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To ensure that the method we use is the latest technology the world over. To follow the highest standards of honest workmanship in whatever we make. To walk the extra mile to ensure customer satisfaction worldwide. To remain a true cosmopolitan to the spirit. To remain a great corporation to associate with, to work for. To know that "We are about people".



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Company Information



Board of Directors

Adesh Kumar Gupta Chief Executive Officer
(DIN 00143192)

Adarsh Gupta Executive Director
(DIN 00161193)

Shammi Bansal Executive Director
(DIN 00138792)

Sunil Bansal Executive Director
(DIN 00142121)

Satish Kumar Goel Director (Law & Taxation)
(DIN 00143415)

Surendra Kumar Arya Independent Director
(DIN 00004626)

Raghubar Dayal Independent Director
(DIN 00481803)

Amitabh Taneja Independent Director
(DIN 00031257)

Prem Chand Garg Independent Director
(DIN 00335568)

Vivek Bansal Independent Director
(DIN 00939232)

Siddharth Sanghi Independent Director
(DIN 00033401)

Company Secretary & Compliance Officer

Munish Kakra Vice President & Company Secretary

Audit Committee

Raghubar Dayal
Prem Chand Garg
Vivek Bansal
Sunil Bansal

Remuneration / Selection Committee

Raghubar Dayal
Prem Chand Garg
Surendra Kumar Arya

Management Committee

Adesh Kumar Gupta
Adarsh Gupta
Prem Chand Garg
Raghubar Dayal

Share Transfer/Investors' Grievances Committee

Sunil Bansal
Adarsh Gupta
Prem Chand Garg

Registrar & Share Transfer Agent

Link Intime India Pvt. Ltd.
A-40, 2nd Floor, Naraina Industrial Area, Phase - II,
Near Batra Banquet Hall, New Delhi - 110028
Tel .: (91) 11- 41410592~94
Fax : (91) 11- 41410591
E-mail : delhi@linktime.co.in

Registered Office

Libertypuram, 13th Milestone,
G. T. Karnal Road, Kutail, P.O. Bastara,
Distt. Karnal - 132114, Haryana
Tel.: (91) 1748 - 251101~03
Fax : (91) 1748 - 251100
E-mail : lpm@libertyshoes.com
Website: www.libertyshoes.com

Corporate Office

2nd Floor, Tower - B, Building No. 8,
DLF Cyber Citi, Phase - II, Gurgaon - 122002,
Haryana
Tel.: (91) 124-4616200
Fax : (91) 124-4616222
Email : mail@libertyshoes.com

Bankers

Central Bank of India
Corporation Bank
IndusInd Bank Ltd.
HDFC Bank Ltd.
The Hong Kong & Shanghai Banking Corporation Ltd.
The Royal Bank of Scotland N. V.

Auditors

Pardeep Tayal & Co., Chartered Accountants
Indian Bank Building, G.T. Road,
Panipat - 132 103, Haryana

Communication Advisory

Montage Advertising Pvt. Ltd.
2nd Floor, Chandra House,
8, Shaheed Bhagat Singh Marg,
Gole Market, New Delhi - 110 001
Tel: (91) 11-23746553, 23744109, 23343738
E-mail: karunendra.m@montageadvertising.com

Liberty Retail Revolutions Ltd. Retail Subsidiary

Board of Directors

Anupam Bansal Managing Director
(DIN 00137419)

Adarsh Gupta Director
(DIN 00161193)

Adish Kumar Gupta Director
(DIN 00137612)

Sunil Bansal Director
(DIN 00142121)

Amitabh Taneja Independent Director
(DIN 00031257)

Ashish Soni Independent Director
(DIN 00281569)

Company Secretary

Swami Tarunjai Bharti GM-Finance &
Accounts & Company Secretary

Registered Office

4/42, Punjabi Bagh, New Delhi - 110026
Tel. : (91) 11- 45392000
Fax : (91) 11- 45392022
E-mail : mail@libertyrevolutions.com
Website: www.libertyrevolutions.com

Bankers

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Hyderabad, Gurgaon, Noida, Lucknow,
Ghaziabad, Pondicherry, Siliguri, Indore,
Gwalior, Patiala, Raipur, Panchkula, Ludhiana



From the CEO's Desk

Dear Shareholders,

Henri Bergson, one of the most famous and influential philosophers of the late 19th century-early 20th century, had once said: **"To exist is to change, to change is to mature, to mature is to go on creating oneself endlessly."**

We at Liberty Shoes have adopted this philosophy of change as an article of faith in our organization. And I would like to begin by expressing my gratitude to all of you for accepting the change we had proposed last year. The change, I am happy to add, has already started yielding positive results but more of that later.

Let's start with the macro picture

The year 2009-10 has been a watershed year for us. Notwithstanding the global recession, Indian economy has shown great resilience and continued to be in the growth mode.

Indian footwear industry emerged as the engine of growth for the entire Indian leather industry and today India is the second largest global producer of footwear after China accounting for nearly 13% of global footwear production of 16.00 billion pairs.

The domestic consumption of footwear within India, due to an expanding middle class, especially within urban areas, has been driving the growth of the footwear industry. Today, nearly 95% of the country's footwear production goes to meet its own domestic demand.

The entire leather sector is now 'de-licensed' and 'de-reserved', paving the way for expansion on modern lines with state-of-the-art machinery and equipment. The footwear sector too has matured from the level of manual footwear manufacturing methods to automated footwear manufacturing systems.

The Indian footwear retail market is slated to grow at a CAGR of over 20% for the period spanning from 2008 to 2011. Footwear is also expected to comprise about 60% of the total leather exports by 2011 from over 38% in 2006-07.

Presently, the Indian footwear market is dominated by Men's footwear market that accounts for nearly 58% of the total Indian footwear retail market. There's no organized retailing chain with a national presence in ladies' and kids' footwear segment. The casual footwear segment makes up for nearly two-third of the total footwear retail market.

The Indian footwear market scores over other footwear markets as it gives benefits like low cost of production, abundant raw material, and has huge consumption market.

In other words we have opportunities, opportunities and more opportunities.

And now shifting focus to the picture your Company presents

As I mentioned at the outset, 2009-10 was a year of visible change, a year in which we acted boldly, reorganized ourselves, and positioned the Company for higher growth in productions, sales and profits.

Our manufacturing units are showing enhanced productivity. And our brand is all set to attract a younger, more compelling target customer. We have also taken steps to adapt our brand to fit with today's more



casual workplace. And more importantly, with our operating expertise - from footwear design to the retail floor we are able to identify emerging footwear trends and deliver the hottest styles that consumers want right now.

We continue to be the no. 1 brand name, value-priced footwear for the entire family. It all starts with the power of our branded offering across all types of footwear, and the ability to anticipate shifting customer preferences. We're meeting those preferences with highly developed merchandising systems that move product, store-by-store, filling each location's demand for the "hottest" footwear.

Our retail operations are today strategically positioned for achieving significant results. Both our Company-owned showrooms as well as franchisee stores are poised to further increase their market share now. We are investing in dynamic merchandising and marketing programs.

Putting our extensive database and powerful systems technology to the best use we are executing targeted advertising and store display programs that pull customers into our stores.

One of the major components of our turn-around strategy is our fashion-right product and our bold image campaign. By placing fresh product and eye catching displays in our stores we plan on driving sales gains. We're also seeking to improve profitability through a better mix of retail locations. While closing our low performing stores we are at the same time opening new concept stores in the "right places," with the "right look" that exudes the new image. While the process is still in the early stages of transition we expect to see improved operating results and increased store sales during the coming year.

There is a new sense of urgency and a renewed passion in our operations and credit goes to our employees and business partners for embracing this enthusiasm.

There's a lot to look forward to

In light of the encouraging prospects, we are obviously confident that it will soon be reflected in our brand's worth. That said, we continue to focus on growing sales and earnings and on building a compelling business. We believe that the Market will come to recognize the progress we've made, and will eventually reward us with a proper multiple.

And so much to do for those around us

We are ever conscious of the fact that our reputation stems not just from quality products and technological innovations but also from the manner in which we discharge our responsibilities towards our employees, our customers, the society and the environment. Utmost importance is given to ensuring safe, healthy and non-discriminatory working conditions for all our employees and ethical standards and practices are rigorously adhered to. Ecological awareness also happens to be uppermost on our minds. A testament to this fact is the importance we have accorded to making all our Humantech Centers environment-friendly with extensive green covers.

Thank you for going that extra mile with us.

Adesh Kumar Gupta
Chief Executive Officer

Notice

Notice is hereby given that the 24th Annual General Meeting of the Members of **Liberty Shoes Ltd.** ("the Company") will be held on **Monday, the 27th September, 2010 at 11.00 A.M.** at the Registered Office of the Company situated at **Libertypuram, 13th Milestone, G. T. Karnal Road, Kutail, P. O. Bastara, Dist. Karnal - 132 114, Haryana** to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended 31st March, 2010 and Balance Sheet as at that date together with the Report of Directors & Auditors thereon.
2. To appoint a Director in place of Sh. Shammi Bansal, who retires by rotation and being eligible offers himself for re - appointment.
3. To appoint a Director in place of Sh. Siddharth Sanghi, who retires by rotation and being eligible offers himself for re - appointment.
4. To appoint a Director in place of Sh. Amitabh Taneja, who retires by rotation and being eligible offers himself for re - appointment.
5. To appoint M/s Pardeep Tayal & Co., Chartered Accountants as Statutory Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of next Annual General Meeting and to authorise the Board of Directors of the Company to fix their remuneration.

SPECIAL BUSINESS:

6. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:**

Re-appointment of Sh. Adesh Kumar Gupta as the "Chief Executive Officer" of the Company

"RESOLVED THAT pursuant to the provisions of Section 198, 309, 302 & 269 read with the Schedule XIII of the Companies Act, 1956 (hereinafter referred to as "the Act" including any modification(s) or re enactment(s) thereof for the time being in force) and all the other applicable provisions of the Act, if any, and in accordance with Article 116 of Articles of Association of the Company, the consent of the Members of the Company be and is hereby accorded to the re appointment of Sh. Adesh Kumar Gupta as the "Chief Executive Officer" of the Company for a further period of 5 years w.e.f. 1st April, 2010 on such terms and conditions including the remuneration payable as enumerated in the draft Service Agreement which is to be entered into between the Company and Sh. Adesh Kumar Gupta and initialed by the Chairman of the Meeting for the purpose of identification.

RESOLVED FURTHER THAT the draft of the Service Agreement, as required to be entered into between the Company and Sh. Adesh Kumar Gupta and laid before the Members of the Company be and is hereby approved and Sh. Shammi Bansal & Sh. Sunil Bansal, Executive Directors and Sh. Munish Kakra, Vice President & Company Secretary of the Company be and are hereby severally authorised on behalf of the Company to execute the aforesaid Service Agreement with Sh. Adesh Kumar Gupta.

RESOLVED FURTHER THAT the remuneration, proposed to be paid to Sh. Adesh Kumar Gupta as Chief Executive Officer of the Company, shall not exceed the limits as specified under the provisions of Section 198, 309 & 269 read with the Schedule XIII of the Act.



RESOLVED FURTHER THAT the Board of Directors of the Company or Committee thereof be and is hereby authorised to vary or increase the remuneration and perquisites including the monetary value thereof as specified in the aforesaid Service Agreement within the provisions of Schedule XIII of the Act to the extent the Board of Directors or Committee thereof may consider appropriate, as may be permitted or authorised in accordance with the provision(s) under the Act or Schedule appended thereto, and / or any Rules or Regulations thereunder.

RESOLVED FURTHER THAT the Board of Directors of the Company or Committee thereof and the Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds and things as may be necessary in respect of aforesaid matter.”

7. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:**

Re-appointment of Sh. Adarsh Gupta as the “Executive Director” of the Company

“**RESOLVED THAT** pursuant to the provisions of Section 198, 309, 302 & 269 read with the Schedule XIII of the Companies Act, 1956 (hereinafter referred to as “the Act” including any modification(s) or re-enactment(s) thereof for the time being in force) and all the other applicable provisions of the Act, if any, and in accordance with Article 116 of Articles of Association of the Company, the consent of the Members of the Company be and is hereby accorded to the re-appointment of Sh. Adarsh Gupta as the “Executive Director” of the Company for a further period of 5 years w.e.f. 1st April, 2010 on such terms and conditions including the remuneration payable as enumerated in the draft Service Agreement which is to be entered into between the Company and Sh. Adarsh Gupta and initialed by the Chairman of the Meeting for the purpose of identification.

RESOLVED FURTHER THAT the draft of the Service Agreement, as required to be entered into between the Company and Sh. Adarsh Gupta and laid before the Members of the Company be and is hereby approved and Sh. Shammi Bansal & Sh. Sunil Bansal, Executive Directors and Sh. Munish Kakra, Vice President & Company Secretary of the Company be and are hereby severally authorised on behalf of the Company to execute the aforesaid Service Agreement with Sh. Adarsh Gupta.

RESOLVED FURTHER THAT the remuneration, proposed to be paid to Sh. Adarsh Gupta as Executive Director of the Company, shall not exceed the limits as specified under the provisions of Section 198, 309 & 269 read with the Schedule XIII of the Act.

RESOLVED FURTHER THAT the Board of Directors of the Company or Committee thereof be and is hereby authorised to vary or increase the remuneration and perquisites including the monetary value thereof as specified in the aforesaid Service Agreement within the provisions of Schedule XIII of the Act to the extent the Board of Directors or Committee thereof may consider appropriate, as may be permitted or authorised in accordance with the provision(s) under the Act or Schedule appended thereto, and / or any Rules or Regulations thereunder.

RESOLVED FURTHER THAT the Board of Directors of the Company or Committee thereof and the Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds and things as may be necessary in respect of aforesaid matter.”

8. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:**

Re-appointment of Sh. Shammi Bansal as the “Executive Director” of the Company

“**RESOLVED THAT** pursuant to the provisions of Section 198, 309, 302 & 269 read with the Schedule XIII of the Companies Act, 1956 (hereinafter referred to as “the Act” including any





modification(s) or re enactment(s) thereof for the time being in force) and all the other applicable provisions of the Act, if any, and in accordance with Article 116 of Articles of Association of the Company, the consent of the Members of the Company be and is hereby accorded to the re appointment of Sh. Shammi Bansal as the "Executive Director" of the Company for a further period of 5 years w.e.f. 1st April, 2010 on such terms and conditions including the remuneration payable as enumerated in the draft Service Agreement which is to be entered into between the Company and Sh. Shammi Bansal and initialed by the Chairman of the Meeting for the purpose of identification.

RESOLVED FURTHER THAT the draft of the Service Agreement, as required to be entered into between the Company and Sh. Shammi Bansal and laid before the Members of the Company be and is hereby approved and Sh. Adesh Kumar Gupta & Sh. Adarsh Gupta, Executive Directors and Sh. Munish Kakra, Vice President & Company Secretary of the Company be and are hereby severally authorised on behalf of the Company to execute the aforesaid Service Agreement with Sh. Shammi Bansal.

RESOLVED FURTHER THAT the remuneration, proposed to be paid to Sh. Shammi Bansal as Executive Director of the Company, shall not exceed the limits as specified under the provisions of Section 198, 309 & 269 read with the Schedule XIII of the Act.

RESOLVED FURTHER THAT the Board of Directors of the Company or Committee thereof be and is hereby authorised to vary or increase the remuneration and perquisites including the monetary value thereof as specified in the aforesaid Service Agreement within the provisions of Schedule XIII of the Act to the extent the Board of Directors or Committee thereof may consider appropriate, as may be permitted or authorised in accordance with the provision(s) under the Act or Schedule appended thereto, and / or any Rules or Regulations thereunder.

RESOLVED FURTHER THAT the Board of Directors of the Company or Committee thereof and the Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds and things as may be necessary in respect of aforesaid matter.

By order of the Board
For Liberty Shoes Ltd.

Place: New Delhi
Date: Thursday, 12th August, 2010

Munish Kakra
Vice President & Company Secretary

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE AFORESAID ANNUAL GENERAL MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. **THE INSTRUMENT APPOINTING THE PROXY, DULY STAMPED, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. Corporate Members intending to send their authorised representative(s) to attend the Annual General Meeting are requested to send a duly certified copy of their Board Resolution authorizing their representative(s) to attend and vote at the Annual General Meeting.
4. The relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special businesses, as mentioned in the Notice, is annexed hereto and forms part of the Notice.
5. A brief resume of the Directors proposed for appointment / re-appointment together with the necessary details as mandated under the provisions of Clause 49 of the Listing Agreement is annexed with the Notice.
6. The abstracts and Memorandum of Concern or Interest of Directors in respect of terms and conditions of re-appointment of Sh. Adesh Kumar Gupta as CEO and Sh. Adarsh Gupta & Sh. Shammi Bansal as Executive Directors of the Company have been provided in the Explanatory Statement attached herewith in compliance with the provisions of Section 302 of the Companies Act, 1956.
7. The Register of Members and Share Transfer Books shall remain closed from Thursday, the 23rd September, 2010 to Monday, the 27th September, 2010 (both days inclusive).
8. Members / Proxies / Authorised Representative(s) are requested to bring their Attendance Slip duly filled in and signed for attending the Meeting. Members who hold Equity Shares in Dematerialized Form are requested to write the Client ID and DP ID Number and those who hold Equity Shares in physical form are requested to write their Folio Number in the Attendance Slip for easier identification of attendance at the Meeting.
9. Conveyance facility shall be provided for Meeting venue at Libertypuram from Panipat bus stand and Central House, Liberty Road, Karnal at 10.00 A.M. on Monday, 27th September, 2010.
10. Members are requested to:-
 - a. Bring their copy of the Annual Report and Attendance Slip at the venue of the Meeting.
 - b. Quote their Folio / DP ID & Client ID No. in all correspondence with Company / Registrar & Share Transfer Agent.
 - c. Note that no gift shall be distributed at the Annual General Meeting.
 - d. Note that Members present in person or through registered proxy / authorised representative(s) shall only be entertained.
11. Members holding shares in physical form are requested to advise any change of address immediately to Company's Registrar and Share Transfer Agent (RTA) and Members holding shares in electronic form must advise their respective depository participants about change in address and not to the Company or the RTA.



12. All the documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all Working days between 10.00 A.M. and 1.00 P.M. up to date of the aforesaid Annual General Meeting or any adjournment thereof, except on Sundays and other holidays.

13. Unpaid / Unclaimed Dividend:

The dividends which remain unpaid / unclaimed over a period of 7 years have to be transferred by the Company to Investor Education and Protection Fund (IEPF) constituted by the Central Government under the provisions of Section 205C read with Section 205A of the Companies Act, 1956. Further, as per the provisions of Section 205B of the Companies Act, 1956, no claim shall lie by the Members of the Company for the unpaid / unclaimed dividend as deposited under IEPF.

The status of dividend remaining unpaid / unclaimed is given as under:

Financial Year	Interim / Final	Rate of Dividend (%)	Date of Declaration of Dividend	Last date of transfer to Unpaid Dividend A/c	Last date of Claim	Due Date of transfer to IEPF	Remarks / Actions
2002-03	Final	50	13.08.03	19.09.03	18.09.10	18.10.10	Recoverable on a request letter to the Company / RTA before the last date of Claim of Unpaid / Unclaimed Dividend
2003-04	Interim	25	08.01.04	14.02.04	13.02.11	15.03.11	
2003-04	Final	30	26.08.04	02.10.04	01.10.11	31.10.11	
2004-05	Final	60	18.07.05	24.08.05	23.08.12	22.09.12	
2005-06	Interim	50	01.11.05	08.12.05	07.12.12	06.01.13	

Members who have not yet encashed their dividend warrant(s) for the Financial Year 2002-03 & onwards, are requested to forward their claim to the Company / RTA.



Annexure to the Notice

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

ITEM NO.6, 7 & 8

Re-appointment of Sh. Adesh Kumar Gupta as “Chief Executive Officer (CEO)” and Re-appointment of Sh. Adarsh Gupta & Sh. Shammi Bansal as the “Executive Director” of the Company respectively (CEO and Executive Directors are collectively called as “the Executive Directors” hereinafter)

Sh. Adesh Kumar Gupta

Sh. Adesh Kumar Gupta, aged 50 years, has been associated with the Company as a Director since 1990 and was appointed as CEO of the Company w.e.f. 8th January, 2004. He was then re-appointed as CEO & Executive Director of the Company for a period of five years w.e.f. 1st April, 2005 at the 19th Annual General Meeting held on 18th July, 2005 and as such, his tenure was expired on 31st March, 2010. Sh. Adesh Kumar Gupta belongs to the Promoter Group of the Company. As a CEO, he has been instrumental in formulating Company's strategies and providing his vital contribution for the

effective functioning of the Company. He serves on the Board of various group Companies and also in the past actively associated with Confederation of Indian Industry, which is a India's non-government premier business association.

Sh. Adarsh Gupta

Sh. Adarsh Gupta, aged 49 years, belongs to Promoter Group and has been holding the directorship in the Company since 1990. Having regard to his contribution towards the overall management of the Company, Sh. Adarsh Gupta was appointed as the Executive Director on 1st June, 1995. Sh. Adarsh Gupta has also been re-appointed as the Executive Director of the Company at the 19th Annual General Meeting held on 18th July, 2005 for a further period of five years w.e.f. 1st April, 2005. As an Executive Director, Sh. Adarsh Gupta spends substantial time in overseeing not only the working of the Company but also its subsidiaries. Sh. Adarsh Gupta has been influential in the expansion of Company's retail initiatives and the successful brand promotions.

Sh. Shammi Bansal

Sh. Shammi Bansal, aged 49 years and being one of the promoters of the Company, has been representing the Company since 1990 and serving in the capacity of Executive Director w.e.f. 1st June, 1995. Sh. Shammi Bansal has also been re-appointed as Executive Director of the Company at the 19th Annual General Meeting held on 18th July, 2005 for a further period of five years w.e.f. 1st April, 2005. He has a very rich experience of over two decades in different facets of footwear manufacturing industry. During his association with the Company, he has been credited with various initiatives in the field of leather and footwear technology including use of E. P. Polymers, introduction of E.V.A. compound in Indian Footwear Industry. Sh. Shammi Bansal has been entrusted with overall responsibility of manufacturing and its complete designing & development.

A brief profile detailing the respective qualification and experience of aforesaid Executive Directors has been provided elsewhere in the Annual Report.

Considering their contributions in the past and their valuable experience in the industry, the Board of Directors in the interest of the Company proposed to re-appoint Sh. Adesh Kumar Gupta, Sh. Adarsh Gupta and Sh. Shammi Bansal at their respective designations in their Meeting held on 12th August, 2010, subject to the approval of the Members of the Company. The remuneration payable to the Directors have also been approved by the Remuneration Committee at their Meeting held on 12th August, 2010.

As required under the provisions of Section 302 of the Companies Act, 1956, the abstract of the terms and conditions of the appointment of Sh. Adesh Kumar Gupta, Sh. Adarsh Gupta and Sh. Shammi Bansal at their respective designations alongwith the Memorandum of interest or concern of Directors of the Company is set out as below:

1. **Period:** For a period of 5 years w.e.f. 1st April, 2010.
2. **Nature of Duties:** The Executive Director(s) shall devote their whole time and attention to the business of the Company and carry out such duties as may be entrusted to them by the Board from time to time and separately communicated to them and such powers as may be assigned to them, subject to the superintendence, control and directions of the Board in connection with and in the best interest of the Company.
3. **Remuneration:**
 - a. **Salary:** ₹1,00,000/- per month subject to the Board reviewing any increase or variation in such salary.





b. **Perquisites:** As per the rules of the Company for the time being applicable or in force.

The above remuneration payable to the Executive Director(s) shall be subject to the limits as prescribed under the provisions of Section 198, 309, 310, 311 read with Schedule XIII of the Companies Act, 1956 or any other provisions of the Act, if any. Further, no commission of whatsoever nature shall be paid to the Executive Director(s) apart from the aforesaid remuneration.

4. **Other terms of re-appointment:**

- a. The terms and conditions of the re-appointment of the Executive Director(s) may be varied or altered from time to time by the Board or any committee thereof in its discretion, if deemed fit but subject to the provisions of the Companies Act, 1956 or any regulations / rules made thereunder.
- b. The Executive Director(s) shall be liable to retire by rotation.
- c. No sitting fees shall be paid to the Executive Directors for attending the Board and Committee Meeting(s).
- d. The Executive Director(s) shall abide by the Company's Code of Conduct or any other code of conduct as laid down in terms of Corporate Governance and Insider Trading Regulations.

Memorandum of interest or concern of Directors of the Company:

None of the Directors except Sh. Adesh Kumar Gupta (himself and brother of Sh. Adarsh Gupta), Sh. Adarsh Gupta (himself and brother of Sh. Adesh Kumar Gupta), Sh. Shammi Bansal (himself) and Sh. Sunil Bansal (brother of Sh. Shammi Bansal), may be deemed to be concerned or interested in the above re-appointments / Ordinary resolutions.

The Board recommends the resolutions as set out at item No. 6 - 8 of the Notice for your approval.

By order of the Board
For Liberty Shoes Ltd.

Munish Kakra

Vice President & Company Secretary

Place: New Delhi

Date: Thursday, 12th August, 2010

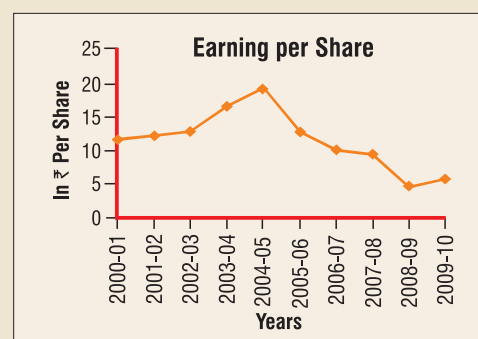
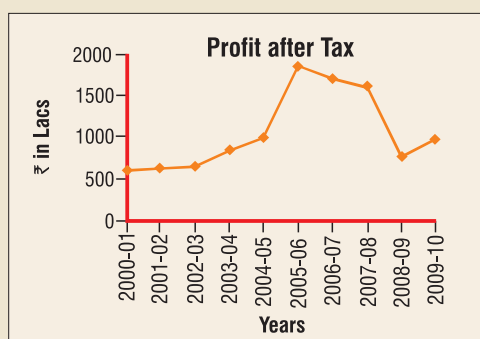
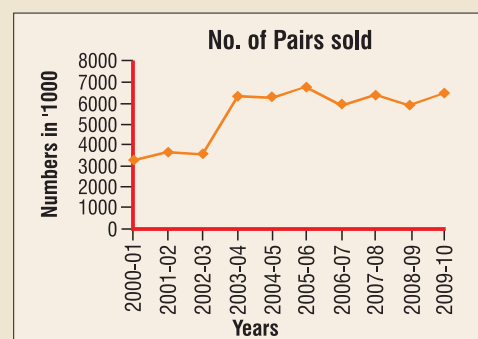
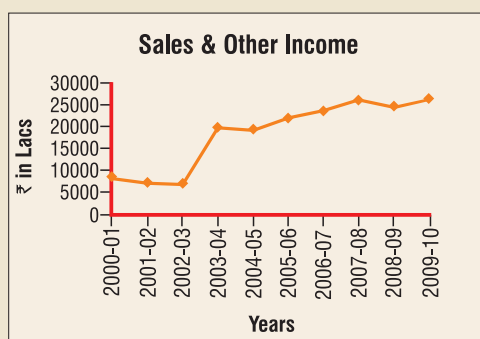
A BRIEF PROFILE ALONGWITH THE NECESSARY INFORMATION OF THE DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT THEREOF IN THE FORTHCOMING ANNUAL GENERAL MEETING IN PURSUANCE OF CLAUSE 49(IV)(G) OF LISTING AGREEMENT.

