



**LIBERTY**  
**MILLS LIMITED**

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Quarterly Accounts

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for the First Quarter ended

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September 30, 2011

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(Unaudited)

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**LIBERTY**  
**MILLS LIMITED**



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**COMPANY INFORMATION****BOARD OF DIRECTORS:**

<b>CHAIRMAN:</b>	Mr. Salim N. Mukaty
<b>DIRECTORS:</b>	Mr. Ashraf Salim Mukaty Mr. Yusuf N. Mukaty Mr. Noor Muhammad Yusuf Mukaty Mr. Zain Ashraf Mukaty 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.  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Ltd.  
Meezan Bank Limited  
Soneri Bank Ltd.  
Standard Chartered Bank (Pakistan) Ltd.  
Summit Bank Ltd.  
United Bank Limited

**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.  
Office No. 1108, 11th Floor  
Trade Center, Main I.I. Chundrigar Road,  
Opp. Saima Trade Tower, Karachi.  
Ph: 021-35478192-93, Fax: 021-32621233



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

We feel pleasure in presenting the following quarterly report along with un-audited accounts for the period ended September 30, 2011.

<b>OPERATING &amp; FINANCIAL RESULTS:</b>	<b>Qtr. Ended</b>	
	<b>Sep. 2011</b>	<b>Restated Sep 2010</b>
The summarized financial results are given below	<b>(Rupees in Thousand)</b>	
Sales	2,346,177	1,897,448
Gross Profit	247,497	277,201
Operating Profit	182,560	196,241
Profit before tax	88,262	126,868
Profit after tax	72,133	114,076

During the first quarter under review the net sales increased to Rs. 2,346.18 million as compared to Rs. 1,897.45 million in the previous corresponding period, showing an increase of 23.65%. The gross profit ratio has decreased by 4.06% as compared to the previous corresponding period, the decrease is mainly due to increase in cost of production, rising energy cost and increasing prices of imported inputs.

The increase in cost of production was mainly due to all time high cotton prices, rising energy cost and double digit inflation. The financial expenses were increased due increased borrowing to finance high cost of raw material and other input costs. The State Bank of Pakistan has recently announced monetary policy and have took the positive step to give relief to business community by reducing discount rate by 1.50% which will have positive impact on the economy and will help to reduce our financial cost as well.

### **Subsidiary Company:**

The subsidiary company M/s. Liberty Power Tech Limited has achieved Commercial Operation Date (COD) on January 13, 2011 and supplying electricity to National Transmission and Dispatch Company Limited (NTDC). The subsidiary company had declared a profit of Rs. 469.369 Million for the quarter under review. The plant is running smoothly except liquidity problem as company is not receiving due payments from NTDC due to circular debt issue.

### **Future Outlook:**

During the quarter under review, our country is still facing challenges like terrorism, law and order situation, high inflation, falling of private investment, low growth and rising total public debt. Further, severe energy shortage and the heavy rain causing floods in Sindh province have damaged the Cotton crop and volatility in local Cotton prices is continued.

The Management is working hard to reduce cost and improve the operational efficiency by installing new machinery and up gradation of production facilities and also concentrating to increase the sales volume of high value added quality products. We can only hope for the better future growth and stability in country.

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: 31<sup>st</sup> October, 2011



## CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT 30TH SEPTEMBER, 2011

ASSETS	Note	Unaudited 30.09.2011 Rupees	Audited 30.06.2011 Rupees
<b>NON CURRENT ASSETS</b>			
<b>Fixed Assets</b>			
Property, plant and equipment	4	1,593,886,514	1,621,201,315
Investment property	5	6,386,173	6,467,011
		1,600,272,687	1,627,668,326
Long term investment		1,447,001,000	1,447,001,000
Long term loans and advances		11,231,153	12,935,275
Long term deposits		3,026,023	3,026,023
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		150,854,709	142,997,675
Stock-in-trade		2,351,998,424	2,655,156,009
Trade debts	6	1,294,891,714	551,219,469
Loans and advances		268,080,224	60,780,079
Trade deposits and prepayments		10,157,883	572,826
Accrued profit		331,507	382,082
Other receivables		150,069,230	156,777,854
Tax refunds due from government		39,122,530	32,259,342
Financial assets at fair value through profit & loss		229,166	222,669
Cash and bank balances		936,507,749	145,490,996
		5,202,243,136	3,745,859,001
		<u>8,263,773,999</u>	<u>6,836,489,625</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 capital		230,953,080	230,953,080
General reserves		2,000,000,000	2,000,000,000
Unappropriated profit		474,972,273	402,839,440
		2,705,925,353	2,633,792,520
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	7	569,814,846	583,941,078
Deferred liabilities		124,157,943	119,240,404
Long term loans		10,255,913	11,755,913
<b>CURRENT LIABILITIES</b>			
Trade and other payables		750,791,858	572,896,727
Accrued mark-up		56,309,996	65,239,100
Short term borrowings		3,848,910,023	2,653,115,117
Current portion of long term financing and loans from related parties		191,249,634	191,249,634
Provision for Income tax net of payment		6,358,433	5,259,132
		4,853,619,944	3,487,759,710
<b>CONTINGENCIES &amp; COMMITMENTS</b>			
	8	—	—
		<u>8,263,773,999</u>	<u>6,836,489,625</u>

