste sales	2,710,253	2,661,023
Sale of Dyes & Chemicals	999,750	
	3,427,068,501	2,267,157,768
 <u>SERVICES</u>		
Cloth processing	346,696,398	415,137,884
	<u><u>3,773,764,899</u></u>	<u><u>2,682,295,652</u></u>



11. <u>COST OF SALES</u>	Unaudited 31.12.2010	Unaudited 31.12.2009
Raw material consumed	2,784,861,526	1,702,734,634
Stores, spare & loose tools consumed	67,578,999	72,551,549
Design, stitching, weaving, raising & mending charges	97,522,055	87,327,552
Power, water and gas	210,422,066	186,022,632
Salaries, wages and other benefits	145,881,071	122,006,936
Repairs & maintenance	17,968,014	13,733,887
Packing charges	9,377,538	8,817,927
Rent, rates & taxes	2,582,722	1,331,411
Insurance	5,512,920	6,123,497
Research and development expenses	9,061,351	6,943,667
Depreciation	52,807,255	54,370,719
Less: Duty drawback	(61,815,850)	(20,076,794)
COST OF PRODUCTION	3,341,759,667	2,241,887,617
Work-in-process		
-opening	289,491,818	93,827,537
-closing	(310,856,552)	(117,732,266)
	(21,364,734)	(23,904,729)
COST OF GOODS MANUFACTURED	3,320,394,933	2,217,982,888
Finished goods		
-opening	333,185,266	189,910,263
-closing	(416,905,286)	(186,057,290)
	(83,720,020)	3,852,973
	<u>3,236,674,913</u>	<u>2,221,835,861</u>

12. TRANSACTION WITH RELATED PARTIES

The related parties 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	Unaudited 31.12.2010	Unaudited 31.12.2009
Subsidiary Company	Rent Received	3,000,000	3,000,000
Associated Company	Services Obtained (Inclusive of Sales Tax)	72,352,911	62,388,213
Associated Company	Services Provided	35,800,185	42,388,213
Associated Company	Rent Received	300,000	300,000
Associated Company	Rent Paid	750,000	750,000
Associated Company	Repayment of loan to directors	3,000,000	3,000,000

**13. DATE OF AUTHORISATION FOR ISSUE**

These Financial Statements were authorised for issue by the Board of Directors on 28, February 2011.

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.



SALIM N. MUKATY
Chairman



ASIF Y. BAWANY
Director

Consolidated Financial Statements

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



CONDENSED CONSOLIDATE INTERIM BALANCE SHEET (UNAUDITED) AS AT 31ST DECEMBER, 2010

ASSETS		Unaudited	Audited
NON CURRENT ASSETS	Note	31.12.2010	30.06.2009
Fixed Assets		Rupees	Rupees
Property, plant and equipment	4	20,679,600,945	18,571,636,444
Investment property	5	7,805,355	8,035,266
Intangibles - goodwill		5,316,649	5,316,649
		20,692,722,949	18,584,988,359
Long term loans and advances		17,499,309	21,157,389
Long term deposits		3,026,023	3,026,023
CURRENT ASSETS			
Stores, spares and loose tools		407,092,577	113,281,217
Stock-in-trade		2,633,212,452	1,325,688,438
Trade debts	6	2,957,628,340	558,761,776
Loans and advances		250,701,358	33,888,414
Trade deposits and prepayments		7,267,032	2,901,581
Accrued profit		365,040	4,101,244
Other receivables		116,098,856	64,010,736
Tax refunds due from government		204,571,899	48,719,652
Financial assets at fair value through profit & loss		217,368,447	206,678,588
Cash and bank balances		320,285,796	547,731,156
		7,114,591,797	2,905,762,802
		<u>27,827,840,078</u>	<u>21,514,934,573</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorised capital: 40,000,000 ordinary shares of Rs. 10/- each		400,000,000	400,000,000
Issued, subscribed and paid-up capital		226,101,390	226,101,390
Revenue reserves		2,000,000,000	1,570,000,000
Un-appropriated profit		245,944,280	552,243,334
		2,472,095,670	2,348,344,724
Minority interest		3,384,707,925	2,840,537,455
NON-CURRENT LIABILITIES			
Long term financing	7	13,459,603,985	12,367,137,613
Deferred liabilities		115,492,415	104,129,288
Long term loans		14,755,913	17,755,913
CURRENT LIABILITIES			
Trade and other payables	8	1,334,595,283	1,132,520,083
Accrued mark-up		667,960,457	482,389,843
Short term borrowings		5,530,785,113	1,812,453,917
Current portion of long term financing and loans from related parties		844,784,069	405,472,750
Provision of income tax net of payment		3,059,248	4,192,987
		8,381,184,170	3,837,029,580
CONTINGENCIES & COMMITMENTS	9	—	—
		<u>27,827,840,078</u>	<u>21,514,934,573</u>

