



LIBERTY SHOES LTD.

25th

ANNUAL REPORT 2010-11



CREDO

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".

CONTENTS

COMPANY INFORMATION	2
FROM THE CEO'S DESK	4
NOTICE	6
TEN YEARS' FIGURES AT A GLANCE	14
TEN YEARS' FIGURES AT A GLANCE	15
KEY REVENUE STATEMENT	16
KEY SALES & PRODUCTION FIGURES OF TOP SIX LISTED FOOTWEAR COMPANIES	17
DIRECTORS' REPORT	19
CORPORATE GOVERNANCE REPORT	26
MANAGEMENT DISCUSSION AND ANALYSIS REPORT	42
AUDITORS' REPORT	45
BALANCE SHEET	48
PROFIT & LOSS ACCOUNT	49
CASH FLOW STATEMENT	50
SCHEDULES	51
BALANCE SHEET ABSTRACT	68
STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956	69
AUDITORS' REPORT (CONSOLIDATED)	71
BALANCE SHEET (CONSOLIDATED)	72
PROFIT & LOSS ACCOUNT (CONSOLIDATED)	73
CASH FLOW STATEMENT (CONSOLIDATED)	74
SCHEDULES (CONSOLIDATED)	75
ADMISSION SLIP/PROXY FORM/E-COMMUNICATION REGISTRATION FORM	-



Company Information

Board of Directors

Adesh Kumar Gupta CEO & Executive Director
(DIN - 00143192)

Adarsh Gupta Executive Director
(DIN - 00161193)

Shammi Bansal Executive Director
(DIN - 00138792)

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

Sunil Bansal Executive Director
(DIN - 00142121)

Adeesh Kumar Gupta Additional Director
(DIN - 00137612)

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 / Investor's 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, PO. Bastara,
Distt. Karnal - 132114, Haryana
Tel.: (91) - 1748 - 251101 - 03
Fax : (91) - 1748 - 251100
E-mail : lpm@libertyshoes.com
www.libertyshoes.com

Corporate Office

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

Bankers

HDFC Bank Ltd.
Corporation Bank
Central Bank of India
IndusInd 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



From the CEO's Desk

Dear Shareholders,

It was Gautama Buddha who once said: "We are what we think. All that we are arises with our thoughts. With our thoughts we make the world."

We at Liberty Shoes have adopted 'Think young, think fashion, think innovation' as our mantra as our Company embarks on a new phase that sees it garnering the fruits of consolidation that took place in 2010-2011 and moving upwards on the growth trajectory.

Our thinking, it would be accurate to state, is dictated by our environment. And what an exciting environment it is turning out to be! Our country is, you'll appreciate, getting younger with roughly two-thirds of our population below thirty five years of age. It's a scenario that presents a tremendous opportunity provided we are able to grasp it.

I am happy to inform you that we have quickened our pace of progress as we go all out to turn this opportunity into achievement. Giving our brand a very young, very contemporary and very stylish profile is a major step in that direction. Our designers, I am particularly delighted to note, have been working continuously to make sure our footwear is trendy and on the lines of what is the current rage in global fashion. And I am also pleased to report that our latest collection for the coming season in terms of look and color and design is exactly what the youth have in mind. Indeed it would be correct to say that a feeling called Liberty is truly the feeling of today's youth put across in a way they would love to express themselves.

You'll, I am quite sure, agree with me when I say that the world of the young thrives on glamour and as we step into the new financial year our brand is all set to acquire a glamorous new profile that will give it a very special place in the hearts and minds of footwear buyers.

To put it mildly these are very exciting times for Brand Liberty and for all of us as we welcome on board Hrithik Roshan as our brand ambassador. Hrithik Roshan, as you are aware, is the heart throb of the younger generation and embodies their dreams and aspirations. He also happens to be one of the country's foremost style icons and we are quite positive his association will provide our brand with the right connect to carve out an even bigger share in the burgeoning youth market.

You'll also find this positivity very much in evidence in the retail sphere where the dynamic merchandising and marketing programs we invested in have started producing significant results. We are now complementing our fashion right products and striking image campaign with a better mix of retail locations.

In this context I would like to specially mention the dramatic rise of our presence in the southern market. You'll be delighted to know that today Liberty is very visible in all the major cities and towns in South India and our market penetration is getting deeper and deeper by the day. This drive will continue in other geographical directions too for giving Brand Liberty a truly pan India character and presence.

I would also like to add that markets are no longer about buying and selling; they're about conversation, connection and interaction. And it's these that fuel innovation, build customer relationships and drive long-term business value. For us establishing a dialogue with customers and listening to what they have to say is the best way to keep our business strategies fresh, current and compelling -- and customer-focused. After all, who knows us better than our customers and our most loyal ones at that?

We also realize that it's no longer the product or service that differentiates our brand; rather it's the customer's experience with that product or service that sets our brand apart from the competition. It's this change of perspective from inside-out to outside-in that's a key constituent of our strategy to boost our growth in the marketplace. And of course it's the enthusiasm, drive and hard work of our employees and business partners that's also helping push up our sales and earnings.

I wish to conclude by quoting Napoleon Hill, the legendary thinker, who observed: "Whatever the mind of man can conceive and believe, it can achieve. Thoughts are things! And powerful things at that, when mixed with definiteness of purpose, and burning desire, can be translated into riches."

The thought that drives us onwards is the desire to reach new summits of excellence and I am confident that with your backing and co-operation we will be able to translate this burning desire into a richly rewarding success.

Last year I concluded by thanking you for going that extra mile with us and this year I would like to end by inviting you to join us in the upward trek to higher peaks.

Adesh Kumar Gupta

Chief Executive Officer

Notice

Notice is hereby given that the 25th (Twenty Fifth) Annual General Meeting of the Members of **Liberty Shoes Ltd.** ("the Company") will be held on **Wednesday, 28th September, 2011 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, Distt. Karnal -132114, Haryana** to transact the following businesses :-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2011 and Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Sh. Adesh Kumar Gupta, who retires by rotation and being eligible offers himself for re - appointment.
3. To appoint a Director in place of Sh. Adarsh Gupta, who retires by rotation and being eligible offers himself for re - appointment.
4. To appoint a Director in place of Sh. Sunil Bansal, 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:**

"RESOLVED THAT Sh. Adeesh Kumar Gupta, who was appointed as an Additional Director of the Company by the Board of Directors under section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"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 the Articles of Association of the Company, the consent of the Members of the Company be and is hereby accorded for the appointment of Sh. Adeesh Kumar Gupta, as the "Executive Director" of the Company for a period of 5 years w.e.f. 1st October, 2011 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. Adeesh Kumar Gupta as laid before the Members of the Company 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. Adeesh Kumar Gupta and laid before the Members of the Company, be and is hereby approved and Sh. Munish Kakra, Vice President & Company Secretary of the Company, be and is hereby authorized on behalf of the Company to execute the aforesaid Service Agreement with Sh. Adeesh Kumar Gupta.

RESOLVED FURTHER THAT the remuneration, proposed to be paid to Sh. Adeesh Kumar 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 authorized 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 authorized in accordance with the provision(s) under the Act or schedule appended thereto and / or any rules or regulations made there under.

RESOLVED FURTHER THAT the Board of Directors of the Company or Committee thereof and Company Secretary of the Company be and are hereby severally authorized 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 SPECIAL RESOLUTION:**

“RESOLVED THAT pursuant to the provisions of Section 198, 309 & 269 read with the Schedule XIII of the Companies Act, 1956 (“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 the Articles of Association of the Company, the consent of the Members of the Company be and is hereby accorded for the re-appointment of Sh. Satish Kumar Goel as the “Director (Law & Taxation)” of the Company for a further period of 2 years w.e.f. 1st April, 2011 on the same 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. Satish Kumar Goel as laid before the Members of the Company 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. Satish Kumar Goel and laid before the Members of the Company, be and is hereby approved and Sh. Munish Kakra, Vice President & Company Secretary of the Company, be and is hereby authorized on behalf of the Company to execute the aforesaid Service Agreement with Sh. Satish Kumar Goel.

RESOLVED FURTHER THAT the remuneration, proposed to be paid to Sh. Satish Kumar Goel 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 authorized 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 authorized in accordance with the provision(s) under the Act or schedule appended thereto and / or any rules or regulations made there under.

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

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

“RESOLVED THAT pursuant to the provisions of Section 31, 259 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the Central Government, the consent of the Members be and is hereby accorded to amend the existing Article 84 of the Articles of Association of the Company by deleting the word ‘Twelve’ and substituting in its place the word ‘Eighteen’ and as a consequence, the permissible maximum number of Directors be increased from ‘Twelve’ to ‘Eighteen’.

RESOLVED FURTHER THAT after alteration Article 84 be read as follows:

*“Article 84:*The number of Directors of the Company shall not be less than three and not more than eighteen.”

RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps and give all such directions as may be in its absolute discretion deemed necessary to give effect to this resolution.”

By order of the Board
For Liberty Shoes Ltd.

Place: Libertypuram, Karnal
Dated: Friday, 12th August, 2011

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 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 authorized 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 profile alongwith necessary information of the Directors seeking their appointment / re-appointment in the forthcoming Annual General Meeting in pursuance of clause 49(IV)(G) of the Listing Agreement is annexed as Annexure-A of the Annexure to the Notice of the Annual General Meeting.
6. An abstract and Memorandum of Concern or Interest of Directors in respect of terms and conditions of appointment of Sh. Adeesh Kumar Gupta as the "Executive Director" of the Company for a period of 5 years w.e.f. 1st October, 2011 and re-appointment of Sh. Satish Kumar Goel as the "Director (Law & Taxation)" of the Company for a further period of 2 years w.e.f. 1st April, 2011 has been provided in the Explanatory Statement attached herewith as required under the provisions of Section 302 of the Companies Act, 1956.
7. The Register of Members and Share Transfer Books shall remain closed from Friday, 23rd September, 2011 to Wednesday, 28th September, 2011 (both days inclusive).
8. Members / Proxies / Authorized 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 Wednesday, 28th September, 2011.
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 / authorized 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, Link Intime India Pvt. Ltd. and Members holding shares in electronic form must advise their respective depository participants about change in address and not to the Company or the Company's Registrar.
12. In pursuance of circular No. 17/2011 dated April 21, 2011 and circular No. 18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs, Government of India, the Company proposes to send documents like notice of General Meeting, Annual Report etc. to the shareholders through electronic mode. We request you to participate in the Green Initiative of the Ministry of Corporate Affairs by registering your email ID with your depository participant (Where the shares are held in dematerialized form) or the Company's Registrar & Share Transfer Agent, Link Intime India Pvt. Ltd. (where the shares are held in physical form) by submitting the E-Communication Registration Form attached with this Annual Report.
13. 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 the date of the forthcoming Annual General Meeting or any adjournment thereof, except on Sundays and other holidays.

14. 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
2003-04	Final	30	26.08.04	02.10.04	01.10.11	31.10.11	Recoverable on a request letter to the Company / RTA before the last date of Claim of Unpaid / Unclaimed Dividend
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 2003-04 & onwards, are requested to forward their claim to the Company.

Annexure to the Notice

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

ITEM NO.6

Appointment of Sh. Adeesh Kumar Gupta as Director of the Company

Sh. Adeesh Kumar Gupta was appointed as an Additional Director of the Company w.e.f 12th August, 2011, as per the provisions of section 260 of the Companies Act, 1956. He holds the office up to the date of this Annual General Meeting. Notice in pursuance of section 257 of the Companies Act, 1956 has been received from a Member of the Company signifying his intention to propose Sh. Adeesh Kumar Gupta as a Director of the Company.

Sh. Adeesh Kumar Gupta has been associated with the Company for last several years and has been contributing to the growth of Company with his vast experience.

Sh. Adeesh Kumar Gupta belongs to the promoter group of the Company and holds shares in the Company. He is holding Directorship in Liberty Retail Revolutions Ltd., a subsidiary of the Company and Geofin Investments Private Limited a registered Non-Banking Financial Company (NBFC).

None of the Directors of the Company except Sh. Adeesh Kumar Gupta may be deemed to be concerned or interested in the above appointment / Ordinary Resolution.

ITEM NO. 7

Appointment of Sh. Adeesh Kumar Gupta as an Executive Director of the Company

Sh. Adeesh Kumar Gupta, aged 47 years, has been associated with the Company for last several years and considering his past contribution towards the Company, he was appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 12th August, 2011. Sh. Adeesh Kumar Gupta was also proposed by Member of the Company to be appointed as Director of the Company in terms of provisions of Section 257 of the Companies Act, 1956.

A brief profile detailing the qualification and experience of Sh. Adeesh Kumar Gupta has been provided in Annexure-A of Annexure to the Notice of Annual General Meeting. Considering his past contribution towards the Company and his valuable experience, the Board of Directors at their Meeting held on 12th August, 2011 have proposed the appointment of Sh. Adeesh Kumar Gupta as Executive Director subject to approval by the Members of the Company in this Annual General Meeting. The remuneration payable to Sh. Adeesh Kumar Gupta has also been approved by the Remuneration Committee at their Meeting held on 12th August, 2011. 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. Adeesh Kumar Gupta as

Executive Director alongwith the Memorandum of his interest or concern is set out as below:

1. **Period:** For a period of 5 years w.e.f. 1st October, 2011.
2. **Nature of Duties:** Sh. Adeesh Kumar Gupta shall devote his full time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and separately communicated to him and such powers as may be assigned to him, 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 Sh. Adeesh Kumar Gupta as Executive Director shall be subject to the limits as specified under the provisions of Section 198, 309 & 269 read with the Schedule XIII of the Companies Act, 1956 (**the Act**) or any other provisions of the Act, if any. Further, no commission of whatsoever nature shall be paid to him apart from the aforesaid remuneration.

4. **Other terms of re-appointment:**
 - a) The terms and conditions of the appointment of Sh. Adeesh Kumar Gupta as Executive Director may be varied or altered from time to time by the Board of Directors or Committee thereof in its discretion, if deemed fit but subject to the provisions of the Companies Act, 1956 or any regulations/ rules made there under.
 - b) The Office of Sh. Adeesh Kumar Gupta as Executive Director shall be liable to retire by rotation.
 - c) No sitting fee shall be paid to Sh. Adeesh Kumar Gupta for attending the Board or Committee Meeting(s).
 - d) Sh. Adeesh Kumar Gupta 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. Adeesh Kumar Gupta may be deemed to be concerned or interested in the above appointment/Ordinary Resolution.

ITEM NO. 8

Re-appointment of Sh. Satish Kumar Goel as "Director (Law & Taxation)" of the Company

Sh. Satish Kumar Goel, aged 71 years, is a renowned tax professional with rich experience of over five decades. He has been associated with the Company for last 10 years and contributing to the Company by handling and providing solutions to the various taxation and legal matters with his expert knowledge and experience. Initially, he was appointed as a Director of the Company on 13th August, 2001 and after 5 years of his continuous service for the Company, he was designated as "Director (Law & Taxation)" w.e.f. 1st April, 2006 for a period of 5 years at the Meeting of the Board held on 16th January, 2006. The said tenure of his appointment expired on March 31, 2011 as per the terms of his appointment.

A brief profile detailing the qualification and experience of Sh. Satish Kumar Goel has been provided in Annexure-A of Annexure to the Notice of Annual General Meeting.

In view of his valuable services and considering his experience, the Board of Directors at their Meeting held on 10th May, 2011 have proposed the re-appointment of Sh. Satish Kumar Goel as "Director (Law and Taxation)" subject to the approval of the Members of the Company in this Annual General Meeting. The remuneration payable to Sh. Satish Kumar Goel has been approved by the Remuneration Committee at their Meeting held on 10th May, 2011.

In terms of Section 269 read with the Part I of Schedule XIII of the Companies Act, 1956, no person shall be eligible for appointment as Whole Time Director of a Company if he has attained the age of 70 years unless his appointment is approved by a Special Resolution passed by the Company in General Meeting. Since, Sh. Satish Kumar Goel has attained the age of 70 years, pursuant to the above provisions of the Companies Act, 1956, the Board of Directors recommend the resolution as set out in item no. 8 as Special Resolution for the approval by the Members in General Meeting.

As required under the provisions of Section 302 of the Companies Act, 1956, the abstract of the terms and conditions of the re-appointment of Sh. Satish Kumar Goel as "Director (Law & Taxation)" alongwith the Memorandum of his interest or concern is set out as below:

- i. **Period:** For a period of 2 years w.e.f. 1st April, 2011.
- ii. **Nature of Duties:** Sh. Satish Kumar Goel shall devote his time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and separately communicated to him and such powers as may be assigned to him, subject to the superintendence, control and directions of the Board in connection with and in the best interest of the Company.

iii. Remuneration:

- a) **Salary:** ₹75,000/- 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 Sh. Satish Kumar Goel as "Director (Law & Taxation)" shall be subject to the limits as specified under the provisions of Section 198, 309 & 269 read with the Schedule XIII of the Act or any other provisions of the Act, if any. Further, no commission of whatsoever nature shall be paid to him apart from the aforesaid remuneration.

4. Other terms of re-appointment:

- a) The terms and conditions of the re-appointment of Sh. Satish Kumar Goel as "Director (Law & Taxation)" may be varied or altered from time to time by the Board of Directors or Committee thereof in its discretion, if deemed fit but subject to the provisions of the Companies Act, 1956 or any regulations/ rules made there under.
- b) The Office of Sh. Satish Kumar Goel as "Director (Law & Taxation)" shall be liable to retire by rotation.
- c) No sitting fee shall be paid to Sh. Satish Kumar Goel for attending the Board or Committee Meeting(s).
- d) Sh. Satish Kumar Goel 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 of the Company except Sh. Satish Kumar Goel may be deemed to be concerned or interested in the above re appointment/Special Resolution.

ITEM NO. 9**Amendment to the Articles of Association of the Company for increasing the strength of the Board of Directors of the Company from 12 (Twelve) to 18 (Eighteen)**

The reforms in liberalization process being taken by the Government has brought about significant change in overall industry structure including changes in the operational structure, change in organized retailing, commercial orientation and transparency in operations with thrust on world class practices and controls at all levels. The Company is envisaging for expanding its retail and wholesale network to enhance its share in the growing footwear market with simultaneous taking action to encounter the new challenges coming across.

To meet the new challenges and to comply with the requirement of Clause 49 of the Listing Agreement relating to Corporate Governance, it is imperative that the Company's Board is strengthened to enhance its effectiveness which is central to maximizing long-term shareholder value. The Company accordingly needs to have a set of directors with appropriate qualifications, skills, experience and/or background in diverse or related field. The existing Articles of Association of the Company allows the maximum number of Directors of the Board of the Company as twelve and the total strength of the Board of the Company comprises of 12 (Twelve) Directors as well, out of which not less than half of the total number of directors are independent directors in compliance with clause 49 of the Listing Agreement. In view of the above and to comply with the mandatory Corporate Governance requirements and other applicable provisions of law, it is proposed to increase the total number of Directors from twelve to eighteen by which the Board shall have an option to increase the Member of the Board to that extent as and when they deem necessary as per the requirement.

Consequently, Article 84 of the Articles of Association of the Company is sought to be amended in the manner as set out in the resolution.

In terms of Section 259 of the Companies Act, 1956, the aforesaid amendments requires approval of the Central Government besides obtaining approval of the Members of the Company by passing a Special Resolution in General Meeting.

A copy of the Memorandum and Articles of Association of the Company together with the proposed alteration is available for the inspection of the Shareholders on any working day except public holidays and Sundays between 10.00 a.m. to 1.00 p.m. up to the date of this Annual General Meeting of the Company.

