VISION / MISSION STATEMENT

VISION

We aim at seeing our textile-processing unit to be a model of premier textile processing in the emerging markets in compliance with the requirements of Quality Management System and continuously improving its effectiveness for total customer satisfaction. We wish to play a leading role in the textile sector by keeping a substantial presence in the export markets.

MISSION

1. To turn around performance of company into sustainable growth for the benefit of its stake holders.

2. To provide quality products to customers and explore new markets to promote/ expand sales of the Company through good governance and to foster a sound and dynamic team, so as to achieve optimum prices of products of the Company for sustainable and equitable growth and prosperity of the Company.

3. To strive hard for boosting exports of country to earn more and more foreign exchange to rebuild economy.

CONTENTS

Company Information

BOARD OF DIRECTORS:

CHAIRMAN:	Mr. Salim N. Mukaty
DIRECTORS:	Mr. Ashraf Salim Mukaty Mr. Yusuf N. Mukaty Mr. Noor Muhammad Yusuf Mukaty Mr. 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 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

Notice of Meeting & Announcement

NOTICE IS HEREBY GIVEN that **45th Annual General Meeting** of the Shareholders of the Company will be held at our Registered Office, situated at A/51-A, S.I.T.E. Karachi on Saturday October 29, 2011 at 1:15 PM to transact the following business.

Ordinary Business

1. To confirm the Minutes of the Extra Ordinary General Meeting of the Company held on May 02, 2011.
2. To receive, consider and adopt the Audited Financial statements of the Company for the year ended June 30, 2011 together with Directors' and Auditors' report thereon.
3. To approve the payment of Cash Dividend at Rs.1.50/- per share, i.e., 15% Percent, for the year ended June 30, 2011 as recommended by the Board of Directors.
4. To appoint Auditors and to fix their Remuneration, for the year ending June 30, 2012.
5. To transact any other business which may be placed before the meeting with permission of the Chair.

Special Business:

a. To approve remuneration of working Directors. Statement under section 218 (2) of the Company Ordinance, 1984 is also being sent to the share holders along with this notice.

By Order of the Board

(Muhammad Iqbal Haroon)
Company Secretary

Karachi: October 07, 2011

Notes:

1. The Share Transfer Books of the Company will remain closed from October 22, 2011 to October 29,2011 (Both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member of the Company as a proxy to attend and vote on his/her behalf. Proxies, in order to be effective, must be received at the Registered Office/Registrar of the Company (The F.D. Registrar Services (SMC-Pvt) Ltd. Office No. 1108, 11th Floor, Trade Center, Main I.I. Chundrigar Road, Opp. Saima Trade Tower, Karachi) not less than 48 hours before the time of meeting.
3. Members are requested to promptly notify the Company / Registrar of any Change in their Addresses.

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

A. For Attending the Meeting:

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

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

B. For Appointing Proxies:

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

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

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

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

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

Statement under section 218(2) of the Companies Ordinance, 1984

The approval is being sought from the share holders for the fixation of the remuneration of the following directors.

NAME OF DIRECTORS:

1. Mr. Luqman F. Poonawala

2. Mr. Madni Gul Muhammad

3. Mr. Asif Younus Bawany

4. Mr. Muhammad Imran Shekhani

They will also be entitled to other benefits and facilities as are provided to all employees of the Company. Previously they were drawing same remuneration.

None of the Directors of the Company are in any way interested in fixation of the remuneration.

Directors' Review

The Board of Directors of Liberty Mills Limited are pleased to present the Annual Report with the audited financial statements of the Company for the year ended June 30th, 2011.

FINANCIAL RESULT:

Operating results of the Company are as follow:	**June 30, 2011 (Rs. in thousands)**	**Restated June 30, 2010 (Rs. in thousands)**
Sales and Services	7,955,976	5,612,473
Gross Profit	949,249	901,548
Profit before Taxation	377,069	589,363
Taxation	(92,456)	(65,328)
Profit after Taxation	284,613	524,035

Alhamdo lillah during the year under review the company's net sales increased by 41.75% for the year ended June 30, 2011 amounting to Rs. 7,955.98 million as compared to Rs. 5,612.47 million in the previous corresponding financial year. The gross profit has decreased by 4.13% mainly due to increase in cost of product by 4% as compared to last financial year, the high cost of production resulted from all time high raw cotton prices, rising energy costs, increasing prices of imported inputs due to depreciation of Pakistani Rupee and double digit inflation which have negative effect to our profitability.

Despite of difficult business scenario globally the management has to keep stand in the international market, Export orders were booked on low margin and we could not pass on the increased cost of our product to our customers.

The Textile industry during the year under review faced stiff challenges in the shape of rising costs of imported as well as local raw materials, increased in the utility charges, fuel prices hikes and the unprecedented long spell of power and gas outages, resulted in a huge loss of production. The industry is also facing stiff competition from emerging Asian Economies and the country's law and order situation is also hampering our exports as buyers of our product are reluctant to visit our country.

The Company's management is trying to improve the operational efficiency and increasing the Sales Volume of value added quality product and reducing cost of production through tight cost control on production costs.

FUTURE OUTLOOK:

Textile sector occupies pivotal position in Pakistan's economy it has unique distinction of linking our agricultural sector through industry to exports. The current financial year 2011-2012 seems to be difficult due to uncertainties and discouraging local and international scenario. The textile industry of Pakistan is facing multiple challenges internally and globally. On domestic front our agriculture commodities including raw cotton damaged by recent heavy rain and floods will have negative effect to our textile sector further the government has also withdrawn the Research and Development grant which will also affect the bottom line.

However, in spite of all above odds we hope that our regular and aggressive modernization and upgrading of production facilities, our strong presence in international market and devaluation of Pak Rupee will help us in riding through this difficult period.

SUBSIDIARY COMPANY

The Subsidiary Company Liberty Power Tech Limited had achieved Commercial Operation Date (COD) on January 13, 2011 and it supplies electricity to National Transmission and Dispatch Company Limited (NTDC). The current year profit and loss of subsidiary includes the post COD results of the Subsidiary Company from January 13, 2011 till June 30, 2011. The Subsidiary Company had declared a profit of 997.486 million during this period. Revenues from electricity generated during the testing and commissioning period and the related costs thereon were capitalized. As per the Power Purchase Agreement (PPA), the Subsidiary Company, after the COD, filed an application with National Electric Power Regulatory Authority (NEPRA) for adjustment of tariff which was decided by NEPRA on August 17, 2011.

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

As you are aware that the in the Extra Ordinary General Meeting dated 01-01-2011 the Company had approved a scheme of arrangement for merger of Liberty Mills Limited with Liberty Energy (Pvt) Limited. The Company had filed a petition for sanctioning the Scheme to the High Court of Sindh, and the High Court through order dated February 12, 2011 had approved the scheme. Hence the Financial Statement includes the impact of merger.

EARNING PER SHARE:

The Earning per Share has also reduced to Rs. 12.33 from previous year Rs. 23.18.

DIVIDEND:

The Directors are pleased to recommend Cash dividend @ 15% i.e. Rs.1.50/- per share for the year ended June 30, 2011.

Corporate and Financial Reporting Framework

The Directors declare that:

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

ii. Proper Books of Accounts have been maintained.

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

iv. The International Financial Reporting Standard and International Accounting Standards, as applicable in Pakistan, have been followed in preparation of Financial Statements.

v. The Board is responsible that the Company's system of internal control and reviewing its effectiveness. The Board considers that the Company's system of internal control is sound and has been effectively implemented and monitored.

vi. There are no doubts upon the Company's ability to continue as a going concern.

vii. There have been no material departures from the best practices of corporate governance, as detailed in the listing regulations.

viii. Un-audited Half yearly financial statements after limited review by the statutory auditors are circulated in time along with Director's Review on the affairs of the Company.

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

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

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

BOARD MEETINGS:

Number of Board Meeting held during the year and attendance of each Director.

During the year four board meetings were held and each director has attended meetings as follows:

	Name of Director	Meetings Attended
1.	Mr. Salim N.Mukaty	2
2.	Mr. Ashraf Salim Mukaty	4
3.	Mr. Yusuf N. Mukaty	4
4.	Mr. Noor Muhammad Yusuf Mukaty	4
5.	Mr. Arif Haji Abdul Sattar Maniya (Resigned)	2
6.	Mr. Luqman F. Poonawala	4
7.	Mr. Madni Gul Muhammad	4
8.	Mr. Asif Younus Bawany	4
9.	Mr. Muhammad Imran Shekhani	4
10.	Mr. Zain Ashraf Mukaty	1

AUDIT COMMITTEE:

The audit committee comprised of the following three Directors for the year ended June 30, 2011:
1. Mr. Salim N. Mukaty
2. Mr. Asif Younus Bawani
3. Mr. Madni Gul Muhammad

INTERNAL AUDIT FUNCTION:

The Audit Committee is fully assisted by the Internal Audit function in maintaining a sound system of internal controls.

PATTERN OF SHAREHOLDINGS:

The Pattern of Shareholdings and additional information regarding pattern of shareholdings as on June 30, 2011 is attached to the financial statements included in this report.

AUDITORS:

The present auditors Hyder bhimji & Co., Chartered Accountants and F.R.A.N.T.S. & Co., Chartered Accountants retire and being eligible have offered themselves for reappointment. The external auditors have been given satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP). The Board and audit committee has recommended their names as Auditors for the ensuing year for consideration in the forth coming Annual General Meeting.

ACKNOWLEDGEMENT:

In the end, your Directors are pleased to appreciate for the services rendered by the workers, staff and executives of the Company and look forward to their continued efforts and dedication. We also acknowledge the cooperation extended by our banks and financial institutions. At the same time we thank for the wishes of our valued shareholders.

Thanks to all of you.

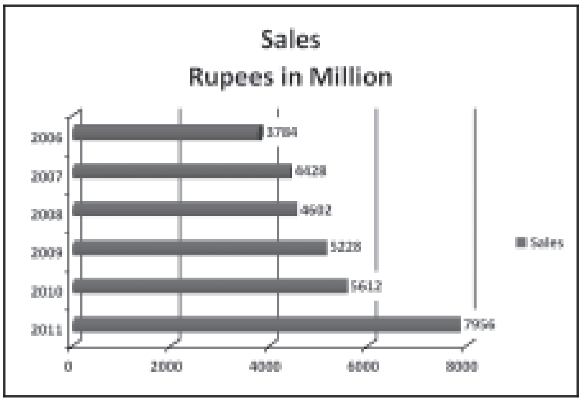
For and on behalf of the Board of Directors
Ashraf S. Mukaty
Chief Executive

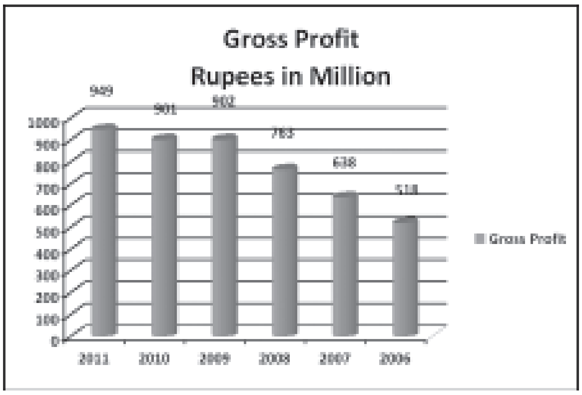
Karachi: October 7, 2011

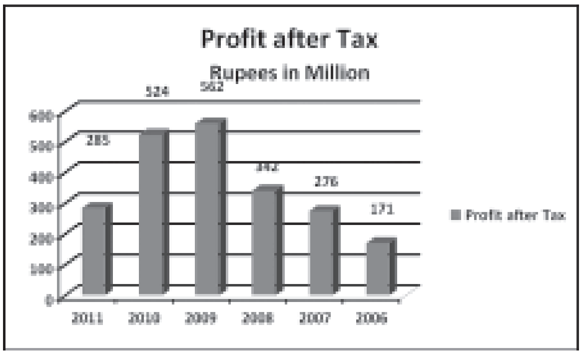
Key operating and financial data:

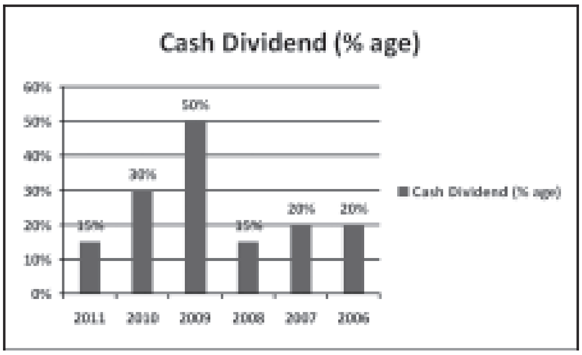
Rupees in Million

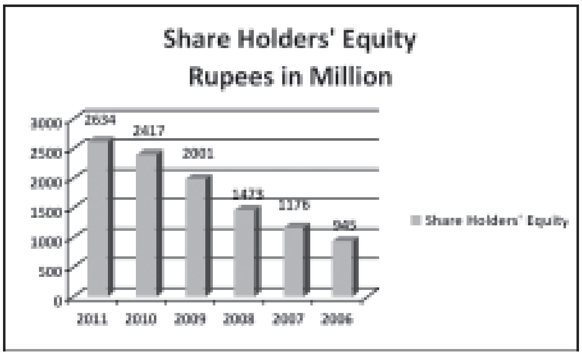
	2011	2010 Restated	2009	2008	2007	2006	2005
Sales	7,956	5,612	5,228	4602	4,428	3,784	3,025
Gross Profit	949	902	902	763	638	518	441
Operating Profit	692	753	782	474	395	311	269
Profit before Tax	377	589	627	379	329	243	225
Tax	92	65	65	37	52	72	39
Profit after Tax	**285**	**524**	**562**	**342**	**276**	**171**	**186**
Total Assets	6,836	5,468	4,530	3,322	2,978	2,714	2,453
Current Liabilities	3,487	2,446	2,280	1,605	1,608	1,140	837
	3,349	**3,022**	**2,250**	**1,717**	**1,371**	**1,574**	**1,616**
Represented by:							
Share Capital	231	226	226	226	226	226	206
Reserves and unappropriated profit	2,403	2,191	1,775	1,247	950	719	503
Equity	2,634	2,417	2,001	1,473	1,176	945	709
Long Term Loans	596	503	163	170	122	573	785
Deferred Liability	119	102	86	74	73	56	122
	3,349	**3,022**	**2,250**	**1,717**	**1,371**	**1,574**	**1,616**
Cash Dividend (% age)	15%	30%	50%	15%	20%	20%	15%
Bonus (% age)	—	—	—	—	—	—	10%

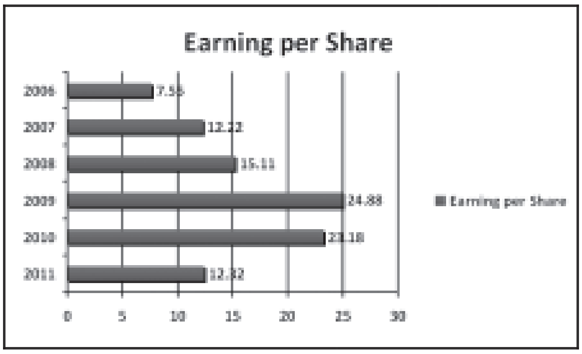

Sales
Rupees in Million
3784
5228
5612
7956
Sales


Gross Profit
Rupees in Million
949
901
902
783
638
518
Gross Profit


Profit after Tax
Rupees in Million
524
562
285
276
171
Profit after Tax


Cash Dividend (% age)
50%
30%
20%
20%
Cash Dividend (% age)


Share Holders' Equity
Rupees in Million
2634
2417
2001
1473
1176
945
Share Holders' Equity


Earning per Share
12.22
15.11
24.88
23.18
12.32
Earning per Share

Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2011

This statement is being presented to comply with the Code of Corporate Governance (the code) contained in the Listing Regulation of all the three Stock Exchanges of the country for the purpose of establishing a framework of good governance, whereby a listed Company is managed in Compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent Non-Executive Directors and Directors representing minority interest on its Board of Directors. At present the Board includes four Non-Executive Directors and five Executive Directors including Chief Executive Officer (CEO).

2. The Directors of the Company have confirmed that none of them is serving as director in ten or more listed Companies, including this Company.

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

4. One casual vacancy occured in the Board and was filled up.

5. The Board has developed a Vision/Mission Statement, over all corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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

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

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

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

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

11. Head of Internal Audit was appointed during the year. This appointment including his remuneration and terms and conditions of employment are approved by the Board.

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

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

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

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

16. The Audit Committee comprises three members, including the Chairman of the Committee. One is not executive and two are executive directors.

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

18. The Board has set-up an effective internal audit function manned by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company. They are involved in the internal audit function on a full time basis.

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

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

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

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

Ashraf S. Mukaty
Chief Executive

Karachi: October 07, 2011

LIBERTY
MILLS LIMITED

HYDER BHIMJI & CO.
Chartered Accountants
Suite # 1601, Kashif Center
Shahrah-e-Faisal
Karachi.

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

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2011 prepared by the Board of Directors of Liberty Mills Limited ("the Company") to comply with the Listing Regulations of the respective Stock Exchange, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub – Regulation (xiii a) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2011.

Hyder Bhimji & Co.

HYDER BHIMJI & CO.
Chartered Accountants

Frants & Co.

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

Karachi: October 07, 2011

HYDER BHIMJI & CO.
Chartered Accountants
Suite # 1601, Kashif Center
Shahrah-e-Faisal
Karachi.

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

Auditors' report to the members

We have audited the annexed Balance Sheet of LIBERTY MILLS LIMITED ("the Company") as at June 30, 2011 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

   i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

We draw your attention to our report dated Oct 07,2011 on merged financial statements of Liberty Mills Limited for the year ended June 30, 2010 with the former Liberty Energy (Pvt) Limited in order to effectuate the Order of the Honorable High Court of Sindh dated February 12,2011 as stated in note number 2 of the annexed financial statements as per Scheme of Merger which contains our observation with respect to application of the acquisition method followed by the Company for the preparation of aforesaid merged financial statements.

	HYDER BHIMJI & CO. Chartered Accountants	**F.R.A.N.T.S. & CO.** Chartered Accountants
Karachi: October 07, 2011	Engagement Partner: **Hyder Ali Bhimji**	Engagement Partner: **Muhammad Fahim**

HYDER BHIMJI & CO.
Chartered Accountants
Suite # 1601, Kashif Center
Shahrah-e-Faisal
Karachi.

