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Liberty Shoes Limited
20th Annual Report 2005-06
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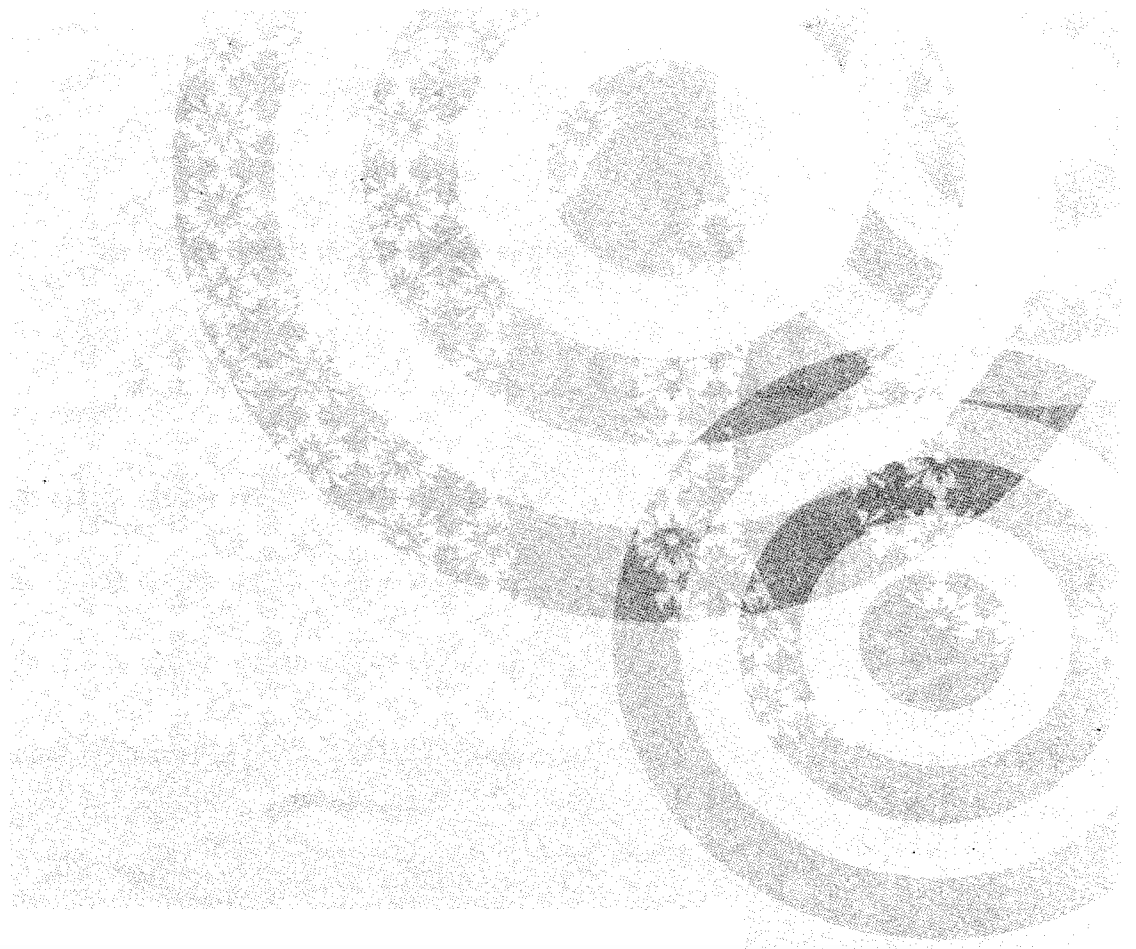
Forward-looking statement