None of the Directors of the Company is in anyway concerned or interested in the above resolution.

The Board recommends the resolutions as set out at item no. 6-9 of the Notice for your approval.

By order of the Board
For Liberty Shoes Ltd.

Place: Libertypuram, Karnal
Dated: Friday, 12th August, 2011

Munish Kakra
Vice President & Company Secretary

Annexure-A of Annexure to the Notice

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

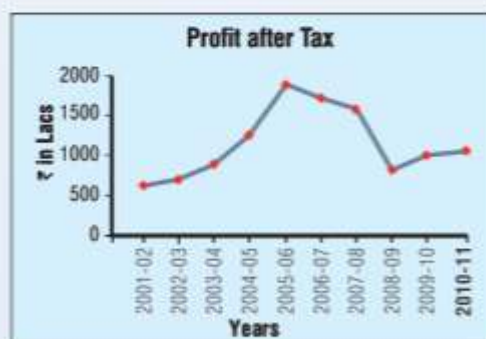
Name of the Director	Sh. Adesh Kumar Gupta	Sh. Adarsh Gupta	Sh. Sunil Bansal	Sh. Satish Kumar Goel	Sh. Adeesh Kumar Gupta
Date of Birth	27th June, 1960	25th December, 1961	12th October, 1959	21st March, 1940	11th January, 1964
Age	51 Years	49 Years	51 Years	71 Years	47 Years
Date of Appointment as Director	28th September, 1990	28th September, 1990	28th September, 1990	13th August, 2001	12th August, 2011
Qualifications	B. Sc. Engg. (Mechanical) with Hons.	Commerce Graduate and holding Diploma in Shoe Designing from ARS Sutoria Institute, Italy	Graduate	Graduate, Bachelor in Law	Graduate
Experience/Functional Areas	<ul style="list-style-type: none"> An Engineer, having specialization in Polyurethane applications in Footwear with experience of around more than 25 years. Active Involvement in strategic decision making activities and its implementations thereof at management level since 1990. 	<ul style="list-style-type: none"> More than 25 years of experience in Footwear Industry and has been on the Board since 1990. Formulation and Implementation of corporate strategies, brand positioning & its protection and retail developments are his main functional areas. 	Representing the Promoter group and on the Board since 1990. Apart from looking overseas operations, also guiding leather shoes production team with his experience.	<p>He is eminent tax professional having reach experience of over four decades.</p> <p>Spear heading the Legal Department of the Company by providing his expertise in the areas of taxation and legal matters.</p>	He has been associated with the Company for last several years and having vast experience in his field
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. Sunfest Rancom Technology Pvt. Ltd. 	<ul style="list-style-type: none"> Liberty Whitewares Ltd. Liberty Retail Revolutions Ltd. Liberty Automotive Pvt. Ltd. Liberty Organosys Ltd. Inspiration Idea Innovations & Productions Pvt. Ltd. Liberty Foot Fashion Middle East FZE, Dubai 	<ul style="list-style-type: none"> Liberty Retail Revolutions Ltd. Little World Constructions Pvt. Ltd. 	None	<ul style="list-style-type: none"> Geofin Investments Pvt. Ltd. Liberty Retail Revolutions Ltd.
List of Membership in committees of other Companies	None	Audit Committee of Liberty Whitewares Ltd.	Audit Committee and Remuneration Committee of Liberty Retail Revolutions Ltd.	None	None
Shareholding of Executive/ Non-Executive Director(s)	95,000 Equity Shares	6,91,000 Equity Shares	1,99,000 Equity Shares	400 Equity Shares	1,50,360 Equity Shares

Ten Years' Figures at a Glance

(₹ In Lacs)

S. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1	Sales & Other Income	7352.16	7057.17	19962.64	19609.85	22223.09	23921.76	26296.46	24863.46	26684.94	30658.18
2	No. of Pair sold	3640411	3540820	6313459	6264207	6791216	5887390	6431159	5912392	6430972	7657163
3	Profit after tax	620.37	646.58	839.57	979.46	1849.28	1701.95	1605.14	754.52	967.21	1028.95
4	Earning Per Share (In ₹)	12.24	12.75	16.56	19.32	12.88*	9.99	9.42	4.43	5.68	6.04

* 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.

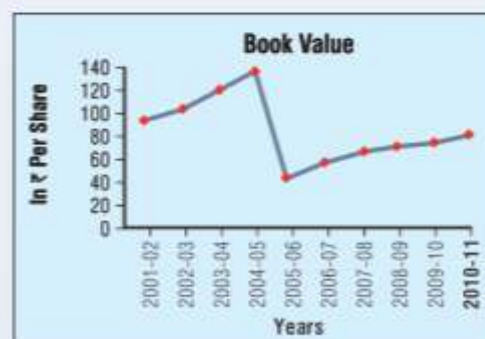
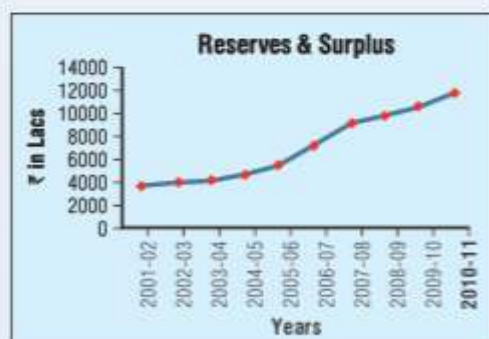
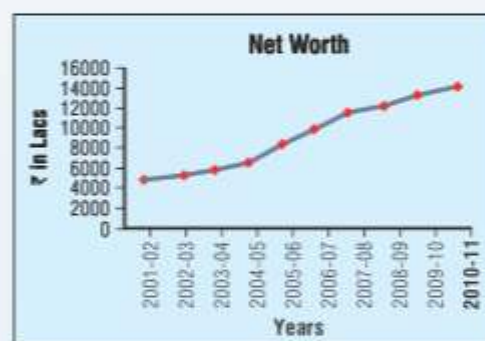
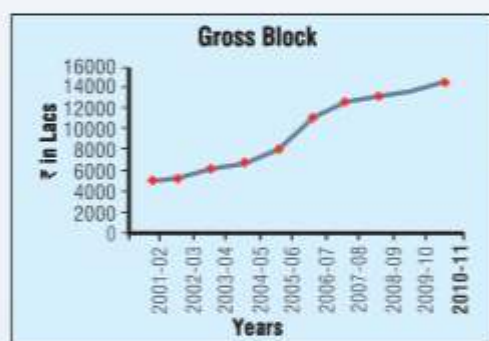


Ten Years' Key Financial Figures at a Glance

(₹ In Lacs)

S. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1	Gross Block	4922.46	5143.13	6064.98	6650.42	7970.30	11055.30	12606.40	13172.97	13653.25	14595.28
2	Networth	4748.21	5098.11	5597.31	6219.61	8167.40	9885.73	11481.89	12233.99	13154.30	14162.57
3	Book Value (In ₹ per share)	93.65	100.55	110.40	122.67	47.93*	58.01	67.38	71.80	77.20	83.11
4	Reserve & Surplus	4241.21	4591.11	5090.31	5712.61	6463.40	8181.73	9777.89	10529.99	11450.30	12458.57

* 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	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Income from Production	6455.14	6214.71	17715.11	17751.93	20473.18	22214.56	24785.08	24044.38	26066.87	29694.02
Other Income	87.32	113.83	42.38	126.32	111.11	167.28	507.11	140.79	73.46	128.16
Total Corporate Output	6542.46	6328.54	17757.49	17878.25	20584.29	22381.84	25292.19	24185.17	26140.33	29822.18
Less: Cost of Materials	3286.79	3026.68	8133.63	8191.48	9017.53	10109.70	12497.39	12821.95	13691.90	15400.19
Less: Manufacturing Expenses	1605.78	1611.70	5914.92	5621.27	6315.46	6852.68	6944.59	6626.81	7234.68	8344.47
Gross Value Addition	1649.88	1690.16	3708.94	4065.50	5251.30	5419.46	5850.21	4736.40	5213.75	6077.52
Less: Depreciation	296.79	315.09	364.37	371.09	399.99	463.35	637.97	659.46	679.25	680.94
Net Value Addition	1353.11	1375.07	3344.56	3694.41	4851.31	4956.11	5212.24	4076.94	4534.50	5396.58
Allocation Amongst Employees	462.68	485.76	1523.50	1641.11	1991.56	2123.27	2260.92	2091.86	2703.17	3567.90
Taxes	165.91	203.92	457.41	417.80	571.84	249.22	11.62	(25.84)	(35.06)	(21.16)
Interest & Financial Charges	104.12	71.28	559.81	698.71	474.18	881.69	1334.57	1256.41	899.19	820.89
Dividend	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	20.68
Retained Earnings	355.15	349.91	499.20	622.30	1602.80	1718.32	1596.16	752.08	920.30	1008.27

① 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)

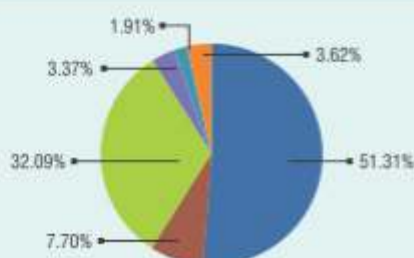
Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
CIF Value of Imports & other expenses	359.72	225.11	2041.82	1158.85	2168.63	3819.94	1407.26	872.67	876.02	1469.66
FOB Value of Exports	1650.60	1395.33	5385.45	5448.20	6135.64	4624.39	4478.04	3779.78	3678.98	4298.82
Net Gain / (Loss)	1290.88	1170.22	3343.63	4289.35	3967.01	804.45	3070.78	2907.11	2802.96	2829.16

Statement of contribution to Public Exchequer

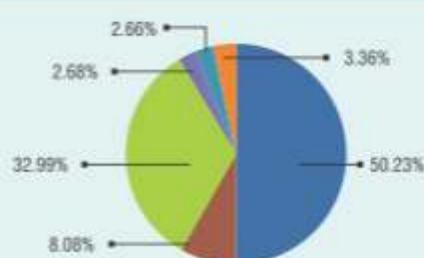
(₹ In Lacs)

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Income Tax	131.14	151.58	381.37	325.13	523.31	281.71	220.78	149.40	210.05	235.92
Custom Duty	80.83	34.12	159.89	217.48	566.42	866.43	435.66	257.09	216.95	356.75
Excise Duty	809.70	1153.13	2205.15	1828.52	1638.81	1539.93	1004.27	708.29	544.62	836.00
Sales Tax/VAT	155.18	411.77	1047.50	929.11	1196.19	1232.98	1112.60	820.58	915.18	977.30
Total	1176.85	1750.60	3793.91	3300.24	3924.73	3921.04	2773.31	1935.36	1886.80	2405.97

Distribution of Rupee Earned (in%) for 2009-10 & 2010-11



Total Rupees Earned in lacs 26684.94 2009-10





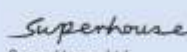


Total Rupees Earned in lacs 30,658.11 2010-11

- Raw Material
- Manufacturing Expenses
- Administrative Expenses and Other Expenses
- Interest and Financial Charges
- Taxation
- Profit after tax

Key Sales & Production Figures of Top Six Listed Footwear Companies

For the year 2009 - 2010 and 2008 - 2009

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. (31.12.2009)	1112.58	Rubber & Canvas	425.00	425.00	125.98	155.82	29.64	35.90	166.22	190.17	138.35	124.11
	1012.33	Leather Footwear	202.56	202.56	135.49	94.65	66.89	46.73	195.91	181.89	382.11	354.84
 Liberty Shoes Ltd. (31.03.2010)	266.11	Total	106.00*	106.00*	66.50	56.32	62.74	53.13	64.30	59.11	328.87	334.45
	247.52	Leather Shoes			24.58	20.93			24.55	21.68	534.94	548.67
		Non-Leather Shoes			41.92	35.39			39.75	37.43	201.61	210.33
 Mirza International Ltd. (31.03.2010)	378.89	Chrome Leather	N.A.	N.A.	4.73	3.56	N.A.	N.A.	4.57	3.96	N.A.	N.A.
	361.03	Footwear	40.00	40.00	28.45	27.72	71.13	69.30	42.39	42.24	716.91	693.41
 Relaxo Footwears Ltd. (31.03.2010)	553.91	Footwear	930.00*	855.00*	776.42	624.75	83.49	73.07	842.97	684.50	60.79	53.26
 Sarup Tanneries Ltd. (31.03.2010)	36.14	Shoe Uppers	9.00	6.00	5.84	4.44	64.89	74.00	5.64	6.40	732.41	403.61
	42.09	Shoes	15.00	6.00	5.67	6.25	37.80	104.17	0.36	0.48	518.18	606.02
 Super House Ltd. (31.03.2010)	356.25	Shoe Uppers	9.12	9.12	1.48	2.57	16.23	28.18	N.A.	N.A.	N.A.	N.A.
	344.05	Shoes	34.22	33.15	27.32	24.55	79.84	74.05	N.A.	N.A.	N.A.	N.A.
Total	2703.88		1770.90	1682.83	1177.88	1001.63	66.51	59.52	1386.66	1227.86	N.A.	N.A.
	2414.48											

*Including available under franchise agreements.

*Presuming 300 working days in a year.

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

The Govt. of India has set up a very ambitious target of growth for the footwear industry as a whole. The above stated improvement in the working of major footwear Companies is in line with such target.

Key Financial Figures of Top Six Listed Footwear Companies

for the Year 2009-10

Company Name	Paid-up Equity Share Capital (₹ in Cr.)	Promoter'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. (31.12.2009)	64.26	51.02	67.22	6.04	332.75	10.46	51.78	20.20	54.00	228.50	391.90	171.00	323.14
LIBERTY Liberty Shoes Ltd. (31.03.2010)	17.04	66.11	9.20	3.45	131.54	5.68	77.20	6.99	99.00	100.70	134.90	87.10	103.43
MI Mirza International Ltd. (31.03.2010)	18.54	65.81	18.18	4.80	144.44	1.96	15.58	12.59	60.00	14.70	28.10	13.30	145.00
RELAXO Relaxo Footwears Ltd. (31.03.2010)	6.00	75.00	37.69	6.80	109.92	31.41	91.60	34.29	60.00	223.70	514.00	166.10	1391.33
Sarup Sarup Tanneries Ltd. (31.03.2010)	3.25	74.36	0.85	2.21	24.20	2.63	74.44	3.51	40.00	44.00	65.00	31.70	10.00
Superhouse Super House Ltd. (31.03.2010)	11.42	54.50	13.65	3.83	116.38	13.23	105.56	11.73	15.00	47.75	76.20	42.10	218.33

The Companies have strong fundamentals confirming the potential of footwear industry. However, the market has not rewarded this industry to its full potential and improving performance.

Notes: The information given 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 mistake that may have inadvertently crept in. Its reproduction requires permission of the Company.

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

2. The gain/(Loss) in respect of Liberty Shoes Ltd. has been arrived at after considering its Bonus Issue and in respect of Mirza International Ltd. and Relaxo Footwears Ltd. after considering Bonus Issue and split of face value of their Equity Shares.

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting the 25th Annual Report of the Company together with the Audited Annual Accounts for the financial year ended 31st March, 2011.

In addition to Audited Annual Accounts for the financial year ended 31st March, 2011, your Company has also presented its consolidated financial statements after considering the audited annual 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 Exchange(s).

Financial Highlights:

The highlights of the financial statements are as under:-

(₹ In Lacs)

Particulars	2010-11	2009-10
Gross Sales	30530.02	26611.48
Export	4280.19	3795.46
Domestic	26249.83	22816.02
Less: Excise Duty	836.00	544.62
Net Sales	29694.02	26066.86
Other Income	128.16	73.46
Profit before Interest and Depreciation	2450.33	2464.13
Interest	761.59	852.73
Depreciation	680.94	679.25
Profit before Taxation	1007.80	932.15
Provision for Taxation & Deferred Tax Liability	(21.15)	(35.06)
Profit after Tax	1028.95	967.21
Add / (Less): Previous Year Adjustment	(20.68)	(46.90)
Net Profit for the Year	1008.27	920.31
Add: Opening Balance	3759.00	3438.69
Profit Available for Appropriation(s)	4767.27	4359.00
Transfer to General Reserve	600.00	600.00
Surplus carried to Balance Sheet	4167.27	3759.00

Review of the operations of the Company:

Your Company, during the year under review, further strengthened its operations through the on going implementation of distinctive concept involving its reach, its process of replenishment etc. for improvement of the Company's operations. Your Directors are satisfied with its results delivered so far and hopeful that with its roll over further, the Company's all around performance would improve in the long run.

Your Company, during the year under review, achieved Gross Sales of ₹30530.02 Lacs (Previous year ₹26611.48 Lacs) and Net Sales of ₹29694.02 Lacs (Previous year ₹26066.86 Lacs) by registering a growth of 14.72% & 13.91% respectively as compared to the previous year. The Company has earned a Profit after Tax of ₹1028.95 Lacs (Previous year ₹967.21 Lacs) for this period, an increase of over 6.38% against the previous year. The profits for the year under consideration were impacted mainly on account of higher input costs including the employees cost. Your Company believes that with its strong brand equity, it can partially pass on the impact of increase in its input costs to the consumers and can reduce the impact to certain extent.



Your Company, during the year under review on consolidated basis, achieved a turnover of ₹31826.23 Lacs as compared to ₹27405.28 Lacs in the previous year by registering a growth of 16.13% as compared to the previous year. The net profits on consolidated basis were ₹606.21 Lacs as compared to ₹ 411.91 Lacs in the previous year for this period, an increase of over 47.17% against the previous year.

The members are aware that Indian economy during the year 2011 commenced its recovery on a positive note with high growth and positive sentiments but narrowed down during the fourth quarter of the year. The major challenge to the growing Indian economy and the prevailing feel good factor was mounting food inflation affecting the rest of the economy significantly. Your Company, in order to mitigate these challenges, has implemented requisite measures to improve sustainability of the Company's operations.

Awards / Recognitions:

During the year under review:

- Liberty has been ranked amongst the Top 100 Best Retailers for the year 2011 in the annual survey by one of the leading Business Opportunity Magazine - "The Franchising World".
- Liberty has been awarded, the Franchisor of the Year First Runner-up, at Franchise Plus Awards 2010 in recognition of its franchisee business model.
- Liberty has been associated as the official Foot Fashion partner of Pantaloon Femina Miss India Contest 2011. The contestants have chosen Liberty for the contest recognising excellence of the Company's products.

Corporate Social Responsibility:

Liberty has always endeavored for the betterment of society and for discharging its responsibilities towards the society at large. Some of the social initiatives undertaken by Liberty are as under:

- Distribution of free shoes and chappals to needy and under privileged children.
- Organising free medical health check up camps at regular intervals.
- Sponsorship of sports and other cultural events.
- Environmental improvement by providing greenery and planting of trees at its plants.

Subsidiary Companies:

Liberty Retail Revolutions Ltd (LRRL), Retail Venture

In view of the huge potential and the promising future of organised retailing in India, LRRL has been expanding its retail presence over the years.

The year under consideration has been best performing year for LRRL since inception in terms of its sales and overall performance. LRRL, during the year 2011, has achieved a turnover of ₹4799.73 Lacs (Previous year ₹3513.82 Lacs) by registering a growth of 37% as against the previous year.

Geofin Investments Private Limited, other constituent of LRRL shareholder(s), has further extended its support by subscribing share application to the extent of ₹550 Lacs during the year under consideration. Your Company presently holds 99,96,150 Equity Shares constituting 93.86% stake in Retail Subsidiary in addition to its holding of 5,00,000 Fully Convertible Debentures of the face value of ₹100 each aggregating to ₹500 Lacs.