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

Auditors' Report to the Members

We have audited the annexed merged Balance Sheet of LIBERTY MILLS LIMITED and LIBERTY ENERGY (PRIVATE) LIMITED as at June 30, 2010 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof (here-in-after referred to as financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

On February 12, 2011, the Honorable High Court of Sindh at Karachi (the Court) passed order confirming merger of Company's associated undertaking M/s Liberty Energy (Private) Limited by approving scheme of merger effective from January 01, 2010. Prior to the receipt of the order of the Court as afore-said, the Company circulated the individual financial of LIBERTY MILLS LIMITED and financials of LIBERTY ENERGY (PRIVATE) LIMITED and which were also approved in the respective Annual General Meetings of the Companies. The Company has prepared the merged accounts in order to comply and effectuate the order of the court and to determine the state of affairs of the merged entity as at June 30, 2010. As more fully explained in note 2 of the financial statements, the merged accounts has been prepared by using acquisition method by incorporating the fair values of the identifiable assets and liabilities at the date of acquisition by recognizing and measuring the identifiable assets acquired, the liabilities assumed and resultant fair value gain taken to profit and loss account. The fair value of the items of property, plant and equipment of the then associated company has been evaluated by the approved valuer. IFRS 3 provides application of the method followed by the Company however the said IFRS do not apply in the case of companies under common control. We are therefore unable to state the correctness of the method followed by the Company and are also unable to quantify the effect if any other treatment is followed in this behalf.

Except for the effect of above reservations;

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

(b) in our opinion:

i) the merged Balance Sheet and merged Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) Except for the effect of above reservations, in our opinion and to the best of our information and according to the explanations given to us, the merged Balance Sheet, merged Profit and Loss Account, merged Statement of Comprehensive Income, merged Cash Flow Statement and merged Statement of Changes in Equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

	Hyder Bhimji & Co.	Frants & Co.
	HYDER BHIMJI & CO. Chartered Accountants	**F.R.A.N.T.S. & CO.** Chartered Accountants
Karachi: October 07, 2011	Engagement Partner: **Hyder Ali Bhimji**	Engagement Partner: **Muhammad Fahim**

Balance Sheet
as at 30th June, 2011

EQUITY AND LIABILITIES	NOTE	2011 RUPEES	Restated 2010 RUPEES
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorised Capital: 40,000,000 (2010: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	5	230,953,080	226,101,390
General reserves	6	2,000,000,000	1,570,000,000
Reserve for issue of shares on merger		—	4,851,690
Unappropriated profit		402,839,440	616,056,632
		2,633,792,520	2,417,009,712
NON-CURRENT LIABILITIES			
Long term financing	7	583,941,078	485,384,698
Deferred liabilities	8	119,240,404	102,198,465
Long term loans	9	11,755,913	17,755,913
CURRENT LIABILITIES			
Trade and other payables	10	572,896,727	456,633,030
Accrued mark-up	11	65,239,100	44,658,127
Short term borrowings	12	2,653,115,117	1,812,453,917
Current portion of long term financing and loans from related parties	13	191,249,634	128,506,750
Provision for taxation	14	5,259,132	3,660,765
		3,487,759,710	2,445,912,589
CONTINGENCIES & COMMITMENTS	15	—	—
		6,836,489,625	5,468,261,377

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

ASSETS	NOTE	2011 RUPEES	Restated 2010 RUPEES
NON CURRENT ASSETS			
Fixed Assets			
Property, plant & equipment	16	1,621,201,315	1,322,689,166
Investment property	17	6,467,011	6,800,724
		1,627,668,326	1,329,489,890
Long term investment	18	1,447,001,000	1,447,001,000
Long term loans and advances	19	12,935,275	21,157,389
Long term deposits		3,026,023	3,026,023
CURRENT ASSETS			
Stores, spares and loose tools	20	142,997,675	123,830,553
Stock-in-trade	21	2,655,156,009	1,325,688,438
Trade debts	22	551,219,469	558,761,776
Loans and advances	23	60,780,079	32,116,018
Trade deposits and prepayments	24	572,826	2,784,343
Accrued profit	25	382,082	3,778,867
Other receivables	26	156,777,854	64,010,736
Tax refunds due from government	27	32,259,342	43,272,390
Financial assets at fair value through profit & loss	28	222,669	206,678,588
Cash and bank balances	29	145,490,996	306,665,366
		3,745,859,001	2,667,587,075
		6,836,489,625	5,468,261,377

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Profit and Loss Account
for the year ended 30th June, 2011

	NOTE	2011 RUPEES	Restated 2010 RUPEES
Sales & services	30	7,955,976,113	5,612,473,256
Cost of sales and services	31	(7,006,727,469)	(4,710,925,273)
Gross profit		949,248,644	901,547,983
Distribution cost	32	(201,336,362)	(137,012,716)
Administrative expenses	33	(167,626,128)	(158,070,606)
Other operating expenses	34	(27,946,045)	(36,576,883)
		(396,908,535)	(331,660,205)
		552,340,109	569,887,778
Income from investment property	35	5,666,287	5,881,614
Other operating income	36	139,808,322	176,878,385
Operating profit		697,814,718	752,647,777
Fair value of gain on merger	2	—	42,797,380
Finance cost	37	(320,745,620)	(206,082,620)
Profit before taxation		377,069,098	589,362,537
Provision for Income Tax	38	(92,455,873)	(65,327,735)
Profit after taxation		284,613,225	524,034,802
Earning per share - basic & diluted	39	12.32	23.18

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

Ashraf S. Mukaty	**Asif Younus Bawany**
Chief Executive	Director

Statement of Comprehensive Income for the year ended 30th June, 2011

	2011 RUPEES	Restated 2010 RUPEES
Profit for the year	284,613,225	524,034,802
Other comprehensive income - net of taxation	—	—
Total comprehensive income for the year	**284,613,225**	**524,034,802**

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

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Cash Flow Statement
for the year ended 30th June, 2011

	NOTES	2011 RUPEES	Restated 2010 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		377,069,098	589,362,537
Adjustments for non cash charges and other items			
Depreciation		121,237,618	118,321,716
Fair value gain on merger		—	(42,797,380)
Provision for staff retirements benefit (net)		17,121,939	16,233,718
Provision for slow moving and obsolete stores and spares		2,600,000	2,080,000
Gain on disposal of fixed assets		(916,283)	(888,180)
Finance cost		315,406,047	206,082,620
		455,449,321	**299,032,494**
		832,518,419	**888,395,031**
Working capital changes	40	(502,590,365)	(573,576,391)
(Increase)/decrease in long term loans and advances		8,222,114	(226,422)
Financial cost paid		(294,825,074)	(193,379,843)
Taxes paid		(90,937,506)	(68,749,485)
Tax refund received		11,013,048	(14,654,876)
Net cash in/(out) flow from operations		**(36,599,364)**	**37,808,014**
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditures		(422,959,771)	(161,154,192)
Proceeds from disposal of fixed assets		4,460,000	2,485,000
Investment made		—	(913,001,000)
Net cash out flow from investing activities		(418,499,771)	(1,071,670,192)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceed / (Payment) of long term finance		161,299,264	456,347,433
(Payment) of loan from related parties		(6,000,000)	(6,000,000)
Dividend paid		(67,830,417)	(113,050,695)
Net cash in flow / (out flow) from financing activities		87,468,847	337,296,738
Net increase / (decrease) in cash and cash equivalents		(367,630,288)	(696,565,440)
Cash and cash equivalents at the beginning of the year		513,343,954	1,209,909,394
Cash and cash equivalents at the end of the year	41	**145,713,666**	**513,343,954**

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

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

LIBERTY
MILLS LIMITED

Statement of Changes in Equity
for the year ended 30th June, 2011

	Share Capital	Revenue Reserve	Un-Appropriated Profit	TOTAL
Balance as at 30th June, 2009	**226,101,390**	**1,170,000,000**	**605,072,525**	**2,001,173,915**
Transfer to revenue reserve	—	400,000,000	(400,000,000)	—
Comprehensive income for the year ended 30th June, 2010	—	—	476,898,489	476,898,489
Transaction with owners:				
Final dividend for the year ended 30th June, 2009				
Cash @ 50% Rs. 5.00 per share	—	—	(113,050,695)	(113,050,695)
Balance as at 30th June, 2010 as reported	**226,101,390**	**1,570,000,000**	**568,920,319**	**2,365,021,709**
Changes due to effect of merger	—	—	47,136,313	47,136,313
Balance as at 30th June, 2010 as restated	**226,101,390**	**1,570,000,000**	**616,056,632**	**2,412,158,022**
Share issue due to merger	4,851,690	—	—	4,851,690
Transfer to revenue reserve	—	430,000,000	(430,000,000)	—
Comprehensive income for the year ended 30th June, 2011	—	—	284,613,225	284,613,225
Transaction with owners				
Final dividend for the year ended 30th June, 2010:				
Cash @ 30% Rs. 3.00 per share	—	—	(67,830,417)	(67,830,417)
Balance as at June 30, 2011	**230,953,080**	**2,000,000,000**	**402,839,440**	**2,633,792,520**

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

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Notes to the Financial Statements for the year ended 30th June, 2011

1. COMPANY AND ITS BUSINESS

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

2. MERGER OF LIBERTY MILLS LIMITED (LML) WITH LIBERTY ENERGY (PVT) LIMITED (LEL)

The Board of Directors of the Company in their meeting dated June 15, 2010 and Share holders in the Extra Ordinary General Meeting dated january 01, 2011 approved a Scheme of Arrangements(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 of Sindh, and the High court through order dated February 12, 2011 had approved the scheme. Hence these Financial statement includes the impact of merger of Liberty Energy (Pvt) Limited balances as at January 01, 2010 and subsequent transactions. Brief details of the merger are as follows:

(i) Effective date of merger was January 01, 2010

(ii) Primary reason for this merger was economy of scale and saving in administration

(iii) LEL share holders were issue shares of LML for every 5.15 shares of LEL to 1 share of LML

(iv) The difference of net assets of LEL and the nominal value of shares is recognised in the Profit & Loss Accounts of the company as on January 01, 2010.

The entire undertaking of Liberty Energy (Pvt) Limited including all the property, assets and liabilities and all the rights and obligations as on the effective date were stand merged with and into the Liberty Mills limited; and

The net assets value of Liberty Energy (Pvt) Limited as per its Merged Accounts on the effective date was as follows:

	RUPEES
NON CURRENT ASSETS	
Property, plant & equipment	34,866,852
CURRENT ASSETS	
Stores, spares and loose tools	9,598,579
Trade debts	10,060,869
Loans, advances and Prepayments	932,709
Cash and Bank Balances	1,600,350
	22,192,507
	57,059,359
Non current Liabilities	
Deferred liabilities	1,032,911
CURRENT LIABILITIES	
Trade and other payables	8,377,378
Net Assets acquired	47,649,070

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case of requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

3.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

3.3 Accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

a) Deferred taxation regarding estimation of share of local and export business.(note no.8.1)

b) Staff retirements benefit with respect to actuarial valuation.(note no 8.2)

c) Property, plant and equipment with respect to estimated useful life and related depreciation charge and impairment.(note no. 16 & 17)

d) Provision for obsolescence and slow moving items in stores and spares with respect to parameter set out by management.(note no. 20)

e) Stock in trade with respect to estimation of net realizable value.(note no. 21)

f) Provision for income tax with respect to estimations of income tax based on income tax law and appellate decision.(note no.38)

3.4 Standard, interpretation and amendment to published approved accounting standards that are not relevant and not yet effective.

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

	Standard or Interpretation	**Effective Date (accounting period beginning on or after)**
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 1, 2011
IAS 12	Income Tax (Amendment) - Deferred Taxes: Recovery of underlying assets	January 01, 2012
IAS 19	Employee Benefits - Amended Standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 24	Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

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

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expect that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities & Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standards		**ISAB Effective date (annual periods beginning on or after)**
IFRS 9	Financial Instruments	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Agreements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013

Standards, amendments and interpretations adopted during the year

New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the period:

IFRS 2	Group Cash-settled Share-based Payment Transactions
IAS 32	Financial Instruments: Presentation - Classification of Rights Issues (Amendment)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash flows: Presentation of Financial Statements
IAS 17	Leases

IAS 36 Impairment of Assets

IAS 39 Financial Instruments: Recognition and Measurement

Issued in May 2010

IFRS 3 Business Combinations (Revised)

IAS 27 Consolidated and Separate Financial Statements (Amendments)

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for IAS 1 (revised).

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Accounting Convention

These financial statements have been prepared under the historical cost convention except for certain financial instruments that have been accounted for on the basis of their fair values, retirements benefit obligation determined on actuarial valuation and valuation of stock-in-trade when valued at net realizable value.

4.2 Taxation

Current

Provision for current taxation is computed in accordance with the provisions of Income Tax Laws. The charge for current income tax is recorded after adjustment, if any to the provisions for tax made prior year including those arising from assessment and amendments in assessments during the year in such years.

Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow or part of the deferred tax asset to be recognized. Unrecognized deferred tax asset are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.3 Staff retirements benefit

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all permanent employees of the Company who have attained the minimum qualifying period, gratuity is based on the last drawn salary. Provision are made annually to cover the obligation under the scheme. The latest Actuarial valuation was carried out as at 30 June 2010 for two years, using the Projected Unit Credit Method assuming a discount rate of 12 % per annum and expected rate of increase in salary @ 12% per annum. Actuarial gains and losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains and losses for the plan at the end of previous reporting period exceed 10% of the higher of present value of defined benefit obligation. The gains or losses in excess of amount determined as above said criteria are recognized over the expected remaining working lives of the employees participating in the plan.

4.4 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupees at the exchange rates prevailing on the date of transactions. Assets and Liabilities in foreign currencies are translated into Pak rupees at the rates of exchange which approximate those ruling on the balance sheet date. Exchange differences are taken in the profit & loss account.

4.5 Property, plant and equipment

These are stated at cost less accumulated depreciation except for capital work-in-progress is stated at cost.

Depreciation on Property, Plant and Equipment is charged to income applying the reducing balance method, at the rates specified in note no.16.1 whereby the depreciable amount of an asset is written off over its estimated useful life. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from them.

The assets residual value and useful life are reviewed at each financial year end and adjusted if the impact on depreciation amount is significant. The company estimate of residual value of Property, plant and equipment as at 30/06/2011 doesn't require any such adjustment.

Repair and maintenance and normal repairs including minor alteration are charged to income as and when incurred. Renewals and improvements are capitalized and the asset so replaced , if any are retired. Gain or loss on disposal of property plant and equipment if any included in the income currently.

Depreciation on additions during the year is charged from the month when the assets is available for use. Similarly the depreciation on deletion is charged upto the month preceding the month when the asset is derecognized.

4.6 Investment property

Investment property represents part of the company's owned building which is rented out to its subsidiary M/s Liberty Power Tech Limited.

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

The building is stated at cost less accumulated depreciation. Depreciation charged on reducing balance method, the depreciation method reflect the pattern in which the asset's economic benefits are consumed by the enterprise. Major renewals and improvements are capitalized and assets so replaced, if any are retired. Profit or Loss on disposal of investment property is included in income currently whereas maintenance and normal repairs are charged to income as and when incurred.

4.7 Long term investments

Subsidiary

Investment in subsidiary are stated at cost less impairment, if any.

Held - to - maturity

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

4.8 Stores, spares and loose tools

These are valued at cost applying first-in-first out (FIFO) basis, except items in transit if any are stated at cost incurred to date. Provision for slow moving and obsolescence, is based on their conditions as at balance sheet date depending upon the management's judgment.

4.9 Stock-in-trade

These are valued at lower of cost and net realizable value applying the following basis:

a) Finished Stock and Raw Materials at cost on FIFO basis.

b) Material in transit at cost accumulated upto the balance sheet date.

c) Work-in-process at weighted average manufacturing cost.

Weighted average cost in relation to work-in-process signifies weighted average manufacturing cost include a portion of related direct overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make sale.

4.10 Financial Instruments

a) Financial assets and financial liabilities

Financial assets and liabilities includes investment, loans, deposits, trade debts, cash and cash equivalents, short term borrowings, trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

All financial assets and financial liabilities are recognized at the time when Company becomes a party to the contractual provisions of the instrument and are derecognized in case of assets, when the contractual rights under the instrument are realized, expire or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

b) Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount. Debts considered irrecoverable, are written off and provision are made for debts considered doubtful, if any.

c) Financial assets at fair value through profit and loss

Financial assets are held for trading are classified in this category. These are stated at fair value which is reassessed at each reporting date and changes in carrying values are included in profit and loss account.

d) Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

e) Provision

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

f) Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously.

g) Cash and cash equivalents

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

4.11 Derivative Financial Instruments

Non trading derivative:

When a derivative financial instrument is not held for trading all changes in its fair value are recognized immediately in profit and loss account.

The company holds derivative financial instrument to hedge its interest rate risk exposure.

4.12 Borrowings Costs

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

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

4.13 Impairment of Assets

An assessment is made at each financial year end to determine whether there is an evidence that a financial asset or group of financial asset may be impaired, if such evidence exists, the estimated recoverable amount of that asset is determined and impairment loss is recognized for the difference between the recoverable amount and the carrying amount in income currently.

4.14 Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

- Sales are recorded on dispatch of goods to the customers.

- Income from process services is recorded when earned.

- Income from rental is recorded on accrual basis.

- Interest and bank profit income is recorded on accrual basis.

- Interest on deposit / certificates is recognized on accrual basis.

4.15 Dividend and appropriation to reserves

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

5. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

2011 No. of Shares of Rs. 10 each	2010 No. of Shares of Rs. 10 each		2011 RUPEES	Restated 2010 RUPEES
12,732,092	12,732,092	Ordinary Shares fully paid in cash	127,320,920	127,320,920
9,878,047	9,878,047	Ordinary Shares fully paid alloted as Bonus Shares	98,780,470	98,780,470
485,169	—	Ordinary Shares of Rs. 10/- each fully paid for consideration other than cash under scheme of arrangement for merger	4,851,690	—
23,095,308	22,610,139		230,953,080	226,101,390

6. GENERAL RESERVE

Revenue reserve	Note 6.1	2,000,000,000	1,570,000,000

6.1 Balance at the beginning of the year	1,570,000,000	1,170,000,000
Transfer During the year	430,000,000	400,000,000
Balance at the end of the year	2,000,000,000	1,570,000,000

The reserve have created out of un-appropirated profit in order to meet future exigencies.

7. LONG TERM FINANCING - SECURED FROM BANKING COMPANIES

Habib Metropolitan Bank Limited	Note 7.1	48,893,161	66,453,495
Standard Chartered Bank (Pakistan) Limited	Note 7.2	22,290,401	29,857,703
Allied Bank Limited	Note 7.3	37,624,250	43,000,250
Habib Bank Limited	Note 7.4	—	400,000,000
Bank Al-falah Limited	Note 7.5	284,886,000	62,681,000
Faysal Bank Limited	Note 7.6	3,933,000	5,899,000
Bank Al-Habib Limited	Note 7.7	371,563,900	—
		769,190,712	607,891,448
Current portion shown under current liabilities		(185,249,634)	(122,506,750)
		583,941,078	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
Theses Finances were repaid during the period

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 Interest

This represent Foregn currency loan of USD 4.318 million from Bank Al Habib Limited - Behrain.