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

**ASHRAF S. MUKATY**  
Chief Executive

Karachi: 31<sup>st</sup> October, 2011

**ASIF Y. BAWANY**  
Director



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2011**

	Note	1st Quarter ended September 30, 2011 Rupees	Restated 1st Quarter ended September 30, 2010 Rupees
Sales and services	9	2,346,176,784	1,897,447,486
Cost of sales and services	10	(2,098,679,373)	(1,620,246,935)
Gross profit		247,497,411	277,200,551
Distribution cost		(43,404,604)	(49,434,178)
Administrative expenses		(49,968,985)	(39,033,249)
Other operating expenses		(6,541,428)	(8,922,702)
		(99,915,017)	(97,390,129)
		147,582,394	179,810,422
Other operating income		33,558,765	15,046,603
Income from investment property		1,419,162	1,384,127
Operating profit		182,560,321	196,241,152
Finance cost		(94,298,458)	(69,372,813)
Profit before taxation		88,261,863	126,868,339
Provision of Income tax		(16,129,030)	(12,791,948)
Profit after taxation		72,132,833	114,076,391
Earning per share - basic and diluted		3.12	4.94

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

**ASHRAF S. MUKATY**  
Chief Executive  
Karachi: 31<sup>st</sup> October, 2011

**ASIF Y. BAWANY**  
Director



**STATEMENT OF CONDENSED  
 INTERIM COMPREHENSIVE INCOME (UNAUDITED)  
 FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2011**

	1st Quarter ended September 30, 2011 Rupees	Restated 1st Quarter ended September 30, 2010 Rupees
Profit for the year	72,132,833	114,076,391
Other comprehensive income - net of taxation	—	—
Total comprehensive income for the year	<u><u>72,132,833</u></u>	<u><u>114,076,391</u></u>

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

**ASHRAF S. MUKATY**

Chief Executive

Karachi: 31<sup>st</sup> October, 2011

**ASIF Y. BAWANY**

Director



**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2011**

	<b>30.09.2011</b>	<b>Restated</b>
	<b>Rupees</b>	<b>30.09.2010</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	88,261,863	126,868,339
<b>Adjustment for non cash charges and other items</b>		
Depreciation	31,003,682	28,750,982
Provision for staff retirements benefit (net)	4,917,539	4,224,751
Gain on disposal of fixed assets	(275,245)	(280,213)
Finance cost	94,298,458	69,372,813
	129,944,434	102,068,333
	<b>218,206,297</b>	<b>228,936,672</b>
<b>WORKING CAPITAL CHANGES</b>		
<b>(INCREASE)/DECREASE IN CURRENT ASSETS</b>		
Stores spares parts & loose tools	(7,857,034)	162,011
Stock-in-trade	303,157,585	55,458,001
Trade debts	(743,672,245)	(753,800,622)
Loans and advances	(207,300,145)	(17,608,256)
Deposits and prepayments	(9,585,057)	(10,150,611)
Accrued mark-up	50,575	3,433,662
Other receivables	6,708,624	(24,780,665)
	(658,497,696)	(747,286,480)
<b>INCREASE/(DECREASE) IN CURRENT LIABILITIES</b>		
Short term borrowings	1,195,794,906	381,949,589
Trade and other payables	177,895,131	71,408,458
Add/(Less): Working capital changes	<b>715,192,341</b>	<b>(293,928,432)</b>
Less: (Increase)/decrease in long term loans & advances	1,704,122	(344,546)
Finance cost paid	(103,227,562)	(80,147,962)
Taxes paid	(15,029,729)	(11,972,120)
Sales tax refund	(6,863,188)	3,920,139
<b>Net cash in/(out) flow from operations</b>	<b>809,982,281</b>	<b>(153,536,250)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(5,227,799)	(8,691,271)
Proceeds from disposal of fixed assets	1,895,000	600,000
<b>Net cash in/(out) flow investing activities</b>	<b>(3,332,799)</b>	<b>(8,691,271)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceed of loan	(15,626,232)	(22,871,781)
<b>Net cash in flow / (out) flow from financing activities</b>	<b>(15,626,232)</b>	<b>(22,871,781)</b>
Net increase / (decrease) in cash and cash equivalents	791,023,250	(185,099,302)
Cash and cash equivalents at the beginning of the period	145,713,665	506,104,266
Cash and cash equivalents at the end of the period	936,736,915	321,004,964
<b>Cash and bank balances</b>	<b>936,736,915</b>	<b>321,004,964</b>