Name of the Director	Sh. Adesh Kumar Gupta	Sh. Adarsh Gupta	Sh. Shammi Bansal	Sh. Siddharth Sanghi	Sh. Amitabh Taneja
Date of Birth	27th June, 1960	25th December, 1961	27th March, 1961	17th April, 1981	11th September, 1967
Date of Appointment as Director	28th September, 1990	28th September, 1990	28th September, 1990	17th December, 2005	17th December, 2005
Qualifications	B. Sc. Engg. (Mechanical) with Hons.	Commerce Graduate and holding Diploma in Shoe Designing from ARS Sutoria Institute, Italy	Commerce Graduate	<ul style="list-style-type: none"> Microsoft Certified Professional Post Graduate Diploma in Management from IEM 	Graduate and various certifications in retail & fashion.
Experience/Functional Areas	<ul style="list-style-type: none"> Has been instrumental in formulating Company's strategies & plans and implementation thereof with his experience of more than 20 years. Serving various other Companies with a string of Telecom, Automotive, Power and Chemical Sectors. 	<ul style="list-style-type: none"> Experience of over two decades in Footwear Industry. Active involvement in expansion of Company's retail initiatives and brand promotions. Overseeing the working of the Company and its Subsidiary Companies as well. 	<ul style="list-style-type: none"> Has got experience of over two decades in different facets of footwear manufacturing witnessed by various initiatives in leather and footwear technology. Responsible for Company's overall footwear manufacturing and complete designing & development. 	A young dynamic Professional, who has been associated with various diversified business of reputed "Sanghi Group" of Hyderabad. He has been on the Board of few well known Companies.	He is leading fashion journalist with rich experience in retail & fashion. He is, currently, the Editor – in – Chief of Images Multimedia Pvt. Ltd., a renowned Media Group in retail & fashion Industry.
List of Directorship held in other Companies	<ul style="list-style-type: none"> Geofin Investments Pvt. Ltd. Liberty Automotive Pvt. Ltd. Liberty Organosys Ltd. Sunfest Infratech & Power Pvt. Ltd. 	<ul style="list-style-type: none"> Liberty Whitewares Ltd. Liberty Retail Revolutions Ltd. Liberty Organosys Ltd. Inspiration Idea Innovations & Productions Pvt. Ltd. Liberty Foot Fashion Middle East FZE Inspiration Idea Innovations Pte. Ltd. 	<ul style="list-style-type: none"> Little World Constructions Pvt. Ltd. 	<ul style="list-style-type: none"> Alpha Zippers Pvt. Ltd. Balaji Zippers Pvt. Ltd. Fancy Zippers Pvt. Ltd. S K K Zippers Pvt. Ltd. Maruti Fasteners Pvt. Ltd. Sanghi Synthetics Pvt. Ltd. Sanghi Polyzips Pvt. Ltd. Sanghi Filaments Pvt. Ltd. Sparsh Communications Pvt. Ltd. Sanghi SEZ Pvt. Ltd. Sanghi Polyester Ltd. Sanghi Plantations Ltd. Sanghi Spinner India Ltd. Sanghi Cements Ltd. SZF Pvt. Ltd. Sanghi Threads Pvt. Ltd. 	<ul style="list-style-type: none"> Liberty Retail Revolutions Ltd. Images Multimedia Pvt. Ltd. Images Consumer Media Pvt. Ltd. Provogue (India) Ltd. IM Entertainment Pvt. Ltd. Gini & Jony Ltd. Images Retail Intelligence Services Pvt. Ltd. Images Knowledge House Pvt. Ltd. Images Access Multimedia Pvt. Ltd. River Water Retail Management and Design Pvt. Ltd.
List of Membership in committees of other Companies	None	<ul style="list-style-type: none"> Audit Committee of Liberty Whitewares Ltd. 	None	<ul style="list-style-type: none"> Technical Committee of Sanghi Polyesters Ltd. Marketing and Sales Committee of Sanghi Polyesters Ltd. 	<ul style="list-style-type: none"> Compensation Committee, Management Committee and Remuneration Committee of Gini & Jony Ltd. Audit Committee, Remuneration Committee, Compensation Committee and Shareholders / Investors' Grievance Committee of Provogue (India) Ltd. Audit Committee and Remuneration Committee of Liberty Retail Revolutions Ltd.
Shareholding of Executive/ Non-Executive Director(s)	95,000 Equity Shares	6,91,000 Equity Shares	2,26,000 Equity Shares	NIL	NIL

Ten Years' Key Financial Figures at a Glance

(₹ In lacs)

S. No.	Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1	Sales & Other Income	8520.00	7352.16	7057.17	19962.64	19609.85	22223.09	23921.76	26296.46	24863.46	26684.94
2	No. of Pairs sold	3275123	3640411	3540820	6313459	6264207	6791216	5887390	6431159	5912392	6430972
3	Profit after tax	590.19	620.37	646.58	839.57	979.46	1849.28	1701.95	1605.14	754.52	967.21
4	Earning Per Share (In ₹)	11.64	12.24	12.75	16.56	19.32	12.88*	9.99	9.42	4.43	5.68

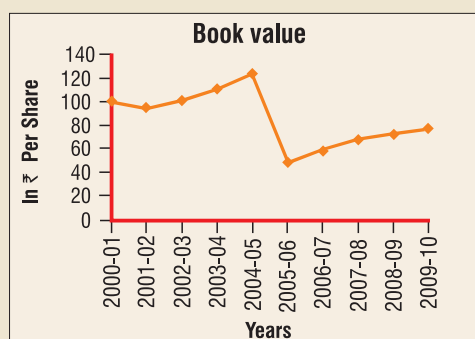
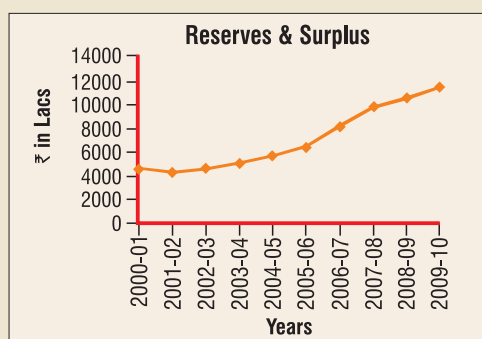
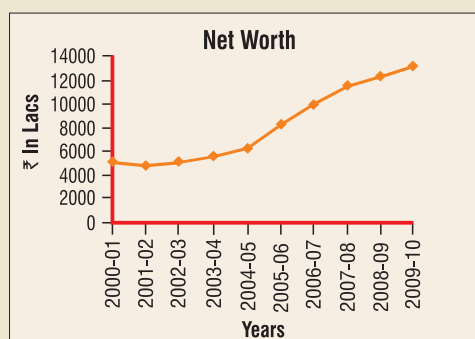
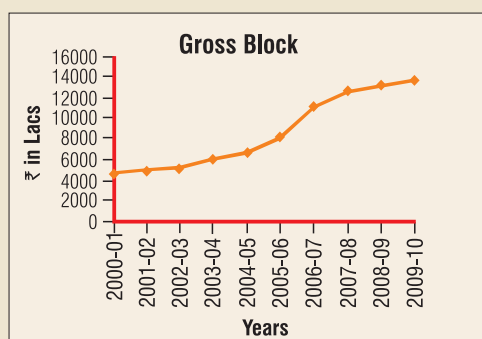


* In the year 2005-06, the same has been decreased due to capitalisation of share premium by way of Bonus Shares, conversion of Fully Convertible Debentures into Equity Shares and consequent issue of Bonus Shares.

Ten Years' Key Financial Figures at a Glance

(₹ In lacs)

S. No.	Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1	Gross Block	4564.03	4922.46	5143.13	6064.98	6650.42	7970.30	11055.30	12606.40	13172.97	13653.25
2	Networth	5059.05	4748.21	5098.11	5597.31	6219.61	8167.40	9885.73	11481.89	12233.99	13154.30
3	Book Value (In ₹)	99.78	93.65	100.55	110.40	122.67	47.93*	58.01	67.38	71.80	77.20
4	Reserve & Surplus	4552.05	4241.21	4591.11	5090.31	5712.61	6463.40	8181.73	9777.89	10529.99	11450.30



* In the year 2005-06, the same has been decreased due to capitalisation of share premium by way of Bonus Shares, conversion of Fully Convertible Debentures into Equity Shares and consequent issue of Bonus Shares.

Key Revenue Statement

Statement of Value Addition

(₹ in Lacs)

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Income from Production	5711.71	6455.14	6214.71	17715.11	17751.93	20473.18	22214.56	24785.08 [ⓐ]	24044.38	26066.87
Other Income	94.27	87.32	113.83	42.38	126.32	111.11	167.28	507.11	140.79	73.46
Total Corporate Output	5805.98	6542.46	6328.54	17757.49	17878.25	20584.29	22381.84	25292.19	24185.17	26140.33
Less: Cost of Materials	3424.15	3286.79	3026.68	8133.63	8191.48	9017.53	10109.70	12497.39 [ⓐ]	12821.95	13691.90
Less: Manufacturing Expenses	1092.13	1605.78	1611.70	5914.92	5621.27	6315.46	6852.68	6944.59	6626.81	7234.68
Gross Value Addition	1289.69	1649.88	1690.16	3708.94	4065.50	5251.30	5419.46	5850.21	4736.40	5213.75
Less: Depreciation	222.32	296.79	315.09	364.37	371.09	399.99	463.35	637.97	659.46	679.25
Net Value Addition	1067.37	1353.11	1375.07	3344.56	3694.41	4851.31	4956.11	5212.24	4076.94	4534.50
Allocation Amongst Employees	312.44	462.68	485.76	1523.50	1641.11	1991.56	2123.27	2260.92	2091.86	2703.17
Taxes	130.50	165.91	203.92	457.41	417.80	571.84	249.22	11.62	(25.84)	(35.06)
Interest & Financial Charges	30.17	104.12	71.28	559.81	698.71	474.18	881.69	1334.57	1256.41	899.19
Dividend	251.42	253.50	253.50	278.85	304.20	253.50	-	-	-	-
Previous year adjustments	-	-	10.70	25.79	10.29	(42.57)	(16.38)	8.97	2.43	46.90
Retained Earnings	189.63	355.15	349.91	499.20	622.30	1602.80	1718.32	1596.16	752.08	920.30

[ⓐ] The impact of provision for Excise Duty against finished goods lying in stocks has not been considered. For Retained earnings previous year adjustment, if any, has been considered.

Statement of Import/Export

(₹ in Lacs)

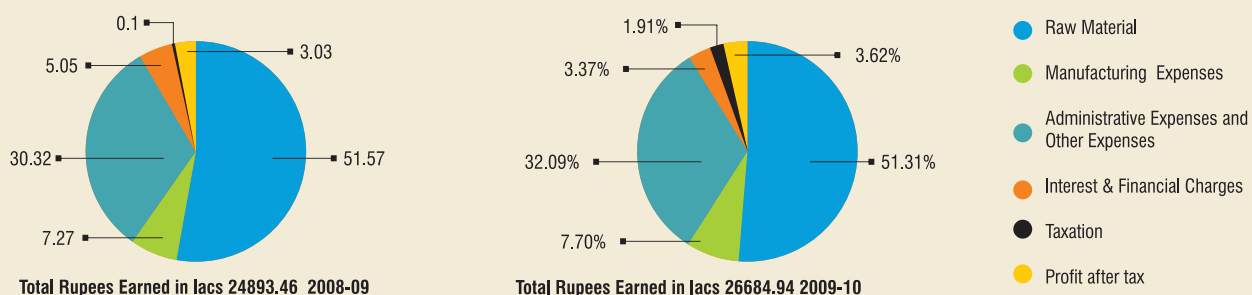
Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
CIF Value of Imports & other expenses	320.81	359.72	225.11	2041.82	1158.85	2168.63	3819.94	1407.26	872.67	876.02
FOB Value of Exports	711.02	1650.60	1395.33	5385.45	5448.20	6135.64	4624.39	4478.04	3779.78	3678.98
Net Gain / (Loss)	390.21	1290.88	1170.22	3343.63	4289.35	3967.01	804.45	3070.78	2907.11	2802.96

Statement of contribution to Public Exchequer

(₹ in Lacs)

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Income Tax	130.50	131.14	151.58	381.37	325.13	523.31	281.71	220.78	149.40	210.05
Custom Duty	164.50	80.83	34.12	159.89	217.48	566.42	866.43	435.66	257.09	216.95
Excise Duty	584.30	809.70	1153.13	2205.15	1828.52	1638.81	1539.93	1004.27	708.29	544.62
Sales Tax/VAT	116.86	155.18	411.77	1047.50	929.11	1196.19	1232.98	1112.60	820.58	915.18
Total	995.89	1176.85	1750.60	3793.91	3300.24	3924.73	3921.04	2773.31	1935.36	1886.80

Distribution of Rupee Earned (in%) for 2008-09 & 2009-10



Key Sales & Production Figures of Top Six Listed Footwear Companies

For the year 2008 - 09 and 2007 - 08

Company Name	Sales (₹ in Cr.)	Product Description	Installed Capacity (Pairs in Lacs)		Production (Pairs in Lacs)		Capacity Utilization (in %)		No. of Pairs sold (in Lacs)		Average Price / Pairs (in ₹)	
Bata Bata India Ltd. (31.12.2008)	1012.33	Rubber & Canvas	425.00	425.00	156.82	141.89	36.90	33.38	190.17	178.38	124.11	133.32
	890.79	Leather Footwear	202.56	202.56	94.65	83.50	46.73	41.22	181.89	137.67	354.84	388.20
 Liberty Shoes Ltd. (31.03.2009)	247.85	Total	106.00*	106.00*	56.32	63.86	53.13	60.25	59.11	64.31	334.45	325.48
	257.89	Leather Shoes			20.93	24.70			21.68	24.78	548.67	521.95
		Non-Leather Shoes			35.39	39.16			37.43	39.53	210.33	200.73
 Mirza International Ltd. (31.03.2009)	361.03	Chrome Leather	N.A	N.A	3.56	3.97	N.A	N.A	3.96	4.78	N.A	N.A.
	314.80	Footwear	40.00	33.00	27.72	28.19	69.30	85.42	42.24	39.78	693.41	635.52
 Relaxo Footwears Ltd. (31.03.2009)	407.46	Footwear	750.00 [#]	750.00 [#]	624.50	571.80	91.27	76.24	684.50	571.98	64.57	90.67
 Sarup Tanneries Ltd. (31.03.2009)	42.09	Shoe Uppers	6.00	6.00	4.44	5.10	74.00	85.00	6.40	4.92	403.00	670.96
	36.54	Shoes	6.00	4.50	6.25	4.58	104.16	100.99	0.48	1.19	606.02	577.39
<i>Superhouse</i> Super House Ltd. (31.03.2009)	344.45	Shoe Uppers	9.12	9.12	2.57	4.15	28.18	45.50	N.A	N.A.	N.A	N.A.
	316.37	Shoes	33.15	26.35	24.55	24.87	74.05	94.38	N.A	N.A.	N.A	N.A.
Total	2415.21		1577.83	1562.53	1001.38	931.91	63.47	59.64	1227.86	1067.32		
	2122.05											

*Including available under franchise agreements.






[#]2,50,000 pairs per day presuming 300 working days in a year.

Notes: N.A.- Not Ascertainable. Previous year figures are in Red colour.

The growth in the sales and capacity utilization levels are positive for both Indian Footwear Industry and economy as a whole. Indian Footwear Industry could act as an immediate source to the overseas corporations eyeing India for their requirements.

Key Financial Figures of Top Six Listed Footwear Companies

for the Year 2008-09

Company Name	Paid-up Equity Share Capital (₹ in Cr.)	Promotor's Contribution (%)	Net Profit/(Loss) after Tax and its Margin (%)		Net Worth (₹ in Cr.)	EPS (₹)	Book Value (₹)	Return on Net Worth (%)	Offer Price of Last issue (₹)	Closing Price (₹)	52 weeks		Gain/(Loss) to the Offer Price (%)
			(₹ in Cr.)	(%)							High	Low	
Bata Bata India Ltd. (31.12.2008)	64.26	51.02	60.73	6.00	291.15	9.45	44.12	20.86	30.00	327.35	333.40	155.00	991.16
 Liberty Shoes Ltd. (31.03.2009)	17.04	64.88	7.52	3.03	122.34	4.41	71.80	6.17	99.00	103.30	118.70	58.50	108.69
 Mirza International Ltd. (31.03.2009)	18.54	64.65	5.36	1.48	118.28	0.58	12.76	4.53	60.00	15.95	22.65	13.00	(46.83)
 Relaxo Footwears Ltd. (31.03.2009)	6.00	75.00	14.23	3.49	73.96	11.86	61.63	19.24	60.00	421.65	460.00	65.65	602.75
 Sarup Tanneries Ltd. (31.03.2009)	3.25	74.36	1.69	4.02	23.81	5.20	73.22	7.10	40.00	56.20	65.00	27.10	40.50
 Super House Ltd. (31.03.2009)	10.17	49.55	7.57	2.20	116.37	7.44	94.92	6.51	15.00	61.20	70.90	26.00	308.00

Most of the Companies have rewarded their stakeholders thru dividend & appreciation in their share price. But, inspite of these, footwear industry still does not command investors fancy.

Notes : All the information on page 17 & 18 has been culled out from published data and the desk research done by the Company's team. However, the Company will not be held responsible for any error that may have been reported in the published data used. The data has been put to give an overview of the industry for the shareholders' benefit. Due care has been taken while compiling the data. The Company does not hold any responsibility for any mistakes that may have inadvertently crept in. Its reproduction requires permission of the Company.

Notes: 1. The Promoters' Contribution has been considered from the available annual reports/ data with relevant Stock Exchanges.

2. The gain in respect of Liberty and Mirza has been arrived at after considering its Bonus Issue. Relaxo split paid up value @ ₹5.00 per share.

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the 24th Annual Report of the Company together with the Audited Annual Accounts for the financial year ended 31st March, 2010.

In addition to Audited Annual Accounts for the financial year ended 31st March, 2010, your Company has also presented its consolidated financial statements after considering the annual audited results of its subsidiaries namely Liberty Retail Revolutions Ltd. and Liberty Foot Fashion Middle East FZE in accordance with the requirements of the applicable Accounting Standards and provisions of the Listing Agreement with the Stock Exchanges.

Financial Highlights:

The highlights of the financial statements are as under:-

(₹ In Lacs)

Particulars	2009-10	2008-09
Gross Sales	26611.48	24752.66
Export	3795.46	3751.43
Domestic	22816.02	21001.23
Less: Excise Duty	544.62	708.28
Net Sales	26066.86	24044.37
Other Income	73.46	140.79
Profit before Interest and Depreciation	2464.13	2609.18
Interest	852.73	1221.04
Depreciation	679.25	659.46
Profit before taxation	932.15	728.68
Provision for Taxation & Deferred tax liability	(35.06)	(25.84)
Profit after tax	967.21	754.52
Add / (Less): Previous year Adjustment	(46.90)	(2.43)
Net Profit for the year	920.31	752.09
Add: Opening Balance	3438.69	3286.60
Profit Available for Appropriation(s)	4359.00	4038.69
Transfer to General Reserve	600.00	600.00
Surplus carried to Balance Sheet	3759.00	3438.69

Review of the operations of the Company:

Your Company, as reported earlier, has been going through with the implementation of a complete turnaround strategy to reinforce and strengthen its marketing segments, its supply chain management and its working capital efficiencies. Your Directors have pleasure in informing that the strategic changes have started showing positive results, which though not completely according to estimates but nevertheless improvement is happening.

Your Company has achieved a turnover of ₹26611.48 Lacs (Previous Year ₹24752.66 Lacs) and registered a growth of 28.19% in its Net Profits of ₹967.21 for the financial year 2009-10 as against the previous financial year's Net Profits of ₹754.52.

The number of pairs produced and sold during the year under review has increased endorsing Liberty's potential and penetration in the growing footwear market. The wholesale & retail segments have been

strengthened with the addition of new distributors and new exclusive franchisees to the existing set up. To facilitate and to achieve better customer services, significant improvements have been made in planning & logistics efficiencies as well. The thrust was to improve service levels to ensure availability of Company's products at all points in its supply chain. In order to improve working capital efficiencies, stringent measures have been adopted, which resulted in improved inventories and receivables.

During the year under consideration, your Company has continued its thrust towards delivering best quality and ensuring customers' delight. This was supplemented by the Company's qualitative initiatives at different levels. Your Company in order to achieve a competitive advantage has also invested substantially in Information Technology and successfully established a transaction mechanism which would be implemented at all Franchise Stores pan India, and will also be rolled over with all other channel partners of the Company.

In view of the ongoing strategic developments, Your Directors are hopeful of further improvement in the performance of the Company in the years to come.

Awards / Recognition:

Your Company, during the year under consideration, has been conferred with the “Elite Membership” by the World Confederation of Business, Texas, USA in recognition of its distinguished successful business model. This Confederation is a renowned international organization, which encourages business development worldwide and recognizing Company's growth along with business leaders in each country.

During the year, Liberty has also been recognized by Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Government of India for its initiatives towards technology up gradation and modernization.

Corporate Social Responsibility:

Liberty has always been conscious about its responsibilities towards the society and environment. Whenever any opportunity comes across, Liberty has never hesitated to provide the necessary assistance to the needy. During the year under review, Liberty took pride in associating itself with the Nation for felicitating the winners of National Bravery Awards. Besides, Liberty, considering its duty and commitment to the Nation, has also decided to participate in the relief operations at recent flash flood at Leh by distributing shoes to the affected people.

Liberty, in order to create green and better environment has also made environmental arrangement with an Infrastructural Environment Company for treatment and disposal of hazardous wastes generated at its plants at Haryana.

Subsidiary Companies and Joint Venture:

Liberty Retail Revolutions Ltd. (LRRL), Retail Subsidiary

Despite the competition and low profit margins in the Indian Retail Industry, LRRL's performance during the year under consideration has been satisfactory and noteworthy as it has achieved a turnover of ₹3513.82 Lacs with a growth of 39% as against the previous year. LRRL is optimistic about the changing trends expected in the retail sector being accompanied by the conception of customers' brand consciousness. Poised with strong brand recognition, LRRL has expanded its retail presence to 92 stores as against 49 in the previous year.

LRRL, in order to capitalize the booming Indian Retail Industry potential, has also decided to further expand its existing business network. LRRL has raised ₹500.00 Lacs from your Company during the year 2009-10 by issuing 5,00,000 Zero % Fully Convertible Debentures to the Company.

Your Company holds 99,96,150 Equity Shares constituting 93.86% stake in its Retail Subsidiary.

Liberty Foot Fashion Middle East FZE (LFF), Overseas Subsidiary

Due to unforeseen recession in Dubai's economy, LFF has not formalized any sustainable project to commence its business activities in accordance with the plans conceived initially. However, with progressive approach of regulatory bodies, LFF expects to explore the right opportunities in Footwear Industry through UAE for commencing operations shortly.

Your Company till 31st March, 2010 has invested a sum of ₹250.58 Lacs (Previous Year ₹248.62 Lacs) in LFF.

Foot Mart Retail India Limited (FMRIL), Joint Venture (JV)

The Members are informed earlier that Liberty was contemplating to divest its stake from the JV besides working on its restructuring. However during the year, both the partners Pantaloon and Liberty could not reformulate any feasible business model for JV. Liberty, as planned earlier, has divested its stake in the JV to Geofin Investments Pvt. Ltd. at its stated value.

At present, Liberty does not hold any stake in the JV and the financial results of JV have not been considered for presenting the consolidated financial statements of the Company for the financial year ended 31st March, 2010.

Exemption from attaching the Annual Accounts of the Subsidiary Companies

The Company has made an application to the Central Government for seeking the exemption under Section 212(8) of the Companies Act, 1956 from attaching a copy of the Balance Sheet, Profit & Loss Account, Reports of Directors and Auditors of the Subsidiary Companies. In terms of approval granted by the Central Government vide its Order No. 47 / 606 / 2010 CL - III dated 18th June, 2010, the copy of Balance Sheet, Profit & Loss Account, Reports of Directors and Auditors of the two Subsidiary Companies have not been attached with the Balance Sheet of the Company. However, these documents shall be made available to the shareholders of the Company and of Subsidiary Companies at any working day from 10.00 A.M. till 6.00 P.M. The Annual Accounts of the Subsidiary Companies are open for inspection by any investor at the Registered Office of the Company and of the Subsidiary Companies. Any shareholder of the Company, who wishes to obtain a copy of the said Annual Accounts of the Subsidiary Companies, may send a request in writing to the Company Secretary at the Registered Office of the Company so that the needful can be done.

However, a statement containing the brief financial details of the Subsidiary Companies for the financial year ended 31st March, 2010 are included in the financial statements of the Company as required under the provisions of Section 212 of the Companies Act, 1956. Besides, the details of the accounts of Subsidiary Companies are also available on the website of the Company i.e. www.libertyshoes.com. Further, the Consolidated Financial Statements pursuant to the Accounting Standard(s) 21 and 27 as issued by Institute of Chartered Accountants of India and Clause 32 of Listing Agreement, presented by the Company elsewhere in the Annual Report include the financial results of its subsidiaries.

Appropriations:

Dividend

Keeping in consideration the financial requirements and to further consolidate the financial resources, your Directors do not recommend any dividend on Equity Shares Capital of the Company to the shareholders for the financial year ended 31st March, 2010.

Transfer to Reserves

Your Directors proposed to transfer ₹600.00 Lacs (Previous Year ₹600.00 Lacs) to the General Reserves out of the profits available with the Company for appropriations. Accordingly, an amount of ₹320.31 Lacs (Previous Year ₹152.10 Lacs) has been proposed to be retained in the Profit & Loss Account of the Company.

Employees Stock Option Scheme(s):

During the year ended 31st March, 2010, the Company has not floated any scheme in relation to Employees Stock Option(s) and no such further plans have been initiated at present in this regard.

Risk Management:

Proper procedures for risk assessment and minimization thereof have been laid down by the Management of the Company in accordance with the Company's exposure to the all type of business risks involved in the operations of the Company. Moreover, the same were periodically reviewed by the Management of the Company in order to ensure the adequate control over the business risks, if any, faced by the Company.

Buy Back of Equity Shares:

The Company has not undertaken any exercise to buy back its Equity Shares from the shareholders during the year under review.

Public Deposit(s):

In terms of the provisions of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposit) Rules, 1975, the Company has not accepted any public deposits during the year under consideration.

Board of Directors:

Re-appointment of Executive Directors

Having regard to the past contributions of Sh. Adesh Kumar Gupta, Sh. Adarsh Gupta & Sh. Shammi Bansal towards the Company and for further strengthening of its operations, the Board of Directors of the Company have proposed to re-appoint Sh. Adesh Kumar Gupta as Chief Executive Officer and Sh. Adarsh Gupta & Sh. Shammi Bansal as Executive Directors in their Meeting held on 12th August, 2010, subject to the approval of the Members of the Company. The remuneration payable to the Executive Directors has also been approved by the Remuneration Committee of the Board at its Meeting held on 12th August, 2010.

Retirement by rotation

Sh. Shammi Bansal, Executive Director, Sh. Siddharth Sanghi and Sh. Amitabh Taneja, Independent Directors of the Company retire by rotation in pursuance of the provisions of Section 256 of the Companies Act, 1956 and being eligible offer themselves for the re-appointment at the ensuing Annual General Meeting.

A brief profile alongwith the necessary details of Directors seeking appointment / re-appointment thereof has been provided elsewhere in the Annual Report as required under Clause 49 of the Listing Agreement entered into with Stock Exchanges.

Directors' Responsibility Statement:

Pursuant to section 217(2AA) of the Companies Act 1956, the Directors to the best of their knowledge and belief confirm that:

- i) in preparation of the Annual Accounts as on 31st March 2010, of the Company, the applicable Accounting Standards have been followed along with the proper explanation relating to material departures;
- ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period;
- iii) they have taken proper and sufficient care for maintenance of adequate accounting records with in the provisions of the Companies Act, 1956 and for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv) they have prepared the annual accounts on a going concern basis.

Recommendation / Observation of Audit Committee:

All the recommendations / observations of the Audit Committee, which were placed before the Board during the financial year ended 31st March, 2010 in respect of any matter pertaining to the financial management or any other matter related thereto, were duly accepted by the Board of Directors of the Company.

Statutory Auditors and their Report:

M/s Pardeep Tayal & Co., Chartered Accountants, the Statutory Auditors of the Company retires at the conclusion of the ensuing Annual General Meeting and has confirmed their eligibility for re- appointment.

The Board has examined the Statutory Auditors' Report on Annual Accounts of the Company and observed that no reservation, qualification or adverse remark was made by the Statutory Auditors in their Report and

their clarifications, wherever necessary, have been included in the Notes to the Accounts section as mentioned elsewhere in the Annual Report.

Cost Auditors:

M/s K. L. Jaisingh & Co., Cost Accountants, have been appointed as the Cost Auditors of the Company for conducting the Cost Audit for the financial year 2010-11 as required under Section 233B of the Companies Act, 1956 and the requisite approval of the Central Government has also been obtained in respect of the said appointment.

Particulars of Employees:

During the year, no employee, whether employed for the whole or part of the year, was drawing remuneration exceeding the limits mentioned under Section 217(2A) of the Companies Act, 1956 and Rules framed there under.

Conservation of Energy and Technology Absorption and Foreign Exchange earnings and outgo:

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 in relation to conservation of energy and technology absorption and Foreign Exchange Earnings and Outgo is given in the “Annexure A” forming part of this report.

Management Discussion and Analysis Report:

In terms of provisions of Clause 49(IV)(F) of Listing Agreement with Stock Exchanges, a Management Discussion and Analysis Report, clearly stating the required matters in respect of the relevant industrial trends, developments, risks etc., have been attached to this report.

Corporate Governance Report:

In accordance with the provisions under the Clause 49 of Listing Agreement and as amended by the SEBI from time to time, the Board of Directors have prepared the Corporate Governance Report detailing the compliance report of Corporate Governance. Accordingly, a separate section on Corporate Governance alongwith Statutory Auditors' certificate confirming the compliance is annexed and forms part of this report.

Outstanding Share Capital and its Listing:

Your Company has outstanding Share Capital of ₹17,04,00,000/- (Previous Year ₹17,04,00,000/-) consisting of 1,70,40,000 (Previous Year 1,70,40,000) Equity Shares of ₹10/- each and these Equity Shares are presently listed and available for trading at National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Ltd. (BSE).

Acknowledgements:

Your Directors would like to express their appreciation and gratitude for the assistance and continuous support provided by the Stakeholders, Bankers, Channel Partners, Govt. Department(s) and all other business constituents.

Your Directors also acknowledge the efforts of its employee at all levels for their hard work, dedication and commitment towards the Company, which has enabled the Company to accomplish its objectives accompanied by full customer satisfaction and enhanced stakeholders' value.