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

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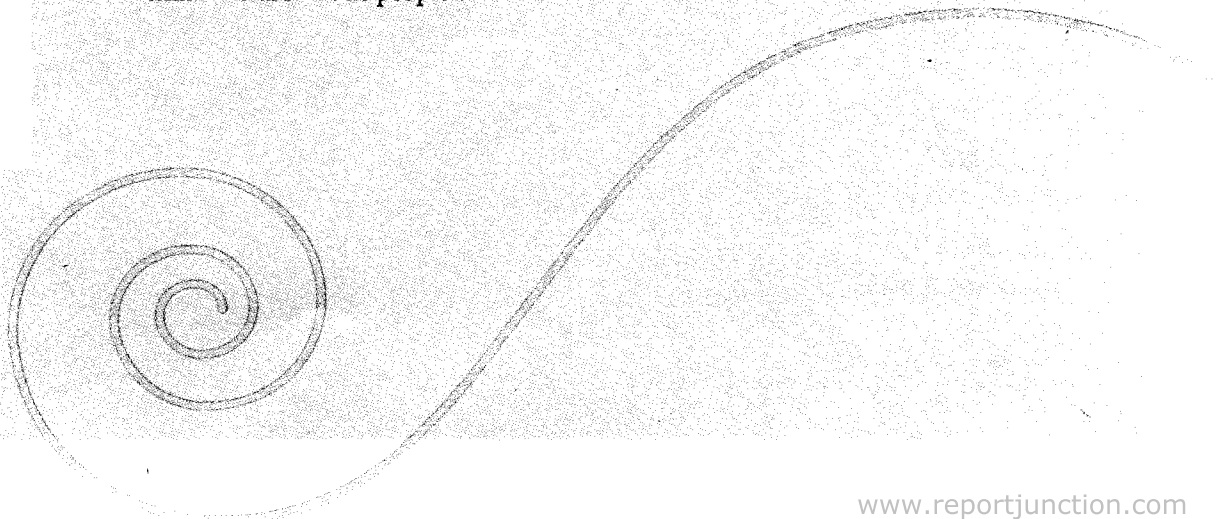
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Our credo

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".



Company Information

Board of Directors

Adesh Gupta

Executive Director, Chief Executive Officer

Adarsh Gupta

Executive Director

Shammi Bansal

Executive Director

Satish Kumar Goel

Director (Law & Taxation)

Sunil Bansal

Non-Executive Director

S.K. Arya

Independent Director

Raghu Dayal

Independent Director

Amitabh Taneja

Independent Director

Prem Chand Garg

Independent Director

Vivek Bansal

Independent Director

Siddharth Sanghi

Independent Director

Munish Kakra

Company Secretary & Manager - Corporate Affairs

Audit Committee

Sunil Bansal

Prem Chand Garg

Raghu Dayal

Vivek Bansal

Remuneration / Selection Committee

Raghu Dayal

Prem Chand Garg

Share Transfer / Investor's Grievances Committee

Adarsh Gupta

Sunil Bansal

Prem Chand Garg

Certificate & Membership

Confederation of Indian Industry (CII)

Federation of Indian Chambers of Commerce & Industry (FICCI)

PHD Chamber of Commerce and Industry (PHDCCI)

The Associated Chambers of Commerce and Industry of India (ASSOCHAM)

Federation of Indian Export Organisation (FIEO)

Council for Leather Export (CLE)

ISO 9001



Registered Office

Humantech Centre - I

Liberty Puram, 13th Mile Stone,
G.T.Karnal Road, Kutail,
P.O. Bastara,
Distt. Karnal - 132114
(Haryana)
Tel.: (91)-1748-251101 - 03
Fax : (91) - 1748 - 251100
E-mail : lpm@libertyshoes.com

Corporate Office &

Humantech Centre - II

Liberty Complex, 17th Mile
Stone, G.T.Karnal Road,
Gharaunda, Distt.
Karnal - 132 114
(Haryana)
Tel : (91)-1748 - 251111 - 14
Fax : (91) - 1748 - 251000
E-mail : ghd@libertyshoes.com

Humantech Centre - III

Liberty Park, Liberty Road,
Distt. Karnal - 132 001
(Haryana) Tel : (91)-184 -
2252533, 2256100
Fax : (91)-184-2255636,
2256400
E-mail : knl@libertyshoes.com