Liberty Foot Fashion Middle East FZE (LFF), Dubai (Wholly Owned Subsidiary)

You are aware that LFF, a Wholly Owned Subsidiary of the Company, was conceived in 2006 to strengthen and expand the Company's global presence. But due to prevailing uncertainty in global economy, LFF till date has not formalised any sustainable project for commencing its business activities. LFF will keep on exploring the appropriate opportunities for commencing its operations at the earliest possible.

Your Company till 31st March, 2011 has invested a sum of ₹294.67 Lacs (Previous Year ₹250.58 Lacs) in LFF as its capital contribution.

General Approval for not attaching the Annual Accounts of the Subsidiary Companies

Your Board of Directors have accorded their consent vide Resolution passed in their Meeting held on 10th May, 2011 for not attaching a copy of the Balance Sheet, Profit & Loss Account, Reports of Directors

and Auditors of the Subsidiary Companies with the Annual Audited Accounts of the Company pursuant to Section 212 of the Companies Act, 1956 read with General Circular No. 2/2011 dated February 8, 2011 issued by Ministry of Corporate Affairs. Accordingly, the copies 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 on 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, 2011 is included in the financial statements of the Company as required under the provisions of Section 212 of the Companies Act, 1956. The aggregate amount of a) Capital b) Reserves c) Total Assets d) Total Liabilities e) Detail of Investment (except investment in subsidiaries) f) Turnover g) Profit Before Taxation h) Provision For Taxation i) Profit After Taxation j) Proposed Dividend in respect of two Subsidiary Companies are included in the Consolidated Balance Sheet of the Company. Further, the Consolidated Financial Statements, pursuant to the Accounting Standard(s) 21 and 27 as issued by the Institute of Chartered Accountants of India and Clause 32 of Listing Agreement, have been presented by the Company elsewhere in this Annual Report including the financial results of its subsidiaries.

Appropriations:

Dividend

Your Directors, considering the financial requirements, do not recommend dividend on Equity Share Capital of the Company to the shareholders for the financial year ended 31st March, 2011.

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 ₹408.27 Lacs (Previous Year ₹320.31 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, 2011, your 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 your Company in accordance with the Company's exposure to all types 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:

Your 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 Sh. Satish Kumar Goel as "Director (Law & Taxation)"

Having regard to the past contribution of Sh. Satish Kumar Goel towards the Company and for further strengthening of its operations, your Board at their Meeting held on 10th May, 2011 has approved the re-appointment of Sh. Satish Kumar Goel as "Director (Law & Taxation)" for a further period of 2 years w.e.f. 1st April, 2011 subject to the approval of the Members of the Company in the ensuing Annual General

Meeting. The remuneration payable to Sh. Satish Kumar Goel as "Director (Law & Taxation)" has also been approved by the Remuneration/Selection Committee of the Board at its Meeting held on 10th May, 2011. The aforesaid appointment of Sh. Satish Kumar Goel is being proposed by separate Resolution which forms part of the Notice of the ensuing Annual General Meeting.

Appointment of Sh. Adeesh Kumar Gupta as Director and Executive Director

Sh. Adeesh Kumar Gupta has been associated with the Company for past several years and considering his past contribution towards the Company, he was appointed as an Additional Director of the Company by the Board at their meeting held on 12th August, 2011. Sh. Adeesh Kumar Gupta was further proposed by a Member of the Company to be appointed as Director of the Company in terms of provisions of Section 257 of the Companies Act, 1956. The Board, considering his past experience and the interest of the Company, has appointed Sh. Adeesh Kumar Gupta as an Executive Director of the Company w.e.f. 1st October, 2011 subject to the approval of the members in the ensuing Annual General Meeting of the Company.

The aforesaid appointment(s) of Sh. Adeesh Kumar Gupta is being proposed by separate Resolution which forms part of the Notice of the ensuing Annual General Meeting.

Retirement by rotation

Sh. Adesh Kumar Gupta, CEO and Executive Director, Sh. Adarsh Gupta and Sh. Sunil Bansal, Executive 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 re-appointment at the ensuing Annual General Meeting. A brief profile alongwith the necessary details including memorandum of interest of Directors seeking their appointment / re-appointment has been provided in Annexure-A of Annexure to the Notice of the Annual General Meeting as required under Clause 49 of the Listing Agreement entered into with Stock Exchange(s) and the provisions of Section 302 of the Companies Act, 1956.

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 the preparation of the Annual Accounts, 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 in accordance with 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.

Recommendations / Observations of Audit Committee:

The recommendations / observations of the Audit Committee placed before the Board during the financial year ended 31st March, 2011 in respect of matters pertaining to the financial management or any other matter related thereto, were considered and 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 retire at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility for re- appointment. Your Company's Directors have 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 this Annual Report.

Cost Auditors:

Pursuant to the directives issued by the Central Government and provisions of Section 233B of the Companies Act, 1956, the Company's cost records for the financial year ended March 31, 2011 are being audited by Cost Auditors, M/s K. L. Jaisingh & Co., Cost Accountants who were appointed by the Board after seeking the approval of the Central Government.

The Cost Audit Report for the preceding Financial Year ended March 31, 2010 with requisite form(s) duly filled and signed has been filed with the Central Government within the statutory due date as prescribed under the applicable provisions. Further, the Cost Audit Report for the financial year ended on March 31, 2011 shall be filed on or before the due date as per the said provisions i.e. September 30, 2011.

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 thereunder.

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 the Listing Agreement with Stock Exchange, a Management Discussion and Analysis Report, clearly stating the required matters in respect of the trends and developments in footwear Industry and risks etc., has been attached to this report.

Corporate Governance Report:

In accordance with the provisions under Clause 49 of the 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 wish to place on record their sincere appreciation of all the employees for their dedication and commitment which enabled the Company to achieve a high level of performance with customer satisfaction and increased shareholders value.

Your Company continues to occupy a place of one of the leading brands in footwear industry with respect amongst the Customers and stakeholders. Your directors would like to express their appreciation for assistance and cooperation received from Vendors, Stakeholders, Bankers, Channel Partners, Govt. Department(s) and all other business constituents who have extended their valuable and sustained support and encouragement during the year under review.

For and on behalf of the Board of Directors

Place: Libertypuram, Karnal
Dated: Friday, 12th August, 2011

Adesh Kumar Gupta
Chairman of the Meeting
DIN-00143192

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) Rules, 1988 and forming part of Directors' Report for the financial year ended 31st March, 2011, are given as under:

A) CONSERVATION OF ENERGY:

a) Energy Conservation measures taken

Liberty continued to emphasize on the conservation & optimal utilization of energy at its every manufacturing units. The energy conservation measures implemented during the financial year 2011 are given below:

- i. Replacement of high consumption motors wherever feasible with low consumption motors.
- ii. Redesigning of the raw materials handling system resulting in power savings.
- iii. Directions for the use of natural lights wherever possible during day time for the different processes.

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

- i. Liberty would continue its efforts towards effective utilization of energy across its manufacturing facilities.

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 2010-11 : ₹ 6,95,448
- ii. Energy saving per pair during the year 2010-11 : ₹ 0.09 per pair
- iii. Energy saving against total cost of consumption of energy in the year 2010-11 : 1.53%

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 proper understanding of consumer requirements is the basic reason of Company's growth and its growing share in the footwear market. Over the years, there has been substantial progress

made to understand consumer needs gap and accordingly offer Liberty's products meeting with consumer aspirations.

In addition to the product development the Company has also collaborated with external institutes and vendors for the new product mix and technologies.

Benefits

The above efforts result in the development and introduction of new product categories in which Liberty operates.

ii. The future plan of action

The Company will continue to innovate with different process & products to offer its customers new affordable products.

iii. Expenditure in R & D

The Company has not incurred any capital expenditure towards its research and development activities, however, has spent ₹33.56 Lacs as recurring expenditures towards its development activities. This expenditure constitutes 0.11% of the turnover of the Company for the year under consideration.

Technology absorption, adaptation and innovation

Efforts & benefits to the Company

Different innovative technologies were implemented for footwear manufacturing and its various processes to improve the efficacy of Liberty products.

C) FOREIGN EXCHANGE EARNINGS AND OUTGO:

- f) Efforts and initiative in relation to the exports:** The export team, in order to expand Company's overseas presence, has been further strengthened. Besides this Liberty continued to emphasize on exploring the untapped markets for its products.
- g) Total foreign exchange used and earned:**

Particulars	2010-11 (₹ in Lacs)	2009-10 (₹ in Lacs)
Foreign Exchange Earned	4298.82	3678.98
Foreign Exchange Used	1585.93	1008.67

For and on behalf of the Board of Directors

Place: Libertypuram, Karnal
Dated: Friday, 12th August, 2011

Adesh Kumar Gupta
Chairman of the Meeting
DIN-00143192

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 Companies, lending institutions and markets to the health of economy and their stability.

Liberty, being a consumer driven entity, has laid down the certain business standards and code of conduct amongst its people keeping in view the objectives 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 and our relationship with stakeholders and our commitment to values. Liberty has considered the concept of Corporate Governance as a fundamental prerequisite for improving economic performance, facilitating corporate access to capital. Due to this, Corporate Governance has now become a pivotal policy concern of the Company which will lead to its long-term growth and financial stability.

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, employee, channel partners etc. In compliance with the mandatory provisions of Clause 49 of the Listing Agreement with the Stock Exchange, the relevant disclosures have been provided hereunder.

2. Board of Directors

At the core of our Corporate Governance practice is the Board, which oversees how the management serves and protects the long-term interests of all our stakeholders. We believe that an active, well informed and independent Board is necessary to ensure the standards of Corporate Governance.

Your Company retains an experienced panel of professionals and entrepreneurs on its Board having understanding of diversified industry and the overall administration. Such distinctive combination has benefitted the Company for managing its affairs in a strategic manner in the interest of its stakeholders.

As on March 31, 2011, the majority of the Board, 6 (Six) out of 11 (Eleven), are Non-Executive Independent Directors. Further, we have Audit, Remuneration / Selection, Management and Share Transfer & Shareholders' / Investors' Grievance Committees, which comprise independent directors. Sh. Adesh Kumar Gupta, CEO & Executive Director of the Company, is the Chairman of the Board and belongs to promoter group 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, 2011 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

The existing strength of the Executive Directors is further proposed to be reinforced with the appointment of Sh. Adeesh Kumar Gupta as Executive Director w.e.f. 1st October, 2011 subject to the approval of the Members of the Company in ensuing Annual General Meeting. This appointment, if approved by the members, would be in conformity with the provisions of clause 49 of the Listing Agreement with the Stock Exchange(s).

(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 / decisions 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 function 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 2010-11, 4 (Four) Board Meetings were held viz. on 30th April, 12th August, 10th November, 2010 and 7th February, 2011. 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, 2011	No. of Committee	
						Member-ship	Chairman-ship
1.	Sh. Adesh Kumar Gupta	Promoter & ED	4	Yes	5	--	--
2.	Sh. Adarsh Gupta	Promoter & ED	4	No	6	1	1
3.	Sh. Shammi Bansal	Promoter & ED	4	Yes	1	--	--
4.	Sh. Sunil Bansal	Promoter & ED	4	Yes	2	2	1
5.	Sh. Satish Kumar Goel	ED	4	Yes	--	--	--
6.	Sh. Surendra Kumar Arya	NED (I)	1	No	27	4	1
7.	Sh. Amitabh Taneja	NED (I)	3	No	15	9	1
8.	Sh. Prem Chand Garg	NED (I)	4	No	7	1	--
9.	Sh. Siddharth Sanghi	NED (I)	2	No	16	2	--
10.	Sh. Raghubar Dayal	NED (I)	4	Yes	--	--	--
11.	Sh. Vivek Bansal	NED (I)	1	No	1	--	--

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

All the Independent Directors of the Company are satisfying the requirements as specified in the Clause 49(l)(A)(iii) of the Listing Agreement to qualify to act as Independent Director(s) of the Company. At Liberty, Independent Directors of the Company actively participate in the Meetings held from time to time for providing the necessary guidance / suggestions to protect the interest of investors/ stakeholders. The suggestions received from the Independent Directors are suitably 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.

(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 the Central Government. Non - Executive Independent Director(s) 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. During the year under review, an aggregate amount of ₹20,000/- (Previous Year ₹45,000/-) 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 and Executive Director)**

Sh. Adesh Kumar Gupta, aged about 51 years, a Graduate in B.Sc. (Engineering), has been working as Chief Executive Officer of the Company since 2004. 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 Retailing and Telecom 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 will be retiring by rotation from the Company and being eligible offers himself for re-appointment in the ensuing Annual General Meeting. He belongs to Promoter Group of the Company and presently, holds 95,000 Equity Shares in the Company.

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

Sh. Adarsh Gupta, aged about 49 years, one of Promoters of the Company, is a Commerce Graduate apart from holding Diploma in Shoe Designing from the globally recognized Institute at Italy. Sh. Adarsh Gupta in the past has been helpful in the Company's retail expansion and also for the successful brand promotions.

He will be retiring by rotation from the Company and being eligible offers himself for re-appointment in the ensuing Annual General Meeting. He has been serving on the Board of the Company since 1990 and presently, holds 6,91,000 Equity Shares of the Company.

- **Sh. Sunil Bansal (Executive Director)**

Sh. Sunil Bansal, aged about 51 years, has been acting as Director with the Company since 1990. He is representing the Promoter Group on the Board and apart from looking its international business, also guiding leather shoes production team with his expertise.

He will be retiring by rotation from the Company and being eligible offers himself for re appointment in the ensuing Annual General Meeting. He presently, holds 1,99,000 Equity Shares of the Company.

- **Sh. Satish Kumar Goel “(Director - Law & Taxation)”**

Sh. Satish Kumar Goel, aged about 71 years, is an Advocate and eminent tax practitioner who initially joined the board in July 2001 as an Independent Director. He was designated as “Director (Law & Taxation)” by Board of Directors of the Company at their Meeting held on 16th January, 2006 for a period of 5 (five) years, w.e.f. 1st April, 2006. He has been spear heading the Legal Department of the Company by providing his expertise in the areas of taxation and legal matters. The Board of Directors, at their Meeting held on 10th May, 2011, have re-appointed him as “Director (Law & Taxation)” for a further period of 2 (Two) years w.e.f. 1st April, 2011 and at present, he holds 400 Equity Shares of the Company.

- **Sh. Adeesh Kumar Gupta (Additional Director)**

Sh. Adeesh Kumar Gupta, aged about 47 years, has been associated with the Company for past several years and contributing to the growth of Company with his vast experience. He joined the Board in August, 2011 as an Additional Director of the Company. The Company has received a notice under section 257 of the Companies Act, 1956 from a member of the Company proposing candidature of Sh. Adeesh Kumar Gupta as Director of the Company in the forthcoming Annual General Meeting. Considering his past experience, Board of Directors at their Meeting held on 12th August, 2011 have appointed him as Executive Director w.e.f. 1st October, 2011 subject to the approval of Members of the Company.

He belongs to the Promoter Group of the Company and at present, he holds 1,50,360 Equity Shares of 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 the 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, name 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 Meeting held during the year. Sh. Munish Kakra, Vice President & Company Secretary is appointed as the Secretary of the Audit Committee in pursuance of the 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)	4
2.	Sh. Sunil Bansal	Member	ED	4
3.	Sh. Prem Chand Garg	Member	NED (I)	4
4.	Sh. Vivek Bansal	Member	NED (I)	1
5.	Sh. Munish Kakra	Secretary	Company Secretary	4

Meetings held during the year

During the financial year 2010-11, 4 (Four) Audit Committee meetings were held on 30th April, 12th August, 10th November, 2010 and 7th February, 2011. 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, 2011 were reviewed by the Audit Committee in its Meeting held on 12th August, 2011. 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(s).

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	1(1)
2.	Sh. Prem Chand Garg	Member	Independent	1(1)
3.	Sh. Surendra Kumar Arya	Member	Independent	1(0)
4.	Sh. Munish Kakra	Secretary	Company Secretary	1(1)

Meetings held during the year

During the financial year 2010-11, the members of Remuneration / Selection Committee met once on 12th August, 2010 for considering and approving the remuneration payable to Sh. Adesh Kumar Gupta, Chief Executive Officer & Executive Director, Sh. Adarsh Gupta, Executive Director and Sh. Shammi Bansal, Executive Director.

Apart from the above, the Members of the Remuneration Committee Meeting also met twice on 10th May and 12th August, 2011 and recommended the proposed remuneration payable to Sh. Satish Kumar Goel and Sh. Adeesh Kumar Gupta respectively. All the Members of the Committee except Sh. Surender Kumar Arya attended the Meeting of the Remuneration / Selection Committee held on 10th May and 12th August, 2011.

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 after taking into consideration the financials of the Company, ongoing trend in Industry, appointee's qualification & experience including past performance.

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 2010-11, 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 ₹20,000/-.

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

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 chauffeur 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 2010-11, 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	Executive Director	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 expired on 31st March, 2010, which were 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 Contract of Sh. Sunil Bansal is valid till 31st December, 2014.
- Service Contract of Sh. Satish Kumar Goel has expired on 31st March, 2011, which will be renewed and executed for a further period of 2 years after obtaining the requisite approval of the Members of the Company at 25th Annual General Meeting pertaining to his re-appointment.
- Service Contract of Sh. Adeesh Kumar Gupta will be executed for a period of 5 years after obtaining the requisite approval of the Members of the Company at 25th Annual General Meeting pertaining to his appointment.
- 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(s).
- 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 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 financial year 2010-11, the Committee met 15 (Fifteen) times on 15th April, 30th April, 15th May, 15th June, 30th June, 31st July, 14th August, 31st August, 30th September, 15th October, 31st December 2010, 15th January, 28th February, 15th March, and 31st March, 2011.

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

Particulars	2008-09	2009-10	2010-11
No. of Transfers & Transmission	11	26	30
No. of Shares Trfd / transmitted	1912	692800	5000
No. of STC meetings held	11	12	15

There are 8 (eight) cases (involving 1000 Equity Shares) concerning dispute over titles to Shares which are pending with the Company as on 31st March, 2011.

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, 2011 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 Bonus, Dividend & Annual Report	1	1	NIL
Issue of duplicate / Loss of Certificate(s)	7	7	NIL
Change of address, name correction, Transmission & others	8	8	NIL
Change of Bank Detail	1	1	NIL
Dividend through ECS	2	2	NIL
Total	19	19	NIL

The references wherever 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 finance, Management Committee of the Board was constituted by the Board of Directors in 2007. 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	6(6)
2.	Sh. Adarsh Gupta	Member	Promoters	6(6)
3.	Sh. Prem Chand Garg	Member	Independent	6(3)
4.	Sh. Raghubar Dayal	Member	Independent	6(6)

During the year under consideration, Six Meetings of the Management Committee were held on 28th May, 24th June, 31st August, 30th September, 28th December, 2010 and 17th March, 2011.

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 particulars 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
24 th Annual General Meeting	2010	Registered Office	Monday, 27 th September, 2010	11:00 A.M.
23 rd Annual General Meeting	2009	Registered Office	Wednesday, 30 th September, 2009	3.00 PM.
22 nd Annual General Meeting	2008	Registered Office	Friday, 26 th September, 2008	11.30 A.M.