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

SALIM N. MUKATY

Chairman

Karachi: 28th February, 2011

ASIF Y. BAWANY

Director



**CONDENSED CONSOLIDATED INTERIM
PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED 31ST DECEMBER, 2010**

		Quarter ended 31.12.2010 Rupees	Six Months ended 31.12.2010 Rupees	Quarter ended 31.12.2009 Rupees	Six Months ended 31.12.2009 Rupees
Sales and services	10	1,876,317,413	3,773,764,899	1,372,188,600	2,682,295,652
Cost of sales and services	11	1,609,783,648	3,236,674,913	1,135,257,311	2,221,835,861
Gross profit		266,533,765	537,089,986	236,931,289	460,459,791
Distribution cost		(51,868,125)	(101,302,303)	(31,933,983)	(56,002,748)
Administrative expenses		(58,098,639)	(97,116,158)	(39,375,344)	(85,719,404)
Other charges		(8,733,123)	(17,655,825)	(10,163,415)	(22,813,512)
		(118,699,887)	(216,074,286)	(81,442,743)	(164,535,664)
		147,833,878	321,015,700	155,488,546	295,924,126
Income from investment property		35,962	70,089	28,423	58,874
Other operating income/(loss)		28,758,245	43,804,848	41,916,361	143,756,509
Operating profit		176,628,085	364,890,637	197,433,330	439,735,509
Finance cost		(75,799,609)	(145,287,193)	(52,138,698)	(101,067,785)
Profit before taxation		100,828,476	219,603,444	145,294,632	338,667,724
Provision for income tax		(28,269,162)	(41,061,110)	(17,015,117)	(29,879,765)
Profit after taxation		72,559,314	178,542,334	128,279,515	308,787,959
Earning per share - Basic and diluted		3.21	7.90	5.67	13.66

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



SALIM N. MUKATY

Chairman

Karachi: 28th February, 2011



ASIF Y. BAWANY
Director



STATEMENT OF CONDENSED CONSOLIDATED INTERIM COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR ENDED 31ST DECEMBER, 2010

	Quarter ended 31.12.2010 Rupees	Six Months ended 31.12.2010 Rupees	Quarter ended 31.12.2009 Rupees	Six Months ended 31.12.2009 Rupees
Profit for the year	72,559,314	178,542,334	128,279,515	308,787,959
Other comprehensive income - net of taxation	—	—	—	—
Total comprehensive income for the year	72,559,314	178,542,334	128,279,515	308,787,959

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

SALIM N. MUKATY
Chairman

Karachi: 28th February, 2011

ASIF Y. BAWANY
Director



CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR ENDED 31ST DECEMBER, 2010

	31.12.2010	31.12.2009
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	219,603,444	338,667,724
Adjustment for non cash charges and other items		
Depreciation	61,839,068	61,607,851
Provision for staff retirements benefit (net)	11,363,127	5,658,621
Loss/(gain) on disposal of fixed assets	(523,966)	(544,468)
Finance cost	145,287,193	101,067,785
	217,965,422	167,789,789
	437,568,866	506,457,513
WORKING CAPITAL CHANGES		
(INCREASE)/DECREASE IN CURRENT ASSETS		
Stores spares parts & loose tools	(293,811,360)	(13,314,999)
Stock-in-trade	(1,307,524,014)	(71,942,632)
Trade debts	(2,398,866,564)	(326,551,550)
Loans and advances	(216,812,944)	6,813,382
Trade deposits and prepayments	(4,365,451)	7,605,360
Accrued profit	3,736,204	—
Other receivables	(52,088,120)	(5,623,269)
	(4,269,732,249)	(403,013,708)
INCREASE/(DECREASE) IN CURRENT LIABILITIES		
Short term borrowings	3,718,331,196	95,104,285
Trade and other payables	141,693,315	516,638,510
Add: Working capital changes	(409,707,738)	208,729,087
(Increase)/decrease in long term loans & advances	3,658,080	(3,980,457)
Finance cost paid	40,283,420	(38,600,741)
Sales tax refunded	(155,852,247)	(13,899,249)
Taxes paid	(42,194,849)	(35,136,069)
Dividend paid	(7,448,532)	(108,390,786)
Net cash in/(out) flow generated from operations	(133,693,000)	515,179,299
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(2,170,209,692)	(3,812,967,525)
Proceeds from disposal of fixed assets	1,160,000	1,625,000
Net cash in/(out) flow towards investing activities	(2,169,049,692)	(3,811,342,525)
CASH FLOW FROM FINANCING ACTIVITIES		
(Payment)\Proceed of long term finance	1,531,777,691	2,232,640,979
Investment by minority share holders	557,209,500	358,630,820
(Payment)\Proceed of Loan from related parties	(3,000,000)	(3,000,000)
Net cash in \ (out) flow from financing activities	2,085,987,191	2,588,271,799
Net increase \ (decrease) in cash and cash equivalents	(216,755,501)	(707,891,427)
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	537,654,243	755,916,303