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

**ASHRAF S. MUKATY**  
Chief Executive

Karachi: 31<sup>st</sup> October, 2011

**ASIF Y. BAWANY**  
Director


**CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2011**

	Share Capital	Revenue Reserve	Un- Appropriated Profit	Total
	Rupees			
<b>Balance as at 30th September, 2009</b>	226,101,390	1,170,000,000	792,853,848	2,188,955,238
Transfer to revenue reserve	—	400,000,000	(400,000,000)	—
Net profit for the period 1st October 2009 to 30th June, 2010	—	—	289,117,165	289,117,165
<b>Transaction with owners</b>				
Final dividend for the year ended 30th June, 2009: Cash dividend @ 50% Rs. 5.00per share			(113,050,694)	(113,050,694)
<b>Balance as at 30th June, 2010 as reported</b>	226,101,390	1,570,000,000	568,920,319	2,365,021,709
Change due to effect of merger			47,136,313	47,136,313
<b>Balance as at 30th June, 2010 as restated</b>	226,101,390	1,570,000,000	616,056,632	2,412,158,022
Net profit for the quarter ended 30th Sept. 2010			114,076,391	114,076,391
<b>Balance as at 30th September, 2010</b>	226,101,390	1,570,000,000	730,133,023	2,526,234,413
Share issue due to merger	4,851,690			4,851,690
Transfer to revenue reserve		430,000,000	(430,000,000)	
Net profit for the period 1st October 2010 to 30th June, 2011	—	—	170,536,834	170,536,834
<b>Transaction with owners</b>				
Final dividend for the year ended 30th June, 2010: Cash dividend @ 30% Rs. 3.00per share			(67,830,417)	(67,830,417)
<b>Balance as at 30th June, 2011</b>	230,953,080	2,000,000,000	402,839,440	2,633,792,520
Net profit for the quarter ended 30th Sept. 2011			72,132,833	72,132,833
<b>Balance as at 30th September, 2011</b>	230,953,080	2,000,000,000	474,972,273	2,705,925,353

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

**ASHRAF S. MUKATY**  
Chief Executive

**ASIF Y. BAWANY**  
Director

Karachi: 31<sup>st</sup> October, 2011



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**SELECTED NOTES  
TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2011**

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**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.

**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, 2011. These accounts are being submitted to the shareholders as required by the Section 245 of the Companies Ordinance, 1984.

These condensed interim financial statements are unaudited. However, a limited scope review has been carried out by the external auditors of the Company.



### 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, 2011.

		<b>Unaudited</b>	<b>Audited</b>
		<b>30.09.2011</b>	<b>30.06.2011</b>
<b>4. PROPERTY, PLANT &amp; EQUIPMENT</b>			
Property, plant and equipment	Note 4.1	1,219,874,306	1,250,575,553
Capital work in progress	Note 4.2	374,012,208	370,625,762
		<u>1,593,886,514</u>	<u>1,621,201,315</u>
<b>4.1 Property, plant and equipment</b>			
Opening book value		1,250,575,553	1,164,871,797
Additions made during the period	Note 4.1.1	1,841,354	210,151,378
		<u>1,252,416,907</u>	<u>1,375,023,175</u>
Less:			
Written down value of disposals	Note 4.1.2	1,619,755	3,543,717
Depreciation charged for the period		30,922,846	120,903,905
		<u>1,219,874,306</u>	<u>1,250,575,553</u>
<b>4.1.1 Addition made during the year</b>			
Non factory building on lease hold land		—	621,054
Plant & machinery		439,000	188,072,586
Factory equipments		—	5,606,050
Office equipments		152,800	347,820
Furniture & fixtures		541,504	1,718,659
Vehicles		600,000	12,742,671
Computers		108,050	1,042,538
		<u>1,841,354</u>	<u>210,151,378</u>



	<b>Unaudited 30.09.2011</b>	<b>Audited 30.06.2011</b>
<b>4.1.2 Written down value of disposal</b>		
Plant & machinery	—	2,376,562
Vehicles	1,619,755	1,167,155
	<u>1,619,755</u>	<u>3,543,717</u>
<b>4.2 Capital work in progress</b>		
Civil works under progress	249,048,693	122,561,231
Plant & Machinery	124,963,515	248,064,531
	<u>374,012,208</u>	<u>370,625,762</u>
<b>5. INVESTMENT PROPERTY</b>		
<b>COST</b>		
Balance at the beginning of period	6,467,011	6,800,724
Additions made during the period	—	—
	<u>6,467,011</u>	<u>6,800,724</u>
Less: Depreciation charged during the period	(80,838)	(333,713)
Balance at the end of period	<u>6,386,173</u>	<u>6,467,011</u>
<b>6. TRADE DEBTS - CONSIDERED GOOD</b>		
Export bills under collection (secured against export letter of credit)	1,124,318,951	358,269,099
Local (unsecured)	—	—
Related party	Note 6.1 62,985,287	41,941,503
Others	Note 6.1 107,587,476	151,008,867
	<u>1,294,891,714</u>	<u>551,219,469</u>

6.1 The Maximum aggregate amount outstanding at any month end during the year due to related party (Sooty Enterprise) is Rs.64.025 million (June 2011: 46.492 million).