It carries interest at the rate of 3.5% per annum chargeable and payable on the 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. DEFERRED LIABILITIES

		2011 RUPEES	Restated 2010 RUPEES
Deferred tax	Note 8.1	12,516,435	12,596,435
Staff retirements benefit	Note 8.2	106,723,969	89,602,030
		119,240,404	102,198,465

8.1 DEFERRED TAX:

Accelerated tax depreciation rates	20,846,435	19,346,435
Payments of staff retirements benefit	(7,500,000)	(6,100,000)
Provision for slow moving and obsolescence	(830,000)	(650,000)
	12,516,435	12,596,435

8.2 Staff retirements benefit:

To comply with the requirements of IAS-19 "Employee Benefits" as adopted by the Company with effect from 1st July 2002 provision is made as per actuarial valuation of the scheme, the latest actuarial valuation was carried out as on 30th June 2010, except for Liberty Energy (Pvt) Ltd. employees whose benefits were taken at actual. The valuation uses the Projected Unit Credit Method. The details of the same are as under:

Basic Actuarial assumption adopted		
Expected rate of increase in salary in future periods	12%	12%
Discount rate	12%	12%
Average expected remaining working life time of employees	7 years	7 years

	2011 RUPEES	**Restated 2010 RUPEES**
Movement in the present value during the year		
Present value of obligation at the beginning	90,356,150	72,550,674
Service cost	11,380,270	10,238,007
Interest cost	10,718,473	9,295,864
Benefits paid	(4,976,804)	(3,300,153)
Actuarial loss\gain on present value of defined benefit obligation	1,571,758	1,571,758
Present value of defined obligation at the end	**109,049,847**	**90,356,150**
Movement during the year in the net liability recognized in the financial statements is as under:		
Opening balance	89,602,030	73,368,312
Charge for the year	22,098,743	19,533,871
Paid during the year	(4,976,804)	(3,300,153)
Closing balance	**106,723,969**	**89,602,030**
Reconciliation of obligation of staff retirements benefit:		
Present value of obligation	109,049,847	90,356,150
Net actuarial loss to be recognized in later period	(2,325,878)	(754,120)
Balances at the end of the year	**106,723,969**	**89,602,030**
Expenses recognized in the profit & loss account is:		
Current service cost	11,380,270	10,238,007
Interest cost	10,718,473	9,295,864
Actuarial loss	—	—
	22,098,743	**19,533,871**
The allocation of charge for the year is as follows:		
Cost of Sales	19,285,219	17,056,754
Administrative expenses	2,813,524	2,477,117
	22,098,743	**19,533,871**

9. LONG TERM LOANS

LOANS FROM RELATED PARTIES - UNSECURED		2011 RUPEES	Restated 2010 RUPEES
From directors		17,755,913	23,755,913
Current portion shown under current liabilities		(6,000,000)	(6,000,000)
		11,755,913	17,755,913

The above loan is mark-up free
The loan are repayable in 20 quarterly installments commenced from September 30, 2009.

10. TRADE AND OTHER PAYABLES

Creditors		478,997,304	354,881,703
Bills payable		11,718,612	18,899,050
Accrued liabilities	Note 10.1	46,635,653	38,917,554
Advances from customers		6,109,226	6,348,431
Workers' profit participation fund		20,250,757	29,157,103
Workers' welfare fund		7,787,858	7,419,781
Unclaimed dividend & bonus fractions		1,062,630	881,638
Other liabilities	Note 10.2	334,687	127,770
		572,896,727	456,633,030

10.1 Workers' Profit Participation Fund:

Balance at the beginning of the year	29,157,103	58,542,058
Interest on last year's balance	3,329,809	13,143,397
	32,486,912	71,685,455
Paid to trust	(32,486,912)	(71,685,455)
	—	—
Allocation for the year	20,250,757	29,157,103
Balance at the end of the year	20,250,757	29,157,103

Interest on the W.P.P.F. is provided @ 22.50% per annum (2010: 37.50%).

10.2 Other liabilities

Employees vehicle purchase scheme	103,500	85,400
Income tax payable	231,187	42,370
	334,687	127,770

11. ACCRUED MARK-UP

Mark-up on long term financing	10,800,989	10,065,655
Mark-up on short term borrowings	54,438,111	34,592,472
	65,239,100	44,658,127

12. SHORT TERM BORROWINGS-SECURED

Utilised under markup arrangement			
From banking companies			
Export refinance	Note 12.1	1,861,695,000	1,805,959,000
Running finance	Note 12.1	791,420,117	6,494,917
		2,653,115,117	1,812,453,917

12.1 The Company has aggregates limits of PKR 3,306 million of Short term borrowings from various banks which are interchangeable between Export Refinance, Bills discounting and Running Finances (June 2010 1,876 million)

	2011	Restated 2010
The interest rates ranges between	**RUPEES**	**RUPEES**
Export refinance	8.50%	8.25% - 8.50%
Running finance	14.50%	13.25% - 14.25%

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

Term of Finances
The above facilities will expire during the period from 30-09-2011 to 30-06-2012.

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

Current portion of long term financing	185,249,634	122,506,750
Current portion of loans from related parties	6,000,000	6,000,000
	191,249,634	128,506,750

14. PROVISION FOR TAXATION

Tax payable at beginning of the year	3,660,765	7,021,753
Tax paid during the year	(84,133,743)	(69,281,708)
Provision for taxation - current	85,732,110	65,920,720
Tax payable at the end of the year	5,259,132	3,660,765

15. CONTINGENCIES AND COMMITMENTS

15.1 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 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 500 Million in favour of lending banks of the subsidiary Liberty Power Tech Limited. Security in favour of lending banks to the tune of Rs. Nil is given in the year (2010: 200 Million).

15.2 Guarantees of Rs. 78.245 Million (June 2010: Rs. 44.146 Million) have been given by banks to Sui Southern Gas Company Limited & Collector of Customs.

15.3 Letter of Credits & Contracts for supply of plant & machinery amounting to Rs.0.730 Million (June 2010: Rs. 3.538 Million) and for supply of raw materials & spares amounting to Rs. 9.594 Million (June 2010: Rs. 15.829 Million).

15.4 Contigent Liabilities in respect of Bill discounted during the year to the tune of USD 2.856 million equivilant to the PKR 252.121 million (2010 : NIL).

			2011 RUPEES	Restated 2010 RUPEES
16.	**PROPERTY, PLANT AND EQUIPMENT**			
	Property, plant and equipment	Note 16.1	1,250,575,553	1,164,871,797
	Capital work in progress	Note 16.2	370,625,762	157,817,369
			1,621,201,315	1,322,689,166

16.1 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	Lease hold Land	Factory Building on lease hold land	Non Factory Building on lease hold land	Plant & Machinery	Factory Equip-ments	Office Equip-ments	Computers / Printers	Furniture & Fixtures	Vehicles	Total
As at July 01, 2009										
Cost	39,572,334	366,756,454	51,255,381	1,707,584,965	59,431,238	10,510,816	11,310,323	10,494,524	85,102,843	2,342,018,878
Accumulated Depreciation	4,413,825	125,786,798	11,883,794	886,936,278	35,853,281	6,965,260	9,529,842	5,737,101	56,344,132	1,143,450,311
Net book value	35,158,509	240,969,656	39,371,587	820,648,687	23,577,957	3,545,556	1,780,481	4,757,423	28,758,711	1,198,568,567
Year ended June 30, 2010										
Additions	—	1,557,554	2,417,522,000	34,143,898	4,801,707	409,700	15,300	1,448,353	4,843,831	49,637,865
Restated balances										
Merger of Liberty Energy (Pvt) Ltd.	—	—	—	34,723,110	111,153	—	14,387	18,202	—	34,866,852
Transfers	—	3,454,823	—	—	—	—	—	—	—	3,454,823
Accumulated Depreciation	—	2,156,159	—	—	—	—	—	—	—	2,156,159
Disposals										
Cost	—	—	—	—	—	—	—	—	5,077,680	5,077,680
Depreciation	—	—	—	—	—	—	—	—	3,480,859	3,480,859
Net book value	—	—	—	—	—	—	—	—	1,596,821	1,596,821
Depreciation for the year	35,270	23,317,923	1,962,195	82,515,071	2,428,356	505,446	477,213	509,787	5,837,069	117,903,330
Closing net book value	34,808,239	220,507,951	39,826,914	807,000,624	26,062,461	3,449,810	1,332,955	5,714,191	26,168,652	1,164,871,797
As at June 30, 2010										
Cost	**39,572,334**	**371,768,831**	**53,672,903**	**1,776,451,973**	**64,344,098**	**10,920,516**	**11,340,010**	**11,961,079**	**84,868,994**	**2,424,900,738**
Accumulated Depreciation	**4,764,095**	**151,260,880**	**13,845,989**	**969,451,349**	**38,281,637**	**7,470,706**	**10,007,055**	**6,246,888**	**58,700,342**	**1,260,028,941**
Net book value	**34,808,239**	**220,507,951**	**39,826,914**	**807,000,624**	**26,062,461**	**3,449,810**	**1,332,955**	**5,714,191**	**26,168,652**	**1,164,871,797**
As at July 01, 2011										
Cost	**39,572,334**	**371,768,831**	**53,672,903**	**1,776,451,973**	**64,344,098**	**10,920,516**	**11,340,010**	**11,961,079**	**84,868,994**	**2,424,900,738**
Accumulated Depreciation	**4,764,095**	**151,260,880**	**13,845,989**	**969,451,349**	**38,281,637**	**7,470,706**	**10,007,055**	**6,246,888**	**58,700,342**	**1,260,028,941**
Net book value	**34,808,239**	**220,507,951**	**39,826,914**	**807,000,624**	**26,062,461**	**3,449,810**	**1,332,955**	**5,714,191**	**26,168,652**	**1,164,871,797**
Year ended June 30, 2011										
Additions	—	—	621,054	188,072,586	5,606,050	347,820	1,042,538	1,718,659	12,742,671	210,151,378
Disposals										
Cost	—	—	—	2,500,000	—	—	—	—	4,006,998	6,506,998
Depreciation				123,438					2,839,843	2,963,281
Net book value	—	—	—	2,376,562	—	—	—	—	1,167,155	3,543,717
Depreciation for the year	346,779	21,237,650	1,967,462	87,141,517	2,684,808	481,908	535,031	595,011	5,913,739	120,903,905
Closing net book value	34,461,460	199,270,301	38,480,506	905,555,131	28,983,703	3,315,722	1,840,462	6,837,839	31,830,429	1,250,575,553
As at June 30, 2011										
Cost	**39,572,334**	**371,768,831**	**54,293,957**	**1,962,024,559**	**69,950,148**	**11,268,336**	**12,382,548**	**13,679,738**	**93,604,667**	**2,628,545,118**
Accumulated Depreciation	**5,110,874**	**172,498,530**	**15,813,451**	**1,056,469,428**	**40,966,445**	**7,952,614**	**10,542,086**	**6,841,899**	**61,774,238**	**1,377,969,565**
Net book value	**34,461,460**	**199,270,301**	**38,480,506**	**905,555,131**	**28,983,703**	**3,315,722**	**1,840,462**	**6,837,839**	**31,830,429**	**1,250,575,553**

Note: Depreciation charge has been allocated to	2011 RUPEES	Restated 2010 RUPEES
Cost of sales	111,410,754	108,611,620
Administrative expenses	9,493,151	9,291,710
	120,903,905	**117,903,330**

16.2 Capital work in progress:

	Factory/Non factory Building on Lease Hold Land	Plant & Machinery	Other Assets	Total
Balance as at July 01, 2009	43,432,914	2,214,999	—	45,647,913
Capital expenditure incurred during the year	28,336,250	121,015,585	2,094,799	151,446,634
Capitalization of borrowing cost	—	543,195	—	543,195
Transfer to operating fixed assets	(3,975,076)	(34,143,898)	(1,701,399)	(39,820,373)
Balance as at June 30, 2010	**67,794,088**	**89,629,881**	**393,400**	**(39,820,373)**
Capital expenditure incurred during the year	55,388,197	340,650,500	—	396,038,697
Capitalization of borrowing cost	—	5,856,736	—	5,856,736
Transfer to operating fixed assets	(621,054)	(188,072,586)	(393,400)	(189,087,040)
Balance as at June 30, 2011	**122,561,231**	**248,064,530**	**—**	**370,625,762**

Rate of Mark-up of borrowing cost capitalized between 8.95% to 9.90%

16.3 DETAILS OF DISPOSAL OF FIXED ASSETS

S. No.	DESCRIPTION	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	S O L D T O	Mode of Disposal
	Plant & Machinery						
1	Sulzer Shutters Looms 110”	2,148,000	106,058	2,041,942	2,148,000	Hajra Tex International F-502/C S.I.T.E., Karachi.	Negotiation
2	Sulzer Machine 130”	352,000	17,380	334,620	352,000	Hajra Tex International F-502/C S.I.T.E., Karachi.	Negotiation
	VEHICLES						
3	Toyota Corolla Car AGX-739	939,000	619,213	319,787	600,000	EFU General Insurance Ltd. Karachi.	Insurance claim
4	Suzuki Mehran Car AEP-980	329,000	270,592	58,408	135,000	Mr. Asif Sattar, House # A-202, Shadman Town, Sec. 14-B, North Karachi, Karachi.	Negotiation
5	Toyota Corolla Car AFL-721	1,161,897	904,058	257,839	425,000	Mr. Mohammed Ramzan, 256-A, K.A.E.H.S., Block-4, Karachi.	Negotiation
6	Suzuki Mehran Car AEP-634	329,000	267,437	61,563	125,000	Mr. Majid Hayat Yousuf Zai, Flat # 13, First Floor, Popular Villas, Malir City, Karachi.	Negotiation
7	Suzuki Mehran Car AEN-615	329,000	273,512	55,488	125,000	Mr. Syed Abdul Ikram House # 371/6, Islam Ganj, Nishtar Road, Karachi.	Negotiation
8	Suzuki Cultus Car AGT-119	525,500	386,296	139,204	250,000	Mr. Tanveer A. Siddique, House # R-71, Gulshan-e-Shamim, Yaseenabad, F.B. Area, Karachi.	Negotiation
9	Suzuki Alto Car AEU-191	393,601	118,735	274,866	300,000	Mr. Mohammad Noman, 64-B, Ayub Colony, Unit # 11, Tehsil Latifabad, Hyderabad.	Negotiation
	JUNE 2011	**6,506,998**	**2,963,281**	**3,543,717**	**4,460,000**		
	JUNE 2010	**5,077,680**	**3,480,860**	**1,596,820**	**2,485,000**		

		2011 RUPEES	Restated 2010 RUPEES
17.	**INVESTMENT PROPERTY**		
	COST		
	Balance at the beginning of the year	7,242,357	10,697,180
	Transfer from Investment Property due to Merger	—	(3,454,823)
	Balance at the end of the year	7,242,357	7,242,357
	DEPRECIATION		
	Balance at the beginning of the year	441,633	2,179,406
	Provided during the year	333,713	418,386
	Transfer from Investment Property due to Merger	—	(2,156,159)
	Balance at the end of the year	775,346	441,633
	Closing written down value	6,467,011	6,800,724

17.1 Carrying Value

	2011 RUPEES	Restated 2010 RUPEES
Net book value at the beginning of the year	6,800,724	8,517,772
Less: Transfer at WDV	—	(1,298,662)
Less: Depreciation	(333,713)	(418,386)
Net book value at the end of the year	6,467,011	6,800,724

18. LONG TERM INVESTMENT

		2011 RUPEES	Restated 2010 RUPEES
In subsidiary company			
Liberty power tech limited - unquoted	Note 18.1		
144,700,100 ordinary shares (2010: 144,700,100)			
of Rs. 10/- each. Equity held 33.50% (2010: 33.50%)		1,447,001,000	1,447,001,000

18.1 As per Letter of Support issued by Private Power Infrastructural Board the Company has to maintain at least 20% holding in the Share Capital of Liberty Power Tech Limited (LPTL) during the First Six Year from the date of Commercial Operation of LPTL. The Company has also pledged 73,797,050 (2010: 73,797,050) shares of LPTL costing in PKR 737.97 million (June 2010 PKR 737.97 million) to lenders of LPTL as a condition of financing by lenders.

The Breakup value of LPTL shares are Rs. 11.88 (2010: Rs. 9.88).

Reconciliation of Carrying Amount of Investment

	2011 RUPEES	Restated 2010 RUPEES
Balance at the beginning of the year	1,447,001,000	534,000,000
Investment During the year	—	913,001,000
Balance at the end of the year	1,447,001,000	1,447,001,000

19. LONG TERM LOANS & ADVANCES - UNSECURED (CONSIDERED GOOD)	2011 RUPEES	Restated 2010 RUPEES
Due from executives	4,200,207	5,394,968
Due from employees	32,421,232	30,042,337
Less: Current portion shown under current asset		
from executives	1,191,022	1,194,761
from employees	22,495,142	13,085,155
	12,935,275	21,157,389
Outstanding for periods		
- Exceeding three years	—	—
- After one year within three years	12,935,275	21,157,389
	12,935,275	21,157,389

19.1 Loans to employees are given for purchase of motor cars and motorcycles with out any interest in accordance with the Company's policy and are recoverable over a period of three years.

19.2 Reconciliation of Carrying Amount are:

	2011 Rupees		Restated 2010 Rupees	
	Executive	Employee	Executive	Employee
Balance at the beginning of the year	5,394,968	30,042,337	6,595,459	26,590,796
Disburse During the year	—	25,281,034	—	26,303,130
Repayment	1,194,761	22,902,139	1,200,491	22,851,589
Balance at the end of the year	4,200,207	32,421,232	5,394,968	30,042,337

20. STORES, SPARES AND LOOSE TOOLS	2011 RUPEES	Restated 2010 RUPEES
Stores	30,912,083	30,187,047
Spare parts	123,875,093	102,868,295
Loose tools	110,499	75,211
	154,897,675	133,130,553
Less: Provision for slow moving and obsolescence Note 20.1	(11,900,000)	(9,300,000)
	142,997,675	123,830,553

20.1 Reconciliation of Provision for slow moving and obsolescene

	2011	2010
Balance at the beginning of the year	9,300,000	7,220,000
Add: provided during the year	2,600,000	2,080,000
Balance at the end of the year	11,900,000	9,300,000

			2011 RUPEES	Restated 2010 RUPEES
21.	**STOCK-IN-TRADE**			
	Raw materials		1,506,206,539	696,758,636
	Work-in-process		471,806,715	289,491,818
	Finished goods		672,696,707	333,185,266
	Packing materials		4,446,048	6,252,718
			2,655,156,009	1,325,688,438
22.	**TRADE DEBTS-CONSIDERED GOOD**			
	Export bills under collection (secured against export letter of credit)		358,269,099	407,235,301
	Local (unsecured)			
	Related party	Note 22.1	41,941,503	12,832,293
	Others		151,008,867	138,694,182
			551,219,469	558,761,776

22.1 The Maximum amount outstanding due to related party (Soorty Enterprise)is Rs.46.492 million (2010: 24.018million).

		2011 RUPEES	Restated 2010 RUPEES
23.	**LOANS AND ADVANCES - UNSECURED (CONSIDERED GOOD)**		
	Current portion of long term loans to:		
	Executives	1,191,022	1,194,761
	Employees	22,495,142	13,085,155
	Advances:		
	Against purchases & services	35,465,427	17,575,663
	For Expenses	1,628,488	260,439
		60,780,079	32,116,018
24.	**TRADE DEPOSITS AND PREPAYMENTS**		
	Security deposits	251,000	311,000
	Prepayments	321,826	2,473,343
		572,826	2,784,343
25.	**ACCRUED PROFIT**		
	Accrued profit on Multiplier account	—	50,100
	Accrued profit on term deposit	382,082	3,728,767
		382,082	3,778,867
26.	**OTHER RECEIVABLES**		
	Duty drawback receivable	156,356,703	63,440,361
	Others	421,151	570,375
		156,777,854	64,010,736

		2011 RUPEES	Restated 2010 RUPEES
27.	**TAX REFUNDS DUE FROM GOVERNMENT**		
	Sales tax	32,259,342	43,272,390
		32,259,342	43,272,390

28.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS**		
	Held for trading		
	Meezan cash fund (4450.7008 units) (2010: 3,998,424.9986)	222,669	206,678,588
		222,669	206,678,588

Average yield during the year ranges between 8.15% to 10.34%

29.	**CASH AND BANK BALANCES**		
	Cash in hand	1,946,432	1,174,575
	Balance with banks - in current accounts	78,260,086	47,092,013
	- in multiplier & savings accounts Note 29.1	15,284,479	8,398,778
	- in term deposits accounts Note 29.2	50,000,000	250,000,000
		145,490,997	306,665,366

29.1 The profit rate on multiplier & saving accounts are ranges between 8% -10% (2010: 7% to 16.5%)

29.2 The profit on term deposit account between 10.50% to 11% (2010: 10.75% to 11%). The term deposit was issued on monthly basis which expires on July 07, 2011. Which is reinvested.