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

SALIM N. MUKATY

Chairman

Karachi: 28th February, 2011

ASIF Y. BAWANY
Director



CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR ENDED 31ST DECEMBER, 2010

	Share Capital	Revenue Reserve	Un- Appropriated Profit	Minority Interest	Total
Rupees					
Balance as at 30th June, 2009	226,101,390	1,170,000,000	574,979,364	575,386,465	2,546,467,219
Effect of prior period errors	—	—	20,040,138	59,346,623	79,386,761
Balance as at 30th June, 2009 restated	226,101,390	1,170,000,000	595,019,502	634,733,088	2,625,853,980
Minority investment during the period	—	—	—	358,632,021	358,632,021
Transfer to revenue reserve	—	400,000,000	(400,000,000)	—	—
Final dividend for the year 2009: Cash @ Rs. 50% Rs. 5.00 per share	—	—	(113,050,695)	—	(113,050,695)
Net comprehensive income for the half year ended 31 December 2009	—	—	314,674,042	(5,886,083)	308,787,959
Balance as at 31st December, 2009	226,101,390	1,570,000,000	396,642,849	987,479,026	3,180,223,265
Minority interest arising in investment in subsidiary	—	—	—	1,860,321,029	1,860,321,029
Net comprehensive income for the half year ended 30 June 2010	—	—	155,600,485	(7,262,601)	148,337,883
Balance as at 30th June, 2010	226,101,390	1,570,000,000	552,243,334	2,840,537,455	5,188,882,178
Transfer to revenue reserve	—	430,000,000	(430,000,000)	—	—
Final dividend for the year 2010: Cash @ Rs. 30% Rs. 3.00 per share	—	—	(67,830,417)	—	(67,830,417)
Minority interest arising in investment in subsidiary	—	—	—	557,209,500	557,209,500
Net comprehensive income for the half year ended 31 December 2010	—	—	191,581,363	(13,039,030)	178,542,334
Balance as at December 31, 2010	226,101,390	2,000,000,000	245,994,280	3,384,707,925	5,856,803,596

The annexed notes from 1 to 13 form an integral part of these financial statements.

SALIM N. MUKATY
Chairman

Karachi: 28th February, 2011

ASIF Y. BAWANY
Director



**SELECTED NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED 31ST DECEMBER, 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 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, and the matter is under final process by the date of issuance of these financial staments. Hence only financial statments of the Liberty Mills Limited has been prepared accordingly.

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

These condensed interim consolidated financial statements are presented in condensed form in accordance with the requirement of International Accounting Standard 34' Interim Financial Reporting ' . These condensed interim consolidated financial statements do not include all the information required for annual consolidated financial statements and therefore should be read in conjunction with the annual consolidated financial statements of the Company for the year ended June 30, 2010. These accounts are being submitted to the shareholders as required by the Section 245 of the Companies Ordinance, 1984.



These condensed interim consolidated financial statements are unaudited.