Humantech Centre - IV

Langa Road, Vill. Charba,
P.O. Sahaspur,
Vikas Nagar,
Dehradun, Uttaranchal
Tel : (91) - 941 - 2962491
Fax : (91) - 941 - 2962491
E-mail : lvl@libertyshoes.com

Humantech Centre - V

"Kasra Khatoni No. 142/337",
Kasra No. 330/202/1 at Mauza
Satiwala, Ponta Sahib, Dist.
Sirmur, "(Himachal Pradesh)"
Email: lvl@libertyshoes.com

Humantech Centre - VI

"Kasra Khatoni No. 1 MIN / 22",
Kasra No. 176 / 147 / 107
Mauza Ponta Sahib, Dist.
Sirmur, "(Himachal Pradesh)"
Email: lvl@libertyshoes.com

Humantech Centre - VII

"Plot No.242",
Raipur Industrial Area,
Distt. Roorkee - 247661
"Dehradun, (Uttaranchal)"
Email: lpr@libertyshoes.com

Marketing & Coordinating Office

4/42, Punjabi Bagh,
New Delhi - 110 026
Tel: (91) - 11 - 42463000 ~ 7
Fax : (91) - 11 - 42463008 ~ 9
E-mail : del@libertyshoes.com

Branches

Delhi, Jammu, Jaipur, Chennai,
Rajpura, Bangalore, Agra,
Saharanpur, Mumbai, Calcutta
and Hyderabad

Bankers

HDFC Bank Ltd.
ABN AMRO Bank N.V.
Corporation Bank.

Auditors

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

Cost Auditors

K.L.Jaisingh & Co. Cost
Accountants,
Jaisingh House, J-7, Sector - XI,
Noida - 201 301 (Uttar Pradesh)

Share Transfer Agents

Intime Spectrum Registry
Limited
A-31, 3rd Floor, Near PVR,
Naraina Industrial Area,
Phase - I, New Delhi -110 028
Tel : (91) -11 - 41410592~4
Fax : (91) -11 - 41410591
E-mail: delhi@intimespectrum.com

Corporate Advisory

KPMG, Block No. 4B
DLF Corporate Park
DLF City, Phase -3,
Gurgaon 122 003 (Haryana)
Tel : (91) -11-95124-2549191
E-mail : paruljain@in.kpmg.com

Communication Advisory

Montage Advertising Pvt. Ltd.
2nd Floor, Chandra House,
8, Shaheed Bhagat Sing Marg,
Gole Market,
New Delhi - 110 001.
Tel : (91) -11 - 23746553,
23744109,23343738
E-mail: montage@del2.vsnl.net.in

Notice

Notice is hereby given that the 20th Annual General Meeting of the Members of Liberty Shoes Ltd. (the Company) will be held on Wednesday, the 20th September, 2006 at 11.00 AM at the Registered Office of the Company at Libertypuram, 13th Milestone, G.T. Karnal Road, Kutail, P.O. Bastara, Distt. Karnal (Haryana) 132 114 to transact the following business:

Ordinary Business

1. To consider & adopt the Audited Profit & Loss Account for the financial year ended 31st March, 2006 and Balance Sheet as at that date along with the Reports of the Board of Directors & Auditors thereon.
2. To confirm the Interim dividend of Rs. 5/- per Equity Shares declared for the financial year ended 31st March, 2006.
3. To appoint a Director in place of Sh. Sunil Bansal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Pardeep Tayal & Co., 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 fix their remuneration.

Special Business

5. 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, 269, 309 and amended provisions of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and Article 116 of the Articles of Association of the Company, consent of the Company be and is hereby accorded to the appointment of Sh. Satish Kumar Goel as Director (Law & Taxation) of the Company, with effect from 1st April, 2006 to 31st March, 2011 on the terms and conditions as enumerated in the Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.

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 above within the provisions of Schedule XIII of the Companies Act, 1956, to the extent the Board of Directors or Committee thereof may consider appropriate, as may be permitted or authorized in accordance with any provision(s) under the said Act or schedule appended thereto, for the time being in force or any statutory modification or re-enactment thereof and / or any rules or regulations there under."