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

24th Annual General Meeting on 27th September, 2010	23rd Annual General Meeting on 30th September, 2009	22nd Annual General Meeting on 26th September, 2008
Nos. of Special Business: 3	Nos. of Special Business: 5	Nos. of Special Business: Nil
<ol style="list-style-type: none"> Re-appointment of Sh. Adesh Kumar Gupta as the Chief Executive Officer of the Company. Re-appointment of Sh. Adarsh Gupta as the Executive Director of the Company. Re-appointment of Sh. Shammi Bansal as the Executive Director of the Company. 	<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, 2011:

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 was in conflict with the interest of the Company. All the details of related party transactions carried out by the Company during the year under consideration can be observed from the disclosures made in Notes on Accounts to the financial statements for the year ended 31st March, 2011 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(s).

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 Exchange. 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 publishing thereof in newspapers:

As per the Listing Agreement with Stock Exchange(s) 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 are provided separately as a part of this Annual Report.

8. General Shareholder information:**i. Annual General Meeting:**

Day, Date & Time : Wednesday, 28th September, 2011 at 11.00 A.M.
Venue : Libertypuram, 13th Milestone, G.T. Karnal Road, Kutail P.O. Bastara, Distt. Karnal - 132 114 (Haryana).

ii. Financial Results (Tentative):

Financial Results for the Quarter ended 30th June, 2011 : On 12th August, 2011
Financial Results for the Quarter ended 30th September, 2011 : By 14th November, 2011
Financial Results for the Quarter ended 31st December, 2011 : By 14th February, 2012
Financial Results for the Quarter ended 31st March, 2012 : By 15th May, 2012
Annual General Meeting for the year ended 31st March, 2012 : By August / Sept. 2012

iii. Book Closure Dates: Friday, 23rd September, 2011 to Wednesday, 28th September, 2011 (both days inclusive).**iv. Dividend Payment Date:**

During the year under consideration, the Board of Directors of the Company have not recommended any dividend on equity share capital of the Company for the financial year ended 31st March, 2011.

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 2011-12 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 here under:

Performance in comparison to S & P Nifty

Index vs. Share Price

S. No.	Year (2010-11)	S & P CNX Nifty	Share Price (in ₹)
1	April-10	5399.65	119.00
2	May-10	5278.70	119.10
3	June-10	5366.75	115.80
4	July-10	5477.50	105.00
5	August-10	5549.80	116.90
6	September-10	6073.50	122.00
7	October-10	6284.10	114.80
8	November-10	6338.50	134.45
9	December-10	6147.30	116.00
10	January-11	6181.05	119.50
11	February-11	5599.25	95.00
12	March-11	5872.00	94.80

Liberty Shoes Ltd. on NSE Vs. NSE Nifty



Performance in comparison to Sensex

Index vs. Share Price

S. No.	Year (2010-11)	BES Sensex	Share Price (in ₹)
1	April-10	18047.86	110.40
2	May-10	17536.86	107.85
3	June-10	17919.62	101.35
4	July-10	18237.56	107.95
5	August-10	18475.27	113.75
6	September-10	20267.98	121.00
7	October-10	20854.55	115.00
8	November-10	21108.64	134.90
9	December-10	20552.03	116.00
10	January-11	20664.80	119.45
11	February-11	18690.97	95.00
12	March-11	19575.16	94.75

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 of India Ltd. (NSE) and Bombay Stock Exchange Ltd. (BSE) for the financial year ended 31st March, 2011 are as under:

KEY INDICATORS
EQUITY SHARE PRICE MOVEMENT ON NSE & BSE (April 2010 - March 2011)

Year (2010-11)	(Price in ₹)				Volume (In No. of Shares)	
	High		Low		NSE	BSE
	NSE	BSE	NSE	BSE		
April	119.00	110.40	84.20	101.30	4544529	1911189
May	119.10	107.85	87.20	87.10	1633466	623215
June	115.80	101.35	89.10	90.00	3093185	1364674
July	105.00	107.95	95.10	95.00	2056088	983357
August	116.90	113.75	96.35	97.65	3654485	1889592
September	122.00	121.00	98.10	99.20	6898706	2950814
October	114.80	115.00	103.40	103.20	2403778	1101813
November	134.45	134.90	98.10	97.25	5558872	2532735
December	116.00	116.00	98.95	99.00	1510285	678858
January	119.50	119.45	91.55	91.05	1990352	1154368
February	95.00	95.00	73.00	72.50	660043	347232
March	94.80	94.75	78.05	78.85	928075	336605
TOTAL					34931864	15874452

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 Shareholders' / 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 Reconciliation of Share Capital Audit on quarterly basis for reconciliation of the Share Capital of the Company.

viii. Distribution of Shareholding:

Distribution Summary as on 31st March, 2011

Shareholding of nominal value	Number of Shareholders		Number of Shares		Amount (in ₹)
	Number	% of total	Number	% of total	
Up to 2,500	12,804	86.79	12,15,099	7.13	1,21,50,990
2,501 - 5,000	1,092	7.40	4,28,614	2.52	42,86,140
5,001 - 10,000	492	3.34	3,92,567	2.30	39,25,670
10,001 - 20,000	179	1.21	2,66,936	1.57	26,69,360
20,001 - 30,000	56	0.38	1,42,682	0.84	14,26,820
30,001 - 40,000	27	0.18	97,531	0.57	9,75,310
40,001 - 50,000	21	0.14	99,259	0.58	9,92,590
50,001 - 1,00,000	27	0.18	2,00,932	1.18	20,09,320
1,00,001 & Above	56	0.38	1,41,96,380	83.31	14,19,63,800
Total	14,754	100.00	1,70,40,000	100.00	17,04,00,000

Category wise List of Shareholders as on 31st March, 2011

Category	No. of Shares held	Voting Strength (%)
Promoters Holding		
A Individual Promoters	67,93,490	39.87
B Bodies Corporate	44,72,517	26.25
Total Promoters Holding	1,12,66,007	66.12
Public Holdings		
A FIIs, NRIs & Banks etc	63,220	0.37
B Indian Public including Private Bodies Corporate	57,10,773	33.51
Total Public Holding	57,73,993	33.88
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, 2011, 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	1,23,15,612	72.27
2	Physical	47,24,388	27.73
Total		1,70,40,000	100.00

x. Plant Locations:

The Company's plants are located at Karnal at Haryana, Dehradun and Roorkee at Uttrakhand 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 City, 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, 2011.

Place: Libertypuram, Karnal
Dated: Friday, 12th August, 2011

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. **(the Company)** for the year ended 31st March, 2011 as stipulated in clause 49 of the Listing Agreement of the Company with Stock Exchange(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 above 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 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, 2011 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.

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

Pardeep Tayal
Partner
Membership No. 081643

Place: Libertypuram, Karnal
Dated: Friday, 12th August, 2011

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, 2011 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 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
 - 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 : Libertypuram, Karnal
Dated: Friday, 12th August, 2011

Adesh Kumar Gupta
Chief Executive Officer
DIN-00143192

Munish Kakra
*Vice President &
Company Secretary*

Management Discussion and Analysis Report

Indian Economy – Outlook

Indian economy in the recent times has benefitted from strong domestic demand and a resumption of investor sentiments although higher interest rates are expected to trim the overall growth rate. Improved external demand and stronger capital inflows have also played a positive role. A reasonably good monsoon has helped the agriculture sector and has boosted rural demand as well. It is estimated that India will have GDP growth rate for 2011-12 at 8.2% as compared to 8.5% registered last year which still provide India a foremost position amongst growing and emerging economies.

At global front, domestic consumption is on high in the emerging economies and those economies including India are now front running the global economic expansion.

Your Company, considering the economic growth of India, has potential to maintain its path of growth like earlier with buoyancy of registering new growth rate in forthcoming years by improving its overall performance.

The Indian Footwear Industry – Structure and Development

During the year 2010-11, the export of leather and leather products touched to ₹17518 Crores as against the performance of ₹16152 Crores in the corresponding period of last year recording a positive growth of 8.46%. India produces 2065 million pairs of different categories which are second only to China. India Exports 115 million pairs in 2010 and consumes 95% of its production in domestic market. With its growing performance over the years the footwear sector has not become important segment of the leather industry in India but also emerged as engine of growth for the entire Indian leather industry. This segment in the past has always been the major contributor of the leather product exports from India.

This sectors' strength is basically due to its domination on reliable supply of resources in the form of raw hides and skins, quality finished leather, large installed capacities for production of finished leather and footwear, huge human capital with expertise and technology base, skilled manpower and relatively low cost labour, demonstrated capabilities to produce footwear for global leading brands.

The Govt. of India, considering the export and employment potential has also been implementing various promotional schemes for the Indian footwear industry. Liberty, during the year under review, for its various initiatives has received recognition and also incentive under the schemes.

Opportunities / Threats, Risk and Concern

Indian Leather Industry has achieved significant growth over the years but the share of Indian Leather Sector in the global market of leather and leather products is presently only around 3%. The Leather Industry, with its strong features, definitely has the potential to improve its export performance in the coming years. The Govt. of India, has fixed a ambitious target of USD 8.5 billions for the Indian Leather Sector to be achieved by 2013-14. The Industry has to achieve an annual growth of about 26% (as against the present level of about 10.5%) in order to achieve this target.

Liberty with its state of the art manufacturing facilities and best available technologies would positively strive to contribute to the growth targets.

In the domestic market with the availability of higher disposable income and with the emergence of young work force including women the existing markets are expanding and many new markets have developed. Most of the leading brands are now available at Tier II and Tier III cities. Better paying jobs and revelation to fashion trends worldwide through media have also resulted in changing consumer habits. The transformation of economy has led to changing aspirations with the need to be considered good looking and stylish has taken its importance. As a result, mindsets of the people have changed and people are spending more on consumption. Liberty considers this change as an opportunity and is hopeful for a overall growth in the footwear consumption.



Indian Companies are now looking for opportunities to grow inorganically also. Global markets besides creating growth opportunities also provide learning for domestic markets. In the last few years a number of overseas acquisitions have been concluded by Indian Companies though very few in the footwear segment but this implies a significant opportunity for the future growth. Positive and favorable economic factors, change in the consumer preferences and progressive approach of Govt. including entry of FDI in retail also make a domestic market an appealing destination.

The opportunities in the Indian market have also attracted many foreign brands to the Indian Market. These foreign brands may be fulfilling their requirements to certain extent from Indian Companies giving them a new opportunity for their growth.

Liberty believes that power of its brand allows the Company to pass on the impact of any increase in its input cost to the consumers. However, considering the uncertainty and increasing competitive pressures, part of the increased costs may be required to absorb by the Company. In the economic slowdown, consumers tend to reduce their exposure towards discretionary spending. Shifting from branded products to non-branded ones could also occur and affect the financial performance of the Company.

Your Company is geared up with the new challenges and being a Icon of family footwear, it caters to the entire family. It has plans to expand its retail network besides franchisee and wholesale network. It has strong manufacturing facility with dedicated team of design and development. With the changing lifestyle of the people of India and increasing demand of the products, Liberty focused the domestic demand and expects that it will grown higher than the past.

Internal Control System and its Adequacy: Liberty has adopted an adequate internal control system and defined procedures covering all the financial and operational functions in order to ensure that Company's assets are safeguarded and protected, transactions are authenticated and reported correctly so that the operations are concluded in an efficient and cost effective manner. 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, 2011 have been stated in the Directors' Report for the year ended 31st March, 2011, 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, 2011.

Reserves and Surplus: The Company's reserves and surplus increased from ₹11450.30 Lacs to ₹12458.57 Lacs in 2010-11. Free reserves accounted for 99.97% of the total reserves as on 31st March, 2011.

Gross Block: Liberty's Gross Block increased by ₹942.03 Lacs to ₹14595.28 Lacs in 2010-11. The increase was mainly on account of normal capital expenditure required at plants.

Investments: Liberty's investments stood at ₹1794.29 Lacs (previous year ₹1750.19 Lacs) in 2010-11. Liberty has subscribed to share application money of ₹44.10 Lacs in Liberty Foot Fashion Middle East FZE (LFF), its overseas subsidiary during the year.

Total Income and Profits: Liberty's total income, comprising sales and other income, increased from ₹26684.94 Lacs to ₹30658.18 Lacs in 2010-11. Profit before tax, after making a provision for depreciation, increased from ₹932.15 Lacs to ₹1007.80 Lacs in 2010-11. The Company's net profit, after considering a tax provision of ₹202.92 Lacs (as against the previous year's ₹163.15 Lacs), MAT Credit Entitlement of ₹181.40 Lacs (previous year's ₹141.65 Lacs) and a deferred tax asset of ₹42.66 Lacs (as against previous year's assets of ₹56.55 Lacs), stood at ₹1028.95 Lacs in 2010-11 (as against the previous year's ₹967.21 Lacs).



Interest and Financial Cost: Liberty's interest and financial costs stood at ₹820.89 Lacs in 2010-11 (previous year's ₹899.19 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 ₹933.60 Lacs (as against previous year's ₹46.94 Lacs). The outstanding amount of the Term Loan as on 31st March, 2011 was ₹950.52 Lacs (as against previous year's ₹223.71 Lacs)

The amount of working capital loan primarily secured through the Company's current assets stood at ₹8605.18 Lacs compared to ₹7280.61 Lacs in the previous year.

Inventories: Inventories, comprising finished goods, raw materials, work in process etc. as at 31st March, 2011, stood at ₹8127.87 Lacs (as against previous year's ₹6971.40 Lacs).

The inventory-turnover ratio for the year ended 31st March, 2011 was 97 days as against 96 days in the previous year.

Sundry Debtors: Sundry Debtors, with an average realisation period of 93 days stood at ₹7766.71 Lacs in 2010-11 (as against the previous year's ₹6845.15 Lacs). Out of the Sundry Debtors, ₹1289.19 Lacs (as against the previous year's ₹772.99 Lacs) were due from overseas customers. The Company after considering the recovery process, has made a provision of ₹ Nil Lacs (as against previous year's ₹315.58 Lacs) for doubtful debts. During the year, the Company has also written off its book debts of ₹290.22 Lacs (as against previous year's ₹296.31 Lacs).

Loans and Advances: The Loans and Advances given by the Company included an advance Income Tax (including Minimum Alternate Tax) of ₹215.23 Lacs in 2010-11 (as against the previous year's ₹151.94 Lacs), export benefit receivables of ₹318.16 Lacs (as against the previous year's ₹159.36 Lacs) and prepaid expenses of ₹36.69 Lacs (as against the previous year's ₹36.40 Lacs). The security amount of ₹1573.20 Lacs (as against previous year's ₹1564.32 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 ₹4142.63 Lacs included ₹17.68 Lacs towards capital goods (as against the previous year's ₹117.59 Lacs), represented an amount of ₹135.68 Lacs (as against the previous year's ₹426.92 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 Resource Developments: In view of the expanded job potential of Footwear Industry, the Govt. of India and many private institutions have set up institutes for imparting specialised Footwear Techniques. Many corporates and the players in the organised retailing are offering opportunities to those aspirants who have been benefitted from such techniques. Liberty also has tie up with such institutes for fulfilling its requirements of specialised nature.

Liberty makes continual efforts for training, up gradation and development needs of its Human Capital for their growth along with its own competency. Apart from in-house training programmes, Liberty also sponsored to its employees for different external training symposiums.

As on 31st March, 2011, the total employee strength of the Company stood at 1565 as compared to Previous Year's 1618. 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, 2011, 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 account 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 account 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, 2011 and taken on record by the Board of Directors, We report that no director is disqualified as on 31st March 2011 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 gives the information required by the Companies Act, 1956, in the manner so required and gives 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 2011;
 - 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: Libertypuram, Karnal
Dated: Friday, 12th August, 2011

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 and 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 and adequate in relation to the size of the Company and 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 and the same have been properly dealt with in the books of account.
- 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 Companies Act, 1956.
 - 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 Private 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 ₹10,00,00,000/- and the year-end balance of loan taken from such party was ₹4,45,00,000/-.
 - 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 and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and 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 and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of Companies Act, 1956 have been entered into the register maintained under section 301 of the Companies Act, 1956.
 - b) In our opinion and according to the information and 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 provision of the Companies Act, 1956 and rules framed there under.
- VII. In our opinion, the Company has an internal audit system commensurate with the size and 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 account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income Tax, Sales Tax/VAT, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess and 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 and other material statutory dues as at 31st March, 2011 which are outstanding for a period more than six months from the date they become payable.
 - c) As at 31st March, 2011 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 - June 2006	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 GTA services	2,33,486	January 2005 to March 2007	Commissioner Appeals (Delhi-II), New Delhi
Punjab Value Added Tax, 2005	Value Added Tax on classification of goods at different rate of Tax	19,13,016	Financial Year 2006-2007	Deputy Commissioner (Appeals)
Punjab Value Added Tax, 2005	Value Added Tax on classification of goods at different rate of Tax	22,30,998	Financial Year 2007-2008	Deputy Commissioner (Appeals)

- X. The Company does not have any accumulated losses as at 31st March 2011. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- XI. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions, bank or debenture holders.
- XII. The Company has not granted any loans and advances on the basis of security, by way of pledge of shares, debentures and 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 and 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 explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by subsidiary company from banks during the year are not prejudicial to the interest of the Company.
- XVI. According to the information and explanations given to us, the term loans have been applied for the purpose for which the loans were raised.
- XVII. According to the information and 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 the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and 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 the information and 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: Libertypuram, Karnal
Dated: Friday, 12th August, 2011

Balance Sheet

as at 31st March, 2011

(Amount in ₹)

PARTICULARS	SCHEDULES		31.03.2011		31.03.2010
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	17,04,00,000		17,04,00,000	
Reserves & Surplus	2	1,24,58,56,879	1,41,62,56,879	1,14,50,29,753	1,31,54,29,753
Loan Funds					
Secured Loans	3	95,55,71,207		75,04,31,618	
Unsecured Loans	4	7,51,04,700	1,03,06,75,907	12,78,99,700	87,83,31,318
Deferred Tax					
Deferred Tax Liability	5		5,53,67,237		5,96,34,097
TOTAL			2,50,23,00,023		2,25,33,95,168
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	1,45,95,28,201		1,36,53,25,008	
Less: Depreciation		59,47,18,721		53,25,00,454	
Net Block		86,48,09,480		83,28,24,554	
Add: Capital Work in Progress		1,05,16,176	87,53,25,656	-	83,28,24,554
Investments	7		17,94,29,357		17,50,19,357
CURRENT ASSETS, LOANS & ADVANCES					
Inventories	8	81,27,87,460		69,71,39,387	
Sundry Debtors	9	77,66,70,626		68,45,15,178	
Cash & Bank Balances	10	2,79,43,751		4,13,38,981	
Loans & Advances	11	35,99,63,873		29,68,97,372	
		1,97,73,65,710		1,71,98,90,918	
Less: Current Liabilities	12	51,50,27,101		45,99,39,359	
Provisions	13	1,47,93,599		1,44,00,302	
Net Current Assets			1,44,75,45,010		1,24,55,51,257
TOTAL			2,50,23,00,023		2,25,33,95,168

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
DIN-00143192

Shammi Bansal
Executive Director
DIN-00138792

Raghubar Dayal
Director
DIN-00481803

Munish Kakra
Vice President & Company Secretary

Place: Libertypuram, Kamal
Dated: Friday, 12th August, 2011

Profit & Loss Account

for the year ended 31st March, 2011

(Amount in ₹)