30.	**SALES AND SERVICES**		
	Export sales	6,390,768,936	4,402,741,215
	Local sales	884,591,061	364,271,815
	Waste sales	5,884,658	5,861,458
		890,475,719	370,133,273
	Less: Sales tax	(430,697)	(161,805)
		890,045,022	369,971,468
	SERVICES:		
	Cloth processing, printing & dyeing	675,162,742	839,760,573
	Less: Sales tax	(587)	—
		675,162,155	839,760,573
		7,955,976,113	5,612,473,256

31. COST OF SALES & SERVICES		2011 RUPEES	Restated 2010 RUPEES
Raw material consumed	Note 31.1	6,414,170,428	3,931,452,851
Stores, spares and loose tools consumed		152,888,196	156,623,284
Salaries and wages including bonus, gratuity and expenses on staff welfare	Note 31.2	289,628,395	250,580,032
Design, stitching, weaving, raising & mending charges		212,589,797	177,960,783
Power, water and gas		389,345,215	428,417,086
Repairs & maintenance		40,820,719	31,284,960
Packing expenses		17,232,043	19,492,982
Provision for slow moving and obsolescence for stores and spares		2,600,000	2,080,000
Rent, rates & taxes		3,400,191	1,951,146
Insurance		11,171,592	12,250,819
Research & development expenses		16,731,366	13,750,773
Depreciation		107,098,273	106,891,680
Less: Duty drawback		(129,122,408)	(82,871,839)
COST OF PRODUCTION		7,528,553,807	5,049,864,557
Work-in-process	- Opening stock	289,491,818	93,827,537
	- Closing stock	(471,806,715)	(289,491,818)
		(182,314,897)	(195,664,281)
COST OF GOODS MANUFACTURED		7,346,238,910	4,854,200,276
Finished goods	- Opening stock	333,185,266	189,910,263
	- Closing stock	(672,696,707)	(333,185,266)
		(339,511,441)	(143,275,003)
		7,006,727,469	4,710,925,273

31.1 RAW MATERIAL CONSUMED:

PARTICULARS	Raw Materials	Packing Materials	Total 2011	Total 2010
	Rs.	Rs.	Rs.	Rs.
Opening Stock	696,758,636	6,252,718	703,011,354	499,483,371
Add: Purchases (net)	7,139,082,948	82,728,713	7,221,811,661	4,134,980,834
	7,835,841,584	88,981,431	7,924,823,015	4,634,464,205
Less: Closing Stock	1,506,206,539	4,446,048	1,510,652,587	703,011,354
Consumed	**6,329,635,045**	**84,535,383**	**6,414,170,428**	**3,931,452,851**

31.2 It includes Rs.19,285,219/= in respect of staff retirement benefits (2010 : Rs. 16,979,703/=).

		2011 RUPEES	Restated 2010 RUPEES
32. DISTRIBUTION COST			
Export expenses		34,519,258	24,057,830
Export freight & insurance		121,553,961	95,264,271
Cartage		2,060,683	1,319,295
Forwarding & handling charges		10,058,104	8,357,125
Commission on processing & sales		33,144,356	8,014,195
		201,336,362	137,012,716
33. ADMINISTRATIVE EXPENSES			
Salaries and wages including bonus, gratuity and expenses on staff welfare	Note 33.1	106,012,489	92,584,607
Security charges		4,258,371	3,057,980
Rent, rates & taxes		178,957	347,344
Legal & professional charges		4,892,841	2,299,498
Insurance		382,023	321,325
Conveyance		780,744	537,269
General expenses		6,968,101	5,617,950
Postage & telegram		266,957	257,846
Telephone		3,812,329	3,402,333
Subscription		2,288,063	2,158,541
Travelling		7,180,273	9,909,839
Printing & stationary		1,936,458	1,657,595
Motor vehicle expenses		8,696,710	7,742,514
Advertisement		224,530	316,173
Donations and corporate social responsibilities	Note 33.2	9,902,980	18,182,119
Auditors remuneration	Note 33.3	351,150	380,475
Depreciation		9,493,152	9,297,198
		167,626,128	158,070,606

33.1 Salaries and wages including bonus, gratuity and expenses on staff welfare includes Rs. 2,813,524/- in respect of staff retirement benefits (2010 : Rs. 2,477,117/-).

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

33.3 Auditors' Rumenration

	2011 RUPEES			RESTATED 2010 RUPEES			
	Hyder Bhimji & Co.	F.R.A.N.T.S & CO.	Total	Hyder Bhimji & Co.	Rauf Ayoob & Co.	Muniff Ziauddin Junaidy & Co.	Total
Audit fee annual	100,000	100,000	200,000	100,000	100,000	33,750	233,750
Half yearly review	15,000	15,000	30,000		15,000	15,000	30,000
Out of pocket expenses.	71,600	49,550	121,150	74,225	39,700	2,800	116,725
	186,600	**164,550**	**351,150**	**189,225**	**154,700**	**36,550**	**380,475**

Muniff Ziauddin Junaidy & Co., are the auditors of Liberty Energy (Pvt) Ltd.

			2011 RUPEES	Restated 2010 RUPEES
34.	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	Note 10.1	20,250,757	29,157,102
	Workers' welfare fund		7,695,288	7,419,781
			27,946,045	36,576,883
35.	**INCOME FROM INVESTMENT PROPERTY**			
	Rental Income		6,000,000	6,300,000
	Less: Depreciation expenses		(333,713)	(418,386)
			5,666,287	5,881,614
36.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Profit on bank deposits		10,033,159	37,288,987
	Income on investment in defence saving certificate		—	236,707
	Income of Financial assets through profit & loss		13,089,790	43,069,311
	Gain on fair value adjustment of embedded derivative	36.1	5,339,573	—
			28,462,522	80,595,005
	Income from non financial assets			
	Foreign exchange gain		109,814,177	93,691,821
	Commission		615,340	1,703,379
	Gain on disposal of fixed assets		916,283	888,180
			111,345,800	96,283,380
			139,808,322	176,878,385

36.1 The company entered into an interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing for a notional amount of USD 2.929 million equivalent to PKR 250 milion (June 2010: NIL). Under the swap agreement the company would receive KIBOR from Habib Bank Limited on notional amount - and pay USD LIBOR which will be settled on quarterly basis. The fair value as at the balance sheet date is positive.

		2011 RUPEES	Restated 2010 RUPEES
37.	**FINANCE COST**		
	Interest on long term financing	59,594,655	24,417,783
	Mark-up on short term borrowings	205,818,103	127,667,581
	Interest on workers' participation fund	3,329,809	13,143,397
	Bank charges and commission	52,003,053	40,853,859
		320,745,620	206,082,620

38. TAXATION:

		2011 RUPEES	Restated 2010 RUPEES
Current	Note 38.1	85,732,110	65,920,720
Prior year		6,803,763	—
		92,535,873	65,920,720
Deferred		(80,000)	(592,985)
		92,455,873	65,327,735

38.1 Relationship between tax expense and accounting profit

	%	%
Applicable Tax rate	35.00	35.00
Tax effect of income covered under presumptive income	(12.29)	(24.57)
Effective Tax rate for the current year	22.71	10.43

39. EARNING PER SHARE - BASIC & DILUTED

Profit after taxation	284,613,225	524,034,802
Weighted average number of oridinary shares	23,095,308	22,610,139
Basic & diluted earning per share	12.32	23.18

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

40. WORKING CAPITAL CHANGES

(INCREASE)/DECREASE IN CURRENT ASSETS:

Stores, spares and loose tools	(21,767,122)	(8,212,767)
Stock-in-trade	(1,329,467,571)	(542,467,267)
Trade debts	7,542,307	(64,038,367)
Loans and advances	(28,664,061)	1,761,015
Trade deposit and prepayments	2,211,517	12,683,789
Accrued profit	3,396,785	4,788,928
Other receivables	(92,767,118)	(25,045,624)
Current maturity of long term investment	—	500,000
	(1,459,515,263)	**(620,030,293)**
INCREASE/(DECREASE) IN CURRENT LIABILITIES		
Trade and other payables	116,263,698	(55,145,300)
Short term borrowings	840,661,200	101,599,202
	(502,590,365)	**(573,576,391)**

		2011 RUPEES	Restated 2010 RUPEES
41.	**CASH AND CASH EQUIVALENTS**		
	Cash & bank balances	145,490,997	306,665,366
	Financial assets at fair value through profit & loss	222,669	206,678,588
		145,713,666	**513,343,954**

42. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Detail of aggregate amount charged in above accounts as remuneration of Chief Executive, Directors and Executives are as under:

Particulars	2011				2010			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial Remuneration	—	2,820,000	13,025,166	15,845,166	—	2,766,000	3.904,055	6,670,055
Perquisites and Allowances								
Car for Company's and Personal Use (approximate monitory value)	701,310	577,615	313,456	1,592,381	533,607	475,645	259,775	1,269,027
	701,310	3,397,615	13,338,622	17,437,547	533,607	3,241,645	4,163,830	7,939,082
Number of Persons	1	4	13	18	1	4	3	8

43. TRANSACTIONS WITH RELATED PARTIES

The related party comprises of related group companies, Ashraf Enterprises, Soorty enterprises (Pvt) Ltd., & 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	2011 RUPEES	Restated 2010 RUPEES
Subsidiary company	Investment	—	913,001,000
Subsidiary company	Rent received	6,000,000	6,000,000
Associated company	Sales of goods	311,751,380	—
Associated company	Services Provided	63,374,652	83,860,374
Associated company	Payment Received	346,016,822	80,553,779
Associated company	Rent Paid	1,500,000	1,500,000
Director	Loan from directors	17,755,913	23,755,913

Remuneration of key management personnel are disclosed in Note No 42 and Loans to Executive are disclosed in Note No.19. There are no transaction with key management personnel other than under their terms of employment.

44. FINANCIAL INSTRUMENTS BY CATEGORY

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

FINANCIAL ASSETS:	2011 RUPEES	Restated 2010 RUPEES
Long term Investments	1,447,001,000	1,447,001,000
Long term loans and advances	12,935,275	21,157,389
Long term deposits	3,026,023	3,026,023
Trade debts	551,219,469	558,761,776
Loans and advances	60,780,079	32,116,018
Trade deposits	572,826	2,784,343
Accrued profit	382,082	3,778,867
Other receivables	156,777,854	64,010,736
Financial assets at fair value through profit & loss	222,669	206,678,588
Cash and bank balances	145,490,996	306,665,366
	2,378,408,273	2,645,980,106

FINANCIAL LIABILITIES:	2011 RUPEES	Restated 2010 RUPEES
Long term financing	769,190,712	607,891,448
Long term loans	17,755,913	23,755,913
Trade and other payables	572,896,727	456,633,030
Accrued markup	65,239,100	44,658,127
Short term borrowings	2,653,115,117	1,812,453,917
	4,078,197,569	2,945,392,435

45. FINANCIAL INSTRUMENTS & RELATED DISCLOSURES

45.1 Financial Risk Management Objectives

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

A Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company manages credit risk interalia by setting out credit limits in relation to individual customers and / or by obtaining advance against sales and / or through letter of credits and/or by providing for doubtful debts. Also the Company does not have significant exposure in relation to individual customer. Consequently the Company believes that it is not exposed to any major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011 RUPEES	Restated 2010 RUPEES
Long term investment	1,447,001,000	1,447,001,000
Loans and advances	12,935,275	21,157,389
Long term deposit	3,026,023	3,026,023
Trade debts	551,219,469	558,761,776
Loans and advances	60,780,079	32,116,018
Other receivables	156,777,854	64,010,736
Bank balances	145,490,996	306,665,366
	2,377,230,696	2,432,738,308

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorised under the following headings:

Trade debts

Trade debts are essentially due from local and foreign companies and the Company does not expect that these companies will fail to meet their obligations.

The Company established an allowance for the doubtful trade debts that represent its estimate of incurred losses in respect of trade debts. This allowance is based on the management assessment of a specific loss component that relates to individually significant exposures.

Bank balances

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counter-parties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

The bank balances along with credit ratings are tabulated below

	Long Term Ratings	Short Term Ratings	2011 Rupees	Restated 2010 Rupees
Bank Al Habib Limited	AA+	A1+	54,512,677	254,478,398
Soneri Bank Limited	AA-	A1+	53,841,453	1,600,775
Meezan Bank Limited	AA-	A1+	15,318,336	26,796,617
Faysal Bank Limited	AA	A1+	12,243,583	2,002,752
Habib Bank Limited	AA+	A1+	4,119,757	298,650
Habib Metropolitan Bank Limited	AA+	A1+	1,174,623	1,172,913
Bank Al-Falah Limited	AA	A1+	1,351,141	453,616
Summit Bank Limited	A	A2	478,068	10,540,042
Allied Bank Limited	AA	A1+	356,431	783,861
Standard Chatered Bank Limited	AAA	A1+	145,298	120,348
Askari Commercial Bank Limited	AA	A1+	3,200	3,200
			143,544,566	**298,251,173**

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

Financial assets that are either past due or impaired

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates.

Long term loans

The Company obtains guarantees by two employees against each disbursement made on account of loans and these can be assessed by reference to note no. 16. The carrying amount of guarantees are up to the extent of loans outstanding as at the date of default. Further, the guarantor will pay the outstanding amount if the counter party will not meet their obligation.

The Company believes that no impairment allowance is necessary in respect of loans that are past due. The Company is actively pursuing for the recovery of the debt and the Company does not expect these employees will fail to meet their obligations.

Trade debts

The movement in allowance for impairment in respect of trade debts during the year can be assessed by reference to note no.19.

The Company believes that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. Trade debts are essentially due from local and foreign companies. The Company is actively pursuing for the recovery of the debt and the Company does not expect these companies will fail to meet their obligations. Aging of trade debts is as follows:

	2011 Rupees in thousand	Restated 2010 Rupees in thousand
1 to 6 months	545,690	556,949
6 months to 1 year	2,385	339
1 year to 3 years	3,145	1,474
	551,219	558,762

Export debts are secured under irrevocable letter of credit, document acceptance, cash against documents and other acceptable banking instruments.

Other receivables

The Company believes that no impairment allowance is necessary in respect of receivable that are past due. The Company is actively pursuing for the recovery and the Company does not expect that the recovery will be made soon and can be assessed by reference to note no. 21.

B Liquidity Risk

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2011, the Company has Rs. 3,306 million (2010: Rs.1,876 million) available borrowing limit from financial institutions. Unutilized borrowing facilities of Rs. 653 million (2010: Rs.64 million) and also has Rs. 145.491 million (2010: Rs.306.665 million) being balances at banks. Based on the above, management believes the liquidity risk is insignificant.

C Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described in respective note # 28.

D Capital Risk Management

The primary objectives of the Company when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

During 2011 the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2011 and 2010 were as follows:

	2011 RUPEES	Restated 2010 RUPEES
Total borrowings	3,428,305,829	2,426,345,365
Less: Cash and bank	145,490,996	306,665,366
Net debt	3,282,814,833	2,119,679,999
Total equity	2,633,792,520	2,417,009,712
Total equity and debt	6,062,098,349	4,843,355,077
Gearing ratio (%)	56.55%	50.10%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

E Market risk

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

F Interest / Markup Rate Risk Managemet

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure rises from long term loans and short term borrowings. At the balance sheet date the interest rate profile of the company's interest bearing financial instruments is:

The company analysis is interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging alternative as disclosed in note # 36.1

	2011	Restated 2010
Financial liabilities	**RUPEES**	**RUPEES**
Variable rate instruments		
Long term financing	775,190,712	613,891,448
Short term borrowing	2,653,115,117	1,812,453,917

Sensitivity analysis
A change of 100 basis points in interest rates at the reporting date would have increased / decreased profit for the year by the amounts shown below. Analysis assumes that all other variables remains constant.