For and on behalf of the Board of Directors

Place: New Delhi
Date: Thursday, 12th August, 2010

Adesh Kumar Gupta
Chairman of the Meeting

Annexure to Directors' Report

Annexure 'A'

Disclosure of particulars under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 and forming part of Directors' Report for the financial year ended 31st March, 2010, are given as under:

A) CONSERVATION OF ENERGY :

a) Energy Conservation measures taken

Liberty continued to focus on the conservation & optimal utilization of energy at its different manufacturing plants. The energy conservation measures implemented during the financial year 2009-10 are placed below:

- i. Replacement of old motors & pumps with latest efficient pumps & motors.
- ii. Reduction in power consumption through optimization of lighting load across manufacturing plants.
- iii. Regular follow up & implementation of energy conservation audit.

b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy

- i. Redesigning and re-layout of the manufacturing processes to reduce power consumption, wherever possible.

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact in the cost of production of goods

The measures listed above have resulted in saving in consumption without affecting the process. The savings are as under:

- i. Total energy saving in the year 2009-10 : ₹6,12,302/-
- ii. Energy saving per pair during the year 2009-10 : ₹0.08/- per pair
- iii. Energy saving against total cost of consumption of energy in the year 2009-10 : 1.85%

d) Total energy consumption and energy consumption per unit of production as per Form - A of Annexure to the Rules in respect of industries specified in the schedule thereto.

Not Applicable

B) TECHNOLOGY ABSORPTION :

e) Efforts made in technology absorption as per Form B of the Annexure to the Rules FORM B

Form for disclosure of particulars with respect to absorption

Research and development (R&D)

i. Specific areas in which R & D carried out by the Company and Benefits derived as a result of R & D

The main thrust was to reinforce the products and to build competitive differentiation to the designing of the products. The few initiatives taken by the Company during the year 2009-10 are as under:

- a. Arrangements with research institutes & vendors for development of new footwear products and technologies.



- b. Development and extension of new footwear products.
- c. Affordable and sustainable packaging

Benefits

The above developments result in the introduction of new product categories at competitive prices both in domestic and overseas markets.

ii. The future plan of action

The Company will continue to innovate with different process & products to offer its customers value for money.

iii. Expenditure in R & D

The Company has not incurred any capital expenditure towards its research and development activities, however during the year, has spent ₹26.18 Lacs as recurring expenditures towards its development activities. This expenditure constitutes 0.10% of the turnover of the Company for the year under consideration.

Technology absorption, adaptation and innovation

Efforts & benefits to the Company

Different technologies were adopted in footwear manufacturing and its process to provide better and comfortable footwear with cost efficiencies.

These efforts helped Company to extend its market presence and to reduce its input costs.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

f) Efforts and initiative in relation to the exports: By taking advantage of its established brand in the overseas markets, Liberty has added new customers and also shortlisted the untapped and potential markets.

g) Total foreign exchange used and earned:

Particulars	2009-10 (₹ in Lacs)	2008-09 (₹ in Lacs)
Foreign Exchange Earned	3678.98	3779.78
Foreign Exchange Used	1008.67	1023.14

For and on behalf of the Board of Directors

Place: New Delhi
Date: Thursday, 12th August, 2010

Adesh Kumar Gupta
Chairman of the Meeting



Corporate Governance Report



1. Company's philosophy on Code of Governance

The concept of Corporate Governance has come a long way from just being an element of corporate fairness in terms of disclosures & transparency to a civilized corporate behavior towards every element of community, environment and economy as a whole wherein every corporate survives with wide ranging changes in both laws and regulations. A good Corporate Governance is a key to the integrity of corporations, financial institutions and markets to the health of our economies and their stability.

Liberty, being a consumer driven entity, has laid down its business standards and code of conduct amongst its force keeping in view the objective of sustaining the market with proper transparency, attaining the profitable growth and maximizing the shareholders' wealth.

Corporate governance has been a reflection of our culture, our policies, our relationship with stakeholders and our commitment to values. Recognized Corporate Governance practices have always been an integral part of Liberty's Corporate Governance philosophy and Liberty has been committed for achieving and maintaining the highest standard of Corporate Governance.

The Board of Directors of the Company has been made responsible for providing all the disclosures and compliance with codes / procedures in order to protect the interest of the stakeholders, lenders, employees, channel partners etc. In compliance with the mandatory provisions of Clause 49 of the Listing Agreement with the Stock Exchanges, the relevant disclosures have been provided hereunder.

2. Board of Directors

Your Company maintains an experienced panel of professionals and entrepreneurs on its diversified Board having understanding about various Industries such as Footwear, Retail, Automotive, Chemical, Information Technology etc. apart from knowledge of Government Administration. Such distinctive combination has benefited the Company for managing its affairs in a strategic manner in the interest of its stakeholders.

As on the 31st March, 2010, the total strength of the Board of Directors of the Company is eleven, which consists of Five Executive Directors and Six Non Executive Independent Directors. Sh. Adesh Kumar Gupta, CEO & Executive Director of the Company, is the Chairman of the Board and promoter of the Company.

Executive Directors perform their duties within the powers and key role areas fixed under respective Service Contracts and discharge their responsibilities in the manner approved by the Members of the Company in terms of the Corporate Governance practices followed by the Company to conduct the authorized business. Accordingly, Board of the Company draws the annual operating plans, budgets / policies in accordance with the Company's vision to its productivity and profitability.

None of the Directors of the Company has any other material pecuniary relationship with the Company or its subsidiaries and associates.

(a) Composition

Composition of the Board of Directors of the Company in conformity with the provisions of Listing Agreement as on 31st March, 2010 is provided as under:

Category	Number of Directors
Executive Director(s) representing Promoters	4
Executive Director(s) other than above	1
Non - Executive Independent Director(s)	6
Total	11

(b) Board's Process

In accordance with the legal requirements and to review / analyze the performance of the Company at

regular intervals, the Board of Directors frequently meet for a minimum of four pre-scheduled Meetings during each year as per the directions of the management of the Company. Additional Meetings of the Board are held when deemed necessary by the Board to address the specific needs of the Company, if any. Apart from the Board of Directors, the various Heads of Departments, Auditors of the Company are also invited at the Board Meeting to oversee the related matters requiring discussion / approval / decision of the Board.

Detailed agenda papers together with explanatory notes, in defined Agenda format, are timely circulated to the Board of Directors in advance for facilitating meaningful and focused decision at the Meeting. All material information is incorporated in the Agenda papers in order to have an overview of the business proposed to be considered at the Meeting. If it is not feasible to send the each and every document alongwith the Agenda, the same are placed before Members present at the Meeting with specific reference to this effect in Agenda. All the additional or supplementary item(s), not referred in Agenda, are considered after obtaining the due permission at the Meeting.

Apart from statutory matters, all major policy decisions, evaluation of internal management / procedures, budgetary decisions, business strategies and risk management practices are placed before the Board. Further, the information as required under Annexure IA to Clause 49 of the Listing Agreement with Stock Exchanges is periodically placed before the Board / Board Committees. The Board has also constituted 4 standing committees namely Audit Committee, Management Committee, Remuneration / Selection Committee and Share Transfer & Shareholders / Investors' Grievance Committee, which functions as per the terms of references decided by the Board from time to time.

Company Secretary & Compliance Officer of the Company conducts all the Meetings of Board / Board Committees and records the Minutes of the proceedings of each Board and Committee Meeting and final Minutes are entered in the respective Minutes Book(s) within the stipulated period, if any, in compliance with the provisions of the Companies Act, 1956 and other regulatory enactments.

In addition to above, all the actions taken in respect of important matter(s) discussed in the previous Meetings are placed at the immediately succeeding Meetings for the purpose of follow-up and reviews.

(c) Board Meetings

During the financial year 2009-10, 5 (Five) Board Meetings were held viz. on 27th April, 25th July, 29th August, 24th October, 2009 and 25th January, 2010. The maximum interval between any two Board Meeting(s) was not more than four months. The Board periodically reviews the compliance reports of all laws applicable to the Company.

The name and categories of the Directors, their attendance at Board Meetings held during the year and at the last Annual General Meeting (AGM) together with particulars of their Directorship and Chairmanship / Membership of Board Committees in various other Companies are given as under:



Sr. No.	Name of the Director(s)	Category of directorship	No. of Board Meetings attended	Attendance at the last AGM	No. of other Directorship as on 31st March, 2010	No. of Committee	
						Member-ship	Chairman-ship
1.	Sh. Adesh Kumar Gupta	Promoter & ED	5	Yes	4	--	--
2.	Sh. Adarsh Gupta	Promoter & ED	4	Yes	6	1	1
3.	Sh. Shammi Bansal	Promoter & ED	5	Yes	1	--	--
4.	Sh. Sunil Bansal	Promoter & ED	5	Yes	2	2	1
5.	Sh. Satish Kumar Goel	ED	5	Yes	--	--	--
6.	Sh. Surendra Kumar Arya	NED (I)	1	No	26	3	1
7.	Sh. Amitabh Taneja	NED (I)	4	No	12	9	1
8.	Sh. Prem Chand Garg	NED (I)	4	No	5	1	--
9.	Sh. Siddharth Sanghi	NED (I)	1	No	16	2	--
10.	Sh. Raghubar Dayal	NED (I)	5	Yes	--	--	--
11.	Sh. Vivek Bansal	NED (I)	2	No	3	--	--

ED: Executive Director, NED (I): Non Executive Independent Director



As per the information provided by the Directors of the Company, none of the Directors was holding Membership in more than Ten Board Committees and Chairmanship in not exceeding five Board Committees as specified under Clause 49 of the Listing Agreement.

(d) Independent Directors

At Liberty, Independent Directors of the Company actively participates in the Meetings held from to time for providing the necessary guidance / suggestions for protecting the interest of investors / stakeholders. The suggestions received from the Independent Directors are timely observed by the management for its beneficial implementation. Apart from receiving the sitting fees for attending the Board & Committee Meetings, Independent Directors do not have any material pecuniary relationship or transactions with the Company, its promoters, its directors, its senior management, its subsidiaries and associates. Further, all the Independent Directors of the Company are satisfying the requirements as specified in the Clause 49(I)(A)(iii) of the Listing Agreement to qualify to act as an Independent Director of the Company.

(e) Non Executive Directors' compensation and disclosures

All payments of fees to Non Executive Independent Directors are made within the limits prescribed under the Companies Act, 1956 for payment of sitting fees without approval of Central Government. Non Executive Independent Directors are paid sitting fees @ ₹2,500/- for attending every Meeting of Board / Board Committee thereof in terms of the approval accorded by the Shareholders of the Company by passing the Special Resolution at the Annual General Meeting held on 13th August, 2003 fixing the maximum limits of sitting fees payable to the Non Executive Independent Directors.

During the year under review, an aggregate amount of ₹45,000/- (Previous Year ₹52,500/-) was paid to the Non Executive Independent Director(s) towards sitting fees for attending the Board / Committee Meetings. No sitting fee has been paid to Executive Director(s) for attending the Board / Committee Meeting(s), in accordance with the respective service agreement entered into with them. Further, the Company till date has not offered Equity Shares under stock option scheme to the Directors / Employees of the Company.

(f) Code of Conduct

Liberty has a well defined Code of Conduct, which has been laid down by the Board of Directors of the Company for all its Directors, Senior Management Personnel and staff of the Company in compliance with the provisions of Clause 49 of the Listing Agreement. All Directors and Members of the Senior Management including Company Executives, who directly report to the CEO of the Company, have affirmed their compliance with the Code of Conduct. A copy of the said Code of Conduct is available on the website of the Company at www.libertyshoes.com.

(g) Brief particulars of the Directors, whose candidature are proposed for appointment / re appointment in the Annual General Meeting

• **Sh. Adesh Kumar Gupta (Chief Executive Officer)**

Sh. Adesh Kumar Gupta is a Graduate in B.Sc. (Engg.). He has pioneered the use of Polyurethane Technology in Indian Footwear Industry. He is having an experience of more than two decades in Footwear Industry. As a CEO, he has been instrumental in formulating Company's strategies and providing his vital contribution for the effective functioning of the Company. Apart from above, he also serves various other Companies with a string of diversification in the Telecom, Automotive, Power and Chemical sectors. He has been embraced by many prestigious awards and in the past, he has been a key functionary of Confederation of Indian Industry. He belongs to Promoter Group of the Company and currently, holds 95,000 Equity Shares in the Company.

• **Sh. Adarsh Gupta (Executive Director)**

Sh. Adarsh Gupta, one of Promoters of the Company, is a Commerce Graduate having Diploma in Shoe Designing from the globally recognized ARS Sutoria Institute, Milan, Italy. As an Executive Director, Sh. Adarsh Gupta spends substantial time in overseeing not only the working of the Company but also its subsidiaries. Sh. Adarsh Gupta has been influential in the expansion of Company's retail initiatives and the successful brand promotions. He has been serving on the Board of the Company since 1990 and at present, he holds 6,91,000 Equity Shares of the Company.

• **Sh. Shammi Bansal (Executive Director)**

Sh. Shammi Bansal, aged 49 years, has been associated with the Company as a Director since

1990 and promoted as the Executive Director in 1995. He is a Commerce Graduate with rich experience of over two decades in different facets of footwear manufacturing industry. During his association with the Company, he has been credited with various initiatives in field of leather and footwear technology including use of E. P. Polymers, introduction of E.V.A. compound in Indian footwear Industry. Sh. Shammi Bansal has been entrusted with overall responsibility of footwear manufacturing and complete designing & development.

He will also be retiring by rotation from the Company and being eligible offers himself for re-appointment in the ensuing Annual General Meeting. Sh. Shammi Bansal belongs to the Promoter group of the Company and currently holds in his individual capacity 2,26,000 Equity Shares in the Company.

- **Sh. Siddharth Sanghi (Independent Director)**

Sh. Siddharth Sanghi is a Microsoft certified professional and Post Graduate Diploma holder in Management from IEM. Sh. Siddharth Sanghi began his career with Quiline Software Solutions Inc., USA and joined reputed “Sanghi Group of Industries” in the year 2001. He was initially appointed as an Additional Director on 17th December, 2005 in the Company and subsequently, re-appointed as Director liable to retire by rotation on 20th September, 2006. He will be retiring by rotation from the Company and being eligible offers himself for re-appointment in the ensuing Annual General Meeting. Sh. Siddharth Sanghi is not holding any Equity Shares in the Company.

- **Sh. Amitabh Taneja (Independent Director)**

Sh. Amitabh Taneja is a leading Fashion Journalist and heading the renowned Images Media Group as its Editor-in-Chief. He has also been on the management of International Council of Shopping Centers, India and Indian Retail School. He is having vast experience in the retail and fashion industry. He is also on the Board of the Company's Subsidiary Liberty Retail Revolutions Ltd. (LRRRL). He was initially appointed as an Additional Director on 17th December, 2005 and subsequently, re-appointed as Director liable to retire by rotation on 20th September, 2006. He will be retiring by rotation from the Company and being eligible offers himself for re-appointment in the ensuing Annual General Meeting. Sh. Amitabh Taneja is not holding any Equity Shares in the Company.

3. Committee(s) of the Board

The Board of the Company has constituted different Committees of the Board to have the focused attention on the business of each aspect of the Company's working. In terms of the requirements of Listing Agreement, all the Minutes of Meetings of respective Committees are timely placed before the Members of the Committees and before the Members of the Board of Directors of the Company for their information and consideration. The Company presently has the following Board Committees:

(a) Audit Committee

The Board of Directors of the Company has constituted an Audit Committee in year 2001 in compliance with the provisions of Listing Agreement & Section 292A of the Companies Act, 1956. The brief description of the terms of reference of the Audit Committee is as under:

- Review of the quarterly and annual financial results / statements before submission to the Board together with quarterly and annual financial results of the subsidiary companies.
- Review and assessment of the effectiveness of systems of internal financial control, risk management and compliance control with management and auditors.
- Recommendation of appointment and change in internal auditors, cost auditors and statutory auditors of the Company.
- Assessment of the independence of the auditors.
- Fixing of remuneration of the statutory auditors.
- Review of the management discussions and analysis of financial conditions and results of the operations.
- Review of the reports of statutory and internal auditors and discussion about their findings with the management and suggesting corrective measures wherever necessary.
- Look into the reasons for substantial defaults, if any, in the payment of creditors of the Company and any substantial defaults, if any, made by the debtors of the Company alongwith the reasons thereof.



- Review of prevailing accounting policies and compliances with regard to statutory requirements.
- Periodical review of related party transactions carried out by the Company.
- Any other matter referred to the Audit Committee by the Board of Directors of the Company.

Composition, names of Members and Chairperson

The Members of Audit Committee of the Board comprise of one Executive Director and two Non Executive Independent Directors. Sh. Raghubar Dayal, Independent Director, acts as the Chairman of the Audit committee Meetings held during the year. Sh. Munish Kakra, Vice President & Company Secretary is appointed as the Secretary of the Audit Committee in pursuance to provisions of Clause 49 of the Listing Agreement. All the Members of the Audit Committee are “financially literate” as defined under Clause 49(II)(A)(ii) of the Listing Agreement.

Present composition of the Audit Committee and attendance at the meeting(s) held during the year are as under:-

Sr. No	Name of the Committee Member(s)	Position	Category	No. of Meeting(s) attended
1.	Sh. Raghubar Dayal	Chairman	NED (I)	5
2.	Sh. Sunil Bansal	Member	ED	5
3.	Sh. Prem Chand Garg	Member	NED (I)	4
4.	Sh. Vivek Bansal	Member	NED (I)	2
5.	Sh. Munish Kakra	Secretary	Company Secretary	5

Meetings held during the year

During the financial year 2009-10, 5 (Five) Audit Committee meetings were held on 27th April, 25th July, 29th August, 24th October, 2009 and 25th January, 2010. The gap between two committee meetings was not more than four months. The Annual Financial Results of the Company for the year ended 31st March, 2010 were reviewed by the Audit Committee in its Meeting held on 12th August, 2010. Necessary quorum was present in the Audit Committee Meetings.

The Statutory Auditors, Internal Auditors & Cost Auditors of the Company were invariably invited to attend the Meetings and also to participate in the deliberation(s) on the issues wherever required.

(b) Remuneration / Selection Committee

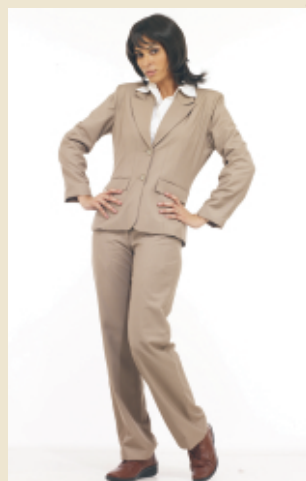
Sh. Raghubar Dayal, Independent Director, has been heading the Remuneration / Selection Committee of the Board as its Chairman. The Remuneration / Selection Committee has been formed to regulate the Company's policies regarding payment of remuneration to the Senior Officers / Executive Directors of the Company, which involves the formulation and implementation of such policies in terms of requirements of Listing Agreement and Companies Act, 1956. Further, the Company seeks the expertise of the outside consultants as and when needed for analyzing the policies of the Company in relation to appointment and payment of remuneration to Senior Level Executive(s) and Staff.

The terms of reference of the Remuneration / Selection Committee are in line with the Listing Agreement and the provisions of Companies Act, 1956.

Composition, names of Members and Chairperson and attendance during the year

The following is the Constitution of the Remuneration / Selection Committee:-

Sr. No	Name of the Committee Member(s)	Position	Category	Meetings Held (Attended)
1.	Sh. Raghubar Dayal	Chairman	Independent	2(2)
2.	Sh. Prem Chand Garg	Member	Independent	2(2)
3.	Sh. Surendra Kumar Arya	Member	Independent	2(1)
4.	Sh. Munish Kakra	Secretary	Company Secretary	2(2)



Meetings held during the year

During the financial year 2009-10, two meetings of Remuneration Committee of the Board were held on 27th April, 2009 and 29th August, 2009 respectively for considering and approving the remuneration payable to Sh. Sunil Bansal, Executive Director, Sh. Vivek Bansal, Head PVC Non Leather Division and Sh. Raman Bansal, Head Sales & Distributions.

Apart from above, the Members of the Remuneration / Selection Committee also met once on 12th August, 2010 and recommended the proposed remuneration payable to Sh. Adesh Kumar Gupta, Sh. Adarsh Gupta and Sh. Shammi Bansal to the Board of Directors of the Company. All the Members of the Committee except Sh. Surendra Kumar Arya attended the Meeting of Remuneration / Selection Committee held on 12th August, 2010.

Remuneration policy

The remuneration policy of the Company is recommended by the Remuneration / Selection Committee to the Board of Directors of the Company and reviewed by it as and when the need arises. Remuneration policy is formulated by the Committee by taking into account the financial position of the Company, trend in the Footwear Industry, appointee's qualification & experience including past performance & remuneration paid to the appointee.

Remuneration of Directors

- **Pecuniary relationship or transactions of the non-executive directors vis-à-vis the Company:-**

The Company has not carried out any transactions, whether material in nature or not, with the Non Executive Directors of the Company other than the payment of sitting fees to them for attending the Board / Committee Meetings of the Company held during the financial year 2009-10, which has already been detailed hereinbefore. Accordingly, no remuneration has been paid to Non-Executive Directors during the year except for the sitting fees of ₹45000/-.

- **All elements of remuneration package of individual directors:-**

All the Executive Directors have been paid by way of remuneration on the basis of Company's policy in respect of payment of remuneration which involves the following elements of remuneration package:-

- Salary:

Consolidated monthly remuneration of ₹1,00,000/- per month or ₹75,000/- per month, as the case may be.

- Perquisites:

In addition to the aforesaid salary, Executive Directors are also be entitled to perquisites like furnished accommodation, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self in accordance with the rules of the company. However, the monetary value of such perquisites being limited to the annual salary or ₹2,25,000/- per annum, which ever is less for the purpose of which:

Perquisites are evaluated as per Income Tax Act Rules, 1962 wherever applicable, and in the absence of any such rules, perquisites are evaluated at actual cost;

and

Use of chauffer driven car for official purpose and telephone at residence (including payment for local calls and long distance calls on telephone) and use of car for private purpose are billed by the company to the Executive Directors.

- Company's contribution to the provident fund and superannuation fund in accordance with the rules of the company

Accordingly, during the financial year 2009-10, the following remuneration was paid to the Executive Directors of the Company:-

S. No.	Name of the Director	Designation	Salary (In ₹)
1	Sh. Adesh Kumar Gupta	CEO & Executive Director	12,00,000
2	Sh. Shammi Bansal	Executive Director	12,00,000
3	Sh. Sunil Bansal	Executive Director	12,00,000
4	Sh. Satish Kumar Goel	Director (Law & Taxation)	9,00,000
5	Sh. Adarsh Gupta	Executive Director	NIL





Notes:

- During the year, the Company has not paid any perquisites forming part of remuneration / sitting fees to the Executive Directors
- No incentives, whether fixed or performance linked, were given to the Executive Directors during the year under consideration.
- Service Contracts of Sh. Adesh Kumar Gupta, Sh. Adarsh Gupta, Sh. Shammi Bansal have been expired on 31st March, 2010, which will be renewed and executed for a further period of five years after obtaining the requisite approvals of the Members of the Company at 24th Annual General Meeting pertaining to the re-appointment thereof.
- Service Contracts of Sh. Sunil Bansal and Sh. Satish Kumar Goel are valid till 31st December, 2014 and 31st March, 2011 respectively.
- The Service Contract(s) may be terminated by either party after giving three months' notice in writing duly served on the other party. There is no separate provision(s) for payment of any severance fees.
- The Company has so far not offered Equity Shares under stock option scheme to its Director(s) / Employee.
- None of the Non Executive Directors of the Company holds any Equity Shares in the Company.

(c) Share Transfer and Shareholders / Investors' Grievance Committee

Share Transfer and Shareholders / Investors' Grievance Committee has been delegated by the Board of the Company with the powers to handle all the shares related issues including timely redressal of shareholders' and investors complaints like non-receipt of balance sheet, non-receipt of declared dividends etc. The Committee performs all its duties and discharges its responsibilities as per its charter fixed by the Board, which includes review of the performance of the Registrar and Share Transfer Agent of the Company and recommendation of measures to the Board for overall improvements in the quality of investors' services wherever required.

During the year, the Committee met Twelve times on 15th April, 30th May, 30th September, 15th October, 10th December, 15th December, 31st December, 2009 and on 15th January, 15th February, 27th February, 15th March, and 31st March, 2010.

The details of the Share Transfer requests processed during last three financial year(s) are as under:

Particulars	2007-08	2008-09	2009-10
No. of Transfers & Transmission	49	11	26
No. of Shares Trfd / transmitted	6802	1912	692800
No. of STC meetings held	20	11	12

There are 8 (eight) cases (involving 1000 Equity Shares) concerning dispute over titles to Shares, are pending with the Company as on 31st March, 2010.

Composition & name of Non-Executive Director heading the Committee

Sr. No.	Name of the Committee Member(s)	Position	Category
1.	Sh. Prem Chand Garg	Chairman	NED (I)
2.	Sh. Sunil Bansal	Member	ED
3.	Sh. Adarsh Gupta	Member	ED

Name and designation of Compliance Officer

Sh. Munish Kakra, Vice President & Company Secretary is the Compliance Officer of the Company and he acts as the Secretary of the Committee.

Status of investor reference / complaints / requests received by the Company during the year ending 31st March, 2010 stood as under:

Nature of References / Requests	No. of Grievances/ Requests Received	No. of Grievances/ Requests Resolved	No. of Grievances/ Requests Pending
Non receipt of Share Certificate(s) & Non receipt of electronic Credit	2	2	NIL
Non receipt of Bonus, Dividend & Annual Report	10	10	NIL
Issue of duplicate / Loss of Certificate(s)	2	2	NIL
Revalidation of Dividend	19	19	NIL
Change of address, name correction, Transmission & others	12	12	NIL
Total	45	45	NIL

All the references received from the shareholder(s) during the year were resolved to their entire satisfaction.

(d) Management Committee

For facilitation of various decisions relating to day-to-day operational matters and matters relating to banking and finance, Management Committee of the Board was constituted by the Board of Directors in 2007. During the year under consideration, the scope of the Committee has been enlarged by entrusting the powers to invest and to make loans on behalf of the Board of the Directors of the Company. The following is the Constitution of the Committee:-

Sr. No.	Name of the Committee Member(s)	Position	Category	Meetings Held (Attended)
1.	Sh. Adesh Kumar Gupta	Member	Promoters	4(4)
2.	Sh. Adarsh Gupta	Member	Promoters	4(4)
3.	Sh. Prem Chand Garg	Member	Independent	4(2)
4.	Sh. Raghubar Dayal	Member	Independent	4(4)

During the year under consideration, Four Meetings of the Management Committee were held on 19th June, 2009, 30th September, 2009, 5th January, 2010 & 17th March, 2010 respectively.

4. Subsidiary Companies

At present, the Company is having two subsidiary Companies namely Liberty Retail Revolutions Ltd. and Liberty Foot Fashion Middle East FZE and both are unlisted Companies. As required under the provisions of Clause 49 of the Listing Agreement and management practices adopted by the Company and its subsidiary Companies, the Company monitors the performance of its subsidiary Companies, inter alia, by the following means:

- Financial statements, in particular the investments made by the subsidiary Companies, are quarterly reviewed by the Audit Committee of the Company.
- All the Minutes of the Board Meetings and / or requisite information of the subsidiary Companies are placed at the Board Meetings of the Company.
- Audit Committee periodically reviews a statement of all significant transactions & arrangements entered into by the subsidiary Companies as placed before it and provides their observations / suggestions, as and when needed, to the Company's Board.

Sh. Amitabh Taneja, Independent Director of the Company, has been appointed as an Independent Director on the Board of Liberty Retail Revolutions Limited, being the material non listed Indian Subsidiary of the Company.

5. General Body Meetings

i) Location and time, where the last three Annual General Meetings were held

The required particulars are as under:

Meeting	Year	Venue	Day & Date	Time
23rd Annual General Meeting	2009	Registered Office	Wednesday, 30th September, 2009	3.00 P.M.
22nd Annual General Meeting	2008	Registered Office	Friday, 26th September, 2008	11.30 A.M.
21st Annual General Meeting	2007	Registered Office	Friday, 28th September, 2007	11.30 A.M.

ii) Special Business transacted at the last three Annual General Meetings

23rd Annual General Meeting on 30th September, 2009	22nd Annual General Meeting on 26th September, 2008	21st Annual General Meeting on 28th September, 2007
Nos. of Special Business: 5	Nos. of Special Business: Nil	Nos. of Special Business: Nil
<ol style="list-style-type: none"> Appointment of Sh. Sunil Bansal as the Executive Director of the Company. Re-appointment of Sh. Raman Bansal for holding office or place of profit in the Company as "Head – Sales & Distribution". Re-appointment of Sh. Vivek Bansal for holding office or place of profit in the Company as "Head – Production Non Leather PVC Division". Increase in the remuneration of Sh. Ayush Bansal, who is holding office or place of profit in the Company as "Business Development Manager". Appointment of Sh. Mannan Bansal for holding office or place of profit in the Company as "Manager – Resources". 		





iii) Resolution passed or proposed to be conducted through Postal Ballot

No resolution has been passed by the Company through postal ballot during the year under consideration and no resolution, as mentioned in the Notice of the ensuing Annual General Meeting, has been proposed to be conducted through postal ballot.

iv) Group as on 31st March, 2010:

Sh. D. K. Gupta, D. K. Gupta (Karta), Sh. Arpan Gupta, Sh. Adesh Kumar Gupta, Adesh Kumar Gupta (Karta), Sh. Adarsh Gupta, Sh. Anmol Gupta, Sh. Adeesh Kumar Gupta, Adeesh Kumar Gupta (Karta), Sh. Pranav Gupta, Sh. Akshat Gupta, Smt. Kamlavati, Sh. Sunil Bansal, Smt. Rehti Devi, Sh. Ayush Bansal, Sh. Shammi Bansal, Sh. Manan Bansal, Sh. Vaibhav Bansal, Sh. Raman Bansal, Sh. Ruchir Bansal, Sh. Vivek Bansal, Sh. Pulkit Bansal u/g/o Sh. Vivek Bansal, Sh. Anupam Bansal and Geofin Investments Pvt. Ltd.