PARTICULARS	SCHEDULES		31.03.2011		31.03.2010
INCOME					
Sales		3,05,30,02,345		2,66,11,48,302	
Less: Excise Duty		8,35,99,748		5,44,61,762	
		<u>2,96,94,02,597</u>		<u>2,60,66,86,540</u>	
Other Income	14	1,28,15,774		73,45,654	
Increase/(Decrease) in Stocks	15	<u>3,49,12,595</u>	<u>3,01,71,30,966</u>	<u>1,61,04,375</u>	<u>2,63,01,36,569</u>
EXPENDITURE					
Raw Materials Consumed and Finished Goods Purchased	16	1,57,49,30,234		1,38,52,93,036	
Manufacturing Expenses	17	24,78,49,303		20,53,69,135	
Payments and Benefits to Employees	18	35,67,90,089		27,03,16,824	
Administration, Selling and Miscellaneous Expenses	19	58,62,06,653		51,60,95,878	
Interest & Financial Charges	20	8,20,89,492		8,99,18,767	
Excise Duty		3,91,408		20,02,799	
Depreciation	6	<u>6,80,93,957</u>	<u>2,91,63,51,136</u>	<u>6,79,25,354</u>	<u>2,53,69,21,793</u>
Profit before tax			<u>10,07,79,830</u>		<u>9,32,14,776</u>
Provision for Taxation					
Current Tax			2,02,91,674		1,63,14,800
MAT Credit Entitlement			(1,81,40,369)		(1,41,65,384)
Deferred Tax			(42,66,860)		(56,55,590)
Profit after tax			<u>10,28,95,385</u>		<u>9,67,20,950</u>
Add/(Less): Taxation adjustments of previous years (net)			<u>(20,68,259)</u>		<u>(46,90,190)</u>
Net Profit for the year			<u>10,08,27,126</u>		<u>9,20,30,760</u>
Add: Opening balance			<u>37,59,00,245</u>		<u>34,38,69,485</u>
Net Profit available for appropriations			<u>47,67,27,371</u>		<u>43,59,00,245</u>
APPROPRIATIONS					
Transfer to General Reserve			6,00,00,000		6,00,00,000
Balance carried over to Balance Sheet			<u>41,67,27,371</u>		<u>37,59,00,245</u>
Earning Per Share of ₹10/- each					
Basic & Diluted			6.04		5.68
Basic & Diluted (Before Exceptional Items)			6.08		5.92
Basic & Diluted (Considering Taxation for Previous Years)			5.92		5.40

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
DIN-00143192

Shammi Bansal
Executive Director
DIN-00138792

Raghubar Dayal
Director
DIN-00481803

Munish Kakra
Vice President & Company Secretary

Place: Libertypuram, Karnal
Dated: Friday, 12th August, 2011



Cash Flow Statement

for the year ended 31st March, 2011

(Amount in ₹)

PARTICULARS	31.03.2011	31.03.2010
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax, Interest and extra ordinary items	17,69,39,136	17,84,87,728
Adjustments for:		
Unrealised Foreign Exchange Difference	(4,09,087)	26,39,326
Depreciation	6,80,93,957	6,79,25,354
Loss/(Gain) on sale of Fixed Assets (net)	6,65,331	42,06,323
Bank & Other Interest	(16,94,587)	(26,10,628)
Provision for doubtful debts	-	12,21,102
Operating Profit before working capital changes	24,35,94,750	25,18,69,205
Adjustments for:		
Trade & Other Receivables	(9,21,55,448)	1,85,86,214
Inventories	(11,56,48,073)	(2,44,13,975)
Loans & Advances	(4,15,43,244)	(28,34,174)
Trade & Other Payables	13,29,92,131	(7,07,29,968)
Cash generated from Operations	12,72,40,116	17,24,77,302
Direct Taxes Paid	(2,35,91,516)	(1,83,57,669)
Cash Flow before extra ordinary items	10,36,48,600	15,41,19,633
Extra Ordinary Items	-	-
Net Cash Flow from Operating Activities	10,36,48,600	15,41,19,633
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(11,34,54,180)	(6,39,77,445)
Sale of Fixed Assets	21,93,790	67,62,399
Bank and Other Interest	16,94,587	26,10,628
Increase in Investments	(44,10,000)	(5,01,96,050)
Decrease in Investments	-	7,85,75,505
Net Cash used in Investing Activities	(11,39,75,803)	(2,62,24,963)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	9,33,60,000	46,93,795
Repayment of long term borrowings	(2,06,77,808)	(5,48,05,055)
Interest paid	(7,61,59,306)	(8,52,72,952)
Net Cash used in Financing Activities	(34,77,114)	(13,53,84,212)
D Net Increase/(Decrease) in Cash and Cash Equivalents (A + B + C)	(1,38,04,317)	(74,89,542)
E Cash and Cash Equivalents (Opening Balance)	4,13,38,981	5,14,67,849
F Unrealised Foreign Exchange Difference	4,09,087	(26,39,326)
G Cash and Cash Equivalents (Closing Balance) (D + E + F)	2,79,43,751	4,13,38,981
Components of Cash and Cash Equivalents		
Cash in hand including imprest	28,90,076	19,61,150
Balance with Scheduled Banks:		
Current Accounts	67,20,910	86,40,355
Fixed Deposits	1,83,32,765	3,07,37,476
Total	2,79,43,751	4,13,38,981

Notes: 1) Cash and Cash Equivalents represents Cash and Bank balances. 2) Purchase of Fixed Assets includes movements of capital work in progress between the beginning and at the end of the year

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
DIN-00143192

Shammi Bansal
Executive Director
DIN-00138792

Raghubar Dayal
Director
DIN-00481803

Munish Kakra
Vice President & Company Secretary

Place: Libertypuram, Karnal
Dated: Friday, 12th August, 2011

Schedules

(Amount in ₹)

	31.03.2011	31.03.2010
SCHEDULE-1		
SHARE CAPITAL		
Authorised: 51000000 (Previous year 51000000 Equity Shares) of ₹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
Out of the above 8520000 Equity Shares (Previous year 8520000) issued by way of Bonus Equity Shares.		
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	74,70,09,364	68,70,09,364
Add: Transferred from Profit & Loss Account	6,00,00,000	6,00,00,000
Closing Balance	80,70,09,364	74,70,09,364
Securities Premium	2,17,20,644	2,17,20,644
Profit & Loss Account	41,67,27,371	37,59,00,245
Total	1,24,58,56,879	1,14,50,29,753
SCHEDULE-3		
SECURED LOANS		
TERM LOANS		
from Banks:		
(includes ₹1,52,74,389/- (Previous year ₹1,85,75,188/-) repayable within one year (Secured by equitable mortgage of land situated at Village Bhagwanpur, Roorkee, Uttarakhand and by way of 1st charge on building situated at Libertypuram and whole of the moveable & immovable Plant & Machinery, machinery spares, tools & accessories etc. and by way of hypothecation of vehicles.)	9,12,54,734	2,23,70,934
from Others:		
(includes ₹15,20,808/- (Previous year ₹ Nil) repayable within one year (Secured by way of hypothecation of vehicles)	37,98,392	-
WORKING CAPITAL LOANS		
(Secured against 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 on Plant & Machinery.)	86,05,18,081	72,80,60,684
Total	95,55,71,207	75,04,31,618
SCHEDULE-4		
UNSECURED LOANS		
Security Deposits	3,06,04,700	2,78,99,700
Short Term Loans and Advances:		
from Banks	-	-
from Others	4,45,00,000	10,00,00,000
Accrued Interest	-	-
Total	7,51,04,700	12,78,99,700
SCHEDULE-5		
DEFERRED TAX LIABILITY		
At the start of the year	5,96,34,097	6,52,89,687
for the year	(42,66,860)	(56,55,590)
Total	5,53,67,237	5,96,34,097



Schedules

(Amount in ₹)

SCHEDULE - 6 FIXED ASSETS										
Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Total as on 01.04.2010	Additions during the period	Sales/Adj. during the period	Total as on 31.03.2011	Total as on 01.04.2010	for the period	Sales/Adj. during the period	Total as on 31.03.2011	As on 31.03.2011	As on 31.03.2010
Land	13,04,05,825	5,81,980	-	13,09,87,805	-	-	-	-	13,09,87,805	13,04,05,825
Building*	21,91,15,560	26,782	-	21,91,42,342	4,80,41,698	66,56,923	-	5,46,98,621	16,44,43,721	17,10,73,862
Plant & Machinery	72,22,69,014	5,04,84,021	55,12,084	76,72,40,951	29,50,77,541	3,82,38,555	40,98,420	32,92,17,676	43,80,23,275	42,71,91,473
Moulds	18,96,94,961	1,85,02,544	3,59,987	20,78,37,518	15,29,04,907	1,30,65,555	6,738	16,59,63,724	4,18,73,794	3,67,90,054
Patents	15,500	-	-	15,500	3,838	-	-	3,838	11,662	11,662
Furniture & Fixture	3,57,47,193	77,66,496	-	4,35,13,689	1,32,91,660	25,45,872	-	1,58,37,532	2,76,76,157	2,24,55,533
Vehicles	6,80,76,955	2,55,76,181	28,62,740	9,07,90,396	2,31,80,810	75,87,052	17,70,532	2,89,97,330	6,17,93,066	4,48,96,145
Total	1,36,53,25,008	10,29,38,004	87,34,811	1,45,95,28,201	53,25,00,454	6,80,93,957	58,75,690	59,47,18,721	86,48,09,480	83,28,24,554
Capital work in progress:										
a) Building under construction	-	1,05,16,176	-	1,05,16,176	-	-	-	-	1,05,16,176	-
b) Assets under installation	-	-	-	-	-	-	-	-	-	-
Grand Total	1,36,53,25,008	11,34,54,180	87,34,811	1,47,00,44,377	53,25,00,454	6,80,93,957	58,75,690	59,47,18,721	87,53,25,656	83,28,24,554
Previous year	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

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

Schedules

(Amount in ₹)

	31.03.2011	31.03.2010
SCHEDULE-7		
INVESTMENTS		
Long Term (At Cost)		
Other than Trade - Unquoted		
Subsidiaries		
Liberty Retail Revolutions Limited		
9996150 (Previous year 9996150) Equity Shares of ₹10/- each fully paid up	9,99,61,500	9,99,61,500
500000 (Previous year 500000) Fully Convertible Debenture of ₹100/- each fully paid up	5,00,00,000	5,00,00,000
Liberty Foot Fashion Middle East FZE		
1 (Previous year 1) Equity Share of UAE Dhiram 10,00,000 fully paid up	1,21,93,257	1,21,93,257
Share Application Money pending allotment	1,72,74,600	1,28,64,600
Total - Subsidiaries	17,94,29,357	17,50,19,357
Aggregate amount of Quoted Investments	-	-
Aggregate amount of Unquoted Investments	17,94,29,357	17,50,19,357
Aggregate Market Value of Quoted Investments	-	-
SCHEDULE-8		
INVENTORIES (AS VALUED AND CERTIFIED BY THE MANAGEMENT)		
Raw Materials	22,55,21,142	15,21,79,726
Goods in Process	12,80,99,009	16,56,58,394
Finished Goods	42,34,59,606	35,09,87,626
Packing Materials	1,08,96,683	99,33,802
Stores & Spares	2,39,41,124	1,79,51,229
Oil & Lubricants	8,69,896	4,28,610
Total	81,27,87,460	69,71,39,387
SCHEDULE-9		
SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD)		
Debts outstanding for a period exceeding six months		
Considered good	9,53,77,108	11,60,99,410
Considered doubtful	3,67,41,957	3,67,41,957
Other Debts		
Considered good	68,12,93,518	56,84,15,768
	81,34,12,583	72,12,57,135
Less: Provision for doubtful debts	3,67,41,957	3,67,41,957
Total	77,66,70,626	68,45,15,178

Schedules

(Amount in ₹)

	31.03.2011	31.03.2010
SCHEDULE-10		
CASH AND BANK BALANCES		
Cash in hand including Imprest	28,90,076	19,61,150
Balances with Scheduled Banks:		
Current Accounts	67,20,910	86,40,355
Fixed Deposits	1,83,32,765	3,07,37,476
Total	2,79,43,751	4,13,38,981
SCHEDULE-11		
LOANS & ADVANCES (UNSECURED, CONSIDERED GOOD)		
Advances recoverable in cash or in kind or for the value to be received	20,26,44,164	14,04,65,161
Securities	15,73,19,709	15,64,32,211
Total	35,99,63,873	29,68,97,372
SCHEDULE-12		
CURRENT LIABILITIES		
Sundry Creditors	41,42,62,762	35,70,53,934
Advances from Customers	1,68,14,389	3,09,68,492
Expenses Payable	6,65,97,474	4,94,64,700
Other Liabilities	1,73,52,476	2,24,52,233
Total	51,50,27,101	45,99,39,359
SCHEDULE-13		
PROVISIONS		
Provision for taxation (Net of MAT Credit Entitlement)	21,51,305	21,49,416
Provision for Excise Duty	1,26,42,294	1,22,50,886
Total	1,47,93,599	1,44,00,302
SCHEDULE-14		
OTHER INCOME		
Bank and Other Interest (Tax deducted at Source ₹1.19 Lacs [Previous Year ₹3.15 Lacs])	16,94,587	26,10,628
Freight	41,76,783	24,19,745
Miscellaneous Income	46,86,295	23,08,982
Exchange Rate Fluctuations	18,55,949	-
Bad Debts Recovered	1,30,000	-
Exceptional Items		
Profit on Sale of Fixed Assets	2,72,160	6,299
Total	1,28,15,774	73,45,654

Schedules

(Amount in ₹)

	31.03.2011	31.03.2010
SCHEDULE-15		
INCREASE/(DECREASE) IN STOCKS		
Opening 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>
Closing Stock:		
Finished	42,34,59,606	35,09,87,626
In Process	12,80,99,009	16,56,58,394
	<u>55,15,58,615</u>	<u>51,66,46,020</u>
Increase/(Decrease) in Stocks	3,49,12,595	1,61,04,375
SCHEDULE-16		
RAW MATERIALS CONSUMED & FINISHED GOODS PURCHASED		
(a) Raw Materials:		
Opening Stock	15,21,79,726	14,36,72,079
Add: Purchases	1,37,31,90,538	1,03,33,42,858
	<u>1,52,53,70,264</u>	<u>1,17,70,14,937</u>
Less: Closing Stock	22,55,21,142	15,21,79,726
Raw Materials Consumed	1,29,98,49,122	1,02,48,35,211
(b) Finished Goods Purchased	27,50,81,112	36,04,57,825
Total (a + b)	<u>1,57,49,30,234</u>	<u>1,38,52,93,036</u>
SCHEDULE-17		
MANUFACTURING EXPENSES		
Freight Inwards	93,15,392	71,71,904
Upper Production Charges	6,93,39,506	4,88,92,061
Oil & Lubricants	1,91,64,623	2,13,76,370
Electricity Charges	4,53,46,718	3,30,31,178
Repairs to Machinery	2,55,59,607	1,57,85,386
Land Lease Rent	1,23,457	1,12,236
Franchise Fee	7,90,00,000	7,90,00,000
Total	<u>24,78,49,303</u>	<u>20,53,69,135</u>
SCHEDULE-18		
PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	33,16,49,736	25,17,22,749
Contribution to Provident and Other Funds	1,97,58,644	1,38,66,608
Staff Welfare Expenses	53,81,709	47,27,467
Total	<u>35,67,90,089</u>	<u>27,03,16,824</u>

Schedules

(Amount in ₹)

	31.03.2011	31.03.2010
SCHEDULE 19		
ADMINISTRATION, SELLING & MISCELLANEOUS EXPENSES		
Packing Materials Consumed	10,82,28,030	8,54,67,506
Printing & Stationery	69,10,003	45,60,862
Claims	1,96,89,444	1,96,14,814
Tour, Travelling and Conveyance	4,47,80,289	3,34,90,939
Insurance Charges	50,67,236	46,01,856
Fees and Taxes	2,15,17,363	1,58,52,004
Postage, Telegram, Telephone and Telex	1,07,04,094	89,14,209
Subscriptions	4,96,918	3,71,593
Advertisements	5,77,18,412	3,05,06,228
Rent	1,62,89,603	1,32,12,251
Donations	10,71,209	10,66,338
Export CIF Expenses	1,62,04,465	1,64,55,708
Freight Outward	2,98,48,202	1,81,99,910
Samples	45,795	6,04,953
Auditors' Remuneration:		
Statutory Audit Fee	2,25,000	2,25,000
Tax Audit Fee	80,000	80,000
Certification Fee	20,000	20,000
Cost Audit Fee	75,000	75,000
Miscellaneous Expenses	40,80,936	46,20,329
Royalty	9,00,00,000	8,47,50,000
Entertainment Expenses	38,94,520	33,84,034
Commission	3,69,20,594	3,23,76,034
Sales Promotion Expenses	4,02,56,502	6,00,17,184
Newspapers & Periodicals	2,03,308	1,87,847
Debts written off	2,90,21,708	2,96,31,364
Provision for doubtful debts (Note 'xv' of Schedule 21)	-	12,21,102
Consultancy & Professional Charges	2,70,38,671	2,65,27,437
Repairs & Maintenance Expenses-Building	65,32,583	42,08,074
Repairs & Maintenance Expenses-Others	83,49,277	85,98,117
Exchange Rate Fluctuations	-	26,39,326
Loss on transfer of Duty Credit	-	4,03,237
Exceptional Items		
Loss on sale of Fixed Assets	9,37,491	42,12,622
Total	58,62,06,653	51,60,95,878
SCHEDULE-20		
INTEREST AND FINANCIAL CHARGES		
Bank Interest	7,02,81,722	7,58,83,801
Interest to Others	58,77,584	93,89,151
Bank Charges	59,30,186	46,45,815
Total	8,20,89,492	8,99,18,767

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 the 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 recognised on accrual basis.

b) Revenue Recognition

- Sales revenue is recognised 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 recognised 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 recognised in the profit and loss account under the head "Exchange Rate Fluctuation".
- (iii) The difference between the forward rate and the exchange rate on the 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 the 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

l) Details of Managerial Remuneration:

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Payment and provision for remuneration to:		
• Executive Director(s)	36,00,000	36,00,000
• 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	31.03.2011	31.03.2010
Profit before tax as per Profit & Loss Account	10,07,79,830	9,32,14,476
Add:		
Directors' Remuneration	45,00,000	45,00,000
(Profit)/Loss on sale of Fixed Assets (Net)	6,65,331	42,06,323
Directors' Sitting Fees	20,000	45,000
Net Profit as per Section 349 of the Companies Act, 1956	10,59,65,161	10,19,65,799
Commission paid/payable to Directors	-	-

During the year, no remuneration has been paid to Non-Executive Directors except for the sitting fees of ₹20,000/- (Previous Year ₹45,000/-).

- 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 Company in respect of Income Tax & Wealth Tax is completed up to Assessment Year 2008-2009.
- 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. In terms of the agreements, the same have been automatically renewed for a further period of 3 years. 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 ₹3,90,00,000/- (Previous year ₹3,37,50,000/-) to Liberty Enterprises, Liberty Group Marketing Division and Liberty Footwear Co. respectively.

As reported earlier, the learned arbitrator, while deciding the dispute amongst the Partners of Liberty Enterprises as regards to the aforesaid franchise agreement, 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. Liberty Enterprises, besides its ratification to the agreement has also confirmed that by raising the legal issues its affected partners have filed their objections before the appropriate authority and sought order for setting aside of such award. In view of the legal opinion available and to protect its legal rights further, the Company has also preferred its objections against arbitral award at Civil Court, Karnal.

- v) Interest to others includes ₹56,46,544/- (Previous year ₹93,14,647/-) against short term loan @ 12% p.a. from M/s Geofin Investments Private 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 ₹8,35,99,748/- (Previous year ₹5,44,61,762/-) against the sales executed during the year.