A fact due to 100 basis points change	34,283,058	24,263,454

G Foreign exchange risk management

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

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

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

	2011		2010	
Trade Debts	USD	3,583,601	USD	4,767,318
	Euro	404,791	Euro	—
Bills Payable	USD	323,426	USD	228,498
	Euro	367,711	Euro	—
Long term loans	USD	4,318,000	USD	—
Balance sheet Exposure		**8,997,529**		**4,995,816**

The following significant rates applied during the year:	2011	2010
	Balance Sheet Date rate	
US Dollar to PKR	85.85	85.40
Euro to PKR	124.60	—

Sensitivity Analysis

A 10 percent strengthening / weakning of the Rupees against US Dollar at 30 June would have increased / decreased equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit & Loss Account	
As at June 30	**2011**	**2010**
Effects in US Dollars (gain / loss)	8,619,411	38,761,523

46. PLANT CAPACITY AND PRODUCTION

Dyeing, Printing & Finishing

Production capacity for 3 shifts per day	meters	66,000,000	66,000,000
Actual production	meters	58,661,463	69,343,954

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

47. MERGER EFFECTS

During the year the Company has filed the petition for sanctioning the Scheme of Merger to the High Court of Sindh, and the High court through order dated February 12, 2011 had approved the scheme. Hence these Financial statement includes the impact of merger of Liberty Energy (Pvt) Limited balances as at January 01, 2010 and subsequent transactions. due to this the comparative figures in these financial statements have been restated as follows:

Restatement in balance sheet	As Originally reported June 30, 2010	Effect of Merger	Restated June 30, 2010
Property, plant and equipment	1,288,310,688	34,378,478	1,322,689,166
Investment property	8,035,266	(1,234,542)	6,800,724
Stores, spares and loose tools	113,281,217	10,549,336	123,830,553
Loans and advances	31,773,382	342,636	32,116,018
Trade deposits and prepayments	2,685,581	98,762	2,784,343
Tax refunds due from government	42,164,075	1,108,315	43,272,390
Cash and bank balances	299,425,678	7,239,688	306,665,366
Reserve for issue of shares on merger	—	4,851,690	4,851,690
Deferred liabilities	100,901,488	1,296,977	102,198,465
Trade and other payables	456,903,115	(270,085)	456,633,030
Provision for taxation	4,192,987	(532,222)	3,660,765
Restatement in Profit & loss account			
Cost of sales and services	4,716,483,905	(5,558,632)	4,710,925,273
Administrative expenses	157,787,772	282,834	158,070,606
Other operating expenses	36,240,707	336,176	36,576,883
Income from investment property	6,117,492	(235,878)	5,881,614
Fair value of gain on merger	—	42,797,380	42,797,380
Finance cost	205,914,824	167,796	206,082,620
Profit & Loss Balance	476,898,489	47,136,313	524,034,802
EPS	21.09	2.09	23.18

48. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2011, the Board of Directors have proposed a final dividend of Rs.1.50 per share, in their meeting held on October 07, 2011 for approval of the members at the Annual General Meeting. In addition the Board of Directors has also approved appropriation to general reserve of Rs. 350 million.

49. DATE OF AUTHORIZATION FOR ISSUE

These Financial statements were authorized for the issue on October 07, 2011 by the Board of Directors of the company at Karachi.

50. GENERAL

Figures have been rounded off to the nearest rupee.

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Pattern of Shareholding - Form "34"
Shareholders Statistics as at June 30, 2011

NUMBER OF SHARE HOLDERS	SHARE HOLDING FROM	TO	TOTAL SHARES HELD
1594	1	100	18,396
176	101	500	43,330
44	501	1,000	32,021
56	1,001	5,000	123,012
5	5,001	10,000	39,715
4	10,001	15,000	50,298
1	15,001	20,000	15,571
1	25,001	30,000	25,466
1	35,001	40,000	37,541
1	290,001	295,000	291,101
1	395,001	400,000	400,000
1	545,001	550,000	545,150
1	1,645,001	1,650,000	1,648,344
1	1,720,001	1,725,000	1,721,064
1	2,270,001	2,275,000	2,273,957
1	3,030,001	3,035,000	3,033,424
1	3,925,001	3,930,000	3,929,474
1	4,420,001	4,425,000	4,421,829
1	4,445,001	4,450,000	4,445,615
1892			**23,095,308**

Categories of shareholders as at June 30, 2011

S. No.	Shareholders Category	Number of Shareholders	Number of Shares Held	Percentage
1	Individual Local	1879	21,818,434	94.47
2	Insurance Company	2	968	0.00
3	Joint Stock Company	10	1,275,456	5.52
4	Financial Instituitions	2	450	0.00
		1892	**23,095,308**	**100.00**

Details of pattern of share holding as per requirements of Code of Corporate Governanace as on June 30, 2011

S. NO.	CATEGORIES OF SHARE HOLDERS	Number of shareholders	Number shares held	Category wise No. of Shares Held	Percentage
1.	**Associated Companies**		Nil		
2.	**NIT / ICP**	3		1,418	0.01
	Investment Corporation of Pakistan (Karachi)		741		
	Investment Corporation of Pakistan (Lahore)		227		
	IDBP (Investment Corporation of Pakistan-Unit)		450		
3.	**Directors, CEO, their Spouses and Minor Children**	11		13,143,353	56.91
	Mr. Salim N. Mukaty	4,445,615			
	Mr. Muhammad Ashraf Salim Mukaty	2,273,957			
	Mrs. Hamida Salim Mukaty - Spounse (Cheirman)	1,721,064			
	Mrs. Farheen Ashraf Mukaty - Spouse (C.E.O.)	3,033,424			
	Mr. Zain Ashraf Mukaty	1,648,344			
	Mr. Yousuf Noor Muhammad Mukaty	3,902			
	Mr. Noor Muhammad Mukaty	3,795			
	Mr. Madni Gul Muhmmad	3,795			
	Mr. Luqman F. Poonawala	3,795			
	Mr. Asif Younus Bawany	3,162			
	Mr. Imran Shekhani	2,500			
4.	**Executives**		Nil		
5.	**Public Sector Companies and Corporations**		Nil		
6.	**Banks, Fianance Institutions, Non-Banking Finanace Institutions, Insurance Companies, Modaraba and Mutual Funds**	11		1,275,456	5.52

Shareholders holding Shares 10% or more

Total Paid up Capital	**23,095,308**	**Shares Holding**	**%**
Mrs. Marzia Obaid Bawany		**4,421,829**	**19.15**
Mr. Muhammad Salim N. Mukaty		**4,445,615**	**19.25**
Mrs. Nargis Shahid Soorty		**3,929,474**	**17.01**
Mrs. Farheen Ashraf Mukaty		**3,033,424**	**13.13**

Consolidated Financial Statements

THE LIBERTY MILLS LIMITED and its Subsidiary Company

LIBERTY POWER TECH LIMITED

Directors' Review on Consolidated Financial Statements

The Board of Directors has pleasure in presenting the Audited Financial Statements of Liberty Mills Limited (The Company) and its Subsidiary Liberty Power Tech Limited (The Subsidiary Company) for the year ended June 30, 2011.

The Subsidiary Company achieved Commercial Operation Date (COD) on January 13, 2011 and it supplies electricity to National Transmission and Dispatch Company Limited (NTDC). The current year profit and loss accounts include the post COD results. Revenue from electricity generated during the testing and commissioning period and the related cost thereon were capitalized. As per the Power Purchase Agreement (PPA), the Subsidiary Company, after the COD, filed an application with National Electric Power Regulatory Authority (NEPRA) for adjustment of tariff which was decided by NEPRA on August 17, 2011.

OPERATING RESULT:

Operating results of the Company are noted below:	**June 30, 2011 (Rs. in thousands)**	**Restated June 30, 2010 (Rs. in thousands)**
Sales and Services	19,496,336	5,612,473
Gross Profit	3,529,204	901,548
Profit before Taxation	1,373,825	569,890
Taxation	(93,051)	(65,328)
Profit after Taxation	1,280,774	504,262
Attributable to:		
- Equity Holders	569,339	517,411
- Minority interest	711,435	(13,149)
Earning per share is	55.46	22.30

The Directors Report on the Liberty Mills Limited for the year ended June 30, 2011 has been separately presented in this report.

For and on behalf of the Board of Directors
Ashraf S.Mukaty
Chief Executive

Karachi: October 07, 2011

HYDER BHIMJI & CO.
Chartered Accountants
Suite # 1601, Kashif Center
Shahrah-e-Faisal
Karachi.

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

Auditors' report on consolidated financial statements

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of LIBERTY MILLS LIMITED (the Holding Company) and LIBERTY POWER TECH LIMITED (the Subsidiary) as at June 30, 2011 and the related consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the LIBERTY MILLS LIMITED. Subsidiary have been audited by other firm of auditor, whose report have been furnished to us and our opinion, in so far as it relates to the amounts included for such Subsidiary, is based solely on the report of such other auditor. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements examined by us present fairly the financial position of LIBERTY MILLS LIMITED and its subsidiary LIBERTY POWER TECH LIMITED as at June 30, 2011 and the consolidated results of its operations, its consolidated comprehensive income, consolidated cash flows and consolidated changes in equity for the year then ended in accordance with the approved accounting standard as applicable in Pakistan.

We draw your attention to our report dated October 07, 2011 on merged financial statements of Liberty Mills Limited and Liberty Power Tech Limited for the year ended June 30, 2010 with the former Liberty Energy (Private) Limited in order to effectuate the Order of the Honorable High Court of Sindh dated February 12, 2011 as stated in note number 2 of the annexed financial statements as per Scheme of Merger which contains our observation with respect to application of the acquisition method followed by the Company for the preparation of aforesaid merged financial statements.

Hyder Bhimji & Co.

HYDER BHIMJI & CO.
Chartered Accountants

Engagement Partner:
Hyder Ali Bhimji

Frants & Co.

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

Engagement Partner:
Muhammad Fahim

Karachi: October 07, 2011

HYDER BHIMJI & CO.
Chartered Accountants
Suite # 1601, Kashif Center
Shahrah-e-Faisal
Karachi.

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

Auditors' report on consolidated financial statements

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

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

On February 12, 2011, the Honorable High Court of Sindh at Karachi (the Court) passed order confirming merger of Company's associated company M/s Liberty Energy (Private) Limited by approving scheme of merger effective from January 01, 2010. Prior to the receipt of the order of the Court as afore-said, the Company circulated the individual financial of LIBERTY MILLS LIMITED and financials of LIBERTY ENERGY (PRIVATE) LIMITED and which were also approved in the respective Annual General Meetings of the Companies. The Company has prepared the merged consolidated accounts in order to comply and effectuate the order of the court and to determine the state of affairs of the merged entity as at June 30, 2010. As more fully explained in note 2 of the merged consolidated financial statements, the merged consolidated financials has been prepared by using acquisition method by incorporating the fair values of the identifiable assets and liabilities at the date of acquisition by recognizing and measuring the identifiable assets acquired, the liabilities assumed and resultant fair value gain taken to profit and loss account. The fair value of the items of property, plant and equipment of the then associated company has been evaluated by the approved valuer. IFRS 3 provides application of the method followed by the Company however the said IFRS do not apply in the case of companies under common control. We are therefore unable to state the correctness of the method followed by the Company and are also unable to quantify the effect if any other treatment is followed in this behalf.

Except for the effect of above reservations;

In our opinion, the merged consolidated financial statements examined by us present fairly the financial position of LIBERTY MILLS LIMITED and LIBERTY ENERGY (PRIVATE) LIMITED and its subsidiary LIBERTY POWER TECH LIMITED as at June 30, 2011 and the merged consolidated results of its operations, its merged consolidated comprehensive income, merged consolidated cash flows and merged consolidated changes in equity for the year then ended in accordance with the approved accounting standard 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

Karachi: October 07, 2011

Consolidated Balance Sheet as at 30th June, 2011

EQUITY AND LIABILITIES	NOTE	2011 RUPEES	Restated 2010 RUPEES
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorised Capital: 40,000,000 (2010: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	6	230,953,080	226,101,390
General reserves	7	2,000,000,000	1,570,000,000
Reserve for issue of shares on merger		—	4,851,690
Unappropriated profit		670,888,142	599,379,647
		2,901,841,222	2,400,332,727
Minority interest		4,278,320,264	2,840,537,455
NON-CURRENT LIABILITIES			
Long term financing	8	14,627,458,482	12,367,137,613
Deferred liabilities	9	126,140,901	105,426,265
Long term loans	10	11,755,913	17,755,913
CURRENT LIABILITIES			
Trade and other payables	11	2,116,076,609	1,132,249,999
Accrued mark-up	12	882,278,236	482,389,844
Short term borrowings	13	7,760,369,136	1,812,453,917
Current portion of long term financing and loans from related parties	14	872,282,783	405,472,750
Provision for taxation	15	5,854,645	3,660,765
		11,636,861,409	3,836,227,275
CONTINGENCIES & COMMITMENTS	16	—	—
		33,582,378,191	21,567,417,248

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

ASSETS	NOTE	2011 RUPEES	Restated 2010 RUPEES
NON CURRENT ASSETS			
Fixed Assets			
Property, plant & equipment	17	20,866,384,254	18,606,014,922
Investment property	18	6,467,011	6,800,724
Intangibles	19	5,919,986	5,316,649
		20,878,771,250	18,618,132,295
Long term loans and advances	20	12,935,275	21,157,389
Long term deposits		3,026,023	3,026,023
CURRENT ASSETS			
Stores, spares and loose tools	21	537,915,841	123,830,553
Stock-in-trade	22	3,471,762,510	1,325,688,438
Trade debts	23	8,136,054,634	558,761,776
Loans and advances	24	65,021,760	34,231,050
Trade deposits and prepayments	25	31,544,246	3,000,343
Accrued profit	26	382,082	4,101,244
Other receivables	27	225,648,854	64,010,736
Tax refunds due from government	28	72,927,863	49,827,967
Financial assets at fair value through profit & loss	29	222,669	206,678,588
Cash and bank balances	30	146,165,184	554,970,846
		12,687,645,643	2,925,101,541
		33,582,378,191	21,567,417,248

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Consolidated Profit and Loss Account for the year ended 30th June, 2011

	NOTE	2011 RUPEES	Restated 2010 RUPEES
Sales & services	31	19,496,335,531	5,612,473,256
Cost of sales and services	32	(15,967,131,362)	(4,710,925,273)
Gross profit		3,529,204,169	901,547,983
Distribution cost	33	(201,336,362)	(137,012,716)
Administrative expenses	34	(232,384,270)	(171,843,253)
Other operating expenses	35	(27,948,117)	(36,576,883)
		(461,668,749)	(345,432,853)
		3,067,535,420	556,115,131
Income from investment property	36	(333,713)	(118,386)
Other operating income	37	141,663,258	176,878,385
Operating profit		3,208,864,965	732,875,130
Fair value of gain on merger	2	—	42,797,380
Finance cost	38	(1,835,039,738)	(206,082,620)
Profit before taxation		1,373,825,227	569,589,890
Provision for Income Tax	39	(93,051,386)	(65,327,735)
Profit after taxation		1,280,773,841	504,262,155
Earning per share - basic & diluted	40	55.46	22.30

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

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Consolidated Statement of Comprehensive Income for the year ended 30th June, 2011

	2011 RUPEES	Restated 2010 RUPEES
Profit for the year	1,280,773,841	504,262,155
Other comprehensive income - net of taxation	—	—
Total comprehensive income for the year	**1,280,773,841**	**504,262,155**

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

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Consolidated Cash Flow Statement
for the year ended 30th June, 2011

	NOTES	2011 RUPEES	Restated 2010 RUPEES
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,373,825,227	569,589,890
Adjustments for non cash charges and other items			
Depreciation		539,162,685	123,935,148
Fair value gain on merger		—	(42,797,380)
Provision for staff retirements benefit (net)		20,794,636	19,461,518
Provision for slow moving and obsolete stores and spares		2,600,000	2,080,000
Gain on disposal of fixed assets		(916,283)	(888,180)
Finance cost		1,835,039,738	206,082,620
		2,396,680,776	**307,873,726**
		3,770,506,003	**877,463,616**
Working capital changes	41	(3,446,535,427)	41,096,131
(Increase)/decrease in long term loans and advances		8,222,114	(226,422)
Financial cost paid		(1,435,151,346)	123,865,914
Taxes paid		(84,133,743)	(68,749,485)
Tax refund received		—	(21,060,156)
Net cash in/(out) flow from operations		**(1,187,092,399)**	**952,389,598**
CASH FLOW FROM INVESTING ACTIVITIES			
Fixed capital expenditures		(2,812,777,547)	(13,121,102,110)
Proceeds from disposal of fixed assets		4,960,000	2,485,000
Net cash out flow from investing activities		(2,807,817,547)	(13,118,617,110)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceed from Share Issuance		726,347,880	2,218,953,050
Proceed / (Payment) of long term finance		2,727,130,902	9,364,166,858
(Payment) of loan from related parties		(6,000,000)	(6,000,000)
Dividend paid			(113,050,695)
Net cash in flow / (out flow) from financing activities		3,447,478,782	11,464,069,213
Net increase / (decrease) in cash and cash equivalents		(547,431,163)	(702,158,298)
Cash and cash equivalents at the beginning of the year		761,649,432	1,463,807,730
Cash and cash equivalents at the end of the year	42	**214,218,269**	**761,649,432**

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

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Statement of Changes in Equity
for the year ended 30th June, 2011

	Share Capital	General Reserve Revenue	Un-Appropriated Profit	Sub TOTAL	Minority Interest	TOTAL
Balance as on 30th June, 2009	**226,101,390**	**1,170,000,000**	**595,019,502**	**1,991,120,892**	**634,733,088**	**2,625,853,980**
Minority Investment during the period	—	—	—	—	2,218,953,050	**2,218,953,050**
Transfer to revenue reserve	—	400,000,000	(400,000,000)	—	—	—
Comprehensive Income for the year ended 30th June, 2010	—	—	470,274,526	470,274,526	(13,148,684)	**457,125,842**
Transaction with owners						
Final dividend for the year ended 30th June, 2009 Cash @ 50% Rs. 5.00 per share	—	—	(113,050,695)	(113,050,695)	—	(113,050,695)
Balance as on 30th June, 2010 as reported	**226,101,390**	**1,570,000,000**	**552,243,334**	**2,348,344,724**	**2,840,537,455**	**5,188,882,179**
Effects of Merger	—	—	47,136,313	47,136,313	—	**47,136,313**
Balance as on 30th June, 2010 as restated	**226,101,390**	**1,570,000,000**	**599,379,647**	**2,395,481,037**	**2,840,537,455**	**5,236,018,492**
Shares issue due to Merger	4,851,690			4,851,690		**4,851,690**
Minority Investment during the period					726,347,880	726,347,880
Transfer to revenue reserve	—	430,000,000	(430,000,000)	—	—	—
Comprehensive Income for the year ended 30th June, 2011			569,338,912	569,338,912	711,434,929	1,280,773,841
Transaction with owners						
Final dividend for the year ended 30th June, 2010 Cash @ 30% Rs. 3.00 per share	—	—	(67,830,417)	(67,830,417)	—	(67,830,417)
Balance as at June 30, 2011	**230,953,080**	**2,000,000,000**	**670,888,142**	**2,901,841,222**	**4,278,320,264**	**7,180,161,486**

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

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

Notes to the Consolidated Financial Statements for the year ended 30th June, 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
Liberty Mills Limited was incorporated in Pakistan on February 22, 1965 as a private limited company and was converted into a public limited company on September 12, 1969. Its shares are quoted in the Karachi stock exchange. The principal activity of the company is manufacturing and processing of all kinds of fabrics and textile made-up and its registered office is situated at A/ 51-A, S.I.T.E, Karachi.75700.

LIBERTY POWER TECH LIMITED
Liberty Power Tech Limited (The Company) was incorporated in Pakistan on September 13, 2007 as a public limited company under the Companies Ordinance, 1984 (The Ordinance) and is the subsidiary company of Liberty Mills Limited. The principal activity of the Company is to own, operate and maintain a Residual Furnace Oil (RFO) power project with an installed capacity of 200 Megawatt near Faisalabad under 2002 Power Policy of the Government of Pakistan. The Registered Office of the Company is situated at 4th Floor, Rehman Plaza, Queens Road, Lahore.