6. Disclosures

i) Disclosure on materially significant related party transactions

None of the transactions entered into with related party were in conflict with the interest of the Company. All the details of related party transactions carried out by the Company during the year under review can be observed from the disclosures made in Notes on Accounts to the financial statements for the year ended 31st March, 2010 as specified in Accounting Standard 18 of the Companies (Accounting Standards) Rules, 2006.

Further, all the related party transactions are carried out in the normal course of business and on arms length basis. Audit Committee periodically reviews the transactions with the related parties in terms of Company's strategies in operations.

ii) Disclosure of Accounting Treatment

The Company has continued to follow the treatments as prescribed in the Accounting Standards notified in Companies (Accounting Standards) Rules, 2006 and as such, no instances were come across during the year, which led to any deviations from Accounting Standards.

iii) Details of non-compliance during last three years

The Company has complied with the requirements of Stock Exchange(s), SEBI and other statutory authorities during the preceding three financial year(s) on all matters related to Capital Market and no penalty / strictures have been imposed on the Company in any matter.

iv) Whistle Blower Policy

The Company has not yet established any mechanism pertaining to Whistle Blower Policy for its employees and staff.

v) Details of compliance with mandatory requirements and adoption of non mandatory requirements of Clause 49.

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement with Stock Exchanges. As far as non mandatory requirements are concerned, to look after the Company's remuneration policy for Directors, Senior Personnel and staff, the Board of the Company has set up a Remuneration Committee in compliance with the requirements of Companies Act, 1956 and other statutes, if any.

7. Means of Communication

Quarterly Results and publishment thereof in newspapers:

As per the Listing Agreement with Stock Exchanges, where the Company's shares are listed, the financial results of the Company are regularly and timely published in Business Standard, English daily and in Dainik Jagran, Hindi Daily.

Any Website where the financial results are displayed:

The Un-Audited and Audited Results are also promptly forwarded to Stock Exchange(s) where the

Equity shares of the Company are listed.

The Quarterly Results, Shareholding pattern, Code of Conduct of Insider Trading and other useful information for the Shareholders are available on the website of the Company at www.libertyshoes.com, which also displays official news releases. The shareholders can also reach the Company for their complaints / queries through a designated E - Mail ID investorgrievancecell@libertyshoes.com which has since been activated as per SEBI guidelines.

The Management Discussion and Analysis Report giving an overview of the Industry, Company's business and its Financials is provided separately as a part of this Annual Report.

8. General Shareholder information:

i. Annual General Meeting:

Day, Date & Time : Monday, 27th September, 2010 at 11.00 A.M.
 Venue : Libertypuram, 13th Milestone, G.T. Karnal Road, Kutail P.O. Bastara, Dist. Karnal - 132 114 (Haryana).

ii. Financial Year (Tentative):

Financial Results for the Quarter ended 30th June, 2010 : On 12th August, 2010
Financial Results for the Quarter ended 30th September, 2010 : By 14th November, 2010
Financial Results for the Quarter ended 31st December, 2010 : By 14th February, 2011
Financial Results for the Quarter ended 31st March, 2011 : By 15th May, 2011
Annual General Meeting for the year ended 31st March, 2011 : By August / Sept. 2011

iii. **Book Closure Dates:** Thursday, 23rd September, 2010 to Monday, 27th September, 2010 (both days inclusive).

iv. Dividend Payment Date:

The summary of dividend payment made by the Company in past is as under:-

Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Interim (%)	....	....	5.00	....	50.00	....	....	....	....
Final (%)	50.00	50.00	30.00	60.00	....	....	....	....	....
Total (%)	50.00	50.00	55.00	60.00	50.00	Nil	Nil	Nil	Nil

The amount of unclaimed dividend, if any due for transfer, shall be transferred to the Investor Education Protection Fund (IEPF) as prescribed under the Companies Act, 1956.

v. Listing on Stock Exchanges with their Trading Codes:

At present the Equity Shares of the Company are listed on the following Stock Exchange(s):

National Stock Exchange of India Ltd., Exchange Plaza, Bandra Kurla Complex Bandra (East), Mumbai - 400 051

NSE: LIBERTSHOE.

Bombay Stock Exchange Limited, Phiroze JeeJeebhoy Towers, Dalal Street, Mumbai - 400 001
 BSE: 526596

ISIN of Equity Shares of the Company : INE557B01019

The Annual Listing fee for the financial year 201011 has since been paid to both the Stock Exchange(s).

vi. Stock Market Data:

The Comparison of the share price of the Company with the broad based indices are provided herein under:

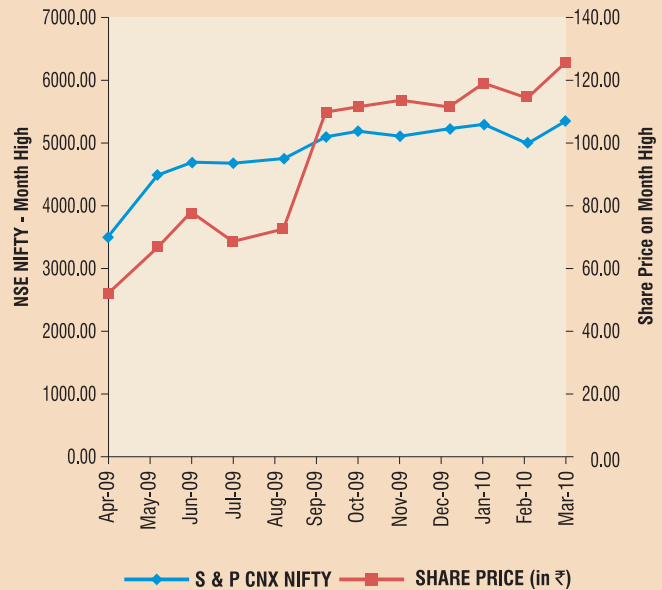


Performance in comparison to S & P Nifty

Index vs. Share Price

S. No.	Year (2009-10)	S & P CNX Nifty	Share Price (in ₹)
1	April-09	3517.25	51.95
2	May-09	4509.40	66.50
3	June-09	4693.25	78.05
4	July-09	4669.75	68.40
5	August-09	4743.75	72.40
6	September-09	5087.60	109.50
7	October-09	5181.95	111.40
8	November-09	5138.00	113.45
9	December-09	5221.85	110.95
10	January-10	5310.85	118.85
11	February-10	4992.00	113.90
12	March-10	5329.55	125.30

Liberty Shoes Ltd. on NSE Vs. NSE Nifty

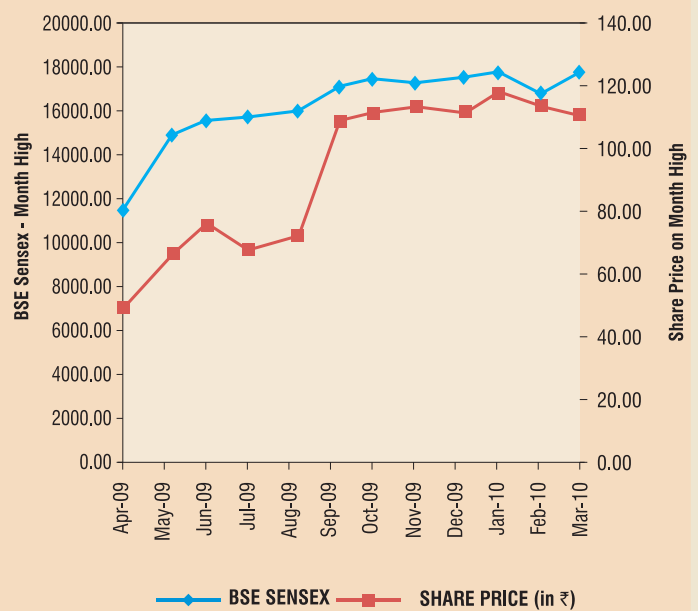


Performance in comparison to Sensex

Index vs. Share Price

S. No.	Year (2009-10)	BES Sensex	Share Price (in ₹)
1	April-09	11492.10	49.00
2	May-09	14930.54	66.40
3	June-09	15600.30	75.85
4	July-09	15732.81	68.00
5	August-09	16002.46	72.50
6	September-09	17142.52	109.25
7	October-09	17493.17	111.70
8	November-09	17290.48	113.70
9	December-09	17530.94	111.45
10	January-10	17790.33	118.70
11	February-10	16669.25	114.20
12	March-10	17793.01	110.90

Liberty Share Price on BSE Vs. BSE SENSEX



The monthly high low quotations as well as the volume of shares traded at National Stock Exchange Ltd. (NSE) and Bombay Stock Exchange Ltd. (BSE) for the financial year ended 31st March, 2010 are as under:

KEY INDICATORS

EQUITY SHARE PRICE MOVEMENT ON NSE & BSE (April 2009 - March 2010)

Year (2009-10)	High		Low		Volume		No. of Trades	
	NSE	BSE	NSE	BSE	NSE	BSE	NSE	BSE
April-09	51.95	49.00	35.50	36.80	143037	2339684	1859	1066
May-09	66.50	66.40	41.70	41.70	240070	5619850	3445	1734
June-09	78.05	75.85	54.05	55.10	324987	13212664	4714	1933
July-09	68.40	68.00	48.50	49.00	418495	16115352	6402	2368
August-09	72.40	72.50	58.10	57.50	441011	13014118	7361	2973
September-09	109.50	109.25	67.30	67.35	7897235	330944994	103314	34902
October-09	111.40	111.70	75.10	82.00	3577844	183165623	61121	20562
November-09	113.45	113.70	80.00	83.75	5518427	244532314	85849	28348
December-09	110.95	111.45	90.10	94.00	3657949	151595750	61211	20389
January-10	118.85	118.70	97.05	97.00	4885781	239944346	77955	77955
February-10	113.90	114.20	83.15	90.00	6793868	289279268	96034	32274
March-10	125.30	110.90	99.05	97.80	6363780	254210917	93666	31157
				TOTAL	1905250	1743974880	602937	204140

vii. Registrar and Share Transfer Agent:

Link Intime India Private Limited
A-40, 2nd Floor, Naraina Industrial Area, Phase- II
Near Batra Banquet Hall, New Delhi 110028.
Telephone: (91) 11-41410592~94.
Fax : (91) 11-41410591.
Email: delhi@linkintime.co.in

viii. Share Transfer System:

The Company has made arrangements with M/s Link Intime India Private Limited, the Common Agency for Share Transfer and the Depository Services. After completion of preliminary formalities of transfer / transmission by the Share Transfer Agent, the approval of transfer of shares in the physical form is done by the Share Holders / Investors' Grievance Committee.

In terms of SEBI Circular SEBI/MRD/CIR-10/2004 dated 10th February 2004, the Company returns the duly transferred Share Certificate(s) to the transferee in physical form.

Pursuant to Clause 47 (c) of the Listing Agreement, Certificate(s) on half yearly basis have been issued by the Company Secretary in Practice for due Compliance of Share Transfer formalities by the Company. As per SEBI (Depositories & Participants) Regulations, 1996, certificate(s) have been received from a Company Secretary in practice for timely dematerialization of shares and in respect of Secretarial Audit on quarterly basis for reconciliation of the Share Capital of the Company.



viii. Distribution of Shareholding:**Distribution Summary as on 31st March, 2010**

Shareholding of nominal value	Number of Shareholders		Number of Shares		Amount (in ₹)
	Number	% of total	Number	% of total	
Up to 2500	13,135	87.468	12,70,636	7.457	1,27,06,360
2501 – 5000	1,081	7.199	4,22,381	2.479	42,23,810
5001 – 10000	452	3.010	3,57,475	2.098	35,74,750
10001 – 20000	168	1.119	2,56,657	1.506	25,66,570
20001 – 30000	50	0.333	1,23,739	0.726	12,37,390
30001 – 40000	22	0.147	80,987	0.475	8,09,870
40001 – 50000	26	0.173	1,24,128	0.728	12,41,280
50001 – 100000	27	0.180	1,82,419	1.071	18,24,190
100001 & Above	56	0.373	1,42,21,578	83.46	14,22,15,780
Total	15,017	100.00	1,70,40,000	100.00	17,04,00,000

Category wise List of Shareholders as on 31st March, 2010

Category	No. of Shares held	Voting Strength (%)
Promoters Holding		
A Individual Promoters	67,93,490	39.87
B Bodies Corporate(s)	44,72,517	26.25
Total Promoters Holding	1,12,66,007	66.11
Public Holdings		
A FIIs, NRIs & Banks etc	47,316	0.28
B Indian Public including Private Corporate Bodies	57,26,677	33.61
Total Public Holding	57,73,993	33.89
Grand Total	1,70,40,000	100.00

**ix. Shares held in physical and dematerialized form:**

The Company's Shares are traded compulsorily in dematerialized form and are available for trading in depository system of both NSDL and CDSL through their depository participants. As on 31st March, 2010, the status of Shares in physical and dematerialized form stood as under:

S. No.	Mode of Equity Share Holding(s)	Number of Shares	Percentage of total capital
1	Demat	1,16,23,817	68.21
2	Physical	54,16,183	31.79
Total		1,70,40,000	100.00

x. Plant Locations:

The Company's plants are located at Karnal at Haryana, Dehradun and Roorkee at Uttarakhand and in Ponta Sahib at Himachal Pradesh.

xi. Requirement of Permanent Account Number (PAN):

The Securities and Exchange Board of India (SEBI) has mandated the submission of PAN by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit a copy of PAN to their Depository Participant with whom they are maintaining their Demat Accounts. Members holding shares in physical form can submit their PAN details to the Company / Registrar and Share transfer Agents, M/s Link Intime India Private Limited.

Apart from above, for securities market transactions and off-market / private transactions involving transfer of shares of the Company in physical form, it has also been made mandatory for the transferee(s) to furnish copy of PAN card to the Company / RTA for registration of such transfer of shares including:

- Deletion of name of the deceased shareholder(s), where the shares are held in the name of two or more shareholders.
- Transmission of shares to the legal heir(s), where deceased shareholder was the sole holder of shares.
- Transposition of shares when there is a change in the order of names in which physical shares are held jointly in the names of two or more shareholders.

xii. Address for Correspondence

For any query related to Annual report, transfer / dematerialization of shares, dividend, and any other matter related to shares, please contact at either of the following address:

Registrar and Share Transfer Agent: Link Intime India Pvt. Ltd.

A-40, 2nd Floor,
Naraina Industrial Area, Phase- II,
Near Batra Banquet Hall
New Delhi – 110 028
Tel : (91) 11-41410592~94
Fax : (91) 11-41410591
Email: delhi@linkintime.co.in

Company: Liberty Shoes Ltd.

Department of Investors' Relations
2nd Floor, Tower B, Building No: 8
DLF Cyber Citi, Phase-II
Gurgaon - 122 022
Tel : (91) 124-4616200
Fax : (91) 124-4616222
Email: munish@libertyshoes.com



DECLARATION BY CHIEF EXECUTIVE OFFICER ON CODE OF CONDUCT UNDER CLAUSE 49(I)(D)(II) OF THE LISTING AGREEMENT

To

The Members

Liberty Shoes Ltd.

I hereby declare that to the best of my knowledge and information, all the Board Members and Senior Management Personnel have affirmed in writing their adherence with the code of conduct adopted by the Company during the financial year ended 31st March, 2010.

Place: New Delhi
Date: Thursday, 12th August, 2010

Adesh Kumar Gupta
Chief Executive Officer

Auditors' Certificate

To the Members of **Liberty Shoes Ltd.**

We have examined the compliance of conditions of Corporate Governance by Liberty Shoes Ltd. for the year ended 31st March, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with StockExchange(s) in India.

The Compliance with the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedure and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the amended Clause 49 of the Listing Agreement.

We have been explained that no investor grievances are pending for a period exceeding one month as at 31st March, 2010 against the Company as per the records maintained by the Company, except those cases which are constrained by disputes or legal proceedings.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.



Place: New Delhi
Dated: Thursday, 12th August, 2010

For Pardeep Tayal & Co.
Firm Registration No. 002733N
Chartered Accountants

Pardeep Tayal
Partner
Membership No. 081643

Certification pursuant to Clause 49(V) of Listing Agreement

To The Board of Directors

Liberty Shoes Ltd.

We, the undersigned, in the representative capacity of Chief Executive Officer and Vice President & Company Secretary respectively, hereby certify to the best of our knowledge and belief that :

- a. We have reviewed the financial statements and the cash flow statement for the financial year ended 31st March, 2010 and that :
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- b. During the year, no transactions were entered into by the Company, which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the Auditors and the Audit Committee that:
 - i. there has not been any significant changes in internal control over financial reporting during the year under reference;
 - ii. there has not been any significant changes in accounting policies as disclosed in the financial statements of the Company; and
 - iii. there are no instances of significant fraud of which we had become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: New Delhi
Date: Thursday, 12th August, 2010

Adesh Kumar Gupta
Chief Executive Officer

Munish Kakra
*Vice President &
Company Secretary*



Management's Discussion and Analysis Report



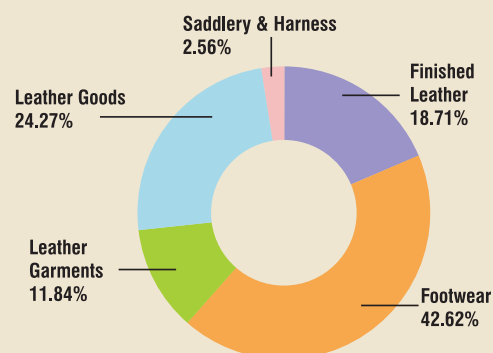
Indian Economy - Outlook: Year 2009-10 staged a fragile recovery of the world economy from the deepest recession since the World War II. The recovery was mainly due to unprecedented Government intervention and exceptionally large interest rate cuts by most of the central banks in anticipation and contribution of emerging economies such as India, Brazil, China, Mexico, Russia, and Indonesia to pull the global economy up. Indeed, Indian economy has seen an unprecedented economic expansion during such global meltdown. Rising input cost are forcing the corporations in the industrialized economies to shift their sourcing to the cost-effective regions like India to keep up the pricing competitiveness in the specific industry, they are in. In view of this, over the last few years Indian trade has also seen a decent growth in its global presence.

Indian economy has been passing through a transition phase in the last few years but has recorded a strong manufacturing output growth in 2009-10, especially in the case of capital goods and durable consumer goods. Overall, a rise has been expected in GDP in the industrial sector to 9.6 per cent in 2010-11 and 10.3 per cent in 2011-12. The expansion in the services sector is also expected to approach 9 per cent in 2010-11 and 9.6 per cent in 2011-12.

Considering the above positive developments in India, your Company has a considerable potential to grow and witness an improvement in its working.

The Indian Footwear Industry - Structure and Development: Indian Footwear Industry exists both in the traditional and modern sector. The traditional sector is mainly dominated by the small scale units, which accounts for nearly 55% of total production of Indian Footwear Industry. Whereas, the modern sector is characterized by the large scale manufacturers, who are more organized and focused towards serving the Industry with large installed capacities, latest technology base and skilled manpower. Our Industry has expected to reach a total turnover in leather and non-leather footwear at ₹8500-9500 Crores including ₹1200-1400 Crores in the household segment in year 2010-11. Over of a period of time, Indian Footwear Industry has adopted the systems of automated footwear manufacturing by replacing the manual footwear manufacturing methods. Most of the organised manufacturers are now equipped with In-house Design Studios incorporating state-of-the-art facilities having latest technologies. Liberty, ahead of many others, has also acquired ISO 9000, ISO 14000 as well as SA 8000 certifications for its facilities and processes.

Footwear Industry has emerged as an important sector not only in India but at globally as well. India has been the second largest global producer of footwear after China, accounting for nearly 13% of global footwear production of 16 billion pairs. India produces 2065 million pairs of different categories of footwear (leather footwear - 909 million pairs, leather shoe uppers - 100 million pairs and non-leather footwear - 1056 million pairs). India exports about 115 million pairs. Thus, nearly 95% of its production goes to meet its own domestic demand. During the year 2008-09, export of Footwear (Leather, Footwear Components and Non-Leather Footwear) has increased to ₹7053.80 Crores from previous years' export of ₹5996.21 Crores, registering a compounded annual growth of 13.91%. Footwear segment has always been the major contributor of the leather products exports from India, which is also evident from the following categorisation of export made during the year 2008-09:



Opportunities/Threats, Risk and Concern: Being an established household brand name, Liberty has always catered to the needs of its customers updating the latest trends and fashion to maintain its presence in the market. Liberty has constantly been evolving to keep pace with the changing trends, styles, beliefs and aspirations of customers while maintaining the sanctity of certain traditions like workmanship and good value for money.

As footwear retailing in India remain focused on Men's shoes only, there exists a plethora of opportunities in the ladies' and kids' footwear segment with no organized retailing chain having a national presence in either of these categories. Considering the present situation of footwear retailing as an opportunity, Liberty has been focusing on manufacturing of footwear for entire family to target the untapped segment in footwear. With changing lifestyle and increasing affluence, Liberty has considered the domestic demand of footwear to grow at a faster rate than has been seen in past.

Retail Optimism

Retail Industry has always been considered as one of the sectors, which is on the verge of escalation towards a well organized Industry in our economy. With a contribution of an overwhelming 14% to the national GDP and employing 7% of the total workforce in the country, the retail industry is definitely one of the pillars of the Indian economy. According to one of the estimates, retail sector is expected to grow almost three times from its current levels to ₹29,70,000 Crores by 2015 leading India to the top 5 retail markets in the world. The organized retailing is expected to grow to ₹4,50,000 Crores and account for 12-15% of retail sales by 2015.

Liberty is optimistic for the benefits available from the development of the present retail conditions and the ongoing swing from unorganized retailing to organized. With improved retail and supply chain infrastructure, the consumers would also be benefited due to the availability of more product offerings and efficient services by Liberty.

Such developments in retail sector have also attracted many international giants like Walmart, Carrefour, Tesco and Metro to foray into India's retail sector due to impact of the progress of liberalization and globalization in our economy. Keeping the overall economic development and interest of the consumers, Government of India has also started contemplating the Foreign Direct Investment (FDI) in the retail trade, which will ultimately help the manufacturer / retailers to deal with their end consumers in organized manner. FDI in retail sector would assist Liberty to reinforce its brand strength, increase its own retail presence and set up the dedicated teams to deal with modern retailers.

It has been contended that FDI in retail sector would create monopoly of big retailers, which would adversely hit the suppliers due to reduced price offering under big buying. Liberty, being backed by experience of more than 50 years in footwear industry with a nationwide presence and better quality standards, is confident of overriding the apparent risk. Liberty facilitates the availability of its products through its Pan-India distribution network and exclusive showrooms, which helps in curtailing the competition risk due to growing numbers of players.

Internal Control System and its Adequacy: Liberty has an adequate system of internal controls involving authorisation levels, supervision, checks, procedures through documented guidelines, which provide that all Company's transactions are authorised, recorded and reported correctly. Liberty also places its upmost importance on the effective internal audit systems.





The CEO/CFO certification provided elsewhere in the Annual Report discusses the adequacy of internal control systems and procedures followed by the Company.

Financial Performance: The highlights of the financial performance of the Company during the year ended 31st March, 2010 have been stated in the Directors' Report for the year ended 31st March, 2010, which appears separately in the Annual Report. Brief details of the performance of the Company during the year under consideration are given as under:

Capital Structure: During the year, there has been no change in the Capital Structure of the Company and Paid up Capital of the Company was ₹1704 Lacs as on 31st March, 2010. The previous change in the capital structure of the Company was made in year 2006.

Reserves and Surplus: The Company's reserves and surplus increased from ₹10529.99 Lacs to ₹11450.30 Lacs in 2009-10. Free reserves accounted for 99.97% of the total reserves as on 31st March, 2010.

Gross Block: Liberty's Gross Block increased by ₹480.28 Lacs to ₹13653.25 Lacs in 2009-10. The increase was mainly on account of normal capital expenditure required at plants.

Investments: Liberty's investments stood at ₹1750.19 Lacs (previous year ₹2033.99 Lacs) in 2009-10 as Liberty has divested its stake in its Joint Venture i.e. Footmart Retail (India) Ltd. In addition, Liberty has also subscribed to Zero % Fully Convertible Debentures of ₹500.00 Lacs in its retail subsidiary during the year.

Total Income and Profits: Liberty's total income, comprising sales and other income, increased from ₹24893.46 Lacs to 26684.94 Lacs in 2009-10. Profit before tax, after making a provision for depreciation, increased from ₹728.68 Lacs to ₹932.15 Lacs in 2009-10. The Company's net profit, after considering a tax provision of ₹163.15 Lacs (as against the previous year's ₹149.40 Lacs), MAT Credit Entitlement of ₹141.65 Lacs (previous year's ₹119.38 Lacs) and a deferred tax asset of ₹56.55 Lacs (as against previous year's assets of ₹55.86 Lacs), stood at ₹967.21 Lacs in 2009-10 (as against the previous year's ₹754.52 Lacs).

Interest and Financial Cost: Liberty's interest and financial costs stood at ₹899.19 Lacs in 2009-10 (previous year's ₹1256.41 Lacs), comprising interest on Term Loans and working capital requirements. The saving in interest and financial costs was due to reduction in working capital deployment and repayment of term loan.

Secured Loans: During the year under review, the Company availed Term Loan of ₹46.94 Lacs (as against previous year's ₹25.00 Lacs). The outstanding amount of the Term Loan as on 31st March, 2010 was ₹223.71 Lacs (as against previous year's ₹724.82 Lacs)

The amount of working capital loan primarily secured through the Company's current assets stood at ₹7280.61 Lacs compared to ₹7540.51 Lacs in the previous year.

Inventories: Inventories, comprising finished goods, raw materials, work in process etc. as at 31st March, 2010, stood at ₹6971.40 Lacs (as against previous year's ₹6727.25 Lacs).

The inventory-turnover ratio for the year ended 31st March, 2010 was 96 days as against 99 days in the previous year.

Sundry Debtors: Sundry Debtors, with an average realisation period of 94 days stood at ₹6845.15

Lacs in 2009-10 (as against the previous year's ₹7043.22 Lacs). Out of the Sundry Debtors, ₹772.99 Lacs (as against the previous year's ₹1073.79 Lacs) were due from overseas customers. The Company after considering the recovery process, has made a provision of ₹315.58 Lacs (as against previous year's ₹355.21 Lacs) for doubtful debts. During the year, the Company has also written off its book debts of ₹296.31 Lacs (as against previous year's ₹3.92 Lacs)

Loans and Advances: The Loans and Advances given by the Company included an advance Income Tax (including Minimum Alternate Tax) of ₹151.94 Lacs in 2009-10 (as against the previous year's ₹88.91 Lacs), fringe benefit tax of Nil (as against the previous year's ₹30.29 Lacs), export benefit receivables of ₹159.36 Lacs (as against the previous year's ₹95.72 Lacs) and prepaid expenses of ₹36.40 Lacs (as against the previous year's ₹28.66 Lacs). The security amount of ₹1564.32 Lacs (as against previous year's ₹1486.17 Lacs) continued to include an amount of ₹1375.00 Lacs (as against previous year's ₹1375.00 Lacs) paid under the agreements dated 31st March, 2003 for securing franchise and exclusive license arrangements.

Current Liabilities: The Sundry Creditors of ₹3570.54 Lacs included ₹117.59 Lacs towards capital goods (as against the previous year's ₹378.99 Lacs), represented an amount of ₹426.92 Lacs (as against the previous year's ₹302.03 Lacs) due towards M/s. Liberty Enterprises, Liberty Group Marketing Division, Liberty Footwear Co. under the terms of the respective agreements dated 31st March, 2003.

Human Resources Developments: Indian Footwear Industry has come a long way to occupy a place of prominence in view of its massive potential for growth & exports while providing opportunities for employment over 25 Lacs people in the industry, of whom 30% are women. Considering the ample opportunities available in the footwear sector, a fairly good institutional base has now been established in India, which is providing the requisite training and Human Resource development in the organized industry. The Footwear industry has employment potential of 3 Lacs jobs in next 3 years across all sections of the economy.

Liberty makes a continual efforts for training, upgradation and development needs of its Human Capital for their growth alongwith its own growth. Various in-house training programmes have been organised and also encouraged its employees to different external training programmes.

As on 31st March, 2010, the total employee strength of the Company stood at 1618 as compared to Previous Year's 1333. Further, the Company consistently complies with the terms and conditions under the franchise agreements including the reimbursement of workers' expenses.

Cautionary Statement: Statements in the Management's discussion and analysis, describing the Company's objectives, expectations and industrial outlook, may constitute 'forward looking statement' within the meaning of applicable laws. The actual results might differ materially from those either expressed or implied.