Also, the Company has made the provision of excise duty of ₹1,26,42,294/- (Previous Year ₹1,22,50,886/-) against finished goods lying in stocks as on 31st March, 2011 and the difference of two has been recognised separately in the Profit & Loss Account.

- viii) Fixed Deposit receipts (including accrued interest) for value of ₹1,83,32,765/- (Previous year ₹3,07,37,476/-), 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 ₹1,33,21,811/- (Previous year ₹51,99,800/-) for foreign exchange realized against exports made during the financial years 2006-07, 2007-08, 2008-09, 2009-10 & 2010-11 and the profits of the Company for the year are higher to that extent.
- x) The Company's registration process with the concerned revenue authorities in respect of 4.34 acres of land purchased at Libertypuram has not been completed till date for the want of certain procedural formalities. The possession of this piece of land has been with the Company and the sale agreement has already been executed.
- xi) The Company, under its retail sales promotion policy during the year 2007 to 2010, had borne the cost of its subsidiary's retail stores on account of rental and maintenance charges against retailers' margins viz-a viz its sales. The same were considered under the account head Sales Promotion Expenses in those years. But during the year under consideration, with the implementation of revised arrangements, this promotional policy has been discontinued.
- 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, 2011 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	2010-11	2009-10
I) Bank Guarantees issued on behalf of the Company submitted with various institutional customers in terms to their orders.	7,50,53,061	2,31,68,160
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. In 2010-11 the said matter has been decided in favour of the Company.	--	2,78,31,534
III) On account of disallowance of legitimate credit of CENVAT against Excise Duty/ Education Cess ² 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 Lacs under protest and has granted stay.	3,55,81,366	3,55,81,366
IV) Service Tax for Financial year 2002-03 on services received from outside India prior to the applicability of the related law. In 2010-11 the matter has been decided in favour of the Company.	--	1,24,536
V) Invoice Funding facility	--	4,43,63,581
VI) Corporate Guarantees given to banks for securing banking facilities of retail subsidiary and joint venture company ³	16,00,00,000	11,00,00,000
VII) Income Tax on account of routine assessment for the assessment year the assessment years 1998-99 & 2003-04	35,03,426	35,02,426
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
IX) Value Added Tax ⁴ for the financial year 2005-06, 2006-07, 2007-08, 2008-09 & 2009-10 on account of classification of goods at different rate of tax	1,46,47,568	2,96,02,499
X) Service Tax on GTA Services for the period from January 2005 to March 2007	5,28,598	--
XI) Due to some administrative compliance relating to EPCG licences 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.

²Including amount deposited under protest ₹39,00,000/- (Previous year ₹39,00,000/-).

³Includes the corporate guarantee for ₹6,00,00,000/- (Previous year ₹6,00,00,000/-) given on behalf of erstwhile Joint Venture Company and the Company is in process of getting the same released.

⁴Including amount deposited under protest ₹1,07,25,554/- (Previous year ₹60,90,487/-).

- xiv) Capital commitments not provided for are estimated at ₹150 Lacs (Previous year ₹ Nil).
- xv) Provision for doubtful debts: During the year, the Company has considered debts for ₹ Nil (Previous year ₹3,15,58,132/-) as doubtful debts and has also withdrawn ₹ Nil (Previous year ₹3,03,37,030/-) out of the provisions made in the earlier years for the same and written off the bad debts (net) for ₹ Nil (Previous year ₹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	2010-11	2009-10
Provision for the year	–	3,15,58,132
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

Balance Sheet

(Amount in ₹)

Particulars	2010-11	2009-10
Opening Balance	3,67,41,957	3,55,20,855
Add: Provision for the year	–	3,15,58,132
Total	3,67,41,957	6,70,78,987
Less: Amount withdrawn during the year	–	3,03,37,030
Closing balance	3,67,41,957	3,67,41,957

- xvi) During the year, considering the non-recoverability of some of the debts, the Company has written off the debts amounting to ₹2,90,21,708/- (Previous year ₹2,96,31,364/-).
- xvii) The Board of Directors of the Company considers and maintains "Footwear" as the only business segment of the Company.
- xviii) Basic and Diluted Earning per share: The Basic and diluted earning per share of the Company is as under: -

(Amount in ₹)

Description	2010-11	2009-10
Basic & Diluted Profit after Taxation (A)	10,28,95,385	9,67,20,950
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)	6.04	5.68

xix) Related Party Transactions

The Company has 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, 2011:

(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	38,55,299 (14,62,368)	1,10,89,875 (96,40,199)	26,413 (84,012)	- (-)	1,49,71,587 (1,11,86,579)
Sale of Goods	35,04,02,857 (24,58,86,835)	11,23,159 (23,83,566)	- (-)	- (-)	35,14,75,254 (24,82,70,401)
Sharing of Expenses	- (38,42,151)	- (-)	- (-)	- (-)	- (38,42,151)
License Agreements	- (-)	18,64,07,000 (18,06,16,250)	- (-)	- (-)	18,64,07,000 (18,06,16,250)
Payment of Salary, Wages and other benefits to employees	- (-)	4,81,65,198 (3,66,04,376)	45,00,000 (45,00,000)	27,00,000 (28,90,000)	5,53,65,198 (4,39,94,376)
Equity Contribution (including share application money)	44,10,000 (1,96,050)	- (-)	- (-)	- (-)	44,10,000 (1,96,050)
Fully Convertible Debentures	- (5,00,00,000)	- (-)	- (-)	- (-)	- (5,00,00,000)
Loans taken	- (-)	20,14,00,000 (24,43,00,000)	- (-)	- (-)	20,14,00,000 (24,43,00,000)
Repayment of Loans	- (-)	25,69,00,000 (31,79,46,715)	- (-)	- (-)	25,69,00,000 (31,79,46,715)
Interest Paid	- (-)	56,46,544 (93,14,647)	- (-)	- (-)	56,46,544 (93,14,647)
Corporate Guarantees	5,00,00,000 (5,00,00,000)	- (-)	- (-)	- (-)	5,00,00,000 (5,00,00,000)
Outstanding balances					
Sundry Debtors	16,62,93,006 (7,80,44,495)	23,59,729 (23,83,566)	- (-)	- (-)	16,86,52,735 (8,04,28,061)
Sundry Creditors	- (-)	1,35,67,935 (4,26,91,606)	- (-)	- (-)	1,35,67,935 (4,26,91,606)
Unsecured Loans	- (-)	4,45,00,000 (10,00,00,000)	- (-)	- (-)	4,45,00,000 (10,00,00,000)
Fully Convertible Debentures	5,00,00,000 (5,00,00,000)	- (-)	- (-)	- (-)	5,00,00,000 (5,00,00,000)
Corporate Guarantees	10,00,00,000 (5,00,00,000)	- (-)	- (-)	- (-)	10,00,00,000 (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 Limited, Liberty Foot Fashion Middle East FZE

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

Geofin Investments Private 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), Sh. Ayush Bansal, Sh. Mannan 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 (₹)	
				2010-11	2009-10
Receiving of Services	Subsidiary	Liberty Retail Revolutions Ltd.	Shoe Upper Production Charges	38,55,299	14,62,368
	Entities where Key Management Personnel / Relative of Key Management Personnel has significant influence	Geofin Investments Private Limited	Rent for Office Premises	90,45,000	75,31,724
		Liberty Footwear Co.	Rent for Office Premises	5,64,000	5,64,000
		Sanjeev Bansal Charitable Trust	Rent for Office Premises	4,50,000	4,50,000
			Medical Facilities for employees	10,30,875	10,94,475
Sale of Goods	Subsidiary	Liberty Retail Revolutions Ltd.	Sale of goods manufactured and deal in by the Company	35,04,02,857	24,58,86,835
	Entities where Key Management Personnel / Relative of Key Management Personnel has significant influence	Liberty Innovative outfits Limited	Sale of goods manufactured and deal in by the Company	11,23,159	23,83,566
Sharing of Expenses	Subsidiary	Liberty Retail Revolutions Ltd.	Sale Promotion Expenses	-	38,42,151
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	6,61,80,000
		Liberty Group Marketing Division	Franchise Fee (including Service Tax)	7,72,10,000	7,72,10,000
		Liberty Footwear Co.	Licence Fee (including Service Tax)	4,30,17,000	3,72,26,250
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	4,81,65,198	3,66,04,376

Equity Contribution	Subsidiary	Liberty Foot Fashion Middle East FZE	Share Application Money	44,10,000	1,96,050
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 Investments Private Limited	Unsecured Loans	20,14,00,000	24,43,00,000
Repayment of Loans				25,69,00,000	31,79,46,715
Interest Paid/Payable				56,46,544	93,14,647
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	16,62,93,006	7,80,44,495
	Key Management Personnel /Relative of Key Management Personnel has significant influence	Liberty Innovative Outfits Limited	Against Sale of Goods Manufactured and Deal in by the Company	23,59,729	23,83,566
Sundry Debtors	Key Management Personnel /Relative of Key Management Personnel has significant influence	Liberty Enterprises	Franchise Fee (including Service Tax)	12,72,380	1,20,91,123
		Liberty Group Marketing Division	Franchise Fee & Salary, Wages and other benefits (including Service Tax)	1,02,08,231	2,14,17,423
		Liberty Footwear co.	Licence Fee (including Service Tax)	20,87,324	91,83,060
Unsecured Loans		Geofin Investments Private Limited	Unsecured Loans	4,45,00,000	10,00,00,000
Corporate Guarantees	Subsidiary	Liberty Retail Revolutions Ltd.	Given to Banks	10,00,00,000	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 of 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 recognised in the Profit & Loss Account and the funded status and amounts recognised in the Balance Sheet for the respective plans:

Profit and Loss Account

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

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2011	Gratuity (Funded) 31.03.2010
1.	Current Service Cost	55,20,001	16,20,068
2.	Interest Cost on benefit obligation	11,94,401	10,35,903
3.	Expected return on Plan Assets	11,45,035	(8,59,535)
4.	Actuarial Loss/(Gain)	14,33,852	6,73,350
5.	Net Benefit Expenses	70,03,219	24,69,786

Balance Sheet
b) Details of Provision for Gratuity

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2011	Gratuity (Funded) 31.03.2010
1.	Present Value of Defined Benefit Obligation	2,10,06,932	1,49,30,016
2.	Fair value of Plan Assets	1,63,00,334	1,29,49,474
3.	Surplus/(Deficit)	(47,06,598)	(19,80,542)
4.	Net Asset/(Liability)	(47,06,598)	(19,80,542)

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

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2011	Gratuity (Funded) 31.03.2010
1.	Defined Benefit Obligation at the beginning of the year	1,49,30,016	1,36,51,976
2.	Current Service Cost	55,20,001	16,20,068
3.	Interest Cost	11,94,401	10,35,903
4.	Actuarial (Gain)/Loss on obligations	14,33,852	6,73,350
5.	Benefits paid	20,71,338	(20,51,281)
6.	Defined benefit obligation at the end of the period	2,10,06,932	1,49,30,016

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

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2011	Gratuity (Funded) 31.03.2010
1.	Opening Fair Value of Plan Assets	1,29,49,474	1,03,05,183
2.	Expected Return	11,45,035	8,59,535
3.	Contributions by employer	42,77,163	38,36,037
4.	Benefits paid	20,71,338	(20,51,281)
5.	Actuarial Gains/(Losses)	-	-
6.	Closing Fair Value of Plan Assets	1,63,00,334	1,29,49,474

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

Sr. No.	Particulars	Gratuity (Funded) 31.03.2011	Gratuity (Funded) 31.03.2010
1.	Discount rate	8.00%	8.00%
2.	Expected rate of return on Plan Assets	8.00%	8.00%
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 2011	March 2010
1.	Defined Benefit Obligation	(2,10,06,932)	(1,49,30,016)
2.	Plan Assets	1,63,00,334	1,29,49,474
3.	Surplus/(Deficit)	(47,06,598)	(19,80,542)
4.	Experience adjustments on plan liabilities	14,33,852	6,73,350
5.	Experience adjustments on plan assets	-	-

- xxi) For the current year, Deferred Tax asset of ₹1,25,53,282/- (Previous year ₹1,66,38,968/-) has been calculated after considering the timing differences on account of depreciation.
- xxii) There are no dues payable to the Investor Education and Protection Fund as at 31st March, 2011.
- xxiii) 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.
- xxiv) 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, 2011

Class of Goods	Unit	2010-11		2009-10	
		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, 2011

(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	48,90,132 (41,91,925)	- (-)	46,14,073 (39,75,687)	9,36,149 (8,01,538)	5,91,803 (3,75,565)	1,14,270 (64,704)	8,67,862 (5,91,803)	2,40,348 (1,14,270)
Leather Shoes	Pairs	28,44,208 (24,58,254)	- (-)	30,43,090 (24,55,285)	16,76,860 (13,13,418)	4,89,178 (4,86,209)	2,16,289 (2,38,808)	2,90,296 (4,89,178)	1,67,702 (2,16,289)
Leather Shoe Uppers	Pairs	11,60,412 (10,99,977)	12,57,855 (10,83,198)	14,112 (8,803)	7,572 (3,611)	2,24,726 (2,16,750)	59,901 (60,177)	1,13,171 (2,24,726)	29,556 (59,901)
Non Leather Shoe Uppers	Pairs	37,06,093 (27,85,411)	37,54,549 (27,58,530)	3,881 (-)	98 (-)	3,07,191 (2,80,310)	24,858 (21,181)	2,54,854 (3,07,191)	19,891 (24,858)
EVA Compound	Kgs.	2,11,788 (2,36,445)	2,06,282 (2,32,219)	- (-)	- (-)	9,368 (5,142)	971 (537)	14,874 (9,368)	1,983 (971)
PU/PVC/EVA Soles	Pairs	12,36,010 (7,80,963)	11,85,748 (7,10,763)	8,075 (84,357)	876 (6,559)	2,33,310 (2,47,467)	14,868 (18,438)	2,75,497 (2,33,310)	17,253 (14,868)

ii) In respect of Traded Goods:

(in value 000's omitted)

Description	2010-11 Value (₹)	2009-10 Value (₹)
Leather/Non Leather Shoes	24,341	1,19,498
Accessories, Raw Materials & other traded Goods	4,07,106	4,16,525

C) Information in respect of Raw Materials consumed

(in value 000's omitted)

Description	Unit	2010-11		2009-10	
		Quantity	Value (₹)	Quantity	Value (₹)
PVC Compound	Kgs.	14,37,283	1,01,610	13,28,222	83,314
Laminated Leather Fabric	Mtrs.	14,22,029	1,47,429	8,92,597	95,816
PU Chemicals	Kgs.	10,22,602	1,48,805	7,59,368	94,461
Leather	SDM	4,84,69,691	1,98,294	4,60,50,898	1,99,831
PU Soles	Pairs	10,66,558	93,849	11,87,213	98,057
EVA Resin	Kgs.	2,16,495	29,239	2,16,951	27,966
Shoe Uppers/Components	Pairs	28,15,115	3,89,556	23,44,695	2,78,079
Others			2,39,607		1,83,626
Total			13,48,389		10,61,149
Less: Amount of Export Incentives			48,540		36,314
Net Consumption			12,99,849		10,24,835

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

(Amount in ₹)

Description	2010-11		2009-10	
	Value (₹)	%age	Value (₹)	%age
Raw Materials				
Imported	10,20,03,814	7.85	5,63,66,677	5.50
Indigenous	1,19,78,45,308	92.15	96,84,68,534	94.50
Total	1,29,98,49,122	100.00	1,02,48,35,211	100.00
Consumable Stores & Spares				
Imported	43,20,119	16.90	22,80,907	14.45
Indigenous	2,12,39,488	83.10	1,35,04,479	85.55
Total	2,55,59,607	100.00	1,57,85,386	100.00

E) Other Particulars

(Amount in ₹)

Description	2010-11	2009-10
a) CIF value of Imports:		
Raw Materials & Others	10,79,10,510	8,08,78,186
Capital Goods	3,41,54,149	57,40,253
Stores & Spares	49,01,628	9,83,088
b) Expenditure in Foreign Currency		
Travelling Expenses	40,50,533	33,21,465
Commission	33,58,315	48,54,168
Business Promotion	21,89,871	20,07,316
Rent	14,81,405	14,26,584
Technical Consultancy	5,46,098	16,56,020
c) FOB Value of Exports of		
Finished Goods	42,98,81,503	36,78,98,429

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

For the Year ended 31st March, 2011

CIN: L19201HR1986PLC033185

I. Registration Details

Registration No.	033185	State Code	05
Balance Sheet Date	31032011		

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

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III. Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousands)

Total Liabilities	2502300	Total Assets	2502300
-------------------	---------	--------------	---------

Sources of Funds

Paid-up Capital	170400	Reserves and Surplus	1245857
Secured Loans	955571	Unsecured Loans	75105
Deferred Tax Liability	55367		

Application of Fund

Net Fixed Assets	875326	Investment	179429
Net Current Assets	1447545	Miscellaneous Expenditure	NIL
Accumulated Losses	NIL		

IV. Performance of Company (Amount in ₹ Thousands)

Turnover	3053002	Total Expenditure	2965038
Other income	12816		
Profit before Tax	100780	Profit After Tax	102895
Earning per share (₹)	6.04		
Dividend Rate (%)	NIL		

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

Item Code No. (ITC Code)	Product description
64035101	FOOTWEAR
64062000	UNIT SOLES

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
DIN-00143192

Shammi Bansal
Executive Director
DIN-00138792

Raghubar Dayal
Director
DIN-00481803

Munish Kakra
Vice President & Company Secretary

Place: Libertypuram, Karnal
Dated: Friday, 12th August, 2011

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

(Amount in ₹)

1	Name of the Subsidiary Company	Liberty Retail Revolutions Ltd.	Liberty Foot Fashion Middle East FZE*
2	The Period of Subsidiary Company	1st April, 2010 to 31st March, 2011	1st April, 2010 to 31st March, 2011
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 ₹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, 2011	(1,85,04,519)	(5,06,607)
	b) dealt with in the accounts of Liberty Shoes Ltd. for the year ended on 31st March, 2011	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, 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
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.

**Fully Convertible Debentures and Share Application Money pending for conversion/allotment in to Equity Shares of the Company have not been considered while calculating the extent of holding.

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
DIN-00143192

Shammi Bansal
Executive Director
DIN-00138792

Raghubar Dayal
Director
DIN-00481803

Munish Kakra
Vice President & Company Secretary

Place: Libertypuram, Kamal
Dated: Friday, 12th August, 2011

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 this Annual Report.

In terms of general approval granted by the Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956, vide its General Circular No. 2/2011, dated February 8, 2011, the Board of Directors has accorded its consent at their Meeting held on May 10, 2011 for not attaching the Annual Accounts, Reports of Directors and Auditors of the Subsidiary Companies i.e. Liberty Retail Revolutions Limited and Liberty Foot Fashion Middle East FZE with the Audited Balance Sheet of the Company. The Annual Accounts of the above said Subsidiary Companies and 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 above said Subsidiary Companies are open for inspection by any Shareholder at the Registered Office of the Company and of the subsidiary companies. Apart from above, the additional financial information in respect of Subsidiary Companies as directed under the above said circular is given hereunder:

(Amount in ₹ Lacs)

Name of the Subsidiary Company	Liberty Retail Revolutions Ltd.	Liberty Foot Fashion Middle East FZE*
Capital	10,65,00,000	1,20,90,000
Share Application Money	5,50,00,000	1,79,50,942
Reserves	9,10,00,000	-
Total Assets	45,72,55,869	3,00,40,942
Total Liabilities	45,72,55,869	3,00,40,942
Details of Investments (other than investment in Subsidiaries)	44,834	-
Turnover	47,99,73,069	-
Profit/(Loss) before Taxation	(1,89,20,857)	(5,06,607)
Provision for Taxation	-	-
Profit/(Loss) after Taxation	(1,89,20,857)	(5,06,607)
Proposed Dividend including Dividend declared during the year	-	-

The foreign Exchange rate used for conversion amount in AED to INR is ₹12.09

* 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, 2011 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 shareholders 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 shareholder 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
DIN-00143192

Shammi Bansal
Executive Director
DIN-00138792

Raghubar Dayal
Director
DIN-00481803

Munish Kakra
Vice President & Company Secretary

Place: Libertypuram, Kamal
Dated: Friday, 12th August, 2011

Auditors' Report

TO THE BOARD OF DIRECTORS OF LIBERTY SHOES LTD.