The Company achieved Commercial Operation Date (COD) on January 13, 2011 and it supplies electricity to National Transmission and Dispatch Company Limited (NTDC). The current year profit and loss includes the post COD results. Revenues from electricity generated during the testing and commissioning period and the related costs thereon were capitalized. As per the Power Purchase Agreement (PPA), the Company, after the COD, filed an application with National Electric Power Regulatory Authority (NEPRA) for adjustment of tariff which was decided by NEPRA on August 17, 2011.

2. BASIS OF CONSOLIDATION

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

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

Intra group balances and transactions have been eliminated.

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

3. MERGER OF LIBERTY MILLS LIMITED (LML) WITH LIBERTY ENERGY (PVT) LIMITED (LEL)

The Board of Directors of the holding Company in their meeting dated June 15, 2010 and share holders in Extra Ordinary General Meeting dated January 1, 2011 had approved a Scheme of Arrangements(The Scheme) in terms of Section 284 - 287 of the Companies Ordinance, 1984 (The Ordinance) for the amalgamation of Liberty Mills Limited(LML) with Liberty Energy (Private) Limited (LEL) with effect from January 01, 2010. The Company has filed the petition for sanctioning the Scheme to the High Court of Sindh, and the High court through order dated February 12, 2011 had approved the scheme. Hence these Financial statement includes the impact of merger of Liberty Energy (Pvt) Limited balances as at January 01, 2010 and subsequent transactions. Brief details of the merger are as follows:

(i) Effective date of merger was January 01, 2010
(ii) Primary reason for this merger was economy of scale and saving in administration
(iii) LEL share holders were issue shares of LML for every 5.15 shares of LEL to 1 share of LML
(iv) The difference of net assets of LEL and the nominal value of shares is recognised in the Profit & Loss Accounts of the company as on January 01, 2010.

The entire undertaking of Liberty Energy (Pvt) Limited including all the property, assets and liabilities and all the rights and obligations as on the effective date were stand merged with and into the Liberty Mills limited; and

The net assets value of Liberty Energy (Pvt) Limited as per its Merged Accounts on the effective date was as follows:

	RUPEES
NON CURRENT ASSETS	
Property, plant & equipment	34,866,852
CURRENT ASSETS	
Stores, spares and loose tools	9,598,579
Trade debts	10,060,869
Loans, advances and Prepayments	932,709
Cash and Bank Balances	1,600,350
	22,192,507
	57,059,359
Non current Liabilities	
Deferred liabilities	1,032,911
CURRENT LIABILITIES	
Trade and other payables	8,377,378
Net Assets acquired	47,649,070

4. BASIS OF PREPARATION

4.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case of requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

4.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

4.3 Accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimate and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future period affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

a) Property, plant and equipment with respect to estimated useful life and related depreciation charge and impairment.

b) Provision for obsolescence and slow moving items in stores and spares with respect to parameter set out by management.

c) Provision for income tax with respect to estimations of income tax based on income tax law and appellate decision.

d) Staff retirements benefit with respect to actuarial valuation.

e) Deferred taxation regarding estimation of share of local and export business.

f) Stock in trade with respect to estimation of net realizable value.

4.4 Standard, interpretation and amendment to published approved accounting standards that are not relevant and not yet effective

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

	Standard or Interpretation	Effective Date (accounting period beginning on or after)
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 1, 2011
IAS 12	Income Tax (Amendment) - Deferred Taxes: Recovery of underlying assets	January 01, 2012
IAS 19	Employee Benefits - Amended Standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 24	Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

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

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expect that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities & Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standards		ISAB Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Agreements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013

Standards, amendments and interpretations adopted during the year

New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the period:

IFRS 2	Group Cash-settled Share-based Payment Transactions
IAS 32	Financial Instruments: Presentation - Classification of Rights Issues (Amendment)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash flows: Presentation of Financial Statements
IAS 17	Leases
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement

Issued in May 2010

IFRS 3	Business Combinations (Revised)
IAS 27	Consolidated and Separate Financial Statements (Amendments)

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements except for IAS 1 (revised).

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

4.5 Exemption from applicability of IFRIC - 4 "Determining Whether an Arrangement Contains a Lease"

On June 22, 2009, the Securities and Exchange Commission of Pakistan (SECP) has exempted the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" for power sector companies where letter of intent (LOI) is issued by the Government on or before June 30,

2010. However, the SECP has made it mandatory to disclose the impact on the results of the application of IFRIC - 4.

Under IFRIC - 4, the consideration required to be made by lessee for the right to use the asset is to be accounted for as finance lease under IAS - 17 "Leases". If the Company were to follow IFRIC - 4 and IAS - 17, the effect on the financial statements would be as follows:-

	As reported	IFRIC 4 adjustment	Amount after IFRIC 4 adjustment
June 30, 2011			
Unappropriated profit	670,888	45,129	716,018
Minority interest	4,278,320	112,242	4,390,562
Profit for the year	1,280,774	103,423	1,384,197
June 30, 2010			
Unappropriated profit	599,380	40,799	640,179
Minority interest	2,840,537	13,149	2,853,586
Profit for the year	504,262	19,772	524,034

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Accounting Convention

These financial statements have been prepared under the historical cost convention except for certain financial instruments that have been accounted for on the basis of their fair values, retirements benefit obligation determined on actuarial valuation and valuation of stock-in-trade when valued at net realizable value.

5.2 Taxation

Current

Provision for current taxation for holding company is computed in accordance with the provisions of Income Tax Laws. The charge for current income tax is recorded after adjustment, if any to the provisions for tax made prior year including those arising from assessment and amendments in assessments during the year in such years.

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

Deferred

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for the financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow or part of the deferred tax asset to be recognized. Unrecognized deferred tax asset are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

5.3 Staff retirements benefit

Defined benefit plan

The Company operates an unfunded gratuity scheme covering all permanent employees of the Company who have attained the minimum qualifying period, gratuity is based on the last drawn salary. Provision are made annually to cover the obligation under the scheme. The latest Actuarial valuation was carried out as at 30 June 2010 for two years, using the Projected Unit Credit Method assuming a discount rate of 13 % per annum and expected rate of increase in salary @ 13% per annum. Actuarial gains and losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains and losses for the plan at the end of previous reporting period exceed 10% of the higher of present value of defined benefit obligation. The gains or losses in excess of amount determined as above said criteria are recognized over the expected remaining working lives of the employees participating in the plan.

5.4 Foreign currency translation

Transactions in foreign currencies are translated into Pak rupees at the exchange rates prevailing on the date of transactions. Assets and Liabilities in foreign currencies are translated into Pak rupees at the rates of exchange which approximate those ruling on the balance sheet date. Exchange differences are taken in the profit & loss account.

5.5 Property, plant and equipment

These are stated at cost less accumulated depreciation except for capital work-in-progress is stated at cost.

Depreciation on Property, Plant and Equipment of Holding Company is charged to income applying the reducing balance method, while during the year subsidiary company is charging depreciation on straight line method over the estimated useful lives of assets at the rates specified in note no.17.1 whereby the depreciable amount of an asset is written off over its estimated useful life. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from them.

The assets residual value and useful life are reviewed at each financial year end and adjusted if the impact on depreciation amount is significant. The company estimate of residual value of Property, plant and equipment as at Balance Sheet date doesn't require any such adjustment.

Repair and maintenance and normal repairs including minor alteration are charged to income as and when incurred. Renewals and improvements are capitalized and the asset so replaced , if any are retired. Gain or loss on disposal of property plant and equipment if any included in the income currently.

Depreciation on additions during the year is charged from the month when the assets is available for use. Similarly the depreciation on deletion is charged upto the month preceding the month when the asset is derecognized.

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

5.6 <u>Investment property</u>

Investment property represents the company owned building which is rented out to its subsidiary.

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

The building is stated at cost less accumulated depreciation. Depreciation is charged on reducing balance method, the depreciation method reflect the pattern in which the asset's economic benefits are consumed by the enterprise. Major renewals and improvements are capitalized and assets so replaced, if any are retired. Profit or Loss on disposal of investment property is included in income currently whereas maintenance and normal repairs are charged to income as and when incurred.

5.7 <u>Intangible assets and amortization</u>

- Goodwill

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

Goodwill be amortized with in five year of Commencement of Commercial operation by the subsidiary.

-Software

Costs directly associated with identifiable software that will have probable economic benefits exceeding costs beyond one year, are recognized as an intangible asset. Direct costs include the purchase costs of software and other directly attributable costs of preparing the software for its intended use.

Computer software is measured initially at cost and subsequently stated at cost less accumulated amortization and impairment losses, if any. These are amortized on straight line basis over its estimated useful life (three years).

5.8 Long term investments

Held - to - maturity

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

5.9 Stores, spares and loose tools

These are valued at cost applying first-in-first out (FIFO) basis, except items in transit if any are stated at cost incurred to date. Provision for obsolete items, if any, is based on their conditions as at balance sheet date depending upon the management's judgment.

5.10 Stock-in-trade

These are valued at lower of cost and net realizable value applying the following basis:

a) Finished Stock and Raw Materials at cost on FIFO basis.

b) Material in transit at cost accumulated upto the balance sheet date.

c) Work-in-process at weighted average manufacturing cost.

Weighted average cost in relation to work-in-process signifies weighted average manufacturing cost include a portion of related direct overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make sale.

5.11 Financial Instruments

a) Financial assets and financial liabilities

Financial assets and liabilities includes investment, loans, deposits, trade debts, cash and cash equivalents, short term borrowings, trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

All financial assets and financial liabilities are recognized at the time when Company becomes a party to the contractual provisions of the instrument and are derecognized in case of assets, when the contractual rights under the instrument are realized, expire or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

b) Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount. Debts considered irrecoverable, are written off and provision are made for debts considered doubtful, if any.

c) Financial assets at fair value through profit and loss

Financial assets are held for trading are classified in this category. These are stated at fair value which is reassessed at each reporting date and changes in carrying values are included in profit and loss account.

d) Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

e) Provision

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

f) Offsetting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously.

g) Derivative financial instruments

Non trading derivatives:
When a derivative financial instrument is not held for tarding all changes in its fair value are recognised immediately in profit & loss account.

The Company holds derivative financial instrument to hedge its interest rate risk exposure.

h) Cash and cash equivalents

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

5.12 Borrowing and Borrowing Costs

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

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

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

5.13 Impairment of Assets

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

5.14 Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

- Sales are recorded on dispatch of goods to the customers.

- Income from process services is recorded when earned.

- Income from rental is recorded on accrual basis.

- Interest and bank profit income is recorded on accrual basis.

- Interest on deposit / certificates is recognized on accrual basis.

Revenue from sale of electricity to the NTDC, the sole customer of the Subsidiary, is recorded based upon the output delivered and capacity available at rates as specified under the Power Purchase Agreement (PPA). PPA is a contract over a period of 25 years starting from January 13, 2011.

5.15 Dividend and appropriation to reserves

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

6. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

2011 No. of Shares of Rs. 10 each	2010 No. of Shares of Rs. 10 each		2011 RUPEES	Restated 2010 RUPEES
12,732,092	12,732,092	Ordinary Shares fully paid in cash	127,320,920	127,320,920
9,878,047	9,878,047	Ordinary Shares fully paid alloted as Bonus Shares	98,780,470	98,780,470
485,169	—	Ordinary Shares of Rs. 10/- each fully paid for consideration other than cash under scheme of arrangement for merger	4,851,690	—
23,095,308	22,610,139		230,953,080	226,101,390

7. GENERAL RESERVE

		2011 RUPEES	Restated 2010 RUPEES
Revenue reserve	Note 7.1	2,000,000,000	1,570,000,000

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

7.1	Balance at the beginning of the year	1,570,000,000	1,170,000,000
	Transfer During the year	430,000,000	400,000,000
	Balance at the end of the year	2,000,000,000	1,570,000,000

8. LONG TERM FINANCING - SECURED FROM BANKING COMPANIES

LTF Loan			
Habib Metropolitan Bank Limited	Note 8.1	48,893,161	66,453,495
Standard Chartered Bank (Pakistan) Limited	Note 8.2	22,290,401	29,857,703
Allied Bank Limited	Note 8.3	37,624,250	43,000,250
Habib Bank Limited	Note 8.4		400,000,000
Bank Al-falah Limited	Note 8.5	284,886,000	62,681,000
Faysal Bank Limited	Note 8.6	3,933,000	5,899,000
Bank Al-Habib Limited	Note 8.7	371,563,900	
Long term finance	Note 8.8	1,631,315,636	1,342,207,338
Long term musharaka	Note 8.9	13,342,644,053	11,042,839,000
		15,743,150,401	12,992,937,786
Less; debt arrangement fee		(249,409,136)	(226,327,423)
		15,493,741,265	12,766,610,363
Current portion shown under current liabilities		(866,282,783)	(399,472,750)
		14,627,458,482	12,367,137,613

8.1 Interest

It carries interest at the rate of 6.25% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 12 equal half yearly installments 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.

8.2 Interest

It carries interest at the rate of 6.5% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 12 equal half yearly installments 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.

8.3 Interest

It carries interest at the rate of 8.7% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 32 equal quarterly installments 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.

8.4 Interest

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

Repayment

There are four finances three of them are repayable in 7 equal quarterly installments and the last one is repayable in 9 equal Quarterly Installment 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.

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

Repayment
The finance is repayable in 40 equal quarterly installments commenced from 5th June 2010. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of LTF finance for one year through SMEFD circular dated January 22, 2009.

Security
The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project and ranking charge over Company's Plant & Machinery.

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

Repayment
The finance is repayable in 6 equal half yearly installments commenced from 16th October 2010. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of LTF finance for one year through SMEFD circular dated January 22, 2009.

Security
The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project.

8.7 **Interest**
This represent Foregn currency loan of USD 4.318 million from Bank Al Habib Limited - Behrain.

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

8.8 The Subsidiary Company has entered into long-term financing agreement with a consortium of banks/financial institutions for Rs. 15.250 million. It carries interest/mark-up rate of 3 months KIBOR plus 3.0% per annum and is repayable in 40 quarterly installments, commenced 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 Subsidiary Company, lien and setoff rights over project accounts, assignment over project insurance and pledge of 51% shares of all sponsors in the Subsidiary Company. The Subsidiary Company may not pay dividend until certain financial requirements under the long term financing agreement are satisfied.

Holding Company had given lien over its assets to the tune of Rs. Nil (2010: Rs. 200 Million) to the lenders.

9. DEFERRED LIABILITIES		**2011 RUPEES**	**Restated 2010 RUPEES**
Deferred tax	Note 9.1	12,516,435	12,596,435
Staff retirements benefit	Note 9.2	113,624,466	92,829,830
		126,140,901	105,426,265

9.1 DEFERRED TAX:

Due to accelerated tax depreciation allowance	20,846,435	19,346,435
Due to timing difference in payments of staff retirements benefit	(7,500,000)	(6,100,000)
Due to timing difference of Provision for slow moving and obsolete item	(830,000)	(650,000)
	12,516,435	12,596,435

9.2 Staff retirements benefit:

To comply with the requirements of IAS-19 "Employee Benefits" as adopted by the Company with effect from 1st July 2002 provision is made as per actuarial valuation of the scheme, the latest actuarial valuation was carried out as on 30th June 2010 except for Liberty energy (Pvt) limited employees whose benefits were taken at actual. The valuation uses the Projected Unit Credit Method. The details of the same are as under:

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

	2011 RUPEES	Restated 2010 RUPEES
Movement in the present value during the year		
Present value of obligation at the beginning	90,356,150	72,550,674
Service cost	15,164,043	10,238,007
Interest cost	10,607,397	9,295,864
Benefits paid	(4,976,804)	(3,300,153)
Actuarial loss\gain on present value of defined benefit obligation	1,571,758	1,571,758
Present value of defined obligation at the end	**112,722,544**	**90,356,150**
Movement during the year in the net liability recognized in the financial statements is as under:		
Balance at the beginning of the year	92,829,830	73,368,312
Charge for the year	25,771,440	22,761,671
Paid during the year	(4,976,804)	(3,300,153)
Balance at the end of the year	**113,624,466**	**92,829,830**
Reconciliation of obligation of staff retirements benefit:		
Present value of obligation	112,722,544	90,356,150
Net actuarial loss to be recognized in later period	(901,922)	(754,120)
	113,624,466	**89,602,030**
Expenses recognized in the profit & loss account is:		
Current service cost	15,164,043	10,238,007
Interest cost	10,607,397	9,295,864
Actuarial loss	—	—
	25,771,440	**19,533,871**
The allocation of charge for the year is as follows:		
Cost of Sales	19,285,219	17,056,754
Administrative expenses	2,813,524	2,477,117
	22,098,743	**19,533,871**

10. LONG TERM LOANS
LOANS FROM RELATED PARTIES - UNSECURED

From directors	17,755,913	23,755,913
Current portion shown under current liabilities	(6,000,000)	(6,000,000)
	11,755,913	17,755,913

The above loan is mark-up free

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

11. TRADE AND OTHER PAYABLES

		2011 RUPEES	Restated 2010 RUPEES
Creditors		1,951,162,947	1,024,044,427
Bills payable		11,718,612	18,899,050
Accrued liabilities	Note 11.1	46,635,653	43,232,960
Advances from customers		6,109,226	6,348,432
Workers' profit participation fund		70,158,427	29,157,103
Workers' welfare fund		26,752,772	7,419,781
Unclaimed dividend & bonus fractions		1,062,630	881,638
Retention money		2,011,765	1,298,283
Other liabilities	Note 11.2	464,577	968,325
		2,116,076,609	1,132,249,999

11.1 Workers' Profit Participation Fund:

Balance at the beginning of the year	29,157,103	58,542,058
Interest on last year's balance	3,329,809	13,143,397
	32,486,912	71,685,455
Paid to trust	(32,486,912)	(71,685,455)
	—	—
Allocation for the year	70,158,427	29,157,103
Balance at the end of the year	70,158,427	29,157,103

Interest on the W.P.P.F. is provided @ 22.50% per annum (2010: 37.50%).

11.2 Other liabilities

Employees vehicle purchase scheme	103,500	85,400
Income tax payable	361,077	882,925
	464,577	968,325

12. ACCRUED MARK-UP

Mark-up on long term financing	627,531,207	447,797,372
Mark-up on short term borrowings	254,747,029	34,592,472
	882,278,236	482,389,844

13. SHORT TERM BORROWINGS-SECURED

Utilised under markup arrangement			
From banking companies			
Export refinance - secured	Note 13.1	1,861,695,000	1,805,959,000
Running finance - secured	Note 13.1	791,096,227	6,494,917
Running finance - secured (under Markeup arrangement)	Note 13.2	5,107,577,909	—
		7,760,369,136	1,812,453,917

13.1 The Company has aggregates limits of PKR 3,306 million of Short term borrowings from various banks which are interchangeable between Export Refinance, Bills discounting and Running Finances (June 2010 1,876 million)

The interest rates ranges between

Export refinance	8.50%	8.25% - 8.50%
Running finance	14.50%	13.25% - 14.25%

Security

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

Term of Finances

The above facilities will expire during the period from 30-09-2011 to 30-06-2012.