Auditors' Report

TO THE MEMBERS,

We have audited the attached Balance Sheet of Liberty Shoes Ltd. as on 31st March, 2010, Profit & Loss Account for the year ended on that date and also the Cash Flow Statement for the year ended on that day annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.

1. Further to our comments in the annexure referred to above, we report that:-
 - a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by the Report are in agreement with the books of accounts as submitted to us;
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representation received by us from the Directors of the Company as at 31st March, 2010 and taken on record by the Board of Directors, We report that no director is disqualified as on 31st March, 2010 from being appointed as Director of the Company under clause (g) of sub section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanation given to us, the said Accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
 - ii) In the case of Profit & Loss Account, of the profit of the Company for the year ended on that date; and
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.



For Pardeep Tayal & Co.
Firm Registration No. 002733N
Chartered Accountants

Place: New Delhi
Date: Thursday, 12th August, 2010

Pardeep Tayal
Partner
Membership Number 081643

Annexure to the Auditors' Report

(Referred to in para 3 of our report of even date)

- I.
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) During the year, there exists a regular programme of verification of Fixed Assets and which, in our opinion, is reasonable having regard to the size of the Company & nature of its assets. No material discrepancies were noticed on such verification.
 - c) During the year, the Company has not disposed off any major part of the fixed assets. Thus the going concern status of the Company is not affected.
- II.
 - a) As explained to us, the physical verification of the inventory was carried out at reasonable intervals by the Management.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable & adequate in relation to the size of the Company & the nature of its business.
 - c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventory, and the discrepancies noticed on verification between the physical stock & book records were not material in relation to the operation of the Company & the same have been properly dealt with in the books of accounts.
- III.
 - a) The Company has not granted any loan to any Company, firm or parties listed in the register maintained under section 301 of the Act.
 - b) The provisions of clause 4 (iii) (b) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
 - c) The provisions of clause 4 (iii) (c) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
 - d) The provisions of clause 4 (iii) (d) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
 - e) The Company had taken short term loan from one Company, M/s Geofin Investments Pvt. Ltd. This Company is listed in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹16,44,25,214/- & the year-end balance of loan taken from such party was ₹10,00,00,000/-.
 - f) In our opinion, the rate of interest & other terms & condition on which loan has been taken from the above said Company listed in the register maintained under section 301 of the Companies Act, 1956 is not, prima facie, prejudicial to the interest of the Company.
 - g) The Company has been regular in repaying the principal amount and payment of interest as stipulated.
- IV. In our opinion & according to information & explanations given to us, there are adequate internal control procedures commensurate with the size of the Company & the nature of its business with regard to purchase of inventory, fixed assets & with regard to sale of goods and services. During the course of our audit, we have neither come across nor we have been informed of any major weaknesses in the aforesaid internal control system.
- V.
 - a) According to information & explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 have been entered into the register maintained under section 301 of the Companies Act, 1956.
 - b) In our opinion & according to information & explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 during the year have been made at prices which are reasonable.
- VI. The Company has not accepted any deposit from the public as per the directives issued by Reserve Bank of India and the provisions of Section 58 A, 58 AA or any other relevant provisions of the Act and rules framed there under.
- VII. In our opinion, the Company has an internal audit system commensurate with the size & nature of its business.
- VIII. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- IX.
 - a) According to the information and explanation given to us and on the basis of our examination of records of the Company, amounts deducted / accrued in the books of accounts in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education Protection Fund, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess & other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.
 - b) There are no undisputed amount payable in respect of Income Tax, Sales Tax/VAT, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess & other material statutory dues as at 31st March, 2010 which are outstanding for a period more than six months from the date they become payable.
 - c) As at 31st March, 2010 according to the records of the Company and the information and explanations given to us, following are the particulars of disputed dues on account of Excise Duty, Income Tax and VAT which have not been deposited:



Nature of Statute	Nature of dues	Amount (in ₹)	Period to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Excise Duty	2,99,75,448	November 2004 to June 2005 and May 2006 to June 2006	Customs, Excise & Service Tax Appellate Tribunal, New Delhi
The Central Excise Act, 1944	Excise Duty	11,95,268	Financial year 2002-03	Customs, Excise & Service Tax Appellate Tribunal, New Delhi
The Central Excise Act, 1944	Education Cess	3,86,314	Financial year 2004-05	Customs, Excise & Service Tax Appellate Tribunal, New Delhi
The Service Tax Act, 1994	Service Tax on service received from outside India prior to the applicability of the related law	1,24,536	Financial Year 2002-2003	Customs, Excise & Service Tax Appellate Tribunal, New Delhi
The Income Tax Act, 1961	Income Tax on account of reduction in amount of deduction u/s 80 HHC in terms of Taxation Law Amendment Bill, 2005	11,20,244	Assessment Year 2002-2003	Commissioner of Income Tax (Appeals)
Punjab Value Added Tax, 2005	Value Added Tax on account of classification of goods at different rate of tax	19,13,016	Financial Year 2006-07	Deputy Commissioner (Appeals)
Punjab Value Added Tax, 2005	Value Added Tax on account of classification of goods at different rate of tax	22,30,998	Financial Year 2006-07	Deputy Commissioner (Appeals)



- X. The Company does not have any accumulated losses as at 31st March 2010. The Company has not incurred any cash losses during the financial year covered by our audit & in the immediately preceding financial year.
- XI. In our opinion & according to information & explanations given to us, the Company has not defaulted in repayment of dues to a financial institutions, bank or debenture holders.
- XII. The Company has not granted any loans & advances on the basis of security, by way of pledge of shares, debentures & other securities.
- XIII. In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/ society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
- XIV. In our opinion the Company is not dealing in or trading in shares, securities, debentures & other investments. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
- XV. In our opinion and according to the information and explanation given to us, the terms and conditions of the guarantees given by the Company, for loans taken by subsidiary from banks during the year are not prejudicial to the interest of the Company.
- XVI. According to information & explanations given to us, the term loans have been applied for the purpose for which they were raised.
- XVII. According to information & explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- XVIII. According to information & explanations given to us, the Company has not made any preferential allotment of shares to parties & Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- XIX. According to the information and explanations given to us the Company has not issued any secured debentures during the year.
- XX. The Company has not raised any money through public issue during the year.
- XXI. According to information & explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For Pardeep Tayal & Co.
Firm Registration No. 002733N
Chartered Accountants

Pardeep Tayal
Partner
Membership Number 081643

Place: New Delhi
Date: Thursday, 12th August, 2010

Balance Sheet

as at 31st March, 2010

(Amount in ₹)

PARTICULARS	SCHEDULES		31.03.2010		31.03.2009
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	17,04,00,000		17,04,00,000	
Reserves & Surplus	2	1,14,50,29,753	1,31,54,29,753	1,05,29,98,993	1,22,33,98,993
Loan Funds					
Secured Loans	3	75,04,31,618		82,65,32,740	
Unsecured Loans	4	12,78,99,700	87,83,31,318	19,03,29,914	1,01,68,62,654
Deferred Tax					
Deferred Tax Liability	5		5,96,34,097		6,52,89,687
TOTAL			2,25,33,95,168		2,30,55,51,334
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	1,36,53,25,008		1,31,72,96,575	
Less: Depreciation		53,25,00,454		47,08,47,571	
Net Block		83,28,24,554		84,64,49,004	
Add: Capital Work in Progress		-	83,28,24,554	12,92,181	84,77,41,185
Investments	7		17,50,19,357		20,33,98,812
Current Assets, Loans & Advances					
Inventories	8	69,71,39,387		67,27,25,412	
Sundry Debtors	9	68,45,15,178		70,43,22,494	
Cash & Bank Balances	10	4,13,38,981		5,14,67,849	
Loans & Advances	11	29,68,97,372		28,16,65,313	
		1,71,98,90,918		1,71,01,81,068	
Less: Current Liabilities	12	45,99,39,359		44,25,19,417	
Provisions	13	1,44,00,302		1,32,50,314	
Net Current Assets			1,24,55,51,257		1,25,44,11,337
TOTAL			2,25,33,95,168		2,30,55,51,334

Schedules referred to above and notes on the accounts in Schedule 21 form an integral part of the Balance Sheet

Signed in terms of our Audit Report of even date.

For Pardeep Tayal & Co.,
Firm Regn. No. 002733N
Chartered Accountants

for and on behalf of the Board

Pardeep Tayal
Partner
Membership No. 081643

Adesh Kumar Gupta
Chief Executive Officer

Adarsh Gupta
Executive Director

Shammi Bansal
Executive Director

Raghubar Dayal
Director

Munish Kakra
Vice President & Company Secretary

Place: New Delhi
Dated: Thursday, 12th August, 2010

Profit & Loss Account

for the year ended 31st March, 2010

(Amount in ₹)

PARTICULARS	SCHEDULES		31.03.2010		31.03.2009
INCOME					
Sales		2,66,11,48,302		2,47,52,66,480	
Less: Excise Duty		5,44,61,762		7,08,28,579	
		2,60,66,86,540		2,40,44,37,901	
Other Income	14	73,45,654		1,40,79,477	
Increase/(Decrease) in Stocks	15	1,61,04,375	2,63,01,36,569	(11,78,78,966)	2,30,06,38,412
EXPENDITURE					
Raw Materials Consumed and Finished Goods Purchased	16	1,38,52,93,036		1,16,43,16,511	
Manufacturing Expenses	17	20,53,69,135		18,08,68,348	
Payments and Benefits to Employees	18	27,03,16,824		20,91,85,795	
Administration, Selling and Miscellaneous Expenses	19	51,60,95,878		49,10,44,987	
Interest & Financial Charges	20	8,99,18,767		12,56,40,916	
Excise Duty		20,02,799		(92,32,509)	
Depreciation	6	6,79,25,354	2,53,69,21,793	6,59,45,826	2,22,77,69,874
Profit before tax			9,32,14,776		7,28,68,538
Provision for Taxation					
Current Tax			1,63,14,800		1,21,95,260
MAT Credit Entitlement			(1,41,65,384)		(1,19,38,000)
Fringe Benefit Tax			-		27,44,967
Deferred Tax			(56,55,590)		(55,86,050)
Profit after tax			9,67,20,950		7,54,52,361
Add/(Less): Taxation adjustments of previous years (net)			(46,90,190)		(2,42,653)
Net Profit for the year			9,20,30,760		7,52,09,708
Add: Opening balance			34,38,69,485		32,86,59,777
Net Profit available for appropriations			43,59,00,245		40,38,69,485
APPROPRIATIONS					
Transfer to General Reserve			6,00,00,000		6,00,00,000
Balance carried over to Balance Sheet			37,59,00,245		34,38,69,485
Earning Per Share of Rs. 10/- each					
Basic & Diluted			5.68		4.43
Basic & Diluted (Before Exceptional Items)			5.92		4.44
Basic & Diluted (Considering Taxation for Previous Years)			5.40		4.41

Schedules referred to above and notes on the accounts in Schedule 21 form an integral part of the Profit & Loss Account

Signed in terms of our Audit Report of even date.

For Pardeep Tayal & Co.,
Firm Regn. No. 002733N
Chartered Accountants

for and on behalf of the Board

Pardeep Tayal
Partner
Membership No. 081643

Adesh Kumar Gupta
Chief Executive Officer

Adarsh Gupta
Executive Director

Shammi Bansal
Executive Director

Raghubar Dayal
Director

Munish Kakra
Vice President & Company Secretary

Place: New Delhi
Dated: Thursday, 12th August, 2010

Cash Flow Statement

for the year ended 31st March, 2010

(Amount in ₹)

PARTICULARS	31.03.2010	31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax, Interest and extra ordinary items	17,84,87,728	19,49,72,488
Adjustments for:		
Unrealised Foreign Exchange Difference	26,39,326	70,27,663
Depreciation	6,79,25,354	6,59,45,826
Loss/(Gain) on sale of Fixed Assets	42,06,323	1,41,121
Bank & Other Interest	(26,10,628)	(32,54,667)
Dividend on Investments	-	(3,66,963)
Provision for doubtful debts	12,21,102	3,55,20,855
Operating Profit before working capital changes	25,18,69,205	29,99,86,323
Adjustments for:		
Trade & Other Receivables	1,85,86,214	(1,56,95,366)
Inventories	(2,44,13,975)	8,91,47,696
Loans & Advances	(28,34,174)	21,02,724
Trade & Other Payables	(7,07,29,968)	(9,51,72,204)
Cash generated from Operations	17,24,77,302	28,03,69,173
Direct Taxes Paid	(1,83,57,669)	(90,24,365)
Cash Flow before extra ordinary items	15,41,19,633	27,13,44,808
Extra Ordinary Items	-	-
Net Cash Flow from Operating Activities	15,41,19,633	27,13,44,808
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(6,39,77,445)	(4,49,57,357)
Sale of Fixed Assets	67,62,399	11,94,937
Bank and Other Interest	26,10,628	32,54,667
Dividend on Investments	-	3,66,963
Increase in Investments	(5,01,96,050)	-
Decrease in Investments	7,85,75,505	-
Net Cash used in Investing Activities	(2,62,24,963)	(4,01,40,790)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	46,93,795	25,00,000
Repayment of long term borrowings	(5,48,05,055)	(8,62,27,097)
Interest paid	(8,52,72,952)	(13,39,08,186)
Dividend paid & Corporate Dividend Tax	-	-
Net Cash used in Financing Activities	(13,53,84,212)	(21,76,35,283)
D Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	(74,89,542)	1,35,68,735
E Cash & Cash Equivalents (Opening Balance)	5,14,67,849	4,49,26,777
F Unrealised Foreign Exchange Difference	(26,39,326)	(70,27,663)
G Cash & Cash Equivalents (Closing Balance) (D+E+F)	4,13,38,981	5,14,67,849
Components of Cash & Cash Equivalents		
Cash in hand including imprest	19,61,150	47,20,361
Balance with Scheduled Banks		
Current Accounts	86,40,355	63,64,915
Fixed Deposits	3,07,37,476	4,03,82,573
Total	4,13,38,981	5,14,67,849

Notes: 1) Purchase of Fixed Assets include movements of capital work in progress between the beginning & at the end of the year 2. The Cash Flow Statement has been prepared under the indirect method as set out in AS-3 on Cash Flow Statement issued by the The Institute of Chartered Accountants of India.

Signed in terms of our Audit Report of even date.

For Pardeep Tayal & Co.,
Firm Regn. No. 002733N
Chartered Accountants

for and on behalf of the Board

Pardeep Tayal
Partner
Membership No. 081643

Adesh Kumar Gupta
Chief Executive Officer

Adarsh Gupta
Executive Director

Shammi Bansal
Executive Director

Raghubar Dayal
Director

Munish Kakra
Vice President & Company Secretary

Place: New Delhi
Dated: Thursday, 12th August, 2010

Schedules

(Amount in ₹)

	31.03.2010	31.03.2009
SCHEDULE-1		
SHARE CAPITAL		
Authorised: 51000000 (Previous year 51000000 Equity Shares) of Rs. 10 each	51,00,00,000	51,00,00,000
Issued, Subscribed & Paid up: 17040000 (Previous year 17040000) Equity Shares of Rs. 10 each fully paid up. Out of the above 85,20,000 Equity Shares (Previous year 85,20,000) issued by way of Bonus Equity Shares.	17,04,00,000	17,04,00,000
Total	17,04,00,000	17,04,00,000
SCHEDULE-2		
RESERVES & SURPLUS		
Capital Reserve	3,99,500	3,99,500
General Reserve		
Opening Balance	68,70,09,364	62,70,09,364
Add: Transferred from Profit & Loss Account	6,00,00,000	6,00,00,000
Closing Balance	74,70,09,364	68,70,09,364
Share Premium	2,17,20,644	2,17,20,644
Profit & Loss Account	37,59,00,245	34,38,69,485
Total	1,14,50,29,753	1,05,29,98,993
SCHEDULE-3		
SECURED LOANS		
TERM LOAN (includes Rs. 1,85,75,188/- (Previous year Rs. 5,76,41,414/-) repayable within one year) (Secured by way of Equitable Mortgage of Land situated at Village Bhagwanpur, Roorkee, Uttarakhand for Unit No. VII, Equitable Mortgage of Land situated at Poanta Sahib, Himachal Pradesh for Unit No. V & VI and 1st charge by way of Hypothecation of building situated at Libertypuram and all Plant & Machinery and Moveable Fixed Assets.	2,23,70,934	7,24,82,194
WORKING CAPITAL LOANS (Secured by 1st Pari Passu charge by way of Hypothecation of Company's entire stock of raw materials, stock in process, finished goods, consumables, stores and spares, finished goods in stores, in transit and with shippers at port awaiting shipment for exports, receivables, cheques, bank drafts and all other current assets and 2nd Pari Passu charge by way of Hypothecation of entire Plant & Machinery and Moveable Fixed Assets.)	72,80,60,684	75,40,50,546
Total	75,04,31,618	82,65,32,740
SCHEDULE-4		
UNSECURED LOANS		
Security Deposits	2,78,99,700	2,59,04,700
Short Term Loans and Advances		
from Banks	-	-
from Others	10,00,00,000	16,44,25,214
Accrued Interest	-	-
Total	12,78,99,700	19,03,29,914
SCHEDULE-5		
DEFERRED TAX LIABILITY		
At the start of the year	6,52,89,687	7,08,75,737
for the year	(56,55,590)	(55,86,050)
Total	5,96,34,097	6,52,89,687

Schedules

(Amount in ₹)

SCHEDULE - 6 FIXED ASSETS										
Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Total as on 01.04.2009	Additions during the period	Sales/Adj. during the period	Total as on 31.03.2010	Total as on 01.04.2009	for the period	Sales/Adj. during the period	Total as on 31.03.2010	As on 31.03.2010	As on 31.03.2009
Land	13,04,05,825	-	-	13,04,05,825	-	-	-	-	13,04,05,825	13,04,05,825
Building*	21,53,05,142	38,10,418	-	21,91,15,560	4,08,49,483	71,92,215	-	4,80,41,698	17,10,73,862	17,44,55,659
Plant & Machinery	69,78,20,892	2,48,20,494	3,72,372	72,22,69,014	25,71,87,337	3,79,61,994	71,790	29,50,77,541	42,71,91,473	44,06,33,555
Moulds	18,15,15,156	81,79,805	-	18,96,94,961	13,81,52,323	1,47,52,584	-	15,29,04,907	3,67,90,054	4,33,62,833
Patents	15,500	-	-	15,500	3,838	-	-	3,838	11,662	11,662
Furniture & Fixture	3,18,39,315	39,07,878	-	3,57,47,193	1,11,59,538	21,32,122	-	1,32,91,660	2,24,55,533	2,06,79,777
Vehicles	6,03,94,745	2,45,51,031	1,68,68,821	6,80,76,955	2,34,95,052	58,86,439	62,00,681	2,31,80,810	4,48,96,145	3,68,99,693
Total	1,31,72,96,575	6,52,69,626	1,72,41,193	1,36,53,25,008	47,08,47,571	6,79,25,354	62,72,471	53,25,00,454	83,28,24,554	84,64,49,004
Capital work in progress										
Building under construction	12,92,181	23,53,484	36,45,665	-	-	-	-	-	-	12,92,181
Grand Total	1,31,85,88,756	6,76,23,110	2,08,86,858	1,36,53,25,008	47,08,47,571	6,79,25,354	62,72,471	53,25,00,454	83,28,24,554	84,77,41,185
Previous year	1,27,61,32,511	6,39,89,537	2,15,33,292	1,31,85,88,756	40,60,66,799	6,59,45,826	11,65,054	47,08,47,571	84,77,41,185	87,00,65,712

* The part portion of factory building situated at Libertypuram is constructed on lease hold land.

Schedules

(Amount in ₹)

	31.03.2010	31.03.2009
SCHEDULE-7		
INVESTMENTS		
Long Term (At Cost)		
Other than Trade - Unquoted		
a) Subsidiaries		
Liberty Retail Revolutions Ltd.		
9996150 (Previous year 9996150) Equity Shares of Rs. 10/- each fully paid	9,99,61,500	9,99,61,500
500000 (Previous year Nil) Zero % Fully Convertible Debentures of Rs. 100/- each fully paid	5,00,00,000	-
Liberty Foot Fashion Middle East FZE		
1 (Previous year 1) Equity Share of UAE Dhiram 1000000 fully paid	1,21,93,257	1,21,93,257
Share Application Money pending allotment	1,28,64,600	1,26,68,550
Total - Subsidiaries (a)	17,50,19,357	12,48,23,307
b) Other than Subsidiaries		
Foot-Mart Retail India Ltd.		
Nil (Previous year 24498) Equity Shares of Rs. 10/- each fully paid	-	2,44,980
Nil (Previous year 2341221) Equity Shares of Rs. 10/- each fully paid at a premium of Rs. 15/- each	-	5,85,30,525
Share Application Money pending allotment of Nil Equity Shares (Previous year 792000) of Rs. 10/- each fully paid at a premium of Rs. 15/- each	-	1,98,00,000
Total - Other than Subsidiaries (b)	-	7,85,75,505
Total - Investments (a + b)	17,50,19,357	20,33,98,812
Aggregate amount of Quoted Investments	-	-
Aggregate amount of Unquoted Investments	17,50,19,357	20,33,98,812
Aggregate Market Value of Quoted Investments	-	-
SCHEDULE-8		
INVENTORIES (AS VALUED AND CERTIFIED BY THE MANAGEMENT)		
Raw Materials	15,21,79,726	14,36,72,080
Goods in Process	16,56,58,394	15,33,27,001
Finished Goods	35,09,87,626	34,72,14,643
Packing Materials	99,33,802	92,55,520
Stores & Spares	1,79,51,229	1,86,83,261
Oil & Lubricants	4,28,610	5,72,907
Total	69,71,39,387	67,27,25,412
SCHEDULE-9		
SUNDRY DEBTORS (UNSECURED)		
Debts outstanding for a period exceeding six months		
Considered good	11,60,99,410	11,38,10,226
Considered doubtful	3,67,41,957	3,55,20,855
Other Debts		
Considered good	56,84,15,768	59,05,12,268
	72,12,57,135	73,98,43,349
Less: Provision for doubtful debts	3,67,41,957	3,55,20,855
Total	68,45,15,178	70,43,22,494

Schedules

(Amount in ₹)

	31.03.2010	31.03.2009
SCHEDULE-10		
CASH AND BANK BALANCES		
Cash in hand including Imprest	19,61,150	47,20,361
Balances with Scheduled Banks		
Current Accounts	86,40,355	63,64,915
Fixed Deposits	3,07,37,476	4,03,82,573
Total	4,13,38,981	5,14,67,849
SCHEDULE-11		
LOANS & ADVANCES (UNSECURED, CONSIDERED GOOD)		
Advances recoverable in cash or in kind or for the value to be received	14,04,65,161	13,30,48,687
Securities	15,64,32,211	14,86,16,626
Total	29,68,97,372	28,16,65,313
SCHEDULE-12		
CURRENT LIABILITIES		
Sundry Creditors	35,70,53,934	34,50,29,316
Advances from Customers	3,09,68,492	1,90,77,271
Expenses Payable	4,94,64,700	5,58,93,038
Other Liabilities	2,24,52,233	2,25,19,792
Total	45,99,39,359	44,25,19,417
SCHEDULE-13		
PROVISIONS		
Provision for taxation (Net of MAT Credit Entitlement)	21,49,416	30,02,227
Provision for Excise Duty	1,22,50,886	1,02,48,087
Total	1,44,00,302	1,32,50,314
SCHEDULE-14		
OTHER INCOME		
Bank and Other Interest (Tax deducted at Source ₹3.15 Lacs [Previous Year ₹ 5.26 Lacs])	26,10,628	32,54,667
Freight	24,19,745	32,71,866
Miscellaneous Income	23,08,982	67,28,534
Bad Debts Recovered	-	3,61,563
Income from Current Investments		
Dividend on Current Investments	-	3,66,963
Exceptional Items		
Profit on Sale of Fixed Assets	6,299	95,884
Total	73,45,654	1,40,79,477

Schedules

(Amount in ₹)

	31.03.2010	31.03.2009
SCHEDULE-15		
INCREASE/(DECREASE) IN STOCKS		
Opening Stock:		
Finished	34,72,14,644	41,05,04,694
In Process	15,33,27,001	20,79,15,917
	<u>50,05,41,645</u>	<u>61,84,20,611</u>
Closing Stock:		
Finished	35,09,87,626	34,72,14,644
In Process	16,56,58,394	15,33,27,001
	<u>51,66,46,020</u>	<u>50,05,41,645</u>
Increase/(Decrease) in Stocks	1,61,04,375	(11,78,78,966)
SCHEDULE-16		
RAW MATERIALS CONSUMED & FINISHED GOODS PURCHASED		
(a) Raw Materials		
Opening Stock	14,36,72,079	11,48,03,090
Add: Purchases	1,03,33,42,858	86,33,48,639
	<u>1,17,70,14,937</u>	<u>97,81,51,729</u>
Less: Closing Stock	15,21,79,726	14,36,72,079
Raw Materials Consumed	1,02,48,35,211	83,44,79,650
(b) Finished Goods Purchased	36,04,57,825	32,98,36,861
Total (a+b)	<u>1,38,52,93,036</u>	<u>1,16,43,16,511</u>
SCHEDULE-17		
MANUFACTURING EXPENSES		
Freight Inwards	71,71,904	46,55,716
Upper Production Charges	4,88,92,061	3,66,56,678
Oil & Lubricants	2,13,76,370	1,51,78,533
Electricity Charges	3,30,31,178	2,86,99,390
Repairs to Machinery	1,57,85,386	1,64,61,318
Land Lease Rent	1,12,236	2,16,713
Franchise Fee	7,90,00,000	7,90,00,000
Total	<u>20,53,69,135</u>	<u>18,08,68,348</u>
SCHEDULE-18		
PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	25,17,22,749	19,52,39,407
Contribution to Provident and Other Funds	1,38,66,608	98,10,111
Staff Welfare Expenses	47,27,467	41,36,277
Total	<u>27,03,16,824</u>	<u>20,91,85,795</u>

Schedules

(Amount in ₹)

	31.03.2010	31.03.2009
SCHEDULE 19		
ADMINISTRATION, SELLING & MISCELLANEOUS EXPENSES		
Packing Materials Consumed	8,54,67,506	7,11,15,133
Printing & Stationery	45,60,862	41,81,015
Claims	1,96,14,814	1,90,93,556
Tour, Travelling and Conveyance	3,34,90,939	3,01,94,471
Insurance Charges	46,01,856	48,30,346
Fees and Taxes	1,58,52,004	1,52,79,309
Postage, Telegram, Telephone and Telex	89,14,209	79,58,983
Subscriptions	3,71,593	2,76,208
Advertisements	3,05,06,228	2,95,16,303
Rent	1,32,12,251	66,04,571
Donations	10,66,338	16,47,229
Export CIF Expenses	1,64,55,708	1,28,68,575
Freight Outward	1,81,99,910	1,60,59,371
Samples	6,04,953	5,15,006
Auditors' Remuneration:		
Statutory Audit Fee	2,25,000	2,00,000
Tax Audit Fee	80,000	80,000
Certification Fee	20,000	20,000
Cost Audit Fee	75,000	1,00,000
Miscellaneous Expenses	46,20,329	85,40,638
Royalty	8,47,50,000	8,32,50,000
Entertainment Expenses	33,84,034	26,80,590
Commission	3,23,76,034	3,56,92,360
Sales Promotion Expenses	6,00,17,184	7,38,03,891
Newspapers & Periodicals	1,87,847	2,91,103
Debts written off	2,96,31,364	3,92,192
Provision for doubtful debts (Note 'xv' of Schedule 21)	12,21,102	3,55,20,855
Consultancy & Professional Charges	2,65,27,437	1,64,48,399
Repairs & Maintenance Expenses-Building	42,08,074	20,00,041
Repairs & Maintenance Expenses-Others	85,98,117	59,53,677
Exchange Rate Fluctuations	26,39,326	34,66,950
Loss on sale of Short Term Investments	-	17,96,705
Loss on transfer of Duty Credit	4,03,237	4,30,505
Exceptional Items		
Loss on sale of Fixed Assets	42,12,622	2,37,005
Total	51,60,95,878	49,10,44,987
SCHEDULE-20		
INTEREST AND FINANCIAL CHARGES		
Bank Interest	7,58,83,801	10,51,58,288
Interest to Others	93,89,151	1,69,45,662
Bank Charges	46,45,815	35,36,966
Total	8,99,18,767	12,56,40,916

Schedules

SCHEDULE-21

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of Financial Statements

- The accompanying Financial Statements have been prepared in accordance with the Historical Cost Conventions.
- Accounting Policies not specifically referred to otherwise are consistent with Generally Accepted Accounting Principles followed by the Company, applicable Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006, Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- The items of income & expenditure are recognized on accrual basis.

b) Revenue Recognition

- Sales revenue is recognized on dispatch of goods, net of sales returns, trade discount and VAT/Sales tax but inclusive of Excise Duty and do not include the cost of materials used for captive consumption.
- Export Incentives are accounted on accrual basis and include the estimated value of incentives receivable under the DEPB Scheme and the Duty Drawback Scheme. Any difference at the time of actual receipt is accounted for in the year of receipt. The amount of export incentives has been adjusted with the cost of raw materials consumed.
- Gain/Loss on transfer of Duty Credit Entitlements received under the DEPB Scheme is accounted for in the year of transfer.

c) Inventory Valuation

Inventories are valued at the lower of cost and net realisable value. Cost of inventories, other than for manufactured finished goods and goods in process, is determined on Weighted Average Cost Method (net of CENVAT credit availed) of stock accounting. Cost of manufactured finished goods and goods in process include cost of raw materials consumed on weighted average basis and appropriate portion of allocable overheads and Excise Duty wherever applicable. Scrap, if any, at the year end does not form part of the closing inventory.

d) Fixed Assets and Capital work in progress

Fixed Assets are stated at original cost (net of CENVAT credit availed) but including freight inward, duties, taxes and other incidental expenses relating to acquisition and installation thereof. Capital work in progress includes cost of fixed assets under installation and other incidental expenses.

e) Depreciation

Depreciation on Fixed assets is provided on Straight Line Method (SLM) at the rates and in the manner prescribed in the Schedule XIV of the Companies Act, 1956.

f) Valuation of Investments

Long term Investments are valued at cost. Short Term Investments are valued at lower of cost and fair value, calculated individually for each investment.

g) Excise Duty

Excise Duty, wherever applicable, is accounted for at the time of manufacture of finished goods.

h) Contingent Liabilities

All known liabilities wherever material are provided for and liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.



i) Employee Benefits

- (i) Short-term employee benefits are recognized as an expense in the Profit & Loss Account of the year in which the related service is rendered.
- (ii) Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected method made at the end of the financial year. The Company has created a trust under the Group Gratuity Scheme with the Life Insurance Corporation of India (LIC) and amount paid/payable in respect of the present value of liability for past services is charged to the Profit & Loss Account every year. The difference, if any, between the actuarial valuation of the gratuity of employees at the year end and the balance of funds with LIC is provided for as liability in the books.

j) Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. All other borrowing costs are charged to revenue in the period in which they are incurred.

k) Foreign Exchange Transactions

- (i) Assets and liabilities relating to foreign currency transactions remaining unsettled at the year-end are converted into Indian rupees at closing rates and any gain or loss arisen is adjusted in profit and loss account.
- (ii) Gains/losses arising out of fluctuations in foreign exchange rates between the transaction date and settlement date are recognized in the profit and loss account under the head "Exchange Rate Fluctuation".
- (iii) The difference between the forward rate and the exchange rate on date of inception of a forward contract in respect of forward contracts with underlying assets or liabilities is recognised as income or expense and is amortized over the life of the contract.
- (iv) Forward exchange contracts entered to hedge the foreign currency risk are marked to market as at the year end and the resultant exchange gain or loss is recognised in the Profit & Loss Account.
- (v) Non monetary foreign currency items are carried at cost and accordingly, the investment in foreign subsidiary is expressed in Indian Currency at the exchange rate prevailing at the date of the transaction.

l) Provision for Taxation

Provision for taxation is made taking into consideration the provisions of Income Tax Act, 1961 and Wealth Tax Act, 1957. Adjustment, if any, arising out of the assessment is made in the year the assessment is completed.

m) Provision for Deferred Taxation

Deferred tax has been provided for all timing differences as required under the provisions of Accounting Standards issued by Institute of Chartered Accountants of India.

n) Impairment of Assets

The Company reviews the carrying value of assets for any possible impairment at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value at appropriate discount rates.