<b>7. LONG TERM FINANCING - SECURED FROM BANKING COMPANIES</b>	<b>Unaudited 30.09.2011</b>	<b>Audited 30.06.2011</b>
Habib Metropolitan Bank Limited Note 7.1	48,073,331	48,893,161
Standard Chartered Bank (Pakistan) Limited Note 7.2	18,920,999	22,290,401
Allied Bank Limited Note 7.3	34,936,250	37,624,250
Bank Al-falah Limited Note 7.4	277,637,000	284,886,000
Faysal Bank Limited Note 7.5	3,933,000	3,933,000
Bank Al-Habib Limited Note 7.6	371,563,900	371,563,900
	<u>755,064,480</u>	<u>769,190,712</u>
Current portion shown under current liabilities	185,249,634	185,249,634
	<u><b>569,814,846</b></u>	<u><b>583,941,078</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 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.

**7.5 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

- 7.6 This represent Foreign currency loan of USD 4.318 million from Bank Al Habib Limited - Bahrain.

**Interest**

It carries interest at the rate of 3.5% per annum chargeable and payable on half yearly basis.

**Repayment**

The finance is repayable in 6 equal half yearly installments commencing from 7th October 2011.

**Security**

The finance is secured by Equitable Mortgage charge over Fixed Assets of the Company and Personal guarantee of two Directors.

**8. CONTINGENCIES AND COMMITMENTS:**

- 8.1 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 2011: 1,447) (b) short term loans to the tune of Rs. 250 million approved and outstanding Rs. 250 million (June 2011: Nil) 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.
- 8.2 Guarantees of Rs. 78.245 Million (June 2011: Rs. 78.245 Million) have been given by banks to Sui Southern Gas Company Limited & Collector of Customs.
- 8.3 Letter of Credits & Contracts for supply of plant & machinery amounting to Rs.27.241 Million (June 2011: Rs. 0.730 Million and for supply of raw materials & spares amounting to Rs. 97.553 Million (June 2011: Rs. 9.594 Million).



8.4 Contingent Liabilities in respect of Bill discounted during the year to the tune of USD 3.241 million equivalent to the PKR 286.565 million (June 2011: USD 2.856 million equivalent to the PKR 252.121 million ). These bills were subsequently realized.

	<b>Unaudited 30.09.2011</b>	<b>Restated Unaudited 30.09.2010</b>
<b>9. <u>SALES AND SERVICES</u></b>		
Export sales	2,049,692,748	1,658,314,516
Local sales	163,555,701	79,944,175
Waste sales	538,751	1,253,422
	164,094,452	81,197,597
Less : Sales tax	(20,721)	(62,329)
	164,073,731	81,135,268
<b><u>SERVICES</u></b>		
Cloth processing, printing & Dyeing	132,410,305	157,997,702
	<b>2,346,176,784</b>	<b>1,897,447,486</b>



<b>10. COST OF SALES</b>	<b>Unaudited 30.09.2011</b>	<b>Unaudited 30.09.2010</b>
Raw material consumed	1,673,982,993	1,367,393,700
Stores & spare parts consumed	96,434,137	32,889,319
Salaries, wages and other benefits	83,010,985	71,602,770
Design, stitching, weaving, raising & mending charges	54,792,740	46,401,508
Power, water and gas	107,190,665	101,571,759
Repairs & maintenance	12,044,027	8,917,199
Packing expenses	3,787,291	4,308,144
Rent, rates & taxes	997,077	1,307,632
Insurance	2,933,478	3,193,125
Research and development expenses	3,923,153	1,765,570
Depreciation	26,269,998	25,589,539
Less: Duty drawback	(20,054,885)	(30,284,216)
<b>COST OF PRODUCTION</b>	<b>2,045,311,659</b>	<b>1,634,656,049</b>
Work-in-process		
-opening	471,806,715	289,491,818
-closing	(425,949,951)	(337,366,019)
	45,856,764	(47,874,201)
<b>COST OF GOODS MANUFACTURED</b>	<b>2,091,168,423</b>	<b>1,586,781,848</b>
Finished goods		
-opening	672,696,707	333,185,266
-closing	(665,185,757)	(299,720,179)
	7,510,950	33,465,087
	<b>2,098,679,373</b>	<b>1,620,246,935</b>