13.2 "The Subsidiary Company has arranged short-term running finance facilities from various banks on mark-up basis with total available limit of Rs. 6,770 million. The mark-up on the facilities is payable on quarterly basis in arrears. The facilities carry mark-up ranging between 1.5% to 2.0% per annum above 3 month KIBOR.The aggregate running finances are secured against (1) first pari passu assignment and hypothecation charge of energy payment price, (2) first pari passu hypothecation charge on fuel stock, (3) ranking hypothecation charge on all present and future assets and (4) for certain arrangements, pledge of company shares of certain sponsors. The facilities will expire during the period from July 01, 2011 to March 31, 2012.

Subsequent to the year end, certain running finance facilities were enhanced by Rs. 975 million with same terms and conditions. These facilities will expire during the period from June 30, 2012 to July 05, 2012."

14. CURRENT PORTION OF LONG TERM FINANCING AND LOANS FROM RELATED PARTIES	**2011 RUPEES**	**Restated 2010 RUPEES**
Current portion of long term financing	866,282,783	399,472,750
Current portion of loans from related parties	6,000,000	6,000,000
	872,282,783	405,472,750

15. PROVISION FOR TAXATION

Balances at the beginning of the year	3,660,765	7,021,753
Tax paid during the year	(84,133,743)	(69,281,708)
Provision for taxation - current	86,327,623	65,920,720
Balance at the end of the year	5,854,645	3,660,765

16. CONTINGENCIES AND COMMITMENTS

16.1 Guarantees of Rs. 1,604.146 Million (June 2010: Rs. 44.146 Million as reported : June 2010 restated: 58.741 million) have been given by banks to Sui Southern Gas Company Limited, Collector of Custom & Supplier of Oil.

16.2 Contingent Liabilities in respect of Bill discounted during the year to the tune of USD 2.856 million equivalent to the PKR 252.121 million (2010 : NIL).

16.3 Letter of Credits & Contracts for supply of plant & machinery amounting to Rs.0.730 Million (June 2010: Rs. 3.538 Million and for supply of raw materials & spares amounting to Rs. 97.533 Million (June 2010: Rs. 15.829 Million).

16.4 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.

16.5 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.

17. PROPERTY, PLANT AND EQUIPMENT

		2011 RUPEES	Restated 2010 RUPEES
Property, plant and equipment	Note 17.1	20,354,226,169	1,252,326,285
Capital work in progress	Note 17.2	512,158,084	17,353,688,637
		20,866,384,254	18,606,014,922

17.1 Property, plant and equipment

PARTICULARS	Free hold Land	Lease hold Land	Factory Building on lease hold land	Non Factory Building on lease hold land	Plant & Machinery	Factory Equip-ments	Office Equip-ments	Computers / Printers	Furniture & Fixtures	Vehicles	Total
As at July 01, 2009											
Cost	54,825,158	39,572,334	366,756,454	51,255,381	1,707,584,965	59,431,238	10,510,816	11,760,971	11,177,424	97,122,050	2,409,996,791
Accumulated Depreciation	—	4,413,825	125,786,798	11,883,794	886,936,278	35,853,281	6,965,260	9,687,290	5,873,220	58,029,090	1,145,428,836
Net book value	54,825,158	35,158,509	240,969,656	39,371,587	820,648,687	23,577,957	3,545,556	2,073,681	5,304,204	39,092,960	1,264,567,955
Restated balance											
Year ended June 30, 2010											
Additions	—	—	1,557,554	2,417,522	34,143,898	4,801,707	421,200	627,618	4,159,353	28,577,545	76,706,397
Transfer	—	—	3,454,823	—	—	—	—	—	—	—	3,454,823
Accumulated Depreciation	—	—	2,156,159	—	—	—	—	—	—	—	2,156,159
Merger of Liberty Energy (Pvt) Ltd.					34,723,110	111,153	-	14,387	18,202	-	34,866,852
Disposals											
Cost	—	—	—	—	—	—	—	—	—	5,077,680	5,077,680
Depreciation	—	—	—	—	—	—	—	—	—	3,480,859	3,480,859
Net book value	—	—	—	—	—	—	—	—	—	1,596,821	1,596,821
Depreciation for the year	—	350,270	23,317,923	1,962,195	82,515,071	2,428,356	507,171	769,210	725,097	10,941,469	123,516,762
Closing net book value	54,825,158	34,808,239	220,507,951	39,826,914	807,000,624	26,062,461	3,459,585	1,946,476	8,756,662	55,132,215	1,252,326,285
As at June 30, 2010											
Cost	**54,825,158**	**39,572,334**	**371,768,831**	**53,672,903**	**1,776,451,973**	**64,344,098**	**10,932,016**	**12,402,976**	**15,354,979**	**120,621,915**	**2,519,947,183**
Accumulated Depreciation	—	**4,764,095**	**151,260,880**	**13,845,989**	**969,451,349**	**38,281,637**	**7,472,431**	**10,456,500**	**6,598,317**	**65,489,700**	**1,265,464,739**
Net book value	**54,825,158**	**34,808,239**	**220,507,951**	**39,826,914**	**807,000,624**	**26,062,461**	**3,459,585**	**1,946,476**	**8,756,662**	**55,132,215**	**1,252,326,285**
Rate	—	**1%**	**10%**	**5%**	**10%**	**10%**	**10%**	**30-33%**	**10-20%**	**20%**	
As at July 01, 2010											
Cost	54,825,158	39,572,334	371,768,831	53,672,903	1,776,451,973	64,344,098	10,932,016	12,402,976	15,354,979	120,621,915	2,519,947,183
Accumulated Depreciation	—	4,764,095	151,260,880	13,845,989	969,451,349	38,281,637	7,472,431	10,456,500	6,598,317	65,489,700	1,267,620,898
Net book value	54,825,158	34,808,239	220,507,951	39,826,914	807,000,624	26,062,461	3,459,585	1,946,476	8,756,662	55,132,215	1,252,326,285
Year ended June 30, 2010											
Additions	4,457,822	—	1,437,107,292	621,054	18,172,317,235	5,606,050	1,945,882	1,419,877	1,837,659	19,590,462	19,644,903,333
Disposals											
Cost	—	—	—	—	2,500,000	—	—	—	—	4,977,398	7,477,398
Depreciation					123,438					3,179,483	3,302,921
Net book value	—	—	—	—	2,376,562	—	—	—	—	1,797,915	4,174,477
Depreciation for the year	—	346,779	49,979,796	1,967,462	467,009,390	2,684,808	587,018	1,256,985	1,286,724	13,710,010	538,828,972
Closing net book value	59,282,980	34,461,460	1,607,635,447	38,480,506	18,509,931,907	28,983,703	4,818,449	2,109,368	9,307,597	59,214,752	20,354,226,169
As at June 30, 2011											
Cost	59,282,980	39,572,334	1,808,876,123	54,293,957	19,946,269,208	69,950,148	12,877,898	13,822,853	17,192,638	135,234,979	22,157,373,118
Accumulated Depreciation	—	5,110,874	201,240,676	15,813,451	1,436,337,301	40,966,445	8,059,449	11,713,485	7,885,041	76,020,227	1,803,146,949
Net book value	59,282,980	34,461,460	1,607,635,447	38,480,506	18,509,931,907	28,983,703	4,818,449	2,109,368	9,307,597	59,214,752	20,354,226,169

Note: Depreciation charge has been allocated to	2011 RUPEES	Restated 2010 RUPEES
Cost of sales	520,020,773	108,611,620
Administrative expenses	18,808,199	14,905,142
	538,828,972	**123,516,762**

17.2 CAPITAL WORK IN PROGRESS	Restated 2010 RUPEES	Additions during the period	2011 RUPEES
Building under construction	1,521,759,305	783,798,273	2,305,557,578
Plant, machinery and equipment	14,030,955,011	728,562,564	14,759,517,575
Professional fees	251,187,741	68,318,858	319,506,599
Insurance	180,852,236	1,885,896	182,738,132
Borrowing costs	1,131,505,807	1,134,431,430	2,265,937,237
Trial Production Loss	—	38,531,636	38,531,636
Others indirect costs	237,428,536	19,350,885	256,779,421
	17,353,688,637	2,774,879,543	20,128,568,179
Capitalized:			
Transfer to Building on lease hold land			1,437,728,346
Transfer to Plant & Machinery			18,172,317,235
Intangibles			2,000,000
Other Assets			4,364,514
			19,616,410,095
Closing Balance			**512,158,084**

17.3 DETAILS OF DISPOSAL OF FIXED ASSETS

S. No.	DESCRIPTION	Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	SOLD TO	Mode of Disposal
	Plant & Machinery						
1	Sulzer Shutters Looms 110”	2,148,000	106,058	2,041,942	2,148,000	Hajra Tex International F-502/C S.I.T.E., Karachi.	Negotiation
2	Sulzer Machine 130”	352,000	17,380	334,620	352,000	Hajra Tex International F-502/C S.I.T.E., Karachi.	Negotiation
	VEHICLES						
1	Toyota Corolla Car AGX-739	939,000	619,213	319,787	600,000	EFU General Insurance Ltd. Karachi.	Insurance claim
2	Suzuki Mehran Car AEP-980	329,000	270,592	58,408	135,000	Mr. Asif Sattar, House # A-202, Shadman Town, Sec. 14-B, North Karachi, Karachi.	Negotiation
3	Toyota Corolla Car AFL-721	1,161,897	904,058	257,839	425,000	Mr. Mohammed Ramzan, 256-A, K.A.E.H.S., Block-4, Karachi.	Negotiation
4	Suzuki Mehran Car AEP-634	329,000	267,437	61,563	125,000	Mr. Majid Hayat Yousuf Zai, Flat # 13, First Floor, Popular Villas, Malir City, Karachi.	Negotiation
5	Suzuki Mehran Car AEN-615	329,000	273,512	55,488	125,000	Mr. Syed Abdul Ikram House # 371/6, Islam Ganj, Nishtar Road, Karachi.	Negotiation
6	Suzuki Cultus Car AGT-119	525,500	386,296	139,204	250,000	Mr. Tanveer A. Siddique, House # R-71, Gulshan-e-Shamim, Yaseenabad, F.B. Area, Karachi.	Negotiation
7	Suzuki Alto Car AEU-191	393,601	118,735	274,866	300,000	Mr. Mohammad Noman, 64-B, Ayub Colony, Unit # 11, Tehsil Latifabad, Hyderabad.	Negotiation
8	Toyota Vitz # FDA 09-1935	970,400	339,640	630,760	500,000	Mohammad Nawaz	Employee
	JUNE 2011	**7,477,398**	**3,302,921**	**4,174,477**	**4,960,000**		
	JUNE 2010	**5,077,680**	**3,480,860**	**1,596,820**	**2,485,000**		

		2011 RUPEES	Restated 2010 RUPEES
18. INVESTMENT PROPERTY			
COST			
Balance at the beginning of the year		7,242,357	10,697,180
Transfer from Investment Property due to Merger		—	(3,454,823)
Balance at the end of the year		7,242,357	7,242,357
DEPRECIATION			
Balance at the beginning of the year		441,633	2,179,406
Provided during the year		333,713	418,386
Transfer from Investment Property due to Merger		—	(2,156,159)
Balance at the end of the year		775,346	441,633
Written down value at the end of the year		6,467,011	6,800,724
18.1 Carrying Value			
Net book value at the beginning of the year		6,800,724	8,517,772
Less: transfer at WDV		—	(1,298,662)
Less: Depreciation		(333,713)	(418,386)
Net book value at the end of the year		6,467,011	6,800,724
19. INTANGIBLES			
Goodwill	Note 19.1	4,253,319	5,316,649
Software	Note 19.2	1,666,667	—
		5,919,986	5,316,649
19.1 Goodwill			
Balance at the beginning of the year		5,316,649	5,316,649
Amortised During the period		1,063,330	—
Balance at the end of the year		4,253,319	5,316,649
19.2 Software			
Balance at the beginning of the year		—	—
Addition during the year		2,000,000	—
		2,000,000	—
Amortised During the period		333,333	—
Balance at the end of the year		1,666,667	—

20. LONG TERM LOANS & ADVANCES - UNSECURED (CONSIDERED GOOD)	2011 RUPEES	Restated 2010 RUPEES
Due from executives	4,200,207	5,394,968
Due from employees	33,484,482	30,042,337
	37,684,689	35,437,305
Less: Current portion shown under current assets		
Due from exetutives	1,191,022	1,194,761
Due from employees	23,558,392	13,085,155
	12,935,275	21,157,389
Outstanding for periods		
- Exceeding three years	—	—
- After one year within three years	12,935,275	21,157,389
	12,935,275	21,157,389

20.1 Loans to employees are given for purchase of motor cars and motorcycles with out any interest in accordance with the Company's policy and are recoverable over a period of three years.

20.2 Reconciliation of Carrying Amount are:

	2011 Rupees		Restated 2010 Rupees	
	Executive	Employee	Executive	Employee
Balance at the beginning of the year	5,394,968	30,042,337	6,595,459	26,590,796
Disburse During the year	—	26,344,284	—	26,303,130
Repayment	1,194,761	22,902,139	1,200,491	22,851,589
Balance at the end of the year	4,200,207	33,484,482	5,394,968	30,042,337

21. STORES, SPARES AND LOOSE TOOLS	2011 RUPEES	Restated 2010 RUPEES
Stores	30,912,083	30,187,047
Spare parts	518,793,259	102,868,295
Loose tools	110,499	75,211
	549,815,841	133,130,553
Less: Provision for slow moving and obsolescence	(11,900,000)	(9,300,000)
	537,915,841	123,830,553

		2011 RUPEES	Restated 2010 RUPEES
21.1 Reconciliation of Provision for slow moving and obsolescene			
Balance at the beginning of the year		9,300,000	7,220,000
Add: provided during the year		2,600,000	2,080,000
Balance at the end of the year		11,900,000	9,300,000
22. STOCK-IN-TRADE			
Raw materials		2,322,813,040	696,758,636
Work-in-process		471,806,715	289,491,818
Finished goods		672,696,707	333,185,266
Packing materials		4,446,048	6,252,718
		3,471,762,510	1,325,688,438
23. TRADE DEBTS-CONSIDERED GOOD			
Export bills under collection (secured against export letter of credit)		358,269,099	407,235,301
Local (unsecured)			
Related party	Note 23.1	7,735,844,032	138,694,182
Others		41,941,503	12,832,293
		8,136,054,634	558,761,776

23.1 The Maximum aggregate amount outstanding at any month end during the year due to related party (Soorty Enterprise)is Rs.46.492 million (2010: 24.018million).

	2011 RUPEES	Restated 2010 RUPEES
24. LOANS AND ADVANCES - UNSECURED (CONSIDERED GOOD)		
Current portion of long term loans to:		
Executives	1,191,022	1,194,761
Employees	23,558,392	13,085,155
Advances:		
Against purchases & services	36,716,422	19,574,087
For Expenses	3,555,924	377,047
	65,021,760	34,231,050
25. TRADE DEPOSITS AND PREPAYMENTS		
Security deposits	531,000	527,000
Prepayments	31,013,246	2,473,343
	31,544,246	3,000,343
26. ACCRUED PROFIT		
Accrued profit on Multiplier account	—	372,477
Accrued profit on term deposit	382,082	3,728,767
	382,082	4,101,244

		2011 RUPEES	Restated 2010 RUPEES
27.	**OTHER RECEIVABLES**		
	Duty drawback receivable	156,356,703	63,440,361
	Others	69,292,151	570,375
		225,648,854	64,010,736
28.	**TAX REFUNDS DUE FROM GOVERNMENT**		
	Income tax	5,776,923	3,648,371
	Sales tax	67,150,940	46,179,596
		72,927,863	49,827,967
29.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS**		
	Held for trading		
	Meezan cash fund (4450.7008 units) (2010: 3998424.9986 units)	222,669	206,678,588
		222,669	206,678,588

Average yield during the year ranges between 8.15% to 10.34%

			2011 RUPEES	Restated 2010 RUPEES
30.	**CASH AND BANK BALANCES**			
	Cash in hand		1,960,628	1,206,886
	Balance with banks - in current accounts		78,646,113	62,015,255
	- in multiplier & savings accounts	Note 30.1	15,558,442	241,748,704
	- in term deposits accounts	Note 30.2	50,000,000	250,000,000
			146,165,183	554,970,844

30.1 The profit rate on multiplier & saving accounts are ranges between 8% -10% (2010: 7% to 16.5%)

30.2 The profit on term deposit account between 10.50% to 11% (2010: 10.75% to 11%). The term deposit was issued on monthly basis which expires on July 07, 2011. Which is reinvested.

31. SALES AND SERVICES

		2011 RUPEES	Restated 2010 RUPEES
Export sales		6,390,768,936	4,402,741,215
Local sales		884,591,061	364,271,815
Waste sales		11,704,988	5,861,458
		896,296,049	370,133,273
Less: Sales tax		(430,697)	(161,805)
		895,865,352	369,971,468
SERVICES:			
Cloth processing, printing & dyeing		675,162,742	839,760,573
Less: Sales tax		(587)	—
		675,162,155	839,760,573
Energy Purchase Price		9,086,239,127	—
Capacity Price		2,448,299,961	—
		11,534,539,088	—
		19,496,335,531	5,612,473,256

32. COST OF SALES & SERVICES

		2011 RUPEES	Restated 2010 RUPEES
Raw material consumed	Note 32.1	14,714,270,875	3,931,452,851
Stores, spares and loose tools consumed		194,476,514	156,623,284
Salaries and wages including bonus, gratuity and expenses on staff welfare	Note 32.2	301,586,230	250,580,032
Design, stitching, weaving, raising & mending charges		212,589,797	177,960,783
Power, water and gas		389,345,215	428,417,086
Repairs & maintenance		184,085,747	31,284,960
Packing charges		17,232,043	19,492,982
Provision for slow moving and obsolescence for stores and spares		2,600,000	2,080,000
Rent, rates & taxes		3,400,191	1,951,146
Insurance		64,490,676	12,250,819
Research & development expenses		16,731,366	13,750,773
Other expenses		1,563,162	—
Depreciation		515,708,292	106,891,680
Less: Duty drawback		(129,122,408)	(82,871,839)
COST OF PRODUCTION		16,488,957,700	5,049,864,557
Work-in-process	- Opening stock	289,491,818	93,827,537
	- Closing stock	(471,806,715)	(289,491,818)
		(182,314,897)	(195,664,281)
COST OF GOODS MANUFACTURED		16,306,642,803	4,854,200,276
Finished goods	- Opening stock	333,185,266	189,910,263
	- Closing stock	(672,696,707)	(333,185,266)
		(339,511,441)	(143,275,003)
		15,967,131,362	4,710,925,273

32.1 RAW MATERIAL CONSUMED:

PARTICULARS	Raw Materials	Packing Materials	Total 2011	Total 2010
	Rs.	Rs.	Rs.	Rs.
Opening Stock	696,758,636	6,252,718	703,011,354	499,483,371
Add: Purchases	16,255,789,896	82,728,713	16,338,518,609	4,134,980,834
	16,952,548,532	88,981,431	17,041,529,963	4,634,464,205
Less: Closing Stock	2,322,813,040	4,446,048	2,327,259,088	703,011,354
Consumed	**14,629,735,491**	**84,535,384**	**14,714,270,875**	**3,931,452,851**

32.1 It includes Rs.19,285,219 in respect of staff retirement benefits (2010 : Rs. 16,979,703).

33. DISTRIBUTION COST	**2011 RUPEES**	**Restated 2010 RUPEES**
Export expenses	34,519,258	24,057,830
Export freight & insurance	121,553,961	95,264,271
Cartage	2,060,683	1,319,295
Forwarding & handling charges	10,058,104	8,357,125
Commission on processing & sales	33,144,356	8,014,195
	201,336,362	137,012,716

34. ADMINISTRATIVE EXPENSES

		2011 RUPEES	Restated 2010 RUPEES
Salaries and wages including bonus, gratuity and expenses on staff welfare	Note 34.1	120,313,718	97,690,458
Security charges		4,258,371	3,057,980
Rent, rates & taxes		485,432	347,344
Consultancy		3,695,000	—
Legal & professional charges		6,564,393	2,729,498
Insurance		1,740,382	321,325
Conveyance		1,323,459	537,269
General expenses		10,357,823	9,804,378
Postage & telegram		1,191,912	257,846
Telephone		5,532,668	3,402,333
Subscription		3,847,269	2,319,251
Travelling		8,627,449	9,909,839
Printing & stationary		2,737,725	1,657,595
Motor vehicle expenses		9,959,666	7,742,514
Liquidated damages		17,468,970	—
Advertisement		224,530	316,173
Donations and corporate social responsibilities	Note 34.2	12,902,980	18,182,119
Auditors remuneration	Note 34.3	947,661	941,589
Amortization of Intangibles		1,396,663	—
Depreciation		18,808,199	12,625,742
		232,384,270	171,843,253

34.1 Salaries and wages including bonus, gratuity and expenses on staff welfare includes Rs. 2,813,524 in respect of staff retirement benefits (2010 : Rs. 2,477,117).