2. NOTES ON ACCOUNTS

i) Details of Managerial Remuneration:

(Amount in ₹)

Particulars	31.03.2010	31.03.2009
Payment and provision for remuneration to:		
• Executive Director(s)	36,00,000	27,00,000
• Director (Law & Taxation)	9,00,000	9,00,000



Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956, for calculation of commission paid/payable to directors:

(Amount in ₹)

Particulars	31.03.2010	31.03.2009
Profit before tax as per Profit & Loss Account	9,32,14,476	7,28,68,538
Add:		
Directors' Remuneration	45,00,000	36,00,000
(Profit)/Loss on sale of Fixed Assets (Net)	42,06,323	1,41,121
Directors' Sitting Fees	45,000	52,500
(Profit)/Loss on sale of Investments	--	17,96,705
Net Profit as per Section 349 of the Companies Act, 1956	10,19,65,799	7,84,58,864
Commission paid/payable to Directors	-	-

During the year no remuneration has been paid to Non-Executive Directors except for the sitting fees of ₹45,000/- (Previous Year ₹52,500/-).

- ii) In the opinion of the Board and to the best of its knowledge, the value of realization of current assets, loans and advances in the ordinary course of business would not be less than the amount at which they have been stated in the Balance Sheet.
 - iii) The assessment of the Company in respect of Income Tax & Wealth Tax is completed up to Assessment Year 2007-2008.
 - iv) The Company in the year 2003, entered into an agreement with Liberty Enterprises and Liberty Group Marketing Division for taking over their footwear business on franchise basis and with Liberty Footwear Co. for use of "Liberty" trademark on exclusive basis for an initial period of 7 years with automatic extension for further period of 3 years/with mutual consent of the parties respectively. The footwear business as defined in the agreement include Fixed Assets, intellectual Properties, Know-how and Distribution Network etc. of the two Partnership Firms. Under the terms of the agreements, no ownership of assets, tangible or intangible, has been transferred to the Company. During the year, in terms of the agreements and in conformity with the requisite approvals of the Central Govt. the Company has made the payments (including provisions) amounting to ₹6,00,00,000/- (Previous year ₹6,00,00,000), ₹7,00,00,000/- (Previous year ₹7,00,00,000/-) and ₹3,37,50,000/- (Previous year ₹3,22,50,000/-) respectively. In terms of the respective agreements, the same have been renewed for the further period of 3 years.
- Further while deciding on the dispute amongst the Partners of Liberty Enterprises as regards to the aforesaid franchise agreement, the learned arbitrator confirmed the Company's stand by holding that the arbitral verdict will not be having any impact on the Company as regards to such arrangements being not a party to the dispute. Moreover Liberty Enterprises in addition to their confirmation to the agreement has also informed that on certain legal issues its affected partners are filing their objections before the appropriate authority and seeking order for setting aside of such award. Considering the same, the Company is also contemplating legal opinion for taking appropriate action, if required.
- v) Interest to others include, ₹93,14,647/- (Previous year ₹1,01,22,198/-) against short term loan @ 12% p.a. from M/s Geofin Investments Pvt. Ltd.
 - vi) During the year the Company has capitalized the borrowing cost of ₹ Nil (Previous year ₹ Nil) as part of the cost of the qualifying assets.
 - vii) The Company has paid the excise duty amounting to ₹5,44,61,762/- (Previous year ₹7,08,28,579/-) against the sales executed during the year.

Also the Company has made the provision of excise duty of ₹1,22,50,886/- (Previous Year ₹1,02,48,087/-) against finished goods lying in stocks as on 31st March, 2010 and the difference



of two has been recognised separately in the Profit & Loss Account.

- viii) Fixed Deposit receipts (including accrued interest) for value of ₹3,07,37,476/- (Previous year ₹4,03,82,573/-), appearing under head 'Cash & Bank Balances, are under lien with Banks/ respective authorities for issuance of bank guarantees/ letters of credits and as earnest money.
- ix) Under the Focus Product Scheme of Director General of Foreign Trade, Government of India, during the year, the Company has received an incentive of ₹51,99,800/- (Previous year ₹46,42,225/-) for foreign exchange realized against exports made during the financial years 2007-08, 2008-09 & 2009-10 and the profits of the Company for the year are higher to that extent.
- x) Till date the Company, out of the leasehold land comprising 42.29 acres with validity till 12th December 2008, has purchased 31.36 acres of land at Libertypuram. Out of the purchased land, 27.02 acres of land have been got registered in the name of the Company and the Company is in process of getting the necessary compliances done for the balance. The validity of the lease deed for 0.75 acres of land, belonging to promoter, has been got extended for mutually agreed terms.
- xi) To further strengthen the organized retailing and to promote its own retail initiatives directly and through its Subsidiary Company M/s Liberty Retail Revolutions Ltd., during the year, the Company under its retail sales promotion policy has borne the cost of retail stores on account of rental and maintenance charges by suitably reducing the retailers' margins against its sales. The same have been booked under the account head Sales Promotion Expenses.
- xii) The Company has not received any memorandum (as required to be filed by the suppliers with the notified authority under the Micro, Small & Medium Enterprise Development Act, 2006) claiming their status as on 31st March, 2010 as Micro, Small or Medium Enterprise. Consequently the amount paid/payable to these parties during the year is nil.



xiii) Contingent Liabilities

(Amount in ₹)

Particulars	2009-10	2008-09
I) Bank Guarantees issued on behalf of the Company submitted with various institutional customers in terms of their orders.	2,31,68,160	1,96,86,114
II) Excise Duty ¹ for the financial year 1994-95 & 1995-96. CESTAT has decided this particular matter in favour of the Company but the department has preferred their appeal with the Hon'ble Supreme Court.	2,78,31,534	2,78,31,534
III) On account of disallowance of legitimate credit of CENVAT against Excise Duty/ Education Cess for the period from November 2004 to June 2005, May 2006 to June 2006, Financial year 2002-03 and 2004-05. CESTAT while admitting Company's appeal directed to deposit ₹39.00 Lacs under protest and has granted stay.	3,55,81,366	3,55,06,657
IV) Service Tax for Financial year 2002-03 on service received from outside India prior to the applicability of the related law.	1,24,536	--
V) Invoice Funding facility.	4,43,63,581	--
VI) Counter Guarantee given to banks for securing working capital limits of retail subsidiary and joint venture Company ² .	10,88,00,000	14,80,00,000
VII) Income Tax on account of routine assessment for the assessment years 1998-99, 2003-04.	35,03,426	55,68,874
VIII) Income Tax for the assessment year 2002-03, 2003-04 and 2004-05 on account of reduction in amount of deduction u/s 80HHC in terms of Taxation Law Amendment Bill, 2005.	17,86,599	17,86,599
IX) Value Added Tax ³ for the financial year 2005-06, 2006-07 and 2007-08 on account of classification of goods at different rate of tax.	2,96,02,499	2,96,02,499
X) Service Tax ⁴ penalty for non-payment of service tax on commission paid against exports for the period for which the Company was not legally liable to pay under the provisions of the applicable law.	--	1,36,446
XI) Due to some administrative compliance relating to EPCG licenses for which the Company has fulfilled its export obligation.	4,42,00,783	4,42,00,783



¹On the basis of indemnifying clause under the agreement with the two Partnership Firms whose business has been available to the Company on franchise basis, the Company has given its undertaking to the Excise Department to pay the liabilities, if any arises, relating to the period prior to the date of the agreement.

²Includes the corporate guarantee for ₹5,88,00,000/- (Previous year ₹9,80,00,000/-) given on behalf of joint venture company. However, the Company is in process of getting the same vacated.

³Including amount deposited under protest ₹60,90,487/- (Previous year ₹55,90,487/-).

⁴Including amount deposited under protest ₹ Nil (Previous year ₹1,36,446/-)

- xiv) Capital commitments not provided for are estimated at ₹ Nil (Previous year ₹50/- Lacs).
- xv) Provision for doubtful debts: During the year the Company has considered debts for ₹3,15,58,132/- (Previous year ₹3,55,20,855/-) as doubtful debts and made the provision accordingly. Also during the year considering the un-recoverability of some of the doubtful debts, the Company has withdrawn ₹3,03,37,030/- (Previous year Nil) out of the provisions made in the earlier years for the same and written off the bad debts (net) for ₹2,96,31,364/-. Differential of the provision made and amount withdrawn during the year, detailed as under, has been charged to Profit & Loss Account for the year and the balance has been carried in the balance sheet:

Profit & Loss Account

(Amount in ₹)

Particulars	2009-10	2008-09
Provision for the year	3,15,58,132	3,55,20,855
Less: Amount withdrawn from the provision made for doubtful debts in the earlier years	3,03,37,030	--
Net debited to Profit & Loss Account	12,21,102	3,55,20,855

Balance Sheet

(Amount in ₹)

Particulars	2009-10	2008-09
Opening Balance	3,55,20,855	--
Add: Provision for the year	3,15,58,132	3,55,20,855
Total	6,70,78,987	3,55,20,855
Less: Amount withdrawn during the year	3,03,37,030	--
Closing balance	3,67,41,957	3,55,20,855

- xvi) The Board of Directors of the Company considers and maintains "Footwear" as the only business segment of the Company.
- xvii) Basic and Diluted Earning per share: The Basic and diluted earning per share of the Company is as under: -

(Amount in ₹)

Description	2009-10	2008-09
Basic & Diluted Profit after Taxation (A)	9,67,20,950	7,54,52,361
Weighted average number of Equity Shares (B)	1,70,40,000	1,70,40,000
Nominal value per Equity Share	10.00	10.00
Basic & Diluted Earnings per share (A/B)	5.68	4.43

xviii) Related Party Transactions

The Company has made the following transactions with related parties as defined under the provisions of Accounting Standard 18 issued by Institute of Chartered Accountants of India.

- A) Transactions between the Company and related parties and the status of outstanding balances as at 31st March, 2010:

(Amount in ₹)

Description	Subsidiary	Entities where Key Management Personnel/ Relative of Key Management Personnel has significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
Transactions					
Receiving of Services	14,62,368 (-)	96,40,199 (56,48,614)	84,012 (81,828)	- (-)	1,11,86,579 (57,30,442)
Sale of Goods	24,58,86,835 (16,76,12,523)	23,83,566 (-)	- (-)	- (-)	24,82,70,401 (16,76,12,523)
Sharing of Expenses	38,42,151 (28,98,202)	- (-)	- (-)	- (-)	38,42,151 (28,98,202)
License Agreements	- (-)	18,06,16,250 (18,24,95,118)	- (-)	- (-)	18,06,16,250 (18,24,95,118)
Payment of Salary, Wages and other benefits to employees	- (-)	3,66,04,376 (2,67,00,160)	45,00,000 (36,00,000)	28,90,000 (33,72,000)	4,39,94,376 (3,36,72,160)
Equity Contribution (including share application money)	1,96,050 (-)	- (-)	- (-)	- (-)	1,96,050 (-)
Fully Convertible Debentures	5,00,00,000 (-)	- (-)	- (-)	- (-)	5,00,00,000 (-)
Loans taken	- (-)	24,43,00,000 (42,64,00,000)	- (-)	- (-)	24,43,00,000 (42,64,00,000)
Repayment of Loans	- (-)	31,79,46,715 (41,25,27,802)	- (-)	- (-)	31,79,46,715 (41,25,27,802)
Interest Paid	- (-)	93,14,647 (1,01,22,198)	- (-)	- (-)	93,14,647 (1,01,22,198)
Corporate Guarantees	5,00,00,000 (5,00,00,000)	- (-)	- (-)	- (-)	5,00,00,000 (5,00,00,000)
Outstanding balances					
Sundry Debtors	7,80,44,495 (6,95,87,454)	23,83,566 (-)	- (-)	- (-)	8,04,28,061 (6,95,87,454)
Sundry Creditors	- (-)	4,26,91,606 (3,02,03,120)	- (-)	- (-)	4,26,91,606 (3,02,03,120)
Unsecured Loans	- (-)	10,00,00,000 (16,44,25,214)	- (-)	- (-)	10,00,00,000 (16,44,25,214)
Fully Convertible Debentures	5,00,00,000 (-)	- (-)	- (-)	- (-)	5,00,00,000 (-)
Corporate Guarantees	5,00,00,000 (5,00,00,000)	- (-)	- (-)	- (-)	5,00,00,000 (5,00,00,000)

Previous year figures are in brackets



B) Detail of Related Parties and description of relationship:

i) Subsidiary Companies:

Liberty Retail Revolutions Ltd., Liberty Foot Fashion Middle East FZE

ii) Entities where Key Management Personnel/Relative of Key Management Personnel has significant influence:

Geofin Investments Pvt. Ltd., Liberty Group Marketing Division, Liberty Enterprises, Liberty Footwear Co., Sanjeev Bansal Charitable Trust, Liberty Innovative Outfits Ltd.

iii) Key Management Personnel:

1) Sh. Adesh Kumar Gupta 2) Sh. Adarsh Gupta 3) Sh. Shammi Bansal
4) Sh. Satish Kumar Goel 5) Sh. Sunil Bansal

iv) Relatives of Key Management Personnel:

S/Sh. Anupam Bansal, Raman Bansal, Vivek Bansal (Brothers of Directors) Ayush Bansal, Manan Bansal (Sons of Directors)

Note: Receiving the services from Key Management Personnel and their relatives includes rent and land lease charges.

C) Disclosure of significant transactions with related parties:

Type of Transaction	Type of Relationship	Name of the Entity/Person	Nature	Financial Year (₹)	
				2009-10	2008-09
Receiving of Services	Entities where Key Management Personnel / Relative of Key Management Personnel has significant influence	Geofin Investments Pvt. Ltd.	Rent for Office Premises	75,31,724	35,69,003
		Liberty Footwear Co.	Rent for Office Premises	5,64,000	7,17,011
		Sanjeev Bansal Charitable Trust	Rent for Office Premises	4,50,000	4,50,000
			Medical facilities for employees	10,94,475	9,12,600
Subsidiary	Liberty Retail Revolutions Ltd.	Shop Upper production Charges	14,62,368	-	
Sale of Goods	Subsidiary	Liberty Retail Revolutions Ltd.	Sale of Goods manufactured and deal in by the Company	24,58,86,835	16,76,12,523
	Entities where Key Management Personnel / Relative of Key Management Personnel has significant influence	Liberty Innovative Outfits Ltd.	Sale of Goods manufactured and deal in by the Company	23,83,566	-
Sharing of Expenses	Subsidiary	Liberty Retail Revolutions Ltd.	Sales Promotin Expenses	38,42,151	28,98,202
License Agreements	Entities where Key Management Personnel / Relative of Key Management Personnel has significant influence	Liberty Enterprises	Franchise Fee (including Service Tax)	6,61,80,000	6,72,92,400
		Liberty Group Marketing Division	Franchise Fee (including Service Tax)	7,72,10,000	7,85,07,800
		Liberty Footwear Co.	Licence Fee (including Service Tax)	3,72,26,250	3,66,94,918
Payment of Salary, Wages and other benefits to employees	Entities where Key Management Personnel / Relative of Key Management Personnel has significant influence	Liberty Group Marketing Division	Salary, Wages and other benefits	3,66,04,376	2,67,00,160

Equity Contribution	Subsidiary	Liberty Foot Fashion Middle East	Share Application Money	19,6,050	-
Fully Convertible Debentures	Subsidiary	Liberty Retail Revolutions Ltd.	Fully Convertible Debentures	5,00,00,000	-
Loans Taken	Key Management Personnel /Relative of Key Management Personnel has significant influence	Geofin Investment Pvt. Ltd.	Unsecured Loans	24,43,00,000	42,64,00,000
Repayment of Loans				31,79,46,715	41,25,27,802
Interest Paid/Payable				93,14,647	1,01,22,198
Corporate Guarantees	Subsidiary	Liberty Retail Revolutions Ltd.	Given to Banks	5,00,00,000	5,00,00,000
Outstanding balances					
Sundry Debtors	Subsidiary	Liberty Retail Revolutions Ltd.	Against Sale of goods manufactured and deal in by the Company	7,80,44,495	6,95,87,454
	Key Management Personnel /Relative of Key Management Personnel has significant influence	Liberty Innovative Outfits Ltd.	Against Sale of goods manufactured and deal in by the Company	23,83,566	-
Sundry Debtors	Key Management Personnel /Relative of Key Management Personnel has significant influence	Liberty Enterprises	Franchise Fee (including Service Tax)	1,20,91,123	84,44,651
		Liberty Group Marketing Division	Franchise Fee & Salary, Wages and other benefits (including Service Tax)	2,14,17,423	1,58,04,704
		Liberty Footwear Co.	Licence Fee (including Service Tax)	91,83,060	59,53,765
Unsecured Loans		Geofin Investments Pvt. Ltd.	Unsecured Loans	10,00,00,000	16,44,25,214
Corporate Guarantees	Subsidiary	Liberty Retail Revolutions Ltd.	Given to Banks	5,00,00,000	5,00,00,000

xix) Detail of Employee Benefits - Gratuity

The Company has a defined gratuity plan (Defined Benefit). Every employee, on completion of continuous service of five years or more with the Company, is entitled to get the gratuity on 15 days salary, on the basis of last drawn salary, for each completed year of service. The scheme is funded with Life Insurance Corporation of India (LIC) in the form of qualifying insurance policy.

The following table summarizes the components of net benefit expense recognized in the Profit & Loss Account and the funded status and amounts recognized in the Balance Sheet for the respective plans:

Profit and Loss Account

a) Net Employee Benefit Expense (recognized in Employee Cost):

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2010	Gratuity (Funded) 31.03.2009
1.	Current Service Cost	16,20,068	21,52,349
2.	Interest Cost on benefit obligation	10,35,903	10,40,420
3.	Expected return on Plan Assets	(8,59,535)	(5,56,292)
4.	Actuarial Loss/(Gain)	6,73,350	(2,00,128)
5.	Net Benefit Expenses	24,69,786	24,36,349

Balance Sheet**b) Details of Provision for Gratuity**

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2010	Gratuity (Funded) 31.03.2009
1.	Present Value of Defined Benefit Obligation	1,49,30,016	1,36,51,976
2.	Fair value of Plan Assets	1,29,49,474	1,03,05,183
3.	Surplus/(Deficit)	(19,80,542)	(33,46,793)
4.	Net Asset/(Liability)	(19,80,542)	(33,46,793)

c) Changes in Present Value of the Defined Benefit Obligation are as follows:

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2010	Gratuity (Funded) 31.03.2009
1.	Defined Benefit Obligation at the beginning of the year	1,36,51,976	1,30,05,253
2.	Current Service Cost	16,20,068	21,52,349
3.	Interest Cost	10,35,903	10,40,420
4.	Actuarial (Gain)/Loss on obligations	6,73,350	(2,00,128)
5.	Benefits paid	(20,51,281)	(23,45,918)
6.	Defined benefit obligation at the end of the period	1,49,30,016	1,36,51,976

d) Changes in Fair Value of Plan Assets are as follows:

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2010	Gratuity (Funded) 31.03.2009
1.	Opening Fair Value of Plan Assets	1,03,05,183	70,65,706
2.	Expected Return	8,59,535	5,56,292
3.	Contributions by employer	38,36,037	50,29,103
4.	Benefits paid	(20,51,281)	(23,45,918)
5.	Actuarial Gains/(Losses)	-	-
6.	Closing Fair Value of Plan Assets	1,29,49,474	1,03,05,183

e) The principle assumptions used in determining Gratuity obligations are as follows:

Sr. No.	Particulars	Gratuity (Funded) 31.03.2010	Gratuity (Funded) 31.03.2009
1.	Discount rate	8.00%	8.00%
2.	Expected rate of return on Plan Assets	8.00%	7.75%
3.	Salary escalation rate	6.00%	6.00%
4.	Attrition rate	1% to 3% depending upon age	1% to 3% depending upon age

f) Amount for the current and previous periods are as follows:

(Amount in ₹)

Sr. No.	Particulars	March 2010	March 2009
1.	Defined Benefit Obligation	(1,49,30,016)	(1,36,51,976)
2.	Plan Assets	1,29,49,474	1,03,05,183
3.	Surplus/(Deficit)	(19,80,542)	(33,46,793)
4.	Experience adjustments on plan liabilities	6,73,350	(2,00,128)
5.	Experience adjustments on plan assets	-	-

- xx) For the current year Deferred Tax asset and liability has been calculated after considering the timing differences of ₹1,66,38,968/- (Previous year ₹1,66,36,198/-) and ₹ Nil (Previous year ₹2,01,800/-) respectively on account of depreciation and expenses written off.
- xxi) There are no dues payable to the Investor Education and Protection Fund as at 31st March, 2010.
- xxii) Previous year figures have been regrouped/ re-arranged wherever necessary. The current year and previous year figures have been rounded off to the nearest rupees.
- xxiii) Additional information pursuant to the provisions of paragraph 3, 4B, 4C and 4D of Part-II of the Schedule VI of the Companies Act, 1956 to the extent applicable:

A) Information in respect of capacity and class of goods manufactured, certified by the management but not verified by the auditors being a technical matter.

Licensed Capacity

Class of Goods	Quantity	Unit
Leather Garments	1,00,000	Nos.
Leather Shoes	55,00,000	Pairs
Leather Shoe Uppers	30,00,000	Pairs
Non Leather Shoes	1,15,00,000	Pairs
Soles & Heels of Rubber or Plastics	1,00,00,000	Pairs
Hawai Chappals	4,00,00,000	Pairs
EVA Co-polymer Compound	2,000	Tonnes



Installed Capacity as on 31st March, 2010

Class of Goods	Unit	2009-10		2008-09	
		Owned	On Franchise Basis	Owned	On Franchise Basis
		Quantity		Quantity	
Shoes (Leather & Non Leather)	Pairs	74,76,000	31,24,000	74,76,000	31,24,000
EVA Co-polymer Compound	Tonnes	600	-	600	-
Soles	Pairs	-	9,60,000	-	9,60,000

B) Information in respect of Production, Sales and Stocks of Goods

i) In respect of Manufactured Goods for the period ended on 31st March, 2010

(in value 000's omitted)

Description	Unit	Production Qty.	Cap. Con Qty.	Sales		Opening Stock		Closing Stock	
				Qty.	Value(₹)	Qty.	Value(₹)	Qty.	Value(₹)
Non Leather Shoes	Pairs	41,91,925 (35,39,399)	-	39,75,687 (37,43,487)	8,01,538 (7,87,405)	3,75,565 (5,79,653)	64,704 (1,10,633)	5,91,803 (3,75,565)	1,14,270 (64,704)
Leather Shoes	Pairs	24,58,254 (20,93,426)	-	24,55,285 (21,68,905)	13,13,418 (11,90,019)	4,86,209 (5,61,688)	2,38,808 (2,66,719)	4,89,178 (4,86,209)	2,16,289 (2,38,808)
Leather Shoe Uppers	Pairs	10,99,977 (9,23,873)	10,83,198 (9,85,049)	8,803 (14,356)	3,611 (8,219)	2,16,750 (2,92,282)	60,177 (85,895)	2,24,726 (2,16,750)	59,901 (60,177)
Non Leather Shoe Uppers	Pairs	27,85,411 (20,65,983)	27,58,530 (22,36,662)	-	-	2,80,310 (4,50,989)	21,181 (38,453)	3,07,191 (2,80,310)	24,858 (21,181)
EVA Compound	Kgs.	2,36,445 (2,28,875)	2,32,219 (2,30,266)	-	-	5,142 (6,533)	537 (560)	9,368 (5,142)	971 (537)
PU/PVC/EVA Soles	Pairs	7,80,963 (8,19,923)	7,10,763 (8,35,287)	84,357 (161)	6,559 (13)	2,47,467 (2,62,992)	18,438 (17,595)	2,33,310 (2,47,467)	14,868 (18,438)

ii) In respect of Traded Goods:

(in value 000's omitted)

Description	2009-10 Value (₹)	2008-09 Value (₹)
Leather/Non Leather Shoes	1,19,498	1,26,090
Raw Materials & Other including accessories	4,16,525	3,63,520

C) Information in respect of Raw Materials consumed

(in value 000's omitted)

Description	Unit	2009-10		2008-09	
		Quantity	Value (₹)	Quantity	Value (₹)
PVC Compound	Kgs.	13,28,222	83,314	9,33,310	63,815
Laminated Leather Fabric	Mtrs.	8,92,597	95,816	7,17,954	68,173
PU Chemicals	Kgs.	7,59,368	94,461	7,02,319	87,577
Leather	SDM	4,60,50,898	1,99,831	3,63,32,707	1,82,725
P.U. Soles	Pairs	11,87,213	98,057	7,17,984	66,777
EVA Resin	Kgs.	2,16,951	27,966	1,67,887	26,133
Shoe Uppers/Components	Pairs	23,44,695	2,78,079	18,97,702	2,39,495
Others			1,83,626		1,32,998
Total			10,61,149		8,67,692
Less: Amount of Export Incentives			36,314		33,212
Net Consumption			10,24,835		8,34,480

D) Information in respect of consumption of Imported and Indegenous Materials and percentage thereof

Description	2009-10		2008-09	
	Value (₹)	%age	Value (₹)	%age
Raw Materials				
Imported	5,63,66,677	5.50	4,24,44,601	5.09
Indigenous	96,84,68,534	94.50	79,20,35,049	94.91
Total	1,02,48,35,211	100.00	83,44,79,650	100.00
Consumable Stores & Spares				
Imported	22,80,907	14.45	53,63,208	32.58
Indigenous	1,35,04,479	85.55	1,10,98,110	67.42
Total	1,57,85,386	100.00	1,64,61,318	100.00

E) Other Particulars

(Amount in ₹)

Description	2009-10	2008-09
a) CIF value of Imports:		
Raw Materials & Others	8,08,78,186	6,79,91,627
Capital Goods	57,40,253	1,22,28,424
Stores & Spares	9,83,088	70,46,757
b) Expenditure in Foreign Currency		
Travelling Expenses	33,21,465	26,02,033
Commission	48,54,168	75,47,620
Business Promotion	20,07,316	35,54,391
Rent	14,26,584	13,43,431
Technical Consultancy	16,56,020	-
c) FOB Value of Exports of		
Finished Goods	36,78,98,429	37,79,77,764



xxiii) Balance Sheet Abstract and Company's General Business Profile

For the Year ended 31st March, 2010

CIN: L19201HR1986PLC033185

I. Registration Details

Registration No.	0 3 3 1 8 5	State Code	0 5
Balance Sheet Date	3 1 0 3 2 0 1 0		

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	N I L	Right Issue	N I L
Bonus Issue	N I L	Private Placement	N I L

III. Position of mobilisation and deployment of funds (Amount in Rs. Thousands)

Total Liabilities	2 2 5 3 3 9 5	Total Assets	2 2 5 3 3 9 5
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Sources of Funds

Paid-up Capital	1 7 0 4 0 0	Reserves and Surplus	1 1 4 5 0 3 0
Secured Loans	7 5 0 4 3 1	Unsecured Loans	1 2 7 9 0 0
Deferred Tax Liability	5 9 6 3 4		

Application of Fund

Net Fixed Assets	8 3 2 8 2 5	Investment	1 7 5 0 1 9
Net Current Assets	1 2 4 5 5 5 1	Miscellaneous Expenditure	N I L
Accumulated Losses	N I L		

IV. Performance of Company (Amount in Rs. Thousands)

Turnover	2 6 6 1 1 4 8	Total Expenditure	2 5 7 5 2 7 9
Other income	7 3 4 6		
Profit before Tax	9 3 2 1 5	Profit After Tax	9 6 7 2 1
Earning per share (Rs.)	5 . 6 8		
Dividend Rate (%)	N I L		

V. Generic Names of three Principal Products of the Company (As per monetary terms)

Item Code No. (ITC Code)	Product description
6 4 0 3 5 1 0 1	F O O T W E A R
6 4 0 6 2 0 0 0	U N I T S O L E S

Signed in terms of our Audit Report of even date.