- 1) We have audited the attached consolidated Balance Sheet of Liberty Shoes Limited as at 31st March, 2011 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 Limited. 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, 2011, being a Company registered in the United Arab Emirates, are audited by M/s Sangani & Co., Chartered Accountants and we have been furnished with their audit report dated 15th June, 2011. 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 viz., Liberty Retail Revolutions Limited 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 Limited, Liberty Retail Revolutions Limited 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 Limited and its subsidiaries as at 31st March, 2011.
 - (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Liberty Shoes Limited and its subsidiaries for the year then ended; and
 - (c) the Consolidated Cash Flow Statements gives a true and fair view of the cash flows of operations of Liberty Shoes Limited and its subsidiaries for the year then ended.

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

Place: Libertypuram, Karnal
Dated: Friday, 12th August, 2011

Pardeep Tayal
Partner
Membership Number 081643

Consolidated Balance Sheet

as at 31st March, 2011

(Amount in ₹)

PARTICULARS	SCHEDULES		31.03.2011		31.03.2010
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	17,04,00,000		17,04,00,000	
Share Application Money		5,50,00,000		-	
Reserves & Surplus	2	1,09,93,39,734	1,32,47,39,734	1,03,80,24,050	1,20,84,24,050
Minority Interest			17,20,236		29,30,627
Loan Funds					
Secured Loans	3	1,06,70,27,076		80,74,28,695	
Unsecured Loans	4	11,84,04,700	1,18,54,31,776	17,89,01,700	98,63,30,395
Deferred Tax					
Deferred Tax Liability	5		5,53,67,237		5,96,34,097
TOTAL			2,56,72,58,983		2,25,73,19,169
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	6	1,66,44,08,319		1,50,87,75,544	
Less: Depreciation		64,75,89,797		56,82,55,623	
Net Block		1,01,68,18,522		94,05,19,921	
Add: Capital Work in Progress		1,51,93,609	1,03,20,12,131	-	94,05,19,921
Investments	7		44,834		41,811
Current Assets, Loans & Advances					
Inventories	8	1,01,20,31,465		84,12,53,269	
Sundry Debtors	9	62,00,85,186		62,14,76,635	
Cash & Bank Balances	10	3,22,98,042		4,43,98,818	
Loans & Advances	11	42,70,97,196		35,03,78,560	
		2,09,15,11,889		1,85,75,07,282	
Less: Current Liabilities	12	54,15,16,272		52,63,49,543	
Provisions	13	1,47,93,599		1,44,00,302	
Net Current Assets			1,53,52,02,018		1,31,67,57,437
TOTAL			2,56,72,58,983		2,25,73,19,169

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
DIN-00143192

Shammi Bansal
Executive Director
DIN-00138792

Raghubar Dayal
Director
DIN-00481803

Munish Kakra
Vice President & Company Secretary

Place: Libertypuram, Kamal
Dated: Friday, 12th August, 2011

Consolidated Profit & Loss Account

for the year ended 31st March, 2011

(Amount in ₹)

PARTICULARS	SCHEDULES		31.03.2011		31.03.2010
INCOME					
Sales		3,18,26,23,319		2,74,05,28,395	
Less: Excise Duty		8,35,99,748		5,44,61,762	
		<u>3,09,90,23,571</u>		<u>2,68,60,66,633</u>	
Other Income	14	1,78,96,713		90,41,147	
Increase/(Decrease) in Stocks	15	<u>9,00,42,718</u>	<u>3,20,69,63,002</u>	<u>5,87,58,154</u>	<u>2,75,38,65,934</u>
EXPENDITURE					
Raw Materials Consumed and Finished Goods Purchased	16	1,58,19,00,793		1,42,53,13,701	
Manufacturing Expenses	17	24,78,49,303		20,53,69,135	
Payments and Benefits to Employees	18	41,69,55,853		31,05,52,295	
Administration, Selling and	19	71,68,44,775		58,47,26,795	
Miscellaneous Expenses Interest & Financial Charges	20	9,57,45,648		10,24,64,675	
Excise Duty		3,91,408		20,02,799	
Depreciation		<u>8,59,07,610</u>	<u>3,14,55,95,390</u>	<u>8,05,47,146</u>	<u>2,71,09,76,546</u>
Profit before tax			<u>6,13,67,612</u>		<u>4,28,89,388</u>
Provision for Taxation					
Current Tax			2,02,91,674		1,63,14,800
MAT Credit Entitlement			(1,81,40,369)		(1,41,65,384)
Deferred Tax			<u>(42,66,860)</u>		<u>(56,55,590)</u>
Profit after tax			<u>6,34,83,167</u>		<u>4,63,95,562</u>
Add/(Less): Taxation adjustments of previous years (net)			(20,81,632)		(47,39,477)
Earlier year adjustment			<u>(7,80,792)</u>		<u>(4,65,483)</u>
Net Profit for the year			<u>6,06,20,743</u>		<u>4,11,90,602</u>
Add/(Less):					
Minority Interest			<u>12,10,391</u>		<u>21,92,776</u>
			<u>6,18,31,134</u>		<u>4,33,83,378</u>
Add: Opening balance			<u>18,23,88,280</u>		<u>19,90,04,902</u>
Net Profit available for appropriations			<u>24,42,19,414</u>		<u>24,23,88,280</u>
APPROPRIATIONS					
Transfer to General Reserve			6,00,00,000		6,00,00,000
Balance carried over to Balance Sheet			<u>18,42,19,414</u>		<u>18,23,88,280</u>
Earning Per Share of ₹10/- each					
Basic & Diluted			3.73		2.72
Basic & Diluted (Before Exceptional Items)			3.82		3.04
Basic & Diluted (Considering Taxation for Previous Years)			3.56		2.42

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
DIN-00143192

Shammi Bansal
Executive Director
DIN-00138792

Raghubar Dayal
Director
DIN-00481803

Munish Kakra
Vice President & Company Secretary

Place: Libertypuram, Karnal
Dated: Friday, 12th August, 2011

Cash Flow Statement

for the year ended 31st March, 2011

(Amount in ₹)

PARTICULARS	31.03.2011	31.03.2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax, interest and extra ordinary items	14,76,42,609	13,88,54,697
Adjustments for:		
Unrealised Foreign Exchange Difference	4,09,087	26,39,326
Depreciation	8,59,07,610	8,05,47,146
Loss/(Gain) on sale of Fixed Assets (net)	15,39,408	54,20,154
Bank & Other Interest	(17,72,271)	(26,67,364)
Provision for doubtful debts	43,73,604	18,21,579
Operating Profit before working capital changes	23,81,00,047	22,66,15,538
Adjustments for:		
Trade & Other Receivables	(29,82,155)	1,67,78,986
Inventories	(17,07,78,196)	(6,70,67,754)
Loans & Advances	(5,51,18,053)	(22,67,275)
Trade & Other Payables	11,54,90,891	24,33,979
Cash generated from Operations	12,47,12,534	17,64,93,474
Direct Taxes Paid	(2,36,82,215)	(1,84,38,351)
Cash Flow before extra ordinary items	10,10,30,319	15,80,55,123
Extra Ordinary Items	(7,80,792)	(4,65,483)
Net Cash Flow from Operating Activities	10,02,49,527	15,75,89,640
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(18,12,60,396)	(10,87,56,096)
Sale of Fixed Assets	23,21,168	67,68,399
Bank and Other Interest	17,72,271	26,67,364
Increase in Investments	(3,023)	(3,154)
(Increase)/Decrease in Investments	(5,15,450)	7,52,09,563
Net Cash used in Investing Activities	(17,76,85,430)	(2,41,13,924)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital/Share Application Money	5,50,00,000	-
Proceeds from long term borrowings	12,32,56,977	57,93,795
Repayment of long term borrowings	(2,14,85,766)	(5,50,17,232)
Interest paid	(9,10,26,997)	(9,12,13,309)
Net Cash used in Financing Activities	6,57,44,214	(14,04,36,746)
D Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(1,16,91,689)	(69,61,030)
E Cash and Cash Equivalents (Opening Balance)	4,43,98,818	5,39,99,174
F Unrealised Foreign Exchange Difference	(4,09,087)	(26,39,326)
G Cash and Cash Equivalents (Closing Balance) (D+E+F)	3,22,98,042	4,43,98,818
Components of Cash and Cash Equivalents		
Cash in hand including imprest	50,72,302	36,68,896
Balance with Scheduled Banks		
Current Accounts	75,98,554	95,94,957
Fixed Deposits	1,96,27,186	3,11,34,965
Total	3,22,98,042	4,43,98,818

Notes: 1) Purchase of Fixed Assets includes 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.

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
DIN-00143192

Shammi Bansal
Executive Director
DIN-00138792

Raghubar Dayal
Director
DIN-00481803

Munish Kakra
Vice President & Company Secretary

Place: Libertypuram, Kamal
Dated: Friday, 12th August, 2011

Schedules

(Amount in ₹)

	31.03.2011	31.03.2010
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	74,70,09,364	68,70,09,364
Add: Transferred from Profit & Loss Account	6,00,00,000	6,00,00,000
Closing Balance	80,70,09,364	74,70,09,364
Securities Premium	10,71,33,757	10,71,33,757
Foreign Currency Translation Reserve on Consolidation	5,77,699	10,93,149
Profit & Loss Account	18,42,19,414	18,23,88,280
Total	1,09,93,39,734	1,03,80,24,050
SCHEDULE-3		
TERM LOANS		
from Banks:		
(Includes ₹1,66,23,837/- (Previous year ₹1,87,62,738/-) repayable within one year) (In case of Parent Company secured by equitable mortgage of land situated at Village Bhagwanpur, Roorkee, Uttarakhand and by way of 1st charge on building situated at Libertypuram and whole of the movable & immovable Plant & Machinery, Machinery spares, tools & accessories etc. and by way of hypothecation of vehicles and in case of Subsidiary Company, secured against hypothecation of Car and assets of the Company financed under term loan and Corporate guarantee of Parent Company and Geofin Investments Private Limited.	12,13,39,975	2,33,67,156
from Others:		
(includes ₹15,20,808/- [Previous year ₹ Nil] repayable within one year) (Secured by way of hypothecation of vehicles)	37,98,392	-
WORKING CAPITAL LOANS		
(In case of Parent Company secured against 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 on Plant & Machinery 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 and Geofin Investments Private Limited)	94,18,88,709	78,40,61,539
Total	1,06,70,27,076	80,74,28,695
SCHEDULE-4		
UNSECURED LOANS		
Security Deposits	3,39,04,700	3,41,49,700
Short Term Loans and Advances		
from Banks	-	-
from others	8,45,00,000	14,00,00,000
Accrued Interest	-	47,52,000
Total	11,84,04,700	17,89,01,700
SCHEDULE-5		
DEFERRED TAX LIABILITY		
At the start of the year	5,96,34,097	6,52,89,687
for the year	(42,66,860)	(56,55,590)
Total	5,53,67,237	5,96,34,097



Schedules

(Amount in ₹)

SCHEDULE - 6 FIXED ASSETS										
Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Total as on 01.04.2010	Additions during the period	Sales/Adj. during the period	Total as on 31.03.2011	Total as on 01.04.2010	for the period	Sales/Adj. during the period	Total as on 31.03.2011	As on 31.03.2011	As on 31.03.2010
Land	13,04,05,825	5,81,980	-	13,09,87,805	-	-	-	-	13,09,87,805	13,04,05,825
Building*	21,91,15,560	26,782	-	21,91,42,342	4,80,41,698	66,56,923	-	5,46,98,621	16,44,43,721	17,10,73,862
Plant & Machinery	73,61,42,868	5,69,67,825	55,12,084	78,75,98,609	30,01,64,281	4,04,90,389	40,98,420	33,65,56,250	45,10,42,359	43,59,78,587
Moulds	18,96,94,961	1,85,02,544	3,59,987	20,78,37,518	15,29,04,907	1,30,65,555	6,738	16,59,63,724	4,18,73,794	3,67,90,054
Patents	15,500	-	-	15,500	3,838	-	-	3,838	11,662	11,662
Furniture & Fixture	16,30,74,735	5,78,23,725	16,99,201	21,91,99,259	4,35,76,581	1,75,04,157	6,97,746	6,03,82,992	15,88,16,267	11,94,98,154
Vehicles	7,03,26,095	3,21,63,931	28,62,740	9,96,27,286	2,35,64,318	81,90,586	17,70,532	2,99,84,372	6,96,42,914	4,67,61,777
Total	1,50,87,75,544	16,60,66,787	1,04,34,012	1,66,44,08,319	56,82,55,623	8,59,07,610	65,73,436	64,75,89,797	1,01,68,18,522	94,05,19,921
Capital work in progress:										
a) Building under construction	-	1,05,16,176	-	1,05,16,176	-	-	-	-	1,05,16,176	-
b) Assets under installation	-	46,77,433	-	46,77,433	-	-	-	-	46,77,433	-
Grand Total	1,50,87,75,544	18,12,60,396	1,04,34,012	1,67,96,01,928	56,82,55,623	8,59,07,610	65,73,436	64,75,89,797	1,03,20,12,131	94,05,19,921
Previous year	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

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

Schedules

(Amount in ₹)

	31.03.2011	31.03.2010
SCHEDULE-7		
INVESTMENTS		
Long Term (At Cost)		
Investment in Government Securities		
6 Years National Saving Certificates VIII Issue (Including Interest)	44,834	41,811
Total	44,834	41,811
Aggregate amount of Quoted Investments	-	-
Aggregate amount of Unquoted Investments	44,834	41,811
Aggregate Market Value of Quoted Investments	-	-
SCHEDULE-8		
INVENTORIES (AS VALUED AND CERTIFIED BY THE MANAGEMENT)		
Raw Materials	22,55,21,142	15,21,79,726
Goods in Process	12,80,99,009	16,56,58,394
Finished Goods	62,27,03,611	49,51,01,508
Packing Materials	1,08,96,683	99,33,802
Stores & Spares	2,39,41,124	1,79,51,229
Oil & Lubricants	8,69,896	4,28,610
Total	1,01,20,31,465	84,12,53,269
SCHEDULE-9		
SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD)		
Debts outstanding for a period exceeding six months		
Considered good	10,01,16,096	12,66,20,311
Considered doubtful	4,50,31,972	4,06,58,368
Other Debts		
Considered good	51,99,69,090	49,48,56,324
	66,51,17,158	66,21,35,003
Less: Provision for doubtful debts	4,50,31,972	4,06,58,368
Total	62,00,85,186	62,14,76,635
SCHEDULE-10		
CASH AND BANK BALANCES		
Cash in hand including imprest	50,72,302	36,68,896
Balances with Scheduled Banks		
Current Accounts	75,98,554	95,94,957
Fixed Deposits	1,96,27,186	3,11,34,965
Total	3,22,98,042	4,43,98,818
SCHEDULE-11		
LOANS & ADVANCES (UNSECURED, CONSIDERED GOOD)		
Advances recoverable in cash or in kind or for the value to be received	24,24,48,650	17,02,90,835
Securities	18,46,48,546	18,00,87,725
Total	42,70,97,196	35,03,78,560
SCHEDULE-12		
CURRENT LIABILITIES		
Sundry Creditors	41,96,33,752	36,70,92,291
Advances from Customers	1,68,15,889	3,09,68,492
Expenses Payable	7,99,41,291	5,77,52,267
Other Liabilities	2,51,25,340	7,05,36,493
Total	54,15,16,272	52,63,49,543

Schedules

(Amount in ₹)

	31.03.2011	31.03.2010
SCHEDULE-13		
PROVISIONS		
Provision for taxation	21,51,305	21,49,416
Provision for Excise Duty	1,26,42,294	1,22,50,886
Total	1,47,93,599	1,44,00,302
SCHEDULE-14		
OTHER INCOME		
Bank and Other Interest (Tax deducted at Source ₹1.22 Lacs [Previous Year ₹3.16 Lacs])	17,72,271	26,67,364
Freight	41,76,783	24,19,745
Miscellaneous income	96,89,550	39,46,486
Exchange Rate Fluctuations	18,55,949	-
Bad Debts Recovered	1,30,000	-
Exceptional Items		
Profit on Sale of Fixed Assets	2,72,160	7,552
Total	1,78,96,713	90,41,147
SCHEDULE-15		
INCREASE/(DECREASE) IN STOCKS		
Opening Stock:		
Finished	49,51,01,508	44,86,74,747
In Process	16,56,58,394	15,33,27,001
	66,07,59,902	60,20,01,748
Closing Stock:		
Finished	62,27,03,611	49,51,01,508
In Process	12,80,99,009	16,56,58,394
	75,08,02,620	66,07,59,902
Increase/(Decrease) in Stocks	9,00,42,718	5,87,58,154
SCHEDULE-16		
RAW MATERIALS CONSUMED & FINISHED GOODS PURCHASED		
(a) Raw Materials		
Opening Stock	15,21,79,726	14,36,72,079
Add: Purchases	1,37,31,90,538	1,03,33,42,858
	1,52,53,70,264	1,17,70,14,937
Less: Closing Stock	22,55,21,142	15,21,79,726
Raw Materials Consumed	1,29,98,49,122	1,02,48,35,211
(b) Finished Goods Purchased		
	28,20,51,671	40,04,78,490
Total (a + b)	1,58,19,00,793	1,42,53,13,701
SCHEDULE-17		
MANUFACTURING EXPENSES		
Freight Inwards	93,15,392	71,71,904
Upper Production Charges	6,93,39,506	4,88,92,061
Oil & Lubricants	1,91,64,623	2,13,76,370
Electricity Charges	4,53,46,718	3,30,31,178
Repairs to Machinery	2,55,59,607	1,57,85,386
Land Lease Rent	1,23,457	1,12,236
Franchise Fee	7,90,00,000	7,90,00,000
Total	24,78,49,303	20,53,69,135

Schedules

(Amount in ₹)

	31.03.2011	31.03.2010
SCHEDULE-18		
PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries, Wages and Bonus	38,63,14,180	28,81,77,021
Contribution to Provident and Other Funds	2,33,71,278	1,59,45,615
Staff Welfare Expenses	72,70,395	64,29,659
Total	41,69,55,853	31,05,52,295
SCHEDULE 19		
ADMINISTRATION, SELLING & MISCELLANEOUS EXPENSES		
Packing Materials Consumed	10,86,94,662	8,60,94,275
Printing & Stationery	79,78,333	52,90,440
Claims	1,96,89,444	1,96,14,814
Tour, Travelling and Conveyance	5,07,87,595	3,98,16,555
Insurance Charges	57,33,475	50,21,596
Fees and Taxes	2,20,45,546	1,67,05,016
Postage, Telegram, Telephone and Telex	1,37,70,429	1,15,17,552
Subscriptions	4,96,918	3,71,593
Advertisements	6,34,43,009	3,23,02,865
Rent	7,99,29,913	3,69,61,433
Donations	11,45,451	10,66,338
Export CIF Expenses	1,62,04,465	1,64,55,708
Freight Outward	3,10,85,887	1,90,49,029
Samples	45,795	6,04,953
Auditors' Remuneration:		
Statutory Audit Fee	3,39,540	3,40,180
Tax Audit Fee	80,000	80,000
Certification Fee	20,000	20,000
Cost Audit Fee	75,000	75,000
Miscellaneous Expenses	1,53,99,102	1,29,80,228
Royalty	9,11,03,000	8,58,53,000
Entertainment Expenses	38,94,520	33,84,034
Commission	5,34,97,268	4,23,25,443
Sales Promotion Expenses	4,02,56,502	6,19,75,194
Newspapers & Periodicals	2,03,308	1,87,847
Debts written off & Amortisations	2,90,21,708	2,96,31,364
Provision for doubtful debts (Note xvi of Schedule 21)	43,73,604	18,21,579
Consultancy & Professional Charges	2,74,15,018	2,73,16,437
Repairs & Maintenance Expenses-Building	1,99,54,438	1,07,95,936
Repairs & Maintenance Expenses-Others	83,49,277	85,98,117
Exchange Rate Fluctuations	-	26,39,326
Loss on transfer of Duty Credit	-	4,03,237
Exceptional Items		
Loss on sale of Fixed Assets	18,11,568	54,27,706
Total	71,68,44,775	58,47,26,795
SCHEDULE-20		
INTEREST AND FINANCIAL CHARGES		
Bank Interest	7,98,35,520	8,14,79,821
Interest to Others	64,39,477	1,44,85,488
Bank Charges	94,70,651	64,99,366
Total	9,57,45,648	10,24,64,675

Schedules

SCHEDULE-21

SIGNIFICANT ACCOUNTING POLICIES & 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 the 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 recognised 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:

Investments in subsidiary

- The financial statements of 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 recognised 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, 2011.
- 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 Limited (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 recognised 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 recognised net of sales returns, trade discount and Value Added Tax/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 Cervat 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 recognised 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 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, the contribution to defined contribution scheme such as provident fund, superannuation fund etc. is charged to Profit and Loss Account as incurred. The Subsidiary Company provides the retirement benefits in the form of gratuity on the basis of actuarial valuation using the projected unit credit method as at the date of the balance sheet and it has created a trust under the Group Gratuity Scheme and the entire amount of gratuity as per the actuarial valuation is provided for as liability in the books.