34.2 Donation and corporate social responsibilities:

None of the Directors or their Spouses has any interest in donee's fund.

34.3 Auditors' Rumenration

	2011 RUPEES				RESTATED 2010 RUPEES				
	Hyder Bhimji & Co.	F.R.A.N.T.S. & Co.	M. Yousuf Adil Saleem & Co.	Total	Hyder Bhimji & Co.	Rauf Ayoob & Co.	M. Yousuf Adil Saleem & Co.	Muniff Ziauddin Junaidy Co.	Total
Audit fee annual	100,000	100,000	300,000	500,000	100,000	100,000	300,000	33,750	533,750
Half yearly review	15,000	15,000	100,000	130,000	15,000	15,000	100,000		130,000
Out of pocket expenses and other services	71,600	49,550	196,511	317,661	74,225	39,700	161,114	2,800	227,839
	186,600	**164,550**	**596,511**	**947,661**	**189,225**	**154,700**	**561,114**	**36,550**	**941,589**

Muniff Ziauddin Junaidy & Co., are the auditors of Liberty Energy (Pvt) Ltd.

			2011 RUPEES	Restated 2010 RUPEES
35.	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	Note 11.1	20,252,259	29,157,102
	Workers' welfare fund		7,695,858	7,419,781
			27,948,117	36,576,883
36.	**INCOME FROM INVESTMENT PROPERTY**			
	Rental Income		—	300,000
	Less: Depreciation expenses		(333,713)	(418,386)
			(333,713)	(118,386)
37.	**OTHER OPERATING INCOME**			
	Income from financial assets			
	Profit on bank deposits		11,858,065	37,288,987
	Income on investment in defence saving certificate		—	236,707
	Income of Financial assets through profit & loss		13,089,790	43,069,311
	Gain on fair value adjustment of- -embedded derivative	Note 37.1	5,339,573	—
			30,287,428	80,595,005
	Income from non financial assets			
	Foreign exchange gain		109,844,207	93,691,821
	Commission		615,340	1,703,379
	Gain on disposal of fixed assets		916,283	888,180
			111,375,830	96,283,380
			141,663,258	176,878,385

37.1 The Company eneterd into an interest rate swap agreement to hedge its interest rate exposure on floating rate committed borrowing for a notional amount of USD 2.929 Million equivalent to PKR 250 Million (June 2010: Nil). Under the swap agreement the Company would receive KIBOR from Habib Bank Limited on notional amount and pay USD-LIBOR which will be settled on quarterly basis. The fair value as at the balance sheet date is positive.

		2011 RUPEES	Restated 2010 RUPEES
38.	**FINANCE COST**		
	Interest on long term financing	183,969,120	24,417,783
	Mark-up on short term borrowings	552,945,215	127,667,581
	Interest on workers' participation fund	3,329,809	13,143,397
	Musharka rentals	1,018,711,187	—
	Bank charges and commission	76,084,407	40,853,859
		1,835,039,738	206,082,620

39. TAXATION:		2011 RUPEES	Restated 2010 RUPEES
Current	Note 39.1	86,327,623	65,920,720
Prior year		6,803,763	—
		93,131,386	65,920,720
Deferred		(80,000)	(592,985)
		93,051,386	65,327,735

39.1 Relationship between tax expense and accounting profit

	%	%
Applicable Tax Rate	35.00	35.00
Tax effect of expenses that are admissible for tax purpose	—	—
Tax effect of expenses that are non admissible for tax purpose	—	—
Tax effect of income covered under presumptive income	(22.38)	(22.38)
Effective Tax rate for the current year	12.62	12.62

40. EARNING PER SHARE - BASIC & DILUTED

Profit after taxation	1,280,773,841	504,262,155
Weighted average number of oridinary shares	23,095,308	22,610,139
Basic & diluted earning per share	55.46	22.30

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

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

Stores, spares and loose tools	(416,685,288)	(8,212,767)
Stock-in-trade	(2,146,074,072)	(542,467,267)
Trade debts	(7,577,292,858)	(64,038,366)
Loans and advances	(28,662,283)	3,173,503
Trade deposit and prepayments	(28,543,903)	12,683,789
Accrued profit	3,719,162	4,661,401
Other receivables	(184,738,014)	(25,045,624)
Current maturity of long term investment	—	500,000
	(10,378,277,256)	**(618,745,331)**

INCREASE/(DECREASE) IN CURRENT LIABILITIES	2011 RUPEES	Restated 2010 RUPEES
Trade and other payables	983,826,610	558,242,260
Short term borrowings	5,947,915,219	101,599,202
	(3,446,535,427)	**41,096,131**

42. CASH AND CASH EQUIVALENTS

Cash & bank balances	146,165,183	554,970,844
Financial assets at fair value through profit & loss	222,669	206,678,588
	146,387,852	**761,649,432**

43. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Detail of aggregate amount charged in above accounts as remuneration of Chief Executive, Directors and Executives are as under:

Particulars	2011				Restated 2010			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial Remuneration	9,600,000	2,820,000	37,314,166	49,734,166	10,347,000	2,766,000	31,647,055	44,760,055
Perquisites and Allowances								
Car for Company's and Personal Use (approximate monitory value)	936,310	577,615	1,121,456	2,635,381	533,607	475,645	259,775	1,269,027
	10,536,310	3,397,615	38,435,622	52,369,547	10,880,607	3,241,645	31,906,830	46,029,082
Number of Persons	2	4	25	31	2	2	11	17

44. TRANSACTIONS WITH RELATED PARTIES

The related party comprises of related group companies, Ashraf Enterprises and Soorty Enterprises (Pvt) Ltd. 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	2011 RUPEES	Restated 2010 RUPEES
Associated company	Sales of goods	311,751,380	—
Associated company	Services Provided	63,374,652	83,860,374
Associated company	Payment Received	346,016,822	80,553,779
Associated company	Rent Paid	1,500,000	1,500,000
Director	Loan from directors	11,755,913	17,755,913

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

45. FINANCIAL INSTRUMENTS BY CATEGORY

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

FINANCIAL ASSETS:	2011 RUPEES	Restated 2010 RUPEES
Long term loans and advances	12,935,275	21,157,389
Long term deposits	3,026,023	3,026,023
Trade debts	8,136,054,634	558,761,776
Loans and advances	65,021,760	34,231,050
Trade deposits	31,544,246	3,000,343
Accrued profit	382,082	4,101,244
Other receivables	225,648,854	64,010,736
Financial assets at fair value through profit & loss	222,669	206,678,588
Cash and bank balances	146,165,184	554,970,846
	8,621,000,727	1,449,937,995

FINANCIAL LIABILITIES:		
Long term financing	15,493,741,265	12,766,610,363
Long term loans	17,755,913	23,755,913
Trade and other payables	2,116,076,609	1,132,249,999
Accrued markup	882,278,236	482,389,844
Short term borrowings	7,760,369,136	1,812,453,917
	26,270,221,159	16,217,460,036

		2011 RUPEES	Restated 2010 RUPEES
46.	FINANCIAL INSTRUMENTS & RELATED DISCLOSURES	26,268,260,531	16,216,253,150

46.1 Financial Risk Management Objectives

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

A Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company manages credit risk interalia by setting out credit limits in relation to individual customers and / or by obtaining advance against sales and / or through letter of credits and/or by providing for doubtful debts. Also the Company does not have significant exposure in relation to individual customer. Consequently the Company believes that it is not exposed to any major concentration of credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2011 RUPEES	Restated 2010 RUPEES
Loans and advances	12,935,275	21,157,389
Long term deposit	3,026,023	3,026,023
Trade debts	8,136,054,634	558,761,776
Loans and advances	65,021,760	34,231,050
Other receivables	225,648,854	64,010,736
Bank balances	146,165,184	554,970,846
	8,588,851,730	1,236,157,820

The Company is exposed to credit risk from its operating and certain investing activities and the Company's credit risk exposures are categorized under the following headings:

Trade debts

Trade debts are essentially due from local and foreign companies and the Company does not expect that these companies will fail to meet their obligations.

The Company established an allowance for the doubtful trade debts that represent its estimate of incurred losses in respect of trade debts. This allowance is based on the management assessment of a specific loss component that relates to individually significant exposures.

Bank balances

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counter-parties that have stable credit rating. Given these high credit ratings, management does not expect that any counter party will fail to meet their obligations.

The bank balances along with credit ratings are tabulated below

	Long Term Ratings	Short Term Ratings	2011 Rupees	Restated 2010 Rupees
Bank Al Habib Limited	AA+	A1+	54,512,677	254,478,398
Soneri Bank Limited	AA-	A1+	53,841,453	1,600,775
Meezan Bank Limited	AA-	A1+	15,333,193	26,811,474
Faysal Bank Limited	AA	A1+	12,255,095	2,002,752
Habib Bank Limited	AA+	A1+	4,119,757	298,650
Habib Metropolitan Bank Limited	AA+	A1+	1,472,193	10,054,110
Bank Al-Falah Limited	AA	A1+	1,351,141	453,616
Summit Bank Limited	A	A2	535,156	10,592,105
Allied Bank Limited	AA	A1+	630,394	247,348,531
Standard Chatered Bank Limited	AAA	A1+	145,298	120,348
Askari Commercial Bank Limited	AA	A1+	3,200	3,200
National Bank Limited	AAA	A1+	5,000	-
			144,204,556	**553,763,959**

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

Financial assets that are either past due or impaired

The credit quality of financial assets that are either past due or impaired can be assessed by reference to historical information and external ratings or to historical information about counter party default rates.

Long term loans

The Company obtains guarantees by two employees against each disbursement made on account of loans and these can be assessed by reference to note no. 16. The carrying amount of guarantees are up to the extent of loans outstanding as at the date of default. Further, the guarantor will pay the outstanding amount if the counter party will not meet their obligation.

The Company believes that no impairment allowance is necessary in respect of loans that are past due. The Company is actively pursuing for the recovery of the debt and the Company does not expect these employees will fail to meet their obligations.

Trade debts

The movement in allowance for impairment in respect of trade debts during the year can be assessed by reference to note no. 19.

The Company believes that no impairment allowance is necessary in respect of trade debts past due other than the amount provided. Trade debts are essentially due from local and foreign companies. The Company is actively pursuing for the recovery of the debt and the Company does not expect these companies will fail to meet their obligations. Aging of trade debts is as follows:

	2011 Rupees (in thousand)	Restated 2010 Rupees (in thousand)
1 to 6 months	545,690	556,949
6 months to 1 year	2,385	339
1 year to 3 years	3,145	1,474
	551,219	558,762

Export debts are secured under irrevocable letter of credit, document acceptance, cash against documents and other acceptable banking instruments.

Other receivables

The Company believes that no impairment allowance is necessary in respect of receivable that are past due. The Company is actively pursuing for the recovery and the Company does not expect that the recovery will be made soon and can be assessed by reference to note no. 21.

B Liquidity Risk

Liquidity risk represent the risk where the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2011, the Company has Rs. 3,306 million (2010: Rs.1,876 million) available borrowing limit from financial institutions. Unutilized borrowing facilities of Rs. 653 million (2010: Rs.64 million) and also has Rs. 145.491 million (2010: Rs.306.665 million) being balances at banks. Based on the above, management believes the liquidity risk is insignificant.

C Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values except those which are described in respective notes.

D Capital Risk Management

The primary objectives of the Company when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

During 2011 the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2011 and 2010 were as follows:

	2011 RUPEES	Restated 2010 RUPEES
Total borrowings	23,260,110,401	14,585,064,280
Less: Cash and bank	146,165,184	554,970,846
Net debt	23,113,945,217	14,030,093,434
Total equity	2,901,841,222	2,400,332,727
Total equity and debt	**26,161,951,623**	**16,985,397,007**
Gearing ratio (%)	88.91%	85.87%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintain an appropriate mix amongst various sources of finance to minimize risk.

E Market risk

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

F Interest / Markup Rate Risk Managemet

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short term borrowings. At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments is:

The Company analysis its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging alternatives as disclosed in note 37.1.

	2011 RUPEES	Restated 2010 RUPEES
Financial liabilities		
Variable rate instruments		
Long term financing	775,190,712	613,891,448
Short term borrowing	2,653,115,117	1,812,453,917

Sensitivity analysis
A change of 100 basis points in interest rates at the reporting date would have increased/ decreased profit for the year by the amounts shown below. The analysis assumes that all other variables remains constant.

Effect due to 100 basis points change	34,283,058	24,263,454

In order to finance the power project, the Subsidiary Company entered into financing arrangement with a consortium of banks and financial institutions (refer note 12), which carries variable rate mark-up of three months KIBOR plus 3%. Under the Power Purchase Agreement (PPA) with NTDC, the related finance cost is allowed as a pass through item through tariff arrangement. Therefore, a change in interest rate at the balance sheet date would not have any material impact on profit or loss of subsidiary.

The Subsidiary Company has obtained short-term finances to meet its short-term funding requirements. The Subsidiary Company also receives interest on overdue balances from NTDC at variable rate provided under the PPA. The rates on both these financial instruments move in the same direction, therefore, any change in the variable rate does not significantly affect profit or loss of Subsidiary Company.

G Foreign exchange risk management

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

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

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

		2011		2010
Trade Debts	USD	3,583,601	USD	4,767,318
	Euro	404,791	Euro	—
Bills Payable	USD	323,426	USD	228,498
	Euro	367,711	Euro	—
Long term loans	USD	4,318,000	USD	—
Balance sheet Exposure		**8,997,529**		**4,995,816**

The following significant rates applied during the year:	2011	2010
	Balance Sheet Date rate	
US Dollar to PKR	85.85	85.40
Euro to PKR	124.60	—

Sensitivity Analysis

A 10 percent strengthening / weakening of the Rupees against US Dollar at 30 June would have increased / decreased equity and profit and loss account by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

As at June 30	Profit & Loss Account 2011	2010
Effects in US Dollars (gain / loss)	8,619,411	38,761,523

47. PLANT CAPACITY AND PRODUCTION

Dyeing, Printing & Finishing

		2011	2010
Production capacity for 3 shifts per day	meters	66,000,000	66,000,000
Actual production	meters	58,661,463	69,343,954

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

Theoretical maximum output (based on 4,056 hours)	795,540
Total output	760,619
Load factor	96%

Theoretical maximum output is of 169 days as the Plant COD was on January 13, 2011. The load factor calculated above is total gross generation of 169 days over theoretical maximum output of 169 days.

48. MERGER EFFECTS

During the year the Company has filed the petition for sanctioning the Scheme of Merger to the High Court of Sindh, and the High court through order dated February 12, 2011 had approved the scheme. Hence these Financial statement includes the impact of merger of Liberty Energy (Pvt) Limited balances as at January 01, 2010 and subsequent transactions. due to this the comparative figures in these financial statements have been restated as follows:

Restatement in balance sheet	As Originally reported June 30, 2010	Effect of Merger	Restated June 30, 2010
Property, plant and equipment	18,571,636,444	34,378,478	18,606,014,922
Investment property	8,035,266	(1,234,542)	6,800,724
Stores, spares and loose tools	113,281,217	10,549,336	123,830,553
Loans and advances	33,888,414	342,636	34,231,050
Trade deposits and prepayments	2,901,581	98,762	3,000,343
Tax refunds due from government	48,719,652	1,108,315	49,827,967
Cash and bank balances	547,731,156	7,239,690	554,970,846
Reserve for issue of shares on merger	—	4,851,690	4,851,690
Deferred liabilities	104,129,288	1,296,977	105,426,265
Trade and other payables	1,132,520,083	(270,084)	1,132,249,999
Provision for taxation	4,192,987	(532,222)	3,660,765
Restatement in Profit & loss account			
Cost of sales and services	4,716,483,905	(5,558,632)	4,710,925,273
Administrative expenses	171,560,419	282,834	171,843,253
Other operating expenses	36,240,707	336,176	36,576,883
Income from investment property	117,492	894	118,386
Fair value of gain on merger	—	42,797,380	42,797,380
Finance cost	205,914,824	167,796	206,082,620
Profit & Loss Balance	457,125,842	47,136,313	504,262,155
EPS	20.22	2.08	22.30

49. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2011, the Board of Directors have proposed a final dividend of Rs.1.50 per share, in their meeting held on October 07, 2011 for approval of the members at the Annual General Meeting. In addition the Board of Directors has also approved appropriation to general reserve of Rs. 350 million.

50. DATE OF AUTHORIZATION FOR ISSUE

These Financial statements were authorized for the issue on October 07, 2011 by the Board of Directors of the company at Karachi.

GENERAL

Figures have been rounded off to the nearest rupee.

Ashraf S. Mukaty
Chief Executive

Asif Younus Bawany
Director

LIBERTY
MILLS LIMITED

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

FORM OF PROXY

I/We ....

of ....

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

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

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

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

of ....

as my/our proxy to vote for me/us on my/our behalf at the **Fourty Fifth Annual General Meeting** of the Company to be held on **October 29, 2011 at 01:15 pm** at any adjournment thereof.

Singed this day .... of 2011

WITNESSES:

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

Signature on Rs. 5/- Revenue Stamp

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

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

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