3. SIGNIFICANT ACCOUNTING POLICIES

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

4. <u>PROPERTY, PLANT & EQUIPMENT</u>	<u>Unaudited</u>	<u>Audited</u>
	<u>31.12.2010</u>	<u>30.06.2010</u>
Property, plant and equipment Note 4.1	1,259,692,116	1,217,947,807
Capital work in progress Note 4.2	19,419,908,829	17,353,688,636
	<u>20,679,600,945</u>	<u>18,571,636,444</u>
4.1 Property, plant and equipment		
Opening book value	1,217,947,807	1,264,567,954
Additions made during the period/year Note 4.1.1	103,989,500	76,706,397
	<u>1,321,937,307</u>	<u>1,341,274,351</u>
Less:		
Written down value of disposal Note 4.1.2	636,034	1,596,821
Depreciation charged for the period/year	61,609,157	121,729,723
	<u>1,259,692,116</u>	<u>1,217,947,807</u>
4.1.1 Additions made during the year		
Free hold Land	1,965,000	—
Factory building on lease hold land	—	1,557,554
Non factory building on lease hold land	62,339	2,417,522
Plant & machinery	90,985,815	34,143,898
Factory equipments	695,000	4,801,707
Office equipments	384,178	421,200
Furniture & fixtures	289,636	4,159,353
Vehicles	8,940,821	28,577,545
Computers	666,711	627,618
	<u>103,989,500</u>	<u>76,706,397</u>
4.1.2 Written down value of disposal		
Vehicles	636,034	1,596,821
	<u>636,034</u>	<u>1,596,821</u>



	Unaudited 31.12.2010	Audited 30.06.2010
4.2 Capital work in progress		
Building under construction	2,149,924,882	1,521,759,305
Plant, machinery and equipment	14,302,440,049	14,030,955,011
Professional fee	297,583,316	251,187,741
Insurance	180,852,236	180,852,236
Borrowing Cost	2,187,875,455	1,131,505,807
Trial production loss of subsidiary	35,660,018	—
Others indirect costs	265,572,873	237,428,536
	<u>19,419,908,829</u>	<u>17,353,688,636</u>
5. INVESTMENT PROPERTY		
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	(229,911)	(482,506)
Closing book value	<u>7,805,355</u>	<u>8,035,266</u>
6. TRADE DEBTS - CONSIDERED GOOD		
Export bills under collection (secured against export letter of credit).	893,026,436	407,235,301
Local (secured) Note 6.1	1,871,643,607	—
Local (unsecured)	177,732,702	138,694,182
Related party Note 6.2	15,225,595	12,832,293
	<u>2,957,628,340</u>	<u>558,761,776</u>

6.1 These represent trade receivables from NTDCL and are considered good. These are secured by a guarantee from Government of Pakistan under the Implementation Agreement and are in the normal course of business and interest free, however, a penal mark-up at the rate of three months KIBOR plus 4.5% is charged in case the amounts are not paid within due dates.

6.2 The Maximum amount outstanding due to related party (Soorty Enterprises) is Rs.18.538 million (June 2010: Rs. 24.018 million)



	Unaudited 31.12.2010	Audited 30.06.2010
7. <u>LONG TERM FINANCING - SECURED FROM BANKING COMPANIES</u>		
Habib Metropolitan Bank Limited Note 7.1	57,673,577	66,453,495
Standard Chartered Bank (Pakistan) Limited Note 7.2	26,073,637	29,857,703
Allied Bank Limited Note 7.3	40,312,250	43,000,250
Habib Bank Limited Note 7.4	371,428,571	400,000,000
Bank Al-falah Limited Note 7.5	60,900,000	62,681,000
Faysal Bank Limited Note 7.6	4,916,000	5,899,000
Long term finance Note 7.7	1,516,451,000	1,342,207,338
Long term musharaka Note 7.7	12,475,549,000	11,042,839,000
	14,553,304,035	12,992,937,786
Less: Debt arrangement fee	(254,915,981)	(226,327,423)
	14,298,388,054	(12,766,610,363)
Current portion shown under current liabilities	(838,784,069)	(399,472,750)
	13,459,603,985	12,367,137,613

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 Subsidiary Company has entered into long-term financing agreement with a consortium of banks/financial institutions led by Allied Bank Limited the facility is of long term musharaka finance except Askari Bank Limited as thier portion represent long term financing. The initial facility was for Rs. 13,850 million. During the period the Company had obtained further financing facility of Rs 1,400 million to cover the additional cost of the project from the lender of the origina financing facilities on the same terms. 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 .

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.



	Unaudited 31.12.2010	Audited 30.06.2010
8. TRADE AND OTHER PAYABLES		
Creditors	494,086,857	1025,095,148
Bills payable	18,293,914	18,899,050
Accrued liabilities	37,668,676	42,790,950
Advances from customers	8,295,269	6,348,432
Worker's profit participation fund	12,794,076	28,913,496
Worker's welfare fund	4,861,749	7,327,211
Unclaimed dividend & bonus fractions	61,263,523	881,638
Retention money	690,442,647	1,298,283
Other liabilities	6,888,572	965,875
	<u>1,334,595,283</u>	<u>1,132,520,083</u>

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

9. CONTINGENCIES AND COMMITMENTS:

9.1 The Subsidiary 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. 81.3 million (2008: USD 1 million). The guarantee is valid up to March 31, 2011 and is secured by securities provided by sponsors.