For Pardeep Tayal & Co.,
Firm Regn. No. 002733N
Chartered Accountants

for and on behalf of the Board

Pardeep Tayal
Partner
Membership No. 081643

Adesh Kumar Gupta
Chief Executive Officer

Adarsh Gupta
Executive Director

Shammi Bansal
Executive Director

Raghubar Dayal
Director

Munish Kakra
Vice President & Company Secretary

Place: New Delhi
Dated: Thursday, 12th August, 2010

Statement Pursuant to Section 212(1)(e) of the Companies Act, 1956

(Amount in ₹)



1	Name of the Subsidiary Company / Joint Venture	Liberty Retail Revolutions Ltd.	Liberty Foot Fashion Middle East FZE*
2	The Period of Subsidiary Company	1st April, 2009 to 31st March, 2010	1st April, 2009 to 31st March, 2010
3	Extent of interest of the Company in the Subsidiary Company at the end of financial year of Subsidiary Company		
	Equity Shares Capital		
	a) No. of Shares held by Liberty Shoes Ltd. and face value thereof	99,96,150 Equity Shares of Rs.10/- each, fully paid up	1 (One) Equity Share of AED 10,00,000/- each, fully paid up
	b) Extent of Holding	93.86%	100.00%
4	Net Aggregate amount of the profit/(loss) of the Subsidiary Company for the period, so far as it concerns the members of Liberty Shoes Ltd.		
	a) not dealt with in the accounts of Liberty Shoes Ltd. for the year ended on 31st March, 2010	(3,35,23,259)	(62,169)
	b) dealt with in the accounts of Liberty Shoes Ltd. for the year ended on 31st March, 2010	NIL	NIL
5	Net Aggregate amount of the profit/(loss) of the Subsidiary Company for the previous financial year, so far as it concerns the members of Liberty Shoes Ltd.		
	a) not dealt with in the accounts of Liberty Shoes Ltd. for the year ended on 31st March, 2009	(5,07,51,894)	(1,38,500)
	b) dealt with in the accounts of Liberty Shoes Ltd. for the year ended on 31st March, 2009	NIL	NIL
6	Changes, if any, in the Holding Company's interest in the Subsidiary between the end of the financial year of the Subsidiary and that of the Holding Company	N.A.	N.A.
7	Materials Changes, if any, between the end of financial year of the Subsidiary and that of the Holding Company.	N.A.	N.A.

* The Subsidiary Company has not commenced its operations.

Signed in terms of our Audit Report of even date.
For Pardeep Tayal & Co.,
Firm Regn. No. 002733N
Chartered Accountants

for and on behalf of the Board

Pardeep Tayal
Partner
Membership No. 081643

Adesh Kumar Gupta
Chief Executive Officer

Adarsh Gupta
Executive Director

Shammi Bansal
Executive Director

Raghubar Dayal
Director

Munish Kakra
Vice President & Company Secretary

Place: New Delhi
Dated: Thursday, 12th August, 2010

Statement Pursuant to Section 212(8) of the Companies Act, 1956

As per the AS 21 issued by the Institute of Chartered Accountants of India, the financial statements of the Company reflecting the consolidation of accounts of its subsidiary companies to the extent of equity holding of the Company in these companies are included in the Annual Report.

In terms of approval granted by the Central Government vide its Order No. 47 / 606 / 2010 CL - III dated 18th June, 2010 under Section 212(8) of the Companies Act, 1956, the Annual Accounts, Reports of Directors and Auditors of the Subsidiary Companies and the related detailed information shall be made available to the shareholders of the Company and of Subsidiary Companies at any working day from 10.00 A.M. till 6.00 P.M. The Annual Accounts of the subsidiary companies are open for inspection by any investor at the Registered Office of the Company and of the subsidiary companies and a note to that effect has been included in this Annual Report. Apart from above, the additional financial information in respect of Subsidiary Companies is given as under:

(Amount in ₹ Lacs)

Name of the Subsidiary Company / Joint Venture	Liberty Retail Revolutions Ltd.	Liberty Foot Fashion Middle East FZE*
Capital	1065.00	122.50
Share Application Money	-	139.01
Reserves	910.00	-
Total Assets	3554.99	261.51
Total Liabilities	3554.99	261.51
Details of Investments (excluding investment in Subsidiaries)	0.42	-
Turnover	3513.83	-
Profit/(Loss) before tax	(352.14)	(0.50)
Provision for Tax	-	-
Profit/(Loss) after tax	(352.14)	(0.50)
Proposed Dividend including dividend declared during the year	-	-



The Foreign Exchange rate used for conversion amount in AED to INR is ₹12.25.

* The Subsidiary Company has not commenced its operations.

The amount given in the table is from the Annual Accounts made for the financial year ended 31st March, 2010 for Subsidiary Companies.

Undertaking

We undertake that the Annual Accounts of the Subsidiary Companies and the related detailed information will be made available to the investors, who seek such information at any point of time. The Annual Accounts of the Subsidiary Companies will also be kept available for inspection by the investor in the Registered / Head Office of Liberty Shoes Ltd. and that of Subsidiary Companies concerned.

Signed in terms of our Audit Report of even date.

For Pardeep Tayal & Co.,
Firm Regn. No. 002733N
Chartered Accountants

for and on behalf of the Board

Pardeep Tayal
Partner
Membership No. 081643

Adesh Kumar Gupta
Chief Executive Officer

Adarsh Gupta
Executive Director

Shammi Bansal
Executive Director

Raghubar Dayal
Director

Munish Kakra
Vice President & Company Secretary

Place: New Delhi
Dated: Thursday, 12th August, 2010

Auditors' Report

TO THE BOARD OF DIRECTORS OF LIBERTY SHOES LTD.



- 1) We have audited the attached consolidated Balance Sheet of Liberty Shoes Ltd. as at 31st March, 2010, and also the consolidated Profit and Loss account and the consolidated Cash Flow Statement for the year ended on that day annexed thereto. These financial statements are the responsibility of the management of Liberty Shoes Ltd. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) The financial statements of Liberty Foot Fashion Middle East FZE for the year ended 31st March, 2010, being a Company registered in the United Arab Emirates, are audited by Sangani & Co., Chartered Accountants and we have been furnished with their audit report dated 15th June, 2010. We are presented with the accounts in Indian Rupees prepared on the basis of the aforesaid accounts to comply with requirements of Section 212 of the Companies Act, 1956 and to prepare the Consolidated Financial Statements in accordance with requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements".
- 4) We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Liberty Shoes Ltd., its Subsidiaries namely Liberty Retail Revolutions Ltd. and Liberty Foot Fashion Middle East FZE.
- 5) On the basis of the information and explanations given to us and based on the consolidation of the separate audit reports on individual audited financial statements of Liberty Shoes Ltd., Liberty Retail Revolutions Ltd. and Liberty Foot Fashion Middle East FZE read together with the Notes appearing in Schedule 21, we are of the opinion that:
 - a) the Consolidated Balance Sheet gives a true and fair view of the Consolidated state of affairs of Liberty Shoes Ltd and its Subsidiaries as at 31st March, 2010.
 - b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Liberty Shoes Ltd. and its Subsidiaries for the year then ended on that date; and
 - c) the Consolidated Cash Flow Statements gives a true and fair view of the cash flows of operations of Liberty Shoes Ltd and its Subsidiaries for the year ended on that date.

For Pardeep Tayal & Co.
Firm Registration No. 002733N
Chartered Accountants

Place: New Delhi
Dated: Thursday, 12th August, 2010

Pardeep Tayal
Partner
Membership Number 081643

Consolidated Balance Sheet

as at 31st March, 2010

(Amount in ₹)

PARTICULARS	SCHEDULES		31.03.2010		31.03.2009
<u>SOURCES OF FUNDS</u>					
Shareholders' Funds					
Share Capital	1	17,04,00,000		17,04,00,000	
Reserves & Surplus	2	1,03,80,24,050	1,20,84,24,050	85,93,66,387	1,02,97,66,387
Minority Interest			29,30,627		51,22,761
Loan Funds					
Secured Loans	3	80,74,28,695		95,84,84,549	
Unsecured Loans	4	17,89,01,700	98,63,30,395	24,99,29,914	1,20,84,14,463
Deferred Tax					
Deferred Tax Liability	5		5,96,34,097		6,52,89,687
TOTAL			2,25,73,19,169		2,30,85,93,298
<u>APPLICATION OF FUNDS</u>					
Fixed Assets					
Gross Block	6	1,50,87,75,544		1,47,30,58,497	
Less: Depreciation		56,82,55,623		50,30,51,481	
Net Block		94,05,19,921		97,00,07,016	
Add: Capital Work in Progress		-	94,05,19,921	12,92,181	97,12,99,197
Goodwill on Consolidation			-		3,51,18,315
Investments	7		41,811		1,07,852
Current Assets, Loans & Advances					
Inventories	8	84,12,53,269		90,41,48,101	
Sundry Debtors	9	69,95,21,130		76,52,03,193	
Cash & Bank Balances	10	4,43,98,818		5,42,89,217	
Loans & Advances	11	35,03,78,560		34,83,53,989	
		1,93,55,51,777		2,07,19,94,500	
Less: Current Liabilities	12	60,43,94,038		75,61,73,101	
Provisions	13	1,44,00,302		1,37,53,465	
Net Current Assets			1,31,67,57,437		1,30,20,67,934
TOTAL			2,25,73,19,169		2,30,85,93,298

Schedules referred to above and notes on the accounts in Schedule 21 form an integral part of the Balance Sheet

Signed in terms of our Audit Report of even date.

 For Pardeep Tayal & Co.,
 Firm Regn. No. 002733N
 Chartered Accountants

for and on behalf of the Board

Pardeep Tayal
 Partner
 Membership No. 081643

Adesh Kumar Gupta
 Chief Executive Officer

Adarsh Gupta
 Executive Director

Shammi Bansal
 Executive Director

Raghubar Dayal
 Director

Munish Kakra
 Vice President & Company Secretary

 Place: New Delhi
 Dated: Thursday, 12th August, 2010

Consolidated Profit & Loss Account

for the year ended 31st March, 2010

(Amount in ₹)

PARTICULARS	SCHEDULES		31.03.2010		31.03.2009
INCOME					
Sales		2,74,05,28,395		2,66,56,18,371	
Less: Excise Duty		5,44,61,762		7,08,28,579	
		<u>2,68,60,66,633</u>		<u>2,59,47,89,792</u>	
Other Income	14	90,41,147		1,75,37,345	
Increase/(Decrease) in Stocks	15	<u>5,87,58,154</u>	<u>2,75,38,65,934</u>	<u>(2,91,32,976)</u>	<u>2,58,31,94,161</u>
EXPENDITURE					
Raw Materials Consumed and Finished Goods Purchased	16	1,42,53,13,701		1,39,09,34,348	
Manufacturing Expenses	17	20,53,69,135		18,08,68,348	
Payments and Benefits to Employees	18	31,05,52,295		25,03,47,694	
Administration, Selling and Miscellaneous Expenses	19	58,47,26,795		59,48,17,855	
Interest & Financial Charges	20	10,24,64,675		14,97,31,993	
Excise Duty		20,02,799		(92,32,509)	
Depreciation		<u>8,05,47,146</u>	<u>2,71,09,76,546</u>	<u>8,04,19,820</u>	<u>2,63,78,87,549</u>
Profit before tax			<u>4,28,89,388</u>		<u>(5,46,93,388)</u>
Provision for Taxation					
Current Tax			1,63,14,800		1,21,95,260
MAT Credit Entitlement			(1,41,65,384)		(1,19,38,000)
Fringe Benefit Tax			-		31,40,507
Deferred Tax			(56,55,590)		(55,86,050)
Profit after tax			<u>4,63,95,562</u>		<u>(5,25,05,105)</u>
Add/(Less): Taxation adjustments of previous years (net)			(47,39,477)		(2,99,606)
Earlier year adjustment			(4,65,483)		(31,82,140)
Net Profit for the year			<u>4,11,90,602</u>		<u>(5,59,86,851)</u>
Add/(Less):					
Minority Interest			21,92,776		33,21,857
			<u>4,33,83,378</u>		<u>(5,26,64,994)</u>
Add: Opening balance			19,90,04,902		13,79,13,917
Net Profit available for appropriations			<u>24,23,88,280</u>		<u>8,52,48,923</u>
APPROPRIATIONS					
Transfer to General Reserve			6,00,00,000		6,00,00,000
Interim Dividend			-		-
Proposed Dividend			-		-
Tax on Dividend			-		-
Balance carried over to Balance Sheet			18,23,88,280		2,52,48,923
Earning Per Share of Rs. 10/- each					
Basic & Diluted			2.72		(3.08)
Basic & Diluted (Before Exceptional Items)			3.04		(2.39)
Basic & Diluted (Considering Taxation for Previous Years)			2.42		(3.29)

Schedules referred to above and notes on the accounts in Schedule 21 form an integral part of the Profit and Loss Account

Signed in terms of our Audit Report of even date.

For Pardeep Tayal & Co.,
Firm Regn. No. 002733N
Chartered Accountants

for and on behalf of the Board

Pardeep Tayal
Partner
Membership No. 081643

Adesh Kumar Gupta
Chief Executive Officer

Adarsh Gupta
Executive Director

Shammi Bansal
Executive Director

Raghubar Dayal
Director

Munish Kakra
Vice President & Company Secretary

Place: New Delhi
Dated: Thursday, 12th August, 2010

Consolidated Cash Flow Statement

for the year ended 31st March, 2010

(Amount in ₹)

PARTICULARS	31.03.2010	31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax, Interest and extra ordinary items	13,88,54,697	8,97,42,716
Adjustments for:		
Unrealised Foreign Exchange Difference	26,39,326	70,27,663
Depreciation	8,05,47,146	8,04,19,820
Loss/(Gain) on sale of Fixed Assets (net)	54,20,154	1,22,14,164
Assets Written off	-	-
Bank & Other Interest	(26,67,364)	(37,95,036)
Dividend on Investments	-	(3,66,963)
Provision for doubtful debts	18,21,579	3,88,36,789
Operating Profit before working capital changes	22,66,15,538	22,40,79,153
Adjustments for:		
Trade & Other Receivables	1,67,78,986	(4,54,36,044)
Inventories	(6,70,67,754)	4,01,706
Loans & Advances	(22,67,275)	81,90,576
Trade & Other Payables	24,33,979	12,77,90,653
Cash generated from Operations	17,64,93,474	31,50,26,044
Direct Taxes Paid	(1,84,38,351)	(94,01,375)
Cash Flow before extra ordinary items	15,80,55,123	30,56,24,669
Extra Ordinary Items	(4,65,483)	(31,82,140)
Net Cash Flow from Operating Activities	15,75,89,640	30,24,42,529
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(10,87,56,096)	(6,06,42,433)
Sale of Fixed Assets	67,68,399	41,50,240
Bank and Other Interest	26,67,364	37,95,036
Dividend on Investments	-	3,66,963
Increase in Investments	(3,154)	-
(Increase)/Decrease in Investments	7,52,09,563	61,99,446
Net Cash used in Investing Activities	(2,41,13,924)	(4,61,30,748)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	57,93,795	25,00,000
Repayment of long term borrowings	(5,50,17,232)	(9,32,05,094)
Interest paid	(9,12,13,309)	(15,62,40,340)
Net Cash used in Financing Activities	(14,04,36,746)	(24,69,45,434)
D Net increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	(69,61,030)	93,66,347
E Cash & Cash Equivalents (Opening Balance)	5,39,99,174	5,19,50,533
F Unrealised Foreign Exchange Difference	(26,39,326)	(70,27,663)
G Cash & Cash Equivalents (Closing Balance) (D+E+F)	4,43,98,818	5,42,89,217
Components of Cash & Cash Equivalents		
Cash in hand including imprest	36,68,896	56,10,457
Balance with Scheduled Banks		
Current Accounts	95,94,957	78,48,154
Fixed Deposits	3,11,34,965	4,08,30,606
Total	4,43,98,818	5,42,89,217

Notes: 1) Purchase of Fixed Assets include movements of capital work in progress between the beginning & at the end of the year 2) The Cash Flow Statement has been prepared under the indirect method as set out in AS -3 on Cash Flow Statement issued by The Institute of Chartered Accountants of India. 3) Previous year figures are not comparable due to non-inclusion of the figures of Joint Venture company

Signed in terms of our Audit Report of even date.

For Pardeep Tayal & Co.,
Firm Regn. No. 002733N
Chartered Accountants

for and on behalf of the Board

Pardeep Tayal
Partner
Membership No. 081643

Adesh Kumar Gupta
Chief Executive Officer

Adarsh Gupta
Executive Director

Shammi Bansal
Executive Director

Raghubar Dayal
Director

Munish Kakra
Vice President & Company Secretary

Place: New Delhi
Dated: Thursday, 12th August, 2010

Schedules

(Amount in ₹)

	31.03.2010	31.03.2009
SCHEDULE-1		
SHARE CAPITAL		
Authorised: 51000000 (Previous year 51000000 Equity Shares) ` 10 each	51,00,00,000	51,00,00,000
Issued, Subscribed & Paid up:		
17040000 (Previous year 17040000) Equity Shares of ` 10 each fully paid up.	17,04,00,000	17,04,00,000
Total	17,04,00,000	17,04,00,000
SCHEDULE-2		
RESERVES & SURPLUS		
Capital Reserve	3,99,500	3,99,500
General Reserve		
Opening Balance	68,70,09,364	62,70,09,364
Add: Transferred from Profit & Loss Account	6,00,00,000	6,00,00,000
Closing Balance	74,70,09,364	68,70,09,364
Share Premium	10,71,33,757	14,22,52,072
Foreign Currency Translation Reserve on Consolidation	10,93,149	44,56,528
Profit & Loss Account	18,23,88,280	2,52,48,923
Total	1,03,80,24,050	85,93,66,387
SCHEDULE-3		
SECURED LOANS		
Term Loan		
(includes ₹1,85,75,188/- (Previous year ₹5,76,41,414/-) repayable within one year)	2,33,67,156	10,55,64,395
(In case of Parent Company, Secured by way of Equitable Mortgage of Land situated at Village Bhagwanpur, Roorkee, Uttarakhand for Unit No. VII, Equitable Mortgage of Land situated at Poanta Sahib, Himachal Pradesh for Unit No. V & VI and 1st charge by way of Hypothecation of building situated at Libertypuram and all Plant & Machinery and Moveable Fixed Assets and in case of Subsidiary Company secure against Hypothecation of car)		
Working Capital Loans		
(In case of Parent Company, Secured by 1st Pari Passu charge by way of hypothecation of Company's entire stock of raw materials, stock in process, finished goods, consumables, stores and spares, finished goods in stores, in transit and with shippers at port awaiting shipment for exports, receivables, cheques, bank drafts and all other current assets and 2nd Pari Passu charge by way of Hypothecation of entire Plant & Machinery and Moveable Fixed Assets and in case of Subsidiary Company, Secured against Hypothecation of Company's entire stock of Finished Goods in stores and in transit, all other Current and Fixed Assets of the Company and the Corporate guarantee of the Parent Company.)	78,40,61,539	85,29,20,154
Total	80,74,28,695	95,84,84,549
SCHEDULE-4		
UNSECURED LOANS		
Security Deposits	3,41,49,700	2,59,04,700
Short Term Loans and Advances		
from Banks	-	-
from others:	14,00,00,000	22,40,25,214
Accrued Interest	47,52,000	-
Total	17,89,01,700	24,99,29,914
SCHEDULE-5		
DEFERRED TAX LIABILITY		
At the start of the year	6,52,89,687	7,08,75,737
for the year	(56,55,590)	(55,86,050)
Total	5,96,34,097	6,52,89,687

Schedules

(Amount in ₹)

SCHEDULE - 6 FIXED ASSETS										
Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Total as on 01.04.2009	Additions during the period	Sales/Adj. during the period	Total as on 31.03.2010	Total as on 01.04.2009	for the period	Sales/Adj. during the period	Total as on 31.03.2010	As on 31.03.2010	As on 31.03.2009
Land	13,04,05,825	-	-	13,04,05,825	-	-	-	-	13,04,05,825	13,04,05,825
Building*	21,53,05,142	38,10,418	-	21,91,15,560	4,08,49,483	71,92,215	-	4,80,41,698	17,10,73,862	17,44,55,659
Plant & Machinery	70,62,63,770	3,03,56,318	4,77,220	73,61,42,868	26,07,58,871	3,95,74,483	1,69,073	30,01,64,281	43,59,78,587	46,15,73,249
Moulds	18,15,15,156	81,79,805	-	18,96,94,961	13,81,52,323	1,47,52,584	-	15,29,04,907	3,67,90,054	4,33,62,833
Patents	15,500	-	-	15,500	3,838	-	-	3,838	11,662	11,662
Furniture & Fixture	12,28,66,296	4,18,75,206	16,66,767	16,30,74,735	3,10,55,982	1,29,75,100	4,54,501	4,35,76,581	11,94,98,154	12,25,41,637
Vehicles	6,13,68,386	2,58,26,530	1,68,68,821	7,03,26,095	2,37,12,235	60,52,764	62,00,681	2,35,64,318	4,67,61,777	3,76,56,151
Total	1,41,77,40,075	11,00,48,277	1,90,12,808	1,50,87,75,544	49,45,32,732	8,05,47,146	68,24,255	56,82,55,623	94,05,19,921	97,00,07,016
Capital work in progress:										
Building under construction	12,92,181	23,53,484	36,45,665	-	-	-	-	-	-	12,92,181
Grand Total	1,41,90,32,256	11,24,01,761	2,26,58,473	1,50,87,75,544	49,45,32,732	8,05,47,146	68,24,255	56,82,55,623	94,05,19,921	92,44,99,524
Previous year	1,43,39,05,969	8,15,93,542	4,11,48,833	1,47,43,50,678	42,64,64,981	8,04,19,820	38,33,320	50,30,51,481	97,12,99,197	1,00,74,40,988

*The part portion of factory building situated at Libertypuram is constructed on lease hold land.

Schedules

(Amount in ₹)

	31.03.2010	31.03.2009
SCHEDULE-7		
INVESTMENTS		
Long Term (At Cost)		
Investment in Government Securities		
6 Years National Saving Certificates VIII Issue (Including Interest)	41,811	1,07,852
Total	41,811	1,07,852
Aggregate amount of Quoted Investments	-	-
Aggregate amount of Unquoted Investments	41,811	1,07,852
Aggregate Market Value of Quoted Investments	-	-
SCHEDULE-8		
INVENTORIES (AS VALUED AND CERTIFIED BY THE MANAGEMENT)		
Raw Materials	15,21,79,726	14,36,72,080
Goods in Process	16,56,58,394	15,33,27,001
Finished Goods	49,51,01,508	57,86,37,332
Packing Materials	99,33,802	92,55,520
Stores & Spares	1,79,51,229	1,86,83,261
Oil & Lubricants	4,28,610	5,72,907
Total	84,12,53,269	90,41,48,101
SCHEDULE-9		
SUNDRY DEBTORS (UNSECURED)		
Debts outstanding for a period exceeding six months		
Considered good	12,66,20,311	12,51,58,092
Considered doubtful	4,06,58,368	3,88,36,789
Other Debts		
Considered good	57,29,00,819	64,00,45,101
	74,01,79,498	80,40,39,982
Less: Provision for doubtful debts	4,06,58,368	3,88,36,789
Total	69,95,21,130	76,52,03,193
SCHEDULE-10		
CASH AND BANK BALANCES		
Cash in hand including Imprest	36,68,896	56,10,457
Balances with Scheduled Banks		
Current Accounts	95,94,957	78,48,154
Fixed Deposits	3,11,34,965	4,08,30,606
Total	4,43,98,818	5,42,89,217
SCHEDULE-11		
LOANS & ADVANCES (UNSECURED, CONSIDERED GOOD)		
Advances recoverable in cash or in kind or for the value to be received	17,02,90,835	17,37,25,455
Securities	18,00,87,725	17,46,28,534
Total	35,03,78,560	34,83,53,989
SCHEDULE-12		
CURRENT LIABILITIES		
Sundry Creditors	44,51,36,786	64,20,55,690
Advances from Customers	3,09,68,492	1,90,77,271
Expenses Payable	5,77,52,267	5,89,15,981
Other Liabilities	7,05,36,493	3,61,24,159
Total	60,43,94,038	75,61,73,101

Schedules

(Amount in ₹)

	31.03.2010	31.03.2009
SCHEDULE-13		
PROVISIONS		
Provision for taxation	21,49,416	33,12,018
Provision for Gratuity & Leave Encashment	-	1,93,360
Provision for Excise Duty	1,22,50,886	1,02,48,087
Total	1,44,00,302	1,37,53,465
SCHEDULE-14		
OTHER INCOME		
Bank and Other Interest (Tax deducted at Source ₹3.16 Lacs (Previous Year ₹7.18 Lacs)	26,67,364	37,95,036
Freight	24,19,745	32,71,866
Miscellaneous Income	39,46,486	96,46,033
Bad Debts Recovered	-	3,61,563
Income from Current Investments		
Dividend on Investments	-	3,66,963
Exceptional Items		
Profit on Sale of Fixed Assets	7,552	95,884
Total	90,41,147	1,75,37,345
SCHEDULE-15		
INCREASE/(DECREASE) IN STOCKS		
Opening Stock:		
Finished	44,86,74,747	55,31,81,393
In Process	15,33,27,001	20,79,15,917
	60,20,01,748	76,10,97,310
Closing Stock:		
Finished	49,51,01,508	57,86,37,333
In Process	16,56,58,394	15,33,27,001
	66,07,59,902	73,19,64,334
Increase/(Decrease) in Stocks	5,87,58,154	(2,91,32,976)
SCHEDULE-16		
RAW MATERIALS CONSUMED & FINISHED GOODS PURCHASED		
(a) Raw Materials		
Opening Stock	14,36,72,079	11,48,03,090
Add: Purchases	1,03,33,42,858	86,33,48,639
	1,17,70,14,937	97,81,51,729
Less: Closing Stock	15,21,79,726	14,36,72,079
Raw Materials Consumed	1,02,48,35,211	83,44,79,650
(b) Finished Goods Purchased	40,04,78,490	55,64,54,698
Total(a+b)	1,42,53,13,701	1,39,09,34,348
SCHEDULE-17		
MANUFACTURING EXPENSES		
Freight Inwards	71,71,904	46,55,716
Upper Production Charges	4,88,92,061	3,66,56,678
Oil & Lubricants	2,13,76,370	1,51,78,533
Electricity Charges	3,30,31,178	2,86,99,390
Repairs to Machinery	1,57,85,386	1,64,61,318
Land Lease Rent	1,12,236	2,16,713
Franchise Fee	7,90,00,000	7,90,00,000
Total	20,53,69,135	18,08,68,348

Schedules

(Amount in ₹)

	31.03.2010	31.03.2009
SCHEDULE-18		
PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	28,81,77,021	23,25,89,551
Contribution to Provident and Other Funds	1,59,45,615	1,18,48,848
Staff Welfare Expenses	64,29,659	59,09,295
Total	31,05,52,295	25,03,47,694
SCHEDULE 19		
ADMINISTRATION, SELLING & MISCELLANEOUS EXPENSES		
Packing Materials Consumed	8,60,94,275	7,15,23,862
Printing & Stationery	52,90,440	48,77,787
Claims	1,96,14,814	1,90,93,556
Tour, Travelling and Conveyance	3,98,16,555	3,39,64,409
Insurance Charges	50,21,596	55,38,996
Fees and Taxes	1,67,05,016	1,58,61,024
Postage, Telegram, Telephone and Telex	1,15,17,552	1,07,43,972
Subscriptions	3,71,593	2,76,208
Advertisements	3,23,02,865	3,14,81,375
Rent	3,69,61,433	4,87,56,442
Donations	10,66,338	16,47,229
Export CIF Expenses	1,64,55,708	1,28,68,575
Freight Outward	1,90,49,029	1,81,32,171
Samples	6,04,953	5,15,006
Auditors' Remuneration:		
Statutory Audit Fee	3,40,180	4,66,613
Tax Audit Fee	80,000	80,000
Certification Fee	20,000	20,000
Cost Audit Fee	75,000	1,00,000
Miscellaneous Expenses	1,29,80,228	2,09,39,321
Royalty	8,58,53,000	8,43,71,568
Entertainment Expenses	33,84,034	36,47,282
Commission	4,23,25,443	3,97,98,252
Sales Promotion Expenses	6,19,75,194	7,64,19,749
Newspapers & Periodicals	1,87,847	2,91,103
Debts written off & Amortisations	2,96,31,364	9,19,507
Provision for doubtful debts (Note xvi of Schedule 21)	18,21,579	3,88,36,789
Consultancy & Professional Charges	2,73,16,437	1,74,77,813
Repairs & Maintenance Expenses-Building	1,07,95,936	1,25,33,692
Repairs & Maintenance Expenses-Others	85,98,117	61,38,503
Exchange Rate Fluctuations	26,39,326	34,66,950
Loss on sale of Current Investments	-	17,96,705
Loss on transfer of Duty Credit	4,03,237	4,30,505
Exceptional Items		
Loss on sale of Fixed Assets	54,27,706	1,18,02,891
Total	58,47,26,795	59,48,17,855
SCHEDULE-20		
INTEREST AND FINANCIAL CHARGES		
Bank Interest	8,14,79,821	12,60,07,832
Interest to Others	1,44,85,488	1,84,28,272
Bank Charges	64,99,366	52,95,889
Total	10,24,64,675	14,97,31,993

Schedules

SCHEDULE-21

SIGNIFICANT ACCOUNTING POLICES & NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of Consolidated Financial Statements

- The accompanying Consolidated Financial Statements have been prepared in accordance with the Historical Cost Conventions.
- Accounting Policies not specifically referred to otherwise are consistent with generally accepted Accounting Principles followed by the Company, applicable accounting standards prescribed by Companies (Accounting Standards) Rules, 2006, accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- The items of income & expenditure are recognized on accrual basis.

b) Principles of Consolidation

The consolidated financial statements have been prepared in accordance with Accounting Standard 21 "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India. The consolidated financial statements have been prepared on the following basis:

Investment in Subsidiaries

- The financial statements of the Liberty Shoes Ltd. (The Parent Company) and its Subsidiary Companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, profit and loss after fully eliminating intra-group balances.
- No goodwill / capital reserve is recognized in the consolidated financial statements as the cost to the Parent Company of its investments in the Subsidiaries is equivalent to Parent Company's portion of equity in the Subsidiary Companies.
- The financial statements of the Subsidiaries used in the consolidation are drawn up to the same reporting date as that of the parent company i.e. year ended 31st March, 2010.
- Minority interest's share of net assets of Subsidiary is identified and presented in the Consolidated Balance Sheet separate from Liabilities and the Equity of the Company's Shareholders.
- The Subsidiaries considered in the preparation of these consolidated financial statements are Liberty Retail Revolutions Ltd. (LRR) and Liberty Foot Fashion Middle East FZE (LFF) in which parent company holds 93.86% (Previous year 93.86%) and 100% (Previous year 100%) of Equity Shares respectively. In this report, wherever Subsidiary Company has been referred, it relates to LRR and wherever Subsidiaries has been referred it relates to LRR and LFF, unless specified otherwise.

c) Revenue Recognition

- Parent Company's sales revenue is recognized on dispatch of goods, net of sales returns, trade discount and VAT/Sales Tax but inclusive of excise duty and does not include the cost of raw materials used for captive consumption. However, the Subsidiary Company's sales revenue is recognized net of sales returns, trade discount and VAT/Sales Tax.
- In case of Parent Company, export incentives are accounted on accrual basis and include the estimated value of incentives receivable under the DEPB Scheme and the Duty Drawback Scheme. Any difference at the time of actual receipt is accounted for in the year of receipt. The amount of export incentives has been adjusted with the cost of raw materials consumed. In case of Subsidiary Companies there is no such transaction.
- Parent Company has accounted for the Gain/Loss on transfer of Duty Credit Entitlements received under the DEPB Scheme in the year of transfer. In case of Subsidiary Companies, there is no such transaction.