#### 11. TRANSACTION WITH RELATED PARTIES

The related party comprises of related group companies, 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 30.09.2011</b>	<b>Audited 30.06.2011</b>
Subsidiary Company	Rent Received	1,000,000	6,000,000
Associated Company	Sale of goods	119,469,209	311,751,380
Associated Company	Services Provided	5,745,284	63,374,652
Associated Company	Payment Received	104,170,709	346,016,822
Associated Company	Rent Paid	—	1,500,000
Directors	Loan from directors	16,255,913	17,755,913



**12. DATE OF AUTHORISATION FOR ISSUE**

These Financial Statements were authorised for issue by the Board of Directors on 29, October 2011.

**13. 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: 31<sup>st</sup> October, 2011

# 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, 2011**

		<b>Unaudited 30.09.2011 Rupees</b>	<b>Audited 30.06.2011 Rupees</b>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
<b>Fixed Assets</b>			
Property, plant and equipment	4	20,645,373,982	20,866,384,253
Investment property	5	6,386,173	6,467,011
Intangibles - goodwill		5,487,486	5,919,986
		20,657,247,641	20,878,771,250
Long term loans and advances		11,231,153	12,935,275
Long term deposits		3,026,023	3,026,023
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		607,996,970	537,915,841
Stock-in-trade		2,604,347,894	3,471,762,510
Trade debts	6	12,214,390,535	8,136,054,634
Loans and advances		271,747,370	65,021,760
Deposits and prepayments		41,999,227	31,544,246
Accrued profit		331,507	382,082
Other receivables		251,583,230	225,648,854
Tax refunds due from government		44,767,251	72,927,863
Financial assets at fair value through profit & loss		229,166	222,669
Cash and bank balances		937,288,564	146,165,183
		16,974,681,714	12,687,645,643
		<u>37,646,186,531</u>	<u>33,582,378,191</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 capital		230,953,080	230,953,080
Revenue Reserves		2,000,000,000	2,000,000,000
Un-appropriated profit		877,357,959	670,888,142
		3,108,311,039	2,901,841,222
Minority interest		4,613,347,924	4,278,580,264
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	7	14,424,689,759	14,627,458,482
Deferred liabilities		131,976,614	126,140,901
Long term loans		10,255,913	11,755,913
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,303,908,127	2,116,076,609
Accrued mark-up		891,345,077	882,278,236
Short term borrowings		11,255,763,127	7,760,369,136
Current portion of long term financing and loans from related parties		900,230,518	872,282,783
Taxation		6,358,433	5,854,645
		15,357,605,282	11,636,861,409
<b>CONTINGENCIES &amp; COMMITMENTS</b>	8	—	—
		<u>37,646,186,531</u>	<u>33,582,638,191</u>

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

**ASHRAF S. MUKATY**  
Chief Executive

Karachi: 31<sup>st</sup> October, 2011

**ASIF Y. BAWANY**  
Director



**CONDENSED CONSOLIDATED INTERIM  
PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2011**

	Note	1st Quarter ended September 30, 2011 Rupees	Resated 1st Quarter ended September 30, 2010 Rupees
Sales and services	9	8,743,466,597	1,897,447,486
Cost of sales and services	10	(7,153,524,565)	(1,620,246,935)
Gross profit		1,589,942,032	277,200,551
Distribution cost		(43,404,604)	(49,434,178)
Administrative expenses		(63,499,430)	(46,452,786)
Other operating expenses		(6,541,429)	(8,922,703)
		(113,445,463)	(104,809,667)
		1,476,496,569	172,390,884
Other operating income		35,457,757	15,046,603
Income from investment property		(80,838)	(115,873)
Operating profit		1,511,873,488	187,321,614
Finance cost		(954,506,971)	(69,489,664)
Profit before taxation		557,366,517	117,831,950
Taxation		(16,129,030)	(12,791,948)
Profit after taxation		541,237,487	105,040,002
Earning per share - basic and diluted		23.43	4.55

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

**ASHRAF S. MUKATY**  
Chief Executive

Karachi: 31<sup>st</sup> October, 2011

**ASIF Y. BAWANY**  
Director



**STATEMENT OF CONDENSED CONSOLIDATED  
INTERIM COMPREHENSIVE INCOME  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2011**

	1st Quarter ended September 30, 2011 Rupees	Restated 1st Quarter ended September 30, 2010 Rupees
Profit for the year	541,237,487	105,040,002
Other comprehensive income - net of taxation	—	—
Total comprehensive income for the year	<u>541,237,487</u>	<u>105,040,002</u>