9.2 Under the Power Purchase Agreement (PPA) entered into with NTDC, the Subsidiary Company is required to achieve the COD by December 31, 2010 failing which the Subsidiary Company will be required to pay liquidated damages to the power purchaser. The Company had applied to the NTDC for revision of COD date. The Company has entered into a Letter of Credit (LC) facility agreement with a commercial bank in the amount of USD 5.36 million equivalent to Rs. 460.424 million (June 2010: USD 5.36 million equivalent to Rs. 458.816 million). The LC expires on March 10, 2011. Subsequent to period end, NTDC has raised a claim of USD 0.204 million in respect of liquidated damages for 13 days delay in COD as required. The Company has contested against damages claimed by NTDC that delay was caused due to delay in construction of Power Purchaser Interconnection Facilities by NTDC and hence, the Company is not in breach of its obligation to achieve COD as required. Consequently, the management believes that this amount will not be payable.

9.3 The Company has entered into two agreements related to Operations and Maintenance (O&M) Agreement with Wartsila Pakistan (Private) Limited (an associated undertaking) and Spare Parts Supply Agreement (SPSA) with Wartsila Finland OY (an associated undertaking) as spare parts supplier. Both agreements will remain in effect until the earlier of the end of a period of 5 years from COD or the last day of the month in which the running hours of the first Generator set reaches 35,000 hours.



- 9.4 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.
- 9.5 Letter of Credits & Contracts for supply of plant and machinery Rs. 239.918 Million (2010: Rs. 3.538 Million) and for supply of raw materials & spares amounting to Rs. 111.978 Million (June 2010: Rs. 15.829 Million).

10. SALES AND SERVICES	Unaudited 31.12.2010	Unaudited 31.12.2009
Export sales	3,115,449,697	2,100,922,447
Local sales	307,908,801	163,574,298
Waste sales	2,710,253	2,661,023
Sale of Dyes & Chemicals	999,750	—
	3,427,068,501	2,267,157,768
SERVICES		
Cloth processing, printing & Dyeing	346,696,398	415,137,884
	<u>3,773,764,899</u>	<u>2,682,295,652</u>

11. COST OF SALES

Raw material consumed	2,784,861,526	1,702,734,634
Stores & spare parts consumed	67,578,999	72,551,549
Design, stitching, weaving, raising & mending charges	97,522,055	87,327,552
Power, water and gas	210,422,066	186,022,632
Salaries, wages and other benefits	145,881,071	122,006,936
Repairs & maintenance	17,968,014	13,733,887
Packing charges	9,377,538	8,817,927
Rent, rates & taxes	2,582,722	1,331,411
Insurance	5,512,920	6,123,497
Research and development expenses	9,061,351	6,943,667
Depreciation	52,807,255	54,370,719
Less: Duty drawback	(61,815,850)	(20,076,794)
COST OF PRODUCTION	3,341,759,667	2,241,887,617
Work-in-process		
-opening	289,491,818	93,827,537
-closing	(310,856,552)	(117,732,266)
	(21,364,734)	(23,904,729)
COST OF GOODS MANUFACTURED	<u>3,320,394,933</u>	<u>2,217,982,888</u>
Finished goods		
-opening	333,185,266	189,910,263
-closing	(416,905,286)	(186,057,290)
	(83,720,020)	3,852,973
	<u>3,236,674,913</u>	<u>2,221,835,861</u>



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.

Relationship	Nature of Transaction	Unaudited 31.12.2010	Unaudited 31.12.2009
Associated Company	Services Obtained (Inclusive of Sales Tax)	72,352,911	62,388,213
Associated Company	Services Provided	35,800,185	42,388,213
Associated Company	Rent Received	150,000	300,000
Associated Company	Rent Paid	375,000	750,000
Associated Company	Shares issued	106,470,000	173,035,000
Associated Company	Equipment supply advance	259,780,540	2,077,180,000
Associated Company	Construction supply payments	590,285,311	295,368,824
Associated Company	Operation and maintenance contract	30,800,000	—
Associated Company	Spare parts supply contract	262,999,553	—
Sponsors	Shares issued	400,530,000	185,715,000

13. DATE OF AUTHORISATION FOR ISSUE

These Financial Statements were authorised for issue by the Board of Directors on 28, February 2011.

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.


SALIM N. MUKATY
Chairman


ASIF Y. BAWANY
Director