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

"RESOLVED THAT Sh. S K Arya who was appointed as an Additional Director by the Board of Directors pursuant to provisions of Section 260 of the Companies Act, 1956 & Article 89 of the Articles of Association of the Company, who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as 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 Sh. Prem Chand Garg who was appointed as an Additional Director by the Board of Directors pursuant to provisions of Section 260 of the Companies Act, 1956 & Article 89 of the Articles of Association of the Company, who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."



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

"RESOLVED THAT Sh. Amitabh Taneja who was appointed as an Additional Director by the Board of Directors pursuant to provisions of Section 260 of the Companies Act, 1956 & Article 89 of the Articles of Association of the Company, who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

9. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Sh. Siddharth Sanghi who was appointed as an Additional Director by the Board of Directors pursuant to provisions of Section 260 of the Companies Act, 1956 & Article 89 of the Articles of Association of the Company, who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

10. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Sh. Vivek Bansal who was appointed as an Additional Director by the Board of Directors pursuant to provisions of Section 260 of the Companies Act, 1956 & Article 89 of the Articles of Association of the Company, who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

11. To consider and, if thought fit, to pass with or

without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Sh. Raghu Dayal who was appointed as an Additional Director by the Board of Directors pursuant to provisions of Section 260 of the Companies Act, 1956 & Article 89 of the Articles of Association of the Company, who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company liable to retire by rotation."

12. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"Resolved that in supersession to the earlier resolution passed in the Meeting of the shareholders held on 13th August 2003 and in pursuant to the provisions of Section 293 (1)(d) of the Companies Act 1956; consent of the Company be and is hereby granted to the Board of Directors' to borrow the term loan and other facilities from the Banks / Institutions and all such sums of money as from time to time may deem necessary for the purpose of the business of the Company, apart from temporary loans obtained from the Company's bankers in the ordinary course of business which shall at a time not to exceed the aggregate of the paid up capital of the Company and its free reserve that is to say, reserve not set apart for any specific purpose, provided however that the total amount up to which the monies may be borrowed by the Board of Directors shall not exceed in aggregate a sum of Rs. 250 Crore at any time."

By order of the Board
For Liberty Shoes Ltd.

Munish Kakra
Company Secretary &
Manager - Corporate Affairs

Place: New Delhi

Dated: Saturday the 29th July, 2006,

NOTES:

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Item No: 5 to 12 of the special business are annexed hereto and forms part of the notice.
2. A member, entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend the meeting and THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. The instrument appointing the proxy, duly stamped should be deposited at the Registered Office of the Company not less than 48 hours before the start of the Meeting.
4. The Register of Members and Share Transfer Books shall remain closed from, Friday the 15th September, 2006 to Wednesday the 20th September, 2006 (both days inclusive).
5. With effect from 2nd July, 2001, trading of Equity Shares of the Company are in compulsorily dematerialized form & the International Securities Identity Number (ISIN) allotted to the Company is INE 557B 01019.
6. Members who hold Equity Shares in dematerialized form are required to bring their client ID & DP ID numbers for easier identification of attendance at the meeting.
7. Members can avail of the nomination facility by filling Form 2 B with the Company or its Share Transfer Agents, In time Spectrum Registry Limited. Blank forms will be supplied on request.
8. Conveyance facility shall be provided at Bus stand, Panipat and at Corporate Office at Central House, Liberty Road, Karnal at 10.00 AM on 20th September, 2006 for the convenience of the members, who intend to attend the Annual General Meeting.
9. Members can request for their Un claimed Equity Dividend outstanding for any year since 1998-99 and may write to the Company at their Delhi Office or to the Registrar and Share transfer Agent immediately otherwise the amount shall be transferred to the Investor Protection fund and no claim can be lodged against the Company or the Fund for the dividend.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Resolution 5:**

Sh. Satish Kumar Goel (aged 66 years)

Sh. Satish Kumar Goel is an eminent tax professional having rich experience of over four decades. He has been on the Board of the Company since 13th August 2001. He was elevated to the position of Director (Law & Taxation) since 1st April, 2006 for a period of five years in the meeting of the Board held on 16th January, 2006. His terms of office shall be for a period commencing from 1st April, 2006 to 31st March 2011.