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

**ASHRAF S. MUKATY**  
Chief Executive  
Karachi: 31<sup>st</sup> October, 2011

**ASIF Y. BAWANY**  
Director



## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2011

	<b>30.09.2011</b>	<b>Restated 30.09.2010</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	557,366,517	117,831,950
<b>Adjustment for non cash charges and other items</b>		
Depreciation	229,480,008	28,750,982
Provision for staff retirements benefit (net)	5,835,713	5,327,557
Gain on disposal of fixed assets	(280,213)	(280,213)
Finance cost	954,506,971	69,489,664
	1,189,542,479	103,287,990
	<b>1,746,908,996</b>	<b>221,119,940</b>
<b>WORKING CAPITAL CHANGES (INCREASE)/DECREASE IN CURRENT ASSETS</b>		
Stores spares parts & loose tools	(70,081,129)	162,011
Stock-in-trade	867,414,616	(249,426,632)
Trade debts	(4,078,335,901)	(753,800,622)
Loans and advances	(206,725,609)	(252,221,864)
Trade deposits and prepayments	(10,454,981)	(10,150,611)
Accrued mark-up	50,575	3,756,039
Other receivables	(25,934,376)	(24,780,665)
	(3,524,066,804)	(1,286,462,344)
<b>INCREASE/(DECREASE) IN CURRENT LIABILITIES</b>		
Short term borrowings	3,495,393,991	858,506,438
Trade and other payables	187,831,518	405,450,422
Add: Working capital changes	<b>159,158,705</b>	<b>(22,505,484)</b>
Less: Decrease/(Increase) in long term loans & advances	1,704,122	(344,546)
Finance cost paid	(945,440,130)	(16,071,729)
Tax paid	(15,625,242)	(11,972,120)
Tax refund received	28,160,612	(50,505,250)
<b>Net cash in flow from operations</b>	<b>974,867,063</b>	<b>119,720,811</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(9,035,952)	(1,411,096,157)
Proceeds from disposal of fixed assets	1,619,755	600,000
<b>Net cash out flow investing activities</b>	<b>(7,416,197)</b>	<b>(1,410,496,157)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Investment by minority shareholder		320,198,788
Proceed of loan	(176,320,988)	780,625,374
<b>Net cash in flow / (out) flow from financing activities</b>	<b>(176,320,988)</b>	<b>1,100,824,162</b>
Net increase / (decrease) in cash and cash equivalents	791,129,878	(189,951,184)
Cash and cash equivalents at the beginning of the period	146,387,852	754,409,744
<b>Cash and cash equivalents at the end of the period</b>	<b>937,517,730</b>	<b>564,458,560</b>
Cash and bank balances	937,517,730	564,458,560
	<b>937,517,730</b>	<b>564,458,560</b>

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

**ASHRAF S. MUKATY**  
Chief Executive

Karachi: 31<sup>st</sup> October, 2011

**ASIF Y. BAWANY**  
Director



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2011**

	Share Capital	Revenue Reserve	Un-Appropriated Profit	Sub Total	Minority Interest	Total
Rupees						
<b>Balance as at 30th September, 2009</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
Transfer to revenue reserve	—	400,000,000	(400,000,000)	—	—	—
Net profit for the period 1st October 2009 to 30th June, 2010	—	—	285,527,650	285,527,650	(8,910,253)	276,617,397
<b>Transaction with owners</b>						
Final dividend for the year ended 30th June, 2009: Cash dividend @ 50% Rs. 5.00per share	—	—	(113,050,694)	(113,050,694)	—	(113,050,694)
<b>Balance as at 30th June, 2010 as reported</b>	226,101,390	1,570,000,000	552,243,334	2,348,344,724	2,840,537,455	5,188,882,179
Change due to effect of merger	—	—	47,136,313	47,136,313	—	47,136,313
<b>Balance as at 30th June, 2010 as restated</b>	226,101,390	1,570,000,000	599,379,647	2,395,481,037	2,840,537,455	5,236,018,492
Minority interest arising in investment in subsidiary	—	—	—	—	320,198,788	320,198,788
Net profit for the quarter ended 30th Sept. 2010	—	—	105,040,002	105,040,002	(6,217,937)	98,822,065
<b>Balance as at 30th September, 2010 (Restated)</b>	226,101,390	1,570,000,000	704,419,649	2,500,521,039	3,154,518,306	5,655,039,345
Share issue due to merger	4,851,690	—	—	4,851,690	—	4,851,690
Transfer to revenue reserve	—	430,000,000	(430,000,000)	—	—	—
Net profit for the period 1st October 2010 to 30th June, 2011	—	—	464,298,910	464,298,910	717,652,876	1,181,951,786
Minority interest arising in investment in subsidiary	—	—	—	—	406,409,082	406,409,082
<b>Transaction with owners</b>						
Final dividend for the year ended 30th June, 2010: Cash dividend @ 30% Rs. 3.00per share	—	—	(67,830,417)	(67,830,417)	—	(67,830,417)
<b>Balance as at 30th June, 2011</b>	230,953,080	2,000,000,000	670,888,142	2,901,841,222	4,278,580,264	7,180,421,486
Net profit for the quarter ended 30th Sept. 2011	—	—	206,469,817	206,469,817	334,767,670	541,237,487
<b>Balance as at 30th September, 2011</b>	230,953,080	2,000,000,000	877,357,959	3,108,311,039	4,613,347,924	7,721,658,973