- In case of Subsidiary Company, dividend income is accounted for when the right to receive is established.

d) Inventory Valuation

In case of Parent Company, inventories are valued at the lower of cost and net realisable value. Cost of inventories, other than for manufactured finished goods and goods in process, is determined on Weighted Average Cost Method (net of CENVAT credit availed) of stock accounting. Cost of manufactured finished goods and goods in process include cost of raw materials consumed on weighted average basis and appropriate portion of allocable overheads and Excise Duty wherever applicable. Scrap, if any, at the year end does not form part of the closing inventory.

In case of Subsidiary Company, inventories are valued at the lower of cost and net realisable value determined on Weighted Average Cost Method.

e) Fixed assets and Capital work in progress

In case of Parent Company, Fixed assets are stated at original cost (net of CENVAT credit availed) but including freight inward, duties, taxes and other incidental expenses relating to acquisition and installation thereof. In case of Subsidiary Company, Fixed assets are stated at cost of acquisition and subsequent improvements thereto including taxes and duties, freight and other incidental expenses relating to acquisition and installation thereof. In case of Parent Company and Subsidiary Company, capital work in progress includes cost of fixed assets under installation and other incidental expenses.

f) Depreciation

In case of Parent Company, depreciation on Fixed assets is provided on Straight Line Method (SLM) at the rates and in the manner prescribed in the schedule XIV of the Companies Act, 1956. In case of Subsidiary Company, depreciation is provided on Straight Line Method (SLM) at the rates determined on estimated economic useful lives of assets described below or at the rates and in the manner prescribed in the schedule XIV of the Companies Act, 1956 whichever is higher:

Particulars	Considered Useful life	Rate of Depreciation as per the Companies Act, 1956
Furniture & Fixtures	10 Years	6.33%
Office Equipments	10 Years	4.75%
Computers & Software	7 Years	16.21%
Vehicles	12 Years	9.50%
Costing less than Rs. 5000/-	1 Year	100%

g) Operating lease

In case of Subsidiary Company, leases where the lessor effectively retains substantially all the risk and benefits of ownership of the lease term are classified as operating leases. Operating lease payments are recognized as an expense in the Profit & Loss account on straight line basis over the lease term.

h) Investment

In case of Parent and Subsidiary Company, long term Investments are valued at cost. Short Term Investments are valued at lower of cost and fair value, calculated individually for each investment.

i) Excise Duty

In case of Parent Company, the excise duty is accounted for at the time of manufacture of finished goods.

Since the Subsidiary Companies are not in the manufacturing activities, the accounting policy relating to Excise Duty has not been defined.

j) Contingent Liabilities

All known liabilities wherever material are provided for and liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of Notes to the Accounts.

k) Employee Benefits

- i) In case of Parent Company and Subsidiary Company, short-term employee benefits are recognized as an expense in the Profit & Loss Account of the year in which the related service is rendered.
- ii) In case of the Parent Company, Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected method made at the end of the financial year and the Company has created a trust under the Group Gratuity Scheme with the Life Insurance Corporation of India (LIC) and amount paid/payable in respect of the present value of liability for past services is charged to the Profit & Loss Account every year. The difference, if any, between the actuarial valuation of the gratuity of employees at the year end and the balance of funds with LIC is provided for as liability in the books. In case of the Subsidiary Company, contribution to defined contribution scheme such as provident fund, superannuation fund etc. is charged to Profit and Loss Account as incurred. The Company also provides retirement benefits in the form of gratuity as and when due.

l) Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. All other borrowing costs are charged to revenue in the period in which they are incurred.

m) Foreign Exchange Transactions

In case of Parent Company:

- (i) Assets and liabilities relating to foreign currency transactions remaining unsettled at the year-end are converted into Indian rupees at closing rates and any gain or loss arisen is adjusted in profit and loss account.
- (ii) Gains/losses arising out of fluctuations in foreign exchange rates between the transaction date and settlement date are recognized in the profit and loss account under the head "Exchange Rate Fluctuation".
- (iii) The difference between the forward rate and the exchange rate on date of inception of a forward contract in respect of forward contracts with underlying assets or liabilities is recognised as income or expense and is amortized over the life of the contract.
- (iv) Forward exchange contracts entered to hedge the foreign currency risk are marked to market as at the year end and the resultant exchange gain or loss is recognised in the Profit & Loss Account.
- (v) Non monetary foreign currency items are carried at cost and accordingly the investment in foreign subsidiary is expressed in Indian Currency at the exchange rate prevailing at the date of the transaction.

In case of Subsidiaries the transactions in foreign currency entered during the year are recorded at the exchange rates prevailing on the date of transaction.

n) Provision for Taxation

Provision for taxation is made taking into consideration the provisions of Income Tax Act, 1961 and Wealth Tax Act, 1957, wherever applicable. Adjustments, if any, arising out of the assessment is made in the year the assessment is completed.

o) Provision for Deferred taxation

In the case of Parent Company, deferred tax has been provided for all timing differences as required under the provisions of Accounting Standards issued by Institute of Chartered Accountants of India.

In case of Subsidiary Company, Deferred tax is measured based on the tax rates and tax laws





enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

p) Impairment of assets

The Parent Company reviews the carrying value of assets for any possible impairment at each balance sheet date. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value at appropriate discount rates.

In case of Subsidiary Company, the assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and value in use.

2. NOTES ON ACCOUNTS

i) Details of Managerial Remuneration of Parent Company:

(Amount in ₹)

Particulars	31.03.2010	31.03.2009
Payment and provision for remuneration to:		
• Executive Director(s)	36,00,000	27,00,000
• Director (Law & Taxation)	9,00,000	9,00,000

During the year, no remuneration has been paid to Non-Executive Directors except for the sitting fees of ₹45,000/- (Previous Year ₹52,500/-).

Detail of Managerial Remuneration of Subsidiary Company:

(Amount in ₹)

Particulars	31.03.2010	31.03.2009
Payment and provision for remuneration to:		
• Managing/Executive Director	9,50,000	--

ii) In the opinion of the Board and to the best of its knowledge, the value of realization of current assets, loans and advances in the ordinary course of business would not be less than the amount at which they have been stated in the Balance Sheet.

iii) The assessment of the Parent Company in respect of Income Tax & Wealth Tax is completed up to Assessment Year 2007-2008.

iv) The Parent Company in 2003, entered into an agreement with Liberty Enterprises and Liberty Group Marketing Division for taking over their footwear business on franchise basis and with Liberty Footwear Co. for use of "Liberty" trademark on exclusive basis for an initial period of 7 years with automatic extension for further period of 3 years/with mutual consent of the parties respectively. The footwear business as defined in the agreement includes Fixed Assets, intellectual Properties, Know-how and Distribution Network etc. of the two Partnership Firms. Under the terms of the agreements, no ownership of assets, tangible or intangible, has been transferred to the Company. During the year, in terms of the agreements and in conformity with the requisite approvals of the Central Govt., the Company has made the payments (including

provisions) amounting to ₹6,00,00,000/- (Previous year ₹6,00,00,000), ₹7,00,00,000/- (Previous year ₹7,00,00,000/-) and ₹3,37,50,000/- (Previous year ₹3,22,50,000/-) respectively. In terms of the respective agreements, the same have been renewed for the further period of 3 years.

Further, while deciding on the dispute amongst the Partners of Liberty Enterprises as regards to the aforesaid franchise agreement, the learned arbitrator confirmed the Company's stand by holding that the arbitral verdict will not be having any impact on the Company as regards to such arrangements being not a party to the dispute. Moreover, Liberty Enterprises in addition to their confirmation to the agreement has also informed that on certain legal issues, its affected partners are filing their objections before the appropriate authority and seeking order for setting aside of arbitral award. Considering the same, the Company is also contemplating legal opinion for taking appropriate action, if required.

- v) The Subsidiary Company, in terms of the license user agreement dated 1st March, 2004 with M/s Liberty Footwear Co., a partnership firm, in which some of the Directors are interested as partners, has paid ₹11,03,000/- (including Service Tax) (Previous year ₹11,21,568/-) as Royalty.
- vi) Interest to others include, ₹93,14,647/- (Previous year ₹1,01,22,198/-) paid by Parent Company and ₹48,00,000/- (Previous year Nil) paid by Subsidiary Company against short term loan @ 12% p.a. from M/s Geofin Investments Private Ltd.
- vii) During the year the Parent Company has capitalized the borrowing cost of ₹ Nil (Previous year ₹ Nil) as part of the cost of the qualifying assets.
- viii) The Parent Company has paid the excise duty amounting to ₹5,44,61,762/- (Previous year ₹7,08,28,579/-) against the sales executed during the year.
Also the Parent Company has made the provision of excise duty of ₹1,22,50,886/- (Previous Year ₹1,02,48,087/-) against finished goods lying in stocks as on 31st March, 2010 and the difference of two has been recognised separately in the Profit & Loss Account.
- ix) In case of Parent Company, Fixed Deposit receipts (including accrued interest) for value of ₹3,07,37,476/- (Previous year ₹4,03,82,573/-), appearing under head 'Cash & Bank Balances, are under lien with Banks/respective authorities for issuance of bank guarantees/ letters of credits and as earnest money.
In case of Subsidiary Company Fixed Deposit receipts (including accrued interest) for value of ₹3,97,489/- (Previous year ₹3,09,451/-) are under lien with Banks for facilitating the Bank guarantee.
- x) During the year, the Parent Company, Under the Focus Product Scheme of Director General of Foreign Trade, Government of India, the Company has received an incentive of ₹51,99,800/- (Previous year ₹46,42,225/-) for foreign exchange realized against exports made during the financial years 2007-08, 2008-09 & 2009-10 and the profits of the Company for the year are higher to that extent.
- xi) In case of Subsidiary Company, Sales/Adjustment of Gross Block amounting to ₹17,71,615/- (Previous year ₹11,59,532/-) is on account of written off of the fixed assets of the stores, which have been closed down during the year. Accordingly, the depreciation in respect of the block has been adjusted with the depreciation reserve.
- xii) Till date the Parent Company, out of the leasehold land comprising 42.29 acres with validity till 12th December 2008, has purchased 31.36 acres of land at Libertypuram. Out of the purchased





land, 27.02 acres of land have been got registered in the name of the Company and the Company is in process of getting the necessary compliances done for the balance. The validity of the lease deed for 0.75 acres of land, belonging to promoter, has been got extended for mutually agreed terms.

xiii) To further strengthen the organized retailing and to promote its own retail initiatives directly and through its Subsidiary Company, during the year, the Parent Company under its retail sales promotion policy has borne the cost of retail stores on account of rental and maintenance charges by suitably reducing the retailers' margins against its sales. The same have been accounted under the head Sales Promotion Expenses.

xiv) **Contingent Liabilities**

(Amount in ₹)

Particulars	2009-10	2008-09
I) Bank Guarantees issued on behalf of the Parent Company submitted with various institutional customers in terms of their orders.	2,31,68,160	1,96,86,114
II) Bank Guarantees issued on behalf of the Subsidiary Company	12,67,824	3,38,892
III) Excise Duty ¹ for the financial year 1994-95 & 1995-96. CESTAT has decided this particular matter in favour of the Parent Company but the department has preferred their appeal with the Hon'ble Supreme Court.	2,78,31,534	2,78,31,534
IV) On account of disallowance of legitimate credit of CENVAT against Excise Duty/ Education Cess for the period from November 2004 to June 2005, May 2006 to June 2006, Financial year 2002-03 and 2004-05. CESTAT while admitting Parent Company's appeal directed to deposit ₹39.00 Lacs under protest and has granted stay.	3,55,81,366	3,55,06,657
V) Service Tax for Financial year 2002-03 on service received from outside India prior to the applicability of the related law.	1,24,536	--
VI) Invoice Funding facility.	4,43,63,581	--
VII) Counter Guarantee given to banks for securing working capital limits of retail subsidiary and joint venture Company ² .	10,88,00,000	14,80,00,000
VIII) Income Tax on account of routine assessment for the assessment years 1998-99, 2003-04.	35,03,426	55,68,874
IX) Income Tax for the assessment year 2002-03, 2003-04 and 2004-05 on account of reduction in amount of deduction u/s 80HHC in terms of Taxation Law Amendment Bill, 2005.	17,86,599	17,86,599
X) Value Added Tax ³ for the financial year 2005-06, 2006-07 and 2007-08 on account of classification of goods at different rate of tax.	2,96,02,499	2,96,02,499
XI) Service Tax ⁴ penalty for non-payment of service tax on commission paid against exports for the period for which the Parent Company was not legally liable to pay under the provisions of the applicable law.	--	1,36,446
XII) Due to some administrative compliance relating to EPCG licenses for which the Parent Company has fulfilled its export obligation.	4,42,00,783	4,42,00,783

¹On the basis of indemnifying clause under the agreement with the two Partnership Firms whose business has been available to the Company on franchise basis, the Company has given its undertaking to the Excise Department to pay the liabilities, if any arises, relating to the period prior to the date of the agreement. ²Including amount deposited under protest ₹39,00,000/- (Previous year ₹39,00,000/-) ³Includes the corporate guarantee for ₹5,88,00,000/- (Previous year ₹9,80,00,000/-) given on behalf of erstwhile joint venture company and company is in process of getting the same vacated. ⁴Including amount deposited under protest ₹60,90,487/- (Previous year ₹55,90,487/-). ⁵Including amount deposited under protest ₹ Nil (Previous year ₹1,36,446/-)

xv) In case of Parent Company and Subsidiary Companies, Capital commitments not provided for are estimated at ₹ Nil (Previous year ₹50 Lacs) and ₹ Nil (Previous year ₹ Nil) respectively.

xvi) Provision for doubtful debts: During the year, the Parent Company has considered debts for ₹3,15,58,132/- (Previous year ₹3,55,20,855/-) as doubtful debts and made the provision accordingly. Also during the year, considering the un-recoverability of some of the doubtful debts, the Company has withdrawn ₹3,03,37,030/- (Previous year Nil) out of the provisions made in the earlier years for the same and written off the bad debts (net) for ₹2,96,31,364/-. Differential of the provision made and amount withdrawn during the year, detailed as under, has been charged to Profit & Loss Account for the year and the balance has been carried in the balance sheet:

Profit & Loss Account

(Amount in ₹)

Particulars	2009-10	2008-09
Provision for the year	3,15,58,132	3,55,20,855
Less: Amount withdrawn from the provision made for doubtful debts in the earlier years	3,03,37,030	--
Net debited to Profit & Loss Account	12,21,102	3,55,20,855

Balance Sheet

(Amount in ₹)

Particulars	2009-10	2008-09
Opening Balance	3,55,20,855	--
Add: Provision for the year	3,15,58,132	3,55,20,855
Total	6,70,78,987	3,55,20,855
Less: Amount withdrawn during the year	3,03,37,030	--
Closing balance	3,67,41,957	3,55,20,855

In case of Subsidiary Company, the provision for Bad Debts has been made for ₹6,00,477 (Previous Year ₹ 33,15,934)

xvii) The Board of Directors of the Company considers and maintains "Footwear" as the only business segment of the Parent Company.

xviii) **Basic and Diluted Earning per share:** The Basic and diluted earning per share of the Company is as under: -

(Amount in ₹)

Description	2009-10	2008-09
Basic & Diluted		
Profit/(Loss) after Taxation (A)	4,63,95,562	(5,25,05,105)
Weighted average number of Equity Shares (B)	1,70,40,000	1,70,40,000
Nominal value per Equity Share	10.00	10.00
Basic & Diluted Earning per share (A/B)	2.72	(3.08)

xix) Related Party Transactions

The Parent and Subsidiary Companies, have made the following transactions with related parties as defined under the provisions of Accounting Standard 18 issued by the Institute of Chartered Accountants of India.



A) Transactions between the Company and related parties and the status of outstanding balances as at 31st March, 2010:

(Amount in ₹)

Description	Entities where Key Management Personnel/ Relative of Key Management Personnel has significant influence	Key Management Personnel	Relatives of Key Management Personnel	Total
Receiving of Services	1,39,24,199	84,012	-	1,40,08,211
	(97,64,146)	(81,828)	(-)	(98,45,974)
Sale of Goods	23,83,566	-	-	23,83,566
	(-)	(-)	(-)	(-)
License Agreements (Franchise Fee & Licensing Fee including service tax)	18,17,19,250	-	-	18,17,19,250
	(18,36,16,686)	(-)	(-)	(18,36,16,686)
Payment of Salary, Wages and other benefits to employees	3,66,04,376	54,50,000	28,90,000	4,49,44,376
	(2,67,00,160)	(36,00,000)	(33,72,000)	(3,36,72,160)
Loans taken	24,43,00,000	-	-	24,43,00,000
	(46,64,00,000)	(-)	(-)	(46,64,00,000)
Repayment of Loans	31,79,46,715	-	-	31,79,46,715
	(41,25,27,802)	(-)	(-)	(41,25,27,802)
Interest Paid/Payable	1,41,14,647	-	-	1,41,14,647
	(1,01,22,198)	(-)	(-)	(1,01,22,198)
Outstanding balances				
Sundry Debtors	23,83,566	-	-	23,83,566
	(-)	(-)	(-)	(-)
Sundry Creditors	4,36,64,306	-	-	4,36,64,306
	(3,11,97,614)	(-)	(-)	(3,11,97,614)
Unsecured Loans	14,47,52,000	-	-	14,47,52,000
	(20,44,25,214)	(-)	(-)	(20,44,25,214)

Previous year figures are in brackets.

B) Detail of Related Parties and description of relationship:

i) Entities where Key Management Personnel/Relative of Key Management Personnel has significant influence:

Geofin Investments Pvt. Ltd., Liberty Group Marketing Division, Liberty Enterprises, Liberty Footwear Co., Sanjeev Bansal Charitable Trust, Liberty Innovative Outfits Ltd.

ii) Key Management Personnel:

1) Sh. Adesh Kumar Gupta 2) Sh. Adarsh Gupta 3) Sh. Shammi Bansal 4) Sh. Satish Kumar Goel 5) Sh. Sunil Bansal

iii) Relatives of Key Management Personnel:

S/Sh. Anupam Bansal, Raman Bansal, Vivek Bansal (Brothers of Directors) Ayush Bansal, Manan Bansal (Sons of Director)

Notes: Receiving the services from Key Management Personnel and their relatives includes rent and land lease charges.



C) Disclosure of significant transactions with related parties:

Type of Relationship	Type of Transaction	Name of the Entity/Person	Nature	Financial Year (₹)	
				2009-10	2008-09
Entities where Key Management Personnel/ Relative of Key Management Personnel has significant influence	Receiving of Services	Geofin Investment Pvt. Ltd.	Rent for Office Premises	1,18,15,724	76,84,535
		Liberty Footwear Co.	Rent for Office Premises	5,64,000	7,17,011
		Sanjeev Bansal Charitable Trust	Rent for Office Premises	4,50,000	4,50,000
			Medical facilities for employees	10,94,475	9,12,600
	Sale of Goods	Liberty Innovative Outfits Ltd.	Sale of Goods manufactured and deal in by the Company	23,83,566	-
	License Agreements	Liberty Enterprises	Franchise Fee (including service tax)	6,61,80,000	6,72,92,400
		Liberty Group Marketing Division	Franchise Fee (including Service Tax)	7,72,10,000	7,85,07,800
		Liberty Footwear Co.	Licence fee (including Service Tax)	3,83,29,250	3,78,16,486
	Payment of Salary, Wages and other benefits to employees	Liberty Group Marketing Division	Salary, Wages and other benefits	3,66,04,376	2,67,00,160
	Loan Taken	Geofin Investments Pvt. Ltd.	Unsecured Loans	24,43,00,000	46,64,00,000
	Repayment of Loans			31,79,46,715	41,25,27,802
Interest Paid/Payable	1,41,14,647			1,01,22,198	
Outstanding balances					
Entities where Key Management Personnel/ Relative of Key Management Personne has significant influence	Sundry Debtors	Liberty Innovative Outfits Ltd.	Against sale of goods manufactured and deal in by the Company	23,83,566	-
	Sundry Creditors	Liberty Enterprises	Franchise Fee (including service tax)	1,20,91,123	84,44,651
		Liberty Group Marketing Division	Franchise Fee & Salary, Wages and Other benefits (including service tax)	2,14,17,423	1,58,04,704
		Liberty Footwear Co.	Franchise Fee (including service tax)	1,01,55,760	69,48,259
Unsecured Loans	Geofin Investment Pvt. Ltd.	Unsecured Loans	14,47,52,000	20,44,25,514	

xx) Detail of Employee Benefits - Gratuity

The Parent Company has a defined gratuity plan (Defined Benefit). In case of Parent Company, every employee, on completion of continuous service of five years or more with the Company, is entitled to get the gratuity on 15 days salary, on the basis of last drawn salary, for each completed year of service. In case of Parent Company, the scheme is funded with Life Insurance Corporation of India (LIC) in the form of qualifying insurance policy.

The following table summarizes the components of net benefit expense recognized in the Profit & Loss Account and the funded status and amounts recognized in the Balance Sheet for the respective plans:

Profit and Loss Account

a) Net Employee Benefit Expense (recognized in Employee Cost):

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2010	Gratuity (Funded) 31.03.2009
1.	Current Service Cost	16,20,068	21,52,349
2.	Interest Cost on benefit obligation	10,35,903	10,40,420
3.	Expected return on Plan Assets	(8,59,535)	(5,56,292)
4.	Actuarial Loss/(Gain)	6,73,350	(2,00,128)
5.	Net Benefit Expenses	24,69,786	24,36,349

Balance Sheet

b) Details of Provision for Gratuity

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2010	Gratuity (Funded) 31.03.2009
1.	Present Value of Defined Benefit Obligation	1,49,30,016	1,36,51,976
2.	Fair value of Plan Assets	1,29,49,474	1,03,05,183
3.	Surplus/(Deficit)	(19,80,542)	(33,46,793)
4.	Net Asset/(Liability)	(19,80,542)	(33,46,793)

c) Changes in Present Value of the Defined Benefit Obligation are as follows:

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2010	Gratuity (Funded) 31.03.2009
1.	Defined Benefit Obligation at the beginning of the year	1,36,51,976	1,30,05,253
2.	Current Service Cost	16,20,068	21,52,349
3.	Interest Cost	10,35,903	10,40,420
4.	Actuarial (Gain)/Loss on obligations	6,73,350	(2,00,128)
5.	Benefits paid	(20,51,281)	(23,45,918)
6.	Defined benefit obligation at the end of the period	1,49,30,016	1,36,51,976

d) Changes in Fair Value of Plan Assets are as follows:

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2010	Gratuity (Funded) 31.03.2009
1.	Opening Fair Value of Plan Assets	1,03,05,183	70,65,706
2.	Expected Return	8,59,535	5,56,292
3.	Contributions by employer	38,36,037	50,29,103
4.	Benefits paid	(20,51,281)	(23,45,918)
5.	Actuarial Gains/(Losses)	-	-
6.	Closing Fair Value of Plan Assets	1,29,49,474	1,03,05,183

e) The principle assumptions used in determining Gratuity obligations are as follows:

Sr. No.	Particulars	Gratuity (Funded) 31.03.2010	Gratuity (Funded) 31.03.2009
1.	Discount rate	8.00%	8.00%
2.	Expected rate of return on Plan Assets	8.00%	7.75%
3.	Salary escalation rate	6.00%	6.00%
4.	Attrition rate	1% to 3% depending upon age	1% to 3% depending upon age

f) Amount for the current and previous periods are as follows:

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2010	Gratuity (Funded) 31.03.2009
1.	Defined Benefit Obligation	(1,49,30,016)	(1,36,51,976)
2.	Plan Assets	1,29,49,474	1,03,05,183
3.	Surplus/(Deficit)	(19,80,542)	(33,46,793)
4.	Experience adjustments on plan liabilities	6,73,350	(2,00,128)
5.	Experience adjustments on plan assets	-	-

xxi) In case of Parent Company, the Deferred Tax asset and liability has been calculated after considering the timing differences of ₹1,66,38,968/- (Previous year ₹1,66,36,198/-) and ₹ Nil (Previous year ₹2,01,800/-) respectively on account of depreciation and expenses written off. In case of Subsidiary Company, in view of the Accounting Standard (AS) 22, Deferred Tax Assets due to carry forward of Business Loss and Unabsorbed Depreciation amounting to ₹10,43,39,141/- and ₹3,82,36,619/- respectively have not been accounted for.

xxii) General description of Subsidiary Company's significant leasing arrangements:

The Subsidiary Company, Liberty Retail Revolutions Ltd., has taken certain premises under operating lease arrangements. These are generally not non-cancellable and are renewable either by mutual consent on mutually agreed terms or at the option of the lessees.



(Amount in ₹)

Particulars	31.03.2010	31.03.2009
Lease payments for the year	2,28,08,103	1,55,47,203
Minimum Lease Payments		
Not later than one year	1,77,89,419	42,51,534
Later than one year but not later than five years	7,74,58,695	7,91,125
Later than five years	--	--

xxiii) In case of Parent Company, there are no dues payable to the Investor Education and Protection Fund as at 31st March, 2010.

xxiv) Previous year figures have been regrouped/ re-arranged wherever necessary. Also, previous year's figures include the figures of Joint Venture Company, therefore, are not comparable to that extent. The current year and previous year figures have been rounded off to the nearest rupees.



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