He would be spear-heading the Legal department of the Company and shall be providing his expertise in the areas of taxation and legal matters. The Board of Directors of the Company at their aforesaid meeting have approved, subject to the approval of the members of the Company payment of Salary of Rs. 75,000/- p.m. and such other perquisites as per the rules of the Company and on such other terms and conditions as mutually agreed between the Board of Directors and Sh. Satish Kumar Goel.

In terms of Article 116 of the Articles of Association of the Company, so long as Sh. Satish Kumar Goel hold office of Whole Time Director of the Company, he shall not be liable to retire by rotation. The Board recommend the appointment for your approval.

Memorandum & Statement of Interest:

None of the Director(s) of the Company except Sh. Satish Kumar Goel himself may be deemed to be concerned or interested in passing of the above resolution.

Resolution 6 & 11:

Sh. S K Arya was appointed as an Additional Director on 2nd September 2005 where as Sh. Prem Chand Garg, Sh. Amitabh Taneja, Sh. Siddharth Sanghi, Sh. Vivek Bansal and Sh. Raghu Dayal, were appointed as Additional Director(s) on the Board of the Company in the meeting held on 17th December, 2005.

Sh. S K Arya 49 years, having B Sc. (Hons) degree from the Bombay University, is a leading Industrialist and currently Vice Chairman and Managing Director of Jai Bharat Maruti Ltd, a joint venture of Maruti Udyog Ltd which was established for manufacture and supply of originally manufactured spares to the Maruti vehicles. He is not holding any Equity Shares in the Company.

Sh. Prem Chand Garg 43 years, Graduate, belongs to a well established business family and has been in the trading and export business of Rice under famous brand Shrilal Mahal. He is not holding any Equity Shares in the Company.



Sh. Amitabh Taneja was appointed on the Board on 17th December 2005 as an Additional Director and his terms of office shall cease on the date of AGM. He is a leading fashion journalist, and currently editor in chief of Images business of fashion, the leading magazine for retail, brands and fashion. He is having tremendous experience in the retail and fashion industry. He is also on the Board of the Company's subsidiary Liberty Retail Revolutions Ltd. (LRRL). He is not holding any Equity Shares in the Company. He shall be appointed by the members in the AGM as Director liable to retire by rotation.

Sh. Siddharth Sanghi 25 years is young dynamic man belongs to the reputed 'Sanghi Group' of Hyderabad. He is a commerce graduate and also a Microsoft Certified Systems professional and also holds a Post Graduate Diploma in Management from IIM. He has been associated with various diversified businesses and has been on the Board of few well known Companies. He is not holding any Equity Shares in the Company.

Sh. Vivek Bansal 32 years has an Engineering degree from M S University Baroda and a Masters Degree in Computer Science from Kansas State University, U S A. He has a dynamic personality and an Investor and Entrepreneur who creates new generation initiatives that have a positive impact on people life styles. He has founded Plus Venture, an investment fund focused on nurturing and identifying new global business ventures. He is not holding any Equity Shares in the Company.

Sh. Raghu Dayal, 73 years, a Post Graduate have over thirty years of administrative experience in working with various Government departments. During his carrier, he has been associated with NTC, National Instrumentation and has been the founder Managing Director of CONCOR (A government of India Enterprise). He has been a national coordinator for UNCTAD representing as the Nominee of Government of India. He has also been a Special Advisor for the Indo German Export Promotion Project and has been associated with Trade and Industry during the period of his association with the Government. He is not holding any Equity Shares in the Company.

As per Section 260 of the Companies Act, 1956 read with Article 89 of the Company, tenure of office of all these Director(s) shall come to an end on the date of the Annual General Meeting. In this regard the Company has received notice(s) in writing in accordance with Section 257 of the said Act, along with the requisite deposit(s) from the members of the

Company proposing their respective candidature for appointment as Director(s) in the Company. Accordingly, the resolution(s) are put forth for the approval of the members.