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 recognised in the profit and loss account under the head "Exchange Rate Fluctuation".
- (iii) The difference between the forward rate and the exchange rate on the 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 amortised 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 case of Parent Company, deferred tax has been provided for all timing differences as required under the provisions of Accounting Standards issued by the 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 recognised 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 realised. In situations, where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised 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 recognised 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 amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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	31.03.2011	31.03.2010
Payment and provision for remuneration to:		
• Executive Director(s)	36,00,000	36,00,000
• 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 ₹20,000/- (Previous Year ₹45,000/-).

Detail of Managerial Remuneration of Subsidiary Company:

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Payment and provision for remuneration to:		
• Managing/Executive Director	11,40,000	9,50,000

- ii) In the opinion of the Board and to the best of its knowledge, the value of realisation 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 2008-2009.
- iv) The Parent 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. In terms of the agreements, the same have been automatically renewed for a further period of 3 years. 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 ₹3,90,00,000/- (Previous year ₹3,37,50,000/-) to Liberty Enterprises, Liberty Group Marketing Division and Liberty Footwear Co. respectively.

As reported earlier, the learned arbitrator, while deciding the dispute amongst the Partners of Liberty Enterprises as regards to the aforesaid franchise agreement, 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. Liberty Enterprises, besides its ratification to the agreement has also confirmed that by raising the legal issues its affected partners have filed their objections before the appropriate authority and sought order for setting aside of such award. In view of the legal opinion available and to protect its legal rights further, the Company has also preferred its objections against arbitral award at Civil Court, Karnal.

- 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 ₹11,03,000/-) as Royalty.
- vi) Interest to others includes ₹56,46,544/- (Previous year ₹93,14,647/-) paid by Parent Company and ₹ Nil (Previous year ₹48,00,000/-) paid by Subsidiary Company against short term loan @ 12% p.a. from M/s Geofin Investments Private Limited.
- 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 ₹8,35,99,748/- (Previous year ₹5,44,61,762/-) against the sales executed during the year.

The Parent Company has also made the provision of excise duty of ₹1,26,42,294/- (Previous Year ₹1,22,50,886/-) against finished goods lying in stocks as on 31st March, 2011 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 ₹1,83,32,765/- (Previous year ₹3,07,37,476/-), 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 ₹80,942/- (Previous year ₹3,97,489/-) are under lien with Banks for facilitating the bank guarantee(s).

- x) During the year, the Parent Company, Under the Focus Product Scheme of Director General of Foreign Trade, Government of India, has received an incentive of ₹1,33,21,811 (Previous year ₹51,99,800/-) for foreign exchange realised against exports made during the financial years 2006-07, 2007-08, 2008-09, 2009-10 & 2010-11 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 ₹16,99,201/- (Previous year ₹17,71,615/-) 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) The Parent Company's registration process with the concerned revenue authorities in respect of 4.34 acres of land purchased at Libertypuram has not been completed till date for the want of certain procedural formalities. The possession of this piece of land has been with the Company and the sale agreement has already been executed.
- xiii) The Parent Company, under its retail sales promotion policy during the year 2007 to 2010, had borne the cost of its subsidiary's retail stores on account of rental and maintenance charges

against retailers' margins viz-a viz its sales. The same were considered under the account head Sales Promotion Expenses in those years. But during the year under consideration, with the implementation of revised arrangements, this promotional policy has been discontinued.

xiv) Contingent Liabilities

(Amount in ₹)

Particulars	2010-11	2009-10
I) Bank Guarantees issued on behalf of the Parent Company submitted with various institutional customers in terms to their orders.	7,50,53,061	2,31,68,160
II) Bank Guarantees issued on behalf of the Subsidiary Company	27,160	12,67,824
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. In 2010-11 the said matter has been decided in favour of the Parent Company.	--	2,78,31,534
IV) On account of disallowance of legitimate credit of CENVAT against Excise Duty/ Education Cess ² 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 Lacs under protest and has granted stay.	3,55,81,366	3,55,81,366
V) Service Tax for Financial year 2002-03 on services received from outside India prior to the applicability of the related law. In 2010-11 the matter has been decided in favour of the Parent Company.	--	1,24,536
VI) Invoice Funding facility in case of Parent Company	--	4,43,63,581
VII) Corporate Guarantees given to banks by the Parent Company for securing banking facilities of retail subsidiary and joint venture company ³	16,00,00,000	11,00,00,000
VIII) Income Tax in case of Parent Company on account of routine assessment for the assessment year the assessment years 1998-99 & 2003-04	35,03,426	35,03,426
IX) Income Tax in case of Parent Company 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
X) Value Added Tax ⁴ in case of Parent Company for the financial year 2005-06, 2006-07, 2007-08, 2008-09 & 2009-10 on account of classification of goods at different rate of tax	1,48,69,568	2,96,02,499
XI) Value Added Tax ⁵ in case of Subsidiary Company for the financial year 2008-09 and 2009-10 on account of classification of goods at different rate of tax	25,99,869	--
XII) Service Tax in case of Parent Company on GTA Services for the period from January 2005 to March 2007	5,28,598	--
XIII) Due to some administrative compliance relating to EPCG licences 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 businesses have 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 ₹6,00,00,000/- (Previous year ₹6,00,00,000/-) given on behalf of erstwhile Joint Venture Company and Company is in process of getting the same released.

⁴Including amount deposited under protest ₹1,07,25,554/- (Previous year ₹60,90,487/-).

⁵Including amount deposited under protest ₹25,99,869/- (Previous year ₹ Nil).

- xv) In case of Parent Company and Subsidiary Companies, Capital commitments not provided for are estimated at ₹150 Lacs (Previous year ₹ Nil) and ₹61.73 Lacs (Previous year ₹ Nil) respectively.
- xvi) Provision for doubtful debts: During the year, the Parent Company has considered debts for ₹ Nil (Previous year ₹3,15,58,132/-) as doubtful debts and also has withdrawn ₹ Nil (Previous year ₹3,03,37,030/-) out of the provisions made in the earlier years for the same and written off the bad debts (net) for ₹ Nil (Previous year ₹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	2010-11	2009-10
Provision for the year	--	3,15,58,132
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

Balance Sheet

(Amount in ₹)

Particulars	2010-11	2009-10
Opening Balance	3,67,41,957	3,55,20,855
Add: Provision for the year	--	3,15,58,132
Total	3,67,41,957	6,70,78,987
Less: Amount withdrawn during the year	--	3,03,37,030
Closing balance	3,67,41,957	3,67,41,957

- xvii) During the year, considering the non-recoverability of some of the debts, the Parent Company has written off the debts amounting to ₹2,90,21,708/- (Previous year ₹2,96,31,364/-).
- xviii) During the year, the Subsidiary Company has considered debts for ₹43,73,604/- (Previous year 6,00,477/-) as doubtful debts and made a provision for the same accordingly.
- xix) The Board of Directors of the Parent Company considers and maintains "Footwear" as the only business segment of the Parent Company.
- xx) **Basic and Diluted Earning per share:** The Basic and diluted earning per share of the Company is as under: -

(Amount in ₹)

Description	2010-11	2009-10
Basic & Diluted		
Profit/(Loss) after Taxation (A)	6,34,83,167	4,63,95,562
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)	3.73	2.72

xxi) 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, 2011:

(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	1,53,73,875 (1,39,24,199)	26,413 (84,012)	- (-)	1,54,00,288 (1,40,08,211)
Sale of Goods	11,23,159 (23,83,566)	- (-)	- (-)	11,23,159 (23,83,566)
License Agreements (Franchise Fee & Licensing Fee including service tax)	18,75,10,000 (18,17,19,250)	- (-)	- (-)	18,75,10,000 (18,17,19,250)
Payment of Salary, Wages and other benefits to employees	4,81,65,198 (3,66,04,376)	56,40,000 (54,50,000)	27,00,000 (28,90,000)	5,65,05,198 (4,49,44,376)
Loans taken	20,14,00,000 (24,43,00,000)	- (-)	- (-)	20,14,00,000 (24,43,00,000)
Repayment of Loans	25,69,00,000 (31,79,46,715)	- (-)	- (-)	25,69,00,000 (31,79,46,715)
Interest Paid/Payable	56,46,544 (1,41,14,647)	- (-)	- (-)	56,46,544 (1,41,14,647)
Outstanding Balances				
Sundry Debtors	23,59,729 (23,83,566)	- (-)	- (-)	23,59,729 (23,83,566)
Sundry Creditors	1,45,60,635 (4,36,64,306)	- (-)	- (-)	1,45,60,635 (4,36,64,306)
Unsecured Loans	8,48,21,300 (14,47,52,000)	- (-)	- (-)	8,48,21,300 (14,47,52,000)

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 Private 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), Sh. Ayush Bansal, Sh. Mannan 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 (₹)	
				2010-11	2009-10
Entities where Key Management Personnel/ Relative of Key Management Personnel has significant influence	Receiving of Services	Geofin Investment Pvt. Ltd.	Rent for Office Premises	1,33,29,000	1,18,15,724
		Liberty Footwear Co.	Rent for Office Premises	5,64,000	5,64,000
		Sanjeev Bansal Charitable Trust	Rent for Office Premises	4,50,000	4,50,000
			Medical facilities for employees	10,30,875	10,94,475
	Sale of Goods	Liberty Innovative Outfits Ltd.	Sale of Goods manufactured and deal in by the Company	11,23,159	23,83,566
	License Agreements	Liberty Enterprises	Franchise Fee (including service tax)	6,61,80,000	6,61,80,000
		Liberty Group Marketing Division	Franchise Fee (including Service Tax)	7,72,10,000	7,72,10,000
		Liberty Footwear Co.	Licence fee (including Service Tax)	4,41,20,000	3,83,29,250
	Payment of Salary, Wages and other benefits to employees	Liberty Group Marketing Division	Salary, Wages and other benefits	4,81,65,198	3,66,04,376
	Loan Taken	Geofin Investments Pvt. Ltd.	Unsecured Loans	20,14,00,000	24,43,00,000
	Repayment of Loans			25,69,00,000	31,79,46,715
	Interest Paid/Payable			56,46,544	1,41,14,647
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	23,59,729	23,83,566
	Sundry Creditors	Liberty Enterprises	Franchise Fee (including service tax)	12,72,380	1,20,91,123
		Liberty Group Marketing Division	Franchise Fee & Salary, Wages and Other benefits (including service tax)	1,02,08,231	2,14,17,423
		Liberty Footwear Co.	Licence Fee (including service tax)	30,80,024	1,01,75,760
	Unsecured Loans	Geofin Investment Pvt. Ltd.	Unsecured Loans	8,48,21,300	14,47,52,000

xxii) 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 of 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 summarises the components of net benefit expense recognised in the Profit & Loss Account and the funded status and amounts recognised 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) 31.03.2011	Gratuity (Funded) 31.03.2010
1.	Current Service Cost	55,20,001	16,20,068
2.	Interest Cost on benefit obligation	11,94,401	10,35,903
3.	Expected return on Plan Assets	11,45,035	(8,59,535)
4.	Actuarial Loss/(Gain)	14,33,852	6,73,350
5.	Net Benefit Expenses	70,03,219	24,69,786

Balance Sheet

b) Details of Provision for Gratuity

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2011	Gratuity (Funded) 31.03.2010
1.	Present Value of Defined Benefit Obligation	2,10,06,932	1,49,30,016
2.	Fair value of Plan Assets	1,63,00,334	1,29,49,474
3.	Surplus/(Deficit)	(47,06,598)	(19,80,542)
4.	Net Asset/(Liability)	(47,06,598)	(19,80,542)

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

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2011	Gratuity (Funded) 31.03.2010
1.	Defined Benefit Obligation at the beginning of the year	1,49,30,016	1,36,51,976
2.	Current Service Cost	55,20,001	16,20,068
3.	Interest Cost	11,94,401	10,35,903
4.	Actuarial (Gain)/Loss on obligations	14,33,852	6,73,350
5.	Benefits paid	20,71,338	(20,51,281)
6.	Defined benefit obligation at the end of the period	2,10,06,932	1,49,30,016

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

(Amount in ₹)

Sr. No.	Particulars	Gratuity (Funded) 31.03.2011	Gratuity (Funded) 31.03.2010
1.	Opening Fair Value of Plan Assets	1,29,49,474	1,03,05,183
2.	Expected Return	11,45,035	8,59,535
3.	Contributions by employer	42,77,163	38,36,037
4.	Benefits paid	20,71,338	(20,51,281)
5.	Actuarial Gains/(Losses)	-	-
6.	Closing Fair Value of Plan Assets	1,63,00,334	1,29,49,474

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

Sr. No.	Particulars	Gratuity (Funded) 31.03.2011	Gratuity (Funded) 31.03.2010
1.	Discount rate	8.00%	8.00%
2.	Expected rate of return on Plan Assets	8.00%	8.00%
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) 31.03.2011	Gratuity (Funded) 31.03.2010
1.	Defined Benefit Obligation	(2,10,06,932)	(1,49,30,016)
2.	Plan Assets	1,63,00,334	1,29,49,474
3.	Surplus/(Deficit)	(47,06,598)	(19,80,542)
4.	Experience adjustments on plan liabilities	14,33,852	6,73,350
5.	Experience adjustments on plan assets	-	-

In case of Subsidiary Company, every employee, on completion of continuous service of five years or more with the Company, is entitled to get the gratuity of 15 days salary on the basis of last drawn salary for each completed year of service. The Company has created trust under the Group Gratuity Scheme and the entire amount of gratuity as per the actuarial valuation is provided for as liability in its books.

xxiii) In case of Parent Company, the Deferred Tax asset of ₹1,25,53,282/- (Previous year ₹1,66,38,968/-) has been calculated after considering the timing differences on account of depreciation.

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 have not been accounted for.

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

The Subsidiary Company 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 lessee.

(Amount in ₹)

Particulars	31.03.2011	31.03.2010
Lease payments for the year	6,30,93,849	2,28,08,103
Minimum Lease Payments		
Not later than one year	2,13,86,986	1,77,89,419
Later than one year but not later than five years	2,06,71,324	7,74,58,695
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, 2011.

xxvi) 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.



Liberty Shoes Ltd.

**Regd. Office : Libertypuram, 13th Milestone, G.T. Karnal Road, Kutail, P.O. Bastara,
Distt. Karnal-132 114 (Haryana).**

**25TH ANNUAL GENERAL MEETING - WEDNESDAY, 28TH SEPTEMBER, 2011
ADMISSION SLIP**

Members or their proxies are requested to present this form for admission, duly signed in accordance with their specimen signatures registered with the Company.

I/We certify that I am/We are a registered member of the Company holding Equity Shares and hereby record my/our presence at the 25th Annual General Meeting of Liberty Shoes Ltd. being held on Wednesday, 28th September, 2011 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, Distt. Karnal - 132114 (Haryana).

Please ✓ in the box

Member Proxy

Folio No. / Client ID* Member's Signature

D.P. ID* Proxy's Signature

.....
Name of the Member / Proxy in Block Letters

*Applicable for Members holding Shares in Electronic Form

- Notes :
1. Members having queries, if any, on Annual Report are requested to send them ten days in advance.
 2. Members are requested to bring their copies of the Annual Report while attending the meeting.

----- Tear Here -----



Liberty Shoes Ltd.

Regd. Office : Libertypuram, 13th Milestone, G.T. Karnal Road, Kutail, P.O. Bastara, Distt. Karnal-132 114 (Haryana).

PROXY FORM

I / We of in the district of being member(s) of Liberty Shoes Ltd., hereby appoint of in the district of failing him of in the district of as my/ our proxy to attend and vote for me / us on my / our behalf at the 25th Annual General Meeting of Liberty Shoes Ltd. to be held on Wednesday, 28th September, 2011 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, Distt. Karnal - 132114 (Haryana) and at any adjournment thereof.

Signed this day of 2011 at Name

Signature of the member



Folio No. / Client ID* D.P. ID*

Address

* Applicable for Members holding Shares in Electronic Form.

- Note:
1. The Proxy need NOT be a member of the Company.
 2. The Proxy Form duly signed across a Revenue Stamp should reach the Company's Registered Office not less than 48 hours before the scheduled time fixed for holding the above said meeting.

ATTENTION SHAREHOLDER(S)!



LIBERTY SHOES LTD.

E-COMMUNICATION REGISTRATION FORM

Folio No. (For Physical Shares) :

Name of 1st Registered Holder :

Name(s) of Joint Holder(s) :

Registered Address :

E-mail ID (to be registered) :

I/We, shareholder of Liberty Shoes Ltd., hereby agree to receive communication from the Company in electronic mode. Please register my/our above E-mail ID in your records for sending me/us communication through electronic mode.

Date: Signature:

(First Holder)

Notes:

1. Shareholder(s) is/are requested to keep the Company informed as and when there is any change in the E-mail ID.
2. In case, shares are held in electronic form, kindly register your E-mail particulars with your Depository Participant.

To,
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





www.libertyshoes.com

2nd Floor, Building No.8, Tower B, DLF Cyber City, Phase II, Gurgaon - 122 002, NCR, INDIA
E-mail: mail@libertyshoes.com