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

**ASHRAF S. MUKATY**  
Chief Executive

Karachi: 31<sup>st</sup> October, 2011

**ASIF Y. BAWANY**  
Director



**SELECTED NOTES TO THE CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE 1ST QUARTER ENDED 30TH SEPTEMBER, 2011**

**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 commenced January 12, 2011.

**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, 2011. 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, 2011.

4. PROPERTY, PLANT & EQUIPMENT		Unaudited 30.09.2011	Audited 30.06.2011
Property, plant and equipment	Note 4.1	20,125,890,125	20,354,226,169
Capital work in progress	Note 4.2	519,483,857	512,158,084
		<u>20,645,373,982</u>	<u>20,866,384,254</u>
<b>4.1 Property, plant and equipment</b>			
Opening book value		20,354,226,169	1,252,326,285
Additions made during the period	Note 4.1.1	1,898,724	19,644,903,333
		20,356,124,893	20,897,229,618
Less:			
Written down value of disposal	Note 4.1.2	1,619,755	4,174,477
Depreciation charged for the period		228,615,013	538,828,972
		<u>20,125,890,125</u>	<u>20,354,226,169</u>



	<b>Unaudited 30.09.2011</b>	<b>Audited 30.06.2011</b>
<b>4.1.1 Additions made during the year</b>		
Free hold Land	—	4,457,822
Factory building on lease hold land	—	1,437,107,292
Non factory building on lease hold land	—	621,054
Plant & machinery	439,000	18,172,317,235
Factory equipments	—	5,606,050
Office equipments	152,800	1,945,882
Furniture & fixtures	541,504	1,837,659
Vehicles	647,670	19,590,462
Computers	117,750	1,419,877
	<b><u>1,898,724</u></b>	<b><u>19,644,903,333</u></b>
<b>4.1.2 Written down value of disposal</b>		
Plant & Machinery	—	2,376,562
Vehicles	1,619,755	1,797,915
	<b><u>1,619,755</u></b>	<b><u>4,174,477</u></b>
<b>4.2 Capital work in progress</b>		
Plant & machinery under erection	249,048,693	264,093,554
Civil work under construction	270,435,164	248,064,530
	<b><u>519,483,857</u></b>	<b><u>512,158,084</u></b>
<b>5. INVESTMENT PROPERTY</b>		
Opening book value	6,467,011	6,800,724
Additions during the period	—	—
	<u>6,467,011</u>	<u>6,800,724</u>
Less: Depreciation charged during the period	(80,838)	(333,713)
<b>Closing book value</b>	<b><u>6,386,173</u></b>	<b><u>6,467,011</u></b>
<b>6. TRADE DEBTS - CONSIDERED GOOD</b>		
Export bills under collection (secured against export letter of credit).	1,124,318,951	358,269,099
Related party Note 6.1	62,985,287	41,941,503
Local (unsecured)	11,027,086,297	7,735,844,032
	<b><u>12,214,390,535</u></b>	<b><u>8,136,054,634</u></b>
6.1 The Maximum amount outstanding due to related party is Rs.64.025 million (June 2011: Rs. 46.492 million).		



<b>7. LONG TERM FINANCING - SECURED FROM BANKING COMPANIES</b>	<b>Unaudited 30.09.2011</b>	<b>Audited 30.06.2011</b>
Habib Metropolitan Bank Limited Note 7.1	48,073,331	48,893,161
Standard Chartered Bank (Pakistan) Limited Note 7.2	18,920,999	22,290,401
Allied Bank Limited Note 7.3	34,936,250	37,624,250
Bank Al-falah Limited Note 7.4	277,637,000	284,886,000
Faysal Bank Limited Note 7.5	3,933,000	3,933,000
Bank Al-Habib Limited Note 7.6	371,563,900	371,563,900
Askari Bank Limited Note 7.7	1,613,509,071	1,631,315,636
Long term musharaka Note 7.8	13,197,002,921	13,342,644,053
	<u>15,565,576,472</u>	<u>15,743,150,401</u>
Less: Debt arrangement fee	(246,656,195)	(249,409,136)
Current portion shown under current liabilities	(894,230,518)	(866,282,783)
	<u><b>14,424,689,759</b></u>	<u><b>14,627,458,482</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 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.