The Board considers that the Company would be immensely benefited by the expertise and rich knowledge of the Director(s) in their respective diversified industries.

The Board, therefore, recommends the appointment as mentioned in the respective resolution(s) for the approval of the members.

Memorandum & Statement of Interest:

None of the Director(s) may be deemed to be concerned or interested except the respective appointee(s) in their appointment(s) as mentioned in the respective resolution(s).

Resolution 12:

Your Company presently implementing expansion projects at Uttranchal and at Himachal Pradesh to augment its existing manufacturing capacities. In order to finance these ventures a part of the funds are to be borrowed from the banks which at times may be in excess of the paid up capital and reserves but not to exceed the limits as may be approved by the Board in this regards. In view of these expansion projects, which are under implementation, as also, in view of the increased turnover and the possibilities of borrowings for additional Capital expenditure as and when considered necessary by the Board, it may be necessary to increase the limits of borrowings of funds up to an amount not exceeding Rs. 250 Crore. This shall be in supercession of the earlier limits approved by the Shareholders in their meeting held on 13th August 2003.

As a matter of expediency your Directors recommend the resolution for your approval.

Memorandum & Statement of Interest:

None of the Directors of the Company is in any way concerned or interested in passing of the aforesaid resolution.

By order of the Board
For Liberty Shoes Ltd.

Munish Kakra
Company Secretary &
Manager – Corporate Affairs

Place: New Delhi

Dated: Saturday the 29th July, 2006,

Ten (10) Years' figures at a Glance

(Rs. in Laacs)

Particulars	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Results for the year										
Sales & Other Income	5398.68	6696.78	7667.94	7612.13	8520.00	7352.16	7057.17	19962.64	19608.70	22223.09
Profit before	1038.72	1126.54	1273.86	1278.38	1262.77	1083.07	1133.12	1625.63	1725.68	2785.55
Depreciation & Tax										
Profit before Tax	862.30	921.46	1010.47	996.73	966.35	786.27	818.03	1261.26	1354.59	2385.56
Profit after Tax	731.30	756.46	837.97	740.73	590.19	620.37	646.58	839.57	979.46	1849.28
Equity Dividend	254.01	254.01	278.85	380.25	228.15	253.50	253.50	278.85	304.20	253.50
Dividend (%)	50.10	50.10	55.00	75.00	60.00	50.00	50.00	55.00	60.00	50.00
Quantitative details										
(Leather & Non Leather Shoes)										
No. of Pairs Produced	2133599	2894971	3499004	3340855	3190333	3764077	3530925	6598442	6241515	6772859
No. of Pairs Sold	2215727	2849923	3452475	3259248	3275123	3640411	3540820	6313459	6264207	6791216
Capacity Utilisation (%)	85.48	108.18	122.51	119.49	114.10	134.62	126.28	111.46	97.52	102.93
Position at the year end										
Gross Block	3154.80	3612.58	4171.51	4287.52	4564.03	4922.46	5143.13	6064.98	6650.42	7970.30
Net Block	2714.72	2999.58	3364.28	3190.65	3156.95	3225.36	3264.22	3703.17	3935.83	4940.50
Net Current Assets	1393.86	1932.97	2137.10	3453.86	2929.61	3442.80	5275.80	9629.30	8133.45	10531.98
Net Worth	3358.36	3904.94	4447.69	4869.43	5059.05	4748.21	5098.11	5597.31	6219.61	8167.40
Share Capital	507.00	507.00	507.00	507.00	507.00	507.00	507.00	507.00	507.00	1704.00
Reserves & Surplus	2851.36	3397.94	3940.68	4362.43	4552.05	4241.21	4591.11	5090.31	5712.61	6463.40
Book Value (in Rs.)	66.24	77.02	87.73	96.04	99.78	93.65	100.55	110.40	122.67	47.93*
No. of Employees	728	855	868	872	948	1009	980	926	987	920

* In the year 2005-06 the same has been decreased due to capitalisation of share premium by way of bonus shares, conversion of FCD into share capital and consequent issue of bonus shares.