**7.5 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.

- 7.6** This represent Foreign currency loan of USD 4.318 million from Bank Al Habib Limited - Bahrain

**Interest**

It carries interest at the rate of 3.5% per annum chargeable and payable on half yearly basis.

**Repayment**

The finance is repayable in 6 equal half yearly installments commencing from 7th October 2011.

**Security**

The finance is secured by Equitable Mortgage charge over Fixed Assets of the Company and Personal guarantee of two Directors.

- 7.7** The subsidiary 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.

**8. CONTINGENCIES AND COMMITMENTS:**

The Company has provided following guarantees:

- (i) Guarantees of **Rs. 1604.146 Million** (June 2011: Rs.1604.146 Million) have been given by banks to Sui Southern Gas Company, collector of custom & supplier of Oil.
- (ii) Contingent Liabilities in respect of Bill discounted during the year to the tune of **USD 3.241million** equivalent to the PKR 286.565 million (2011: USD 2.856 million equivalent to the PKR 252.121 million).
- (iii) Letter of Credits & Contracts for supply of plant & machinery amounting to **Rs.27.241 Million** (June 2011: Rs. 0.730 Million) and for supply of raw materials & spares amounting to **Rs. 33.425 Million** (June 2011: Rs. 97.553 Million).
- (iv) The Subsidiary Company has entered into Fuel Supply Agreement (FSA) with Shell Pakistan Limited for the Purchase of Fuel and Diesel Oil required for use in generating electricity for a period of ten years from the date of Commercial Operations.
- (v) The Subsidiary Company has entered into agreements with Wartsila Pakistan (Private) Limited (an associated undertaking) and Wartsila Finland OY (an associated undertaking) for operations and maintenance and spare parts supply, respectively. The 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. With reference to Operations and Maintenance Agreement with Wartsila Pakistan (Private) Limited, the Company has arranged an irrevocable unconditional Standby Letter of Credit of Rs. 56 million, covering the Company's fulfillment of its payment obligations under the agreement.



# LIBERTY MILLS LIMITED

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	<b>Unaudited 30.09.2011</b>	<b>Restated Unaudited 30.09.2010</b>
<b>9. SALES AND SERVICES</b>		
Export sales	2,049,692,748	1,658,314,516
Local sales	163,555,701	79,944,175
Waste sales	538,751	1,253,422
	164,094,452	81,197,597
Less : Sales tax	(20,721)	(62,329)
	164,073,731	81,135,268
<b><u>SERVICES</u></b>		
Cloth processing, printing & Dyeing	132,410,305	157,997,702
	<b>2,346,176,784</b>	<b>1,897,447,486</b>
Energy purchase	5,186,577,435	—
Capacity price	1,210,712,378	—
	<b>6,397,289,813</b>	—
	<b>8,743,466,597</b>	<b>1,897,447,486</b>
<b>10. COST OF SALES</b>		
Raw material consumed	6,383,186,780	1,367,393,700
Stores & spare parts consumed	129,726,439	32,889,319
Salaries,wages and other benefits	88,300,996	71,602,770
Design, stitching, weaving, raising & mending charges	54,792,740	46,401,508
Power, water and gas	107,199,654	101,571,759
Repairs & maintenance	92,124,797	8,917,199
Packing expenses	3,787,291	4,308,144
Rent, rates & taxes	997,077	1,307,632
Insurance	31,959,252	3,193,125
Research and development expenses	3,923,153	1,765,570
Depreciation	220,650,184	25,589,539
Other expenses	3,563,373	—
Less: Duty drawback	(20,054,885)	(30,284,216)
<b>COST OF PRODUCTION</b>	7,100,156,851	1,634,656,049
Work-in-process		
-opening	471,806,715	289,491,818
- closing	(425,949,951)	(337,366,019)
	45,856,764	(47,874,201)
<b>COST OF GOODS MANUFACTURED</b>	7,146,013,615	1,586,781,848
Finished goods		
-opening	672,696,707	333,185,266
-closing	(665,185,757)	(299,720,179)
	7,510,950	33,465,087
	<b>7,153,524,565</b>	<b>1,620,246,935</b>



## 11. TRANSACTION WITH RELATED PARTIES

The related party comprises of related group companies, Ashraf Enterprises and Soorty Enterprises (pvt) 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 30.09.2011	Audited 30.06.2011
Associated Company	Sales of goods	119,469,209	311,751,380
Associated Company	Services Provided	5,745,284	63,374,652
Associated Company	Payment Received	104,170,709	346,016,822
Associated Company	Rent Paid	—	1,500,000
Directors	Loan from directors	16,255,913	17,755,913

## 12. DATE OF AUTHORISATION FOR ISSUE

These Financial Statements were authorised for issue by the Board of Directors on 31, October 2011.

## 13. 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: 31<sup>st</sup> October, 2011

**ASIF Y. BAWANY**  
Director