

**INDUS DYEING & MANUFACTURING
COMPANY LIMITED**

**JULY 01, 2012
to
SEPTEMBER 30, 2012
(Un - audited)**

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INDUS DYEING & MANUFACTURING CO. LIMITED
CONDENSED INTERIM CONSOLIDATED BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2012

| | <u>Un-audited</u> Sept - 2012 | <u>Audited</u> Jun - 2012 |
|---|----------------------------------|------------------------------|
| ----- Rupees in '000 ----- | | |
| Share capital | | |
| Authorized capital | | |
| 45,000,000 ordinary shares of Rs. 10 each | <u>450,000</u> | <u>450,000</u> |
| Issued, subscribed and paid up capital - 18,073,731 ordinary shares of Rs. 10 each fully paid in cash | 180,737 | 180,737 |
| Share premium | 10,920 | 10,920 |
| General reserve | 5,000,000 | 5,000,000 |
| Merger reserve | 11,512 | 11,512 |
| Un-appropriated profit | 2,667,162 | 2,181,358 |
| | 7,870,331 | 7,384,527 |
| Non-current liabilities | | |
| Long-term financing | 878,986 | 890,712 |
| Liabilities against assets subject to finance lease | 979 | 2,231 |
| Deferred liabilities | 304,776 | 295,042 |
| | 1,184,741 | 1,187,985 |
| Current liabilities | | |
| Trade and other payables | 561,935 | 551,327 |
| Interest / mark-up payable | 41,978 | 34,589 |
| Short-term borrowings | 904,785 | 1,644,821 |
| Current portion of : long-term financing | 211,252 | 130,666 |
| lease liabilities | 4,784 | 4,637 |
| | 1,724,734 | 2,366,040 |
| Total Rupees | <u>10,779,806</u> | <u>10,938,552</u> |

| | <u>Un-audited</u> Sept - 2012 | <u>Audited</u> Jun - 2012 |
|---|----------------------------------|------------------------------|
| ----- Rupees in '000 ----- | | |
| Fixed assets | | |
| Property, plant and equipment | 4,666,488 | 4,618,998 |
| Capital work in progress | 88,171 | 274,495 |
| Assets subject to finance lease | 12,754 | 13,081 |
| | 4,767,413 | 4,906,574 |
| Long-term investments | 1,773,461 | 1,716,263 |
| Long-term deposits | 4,593 | 4,593 |
| Current assets | | |
| Stores, spares and loose tools | 323,471 | 185,548 |
| Stock-in-trade | 2,517,027 | 2,903,226 |
| Trade debts | 1,088,774 | 834,427 |
| Loans and advances | 82,527 | 85,453 |
| Trade deposits and short-term prepayments | 14,220 | 2,363 |
| Other receivables | 32,324 | 13,078 |
| Other financial assets | 10,436 | 12,437 |
| Tax refundable | 123,196 | 114,500 |
| Cash and bank balances | 42,364 | 160,090 |
| | 4,234,339 | 4,311,122 |
| Total Rupees | <u>10,779,806</u> | <u>10,938,552</u> |

The annexed notes from 1 to 12 form an integral part of this condensed interim consolidated financial information.

Chief Executive Officer

Director

INDUS DYEING & MANUFACTURING CO. LTD.
CONDENSED INTERIM CONSOLIDATED
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2012

Three month period ended

Jul, 12 - Sep, 12 Jul, 11 - Sep, 11

----- Rupees in '000 -----

| | | | |
|--|-----------------|------------------|------------------|
| Sales (net) | | 4,699,542 | 3,759,688 |
| Cost of goods sold | Note - 8 | (3,995,192) | (3,286,712) |
| Gross profit | | 704,350 | 472,976 |
| Other operating income / (loss) | | 4,835 | 15,717 |
| | | 709,185 | 488,693 |
| Distribution cost | | (104,085) | (73,471) |
| Administrative expense | | (47,172) | (30,040) |
| Other operating expenses | | (28,742) | (20,038) |
| Finance cost | | (61,231) | (10,941) |
| Share of profit from an associate | | 28,609 | 9,497 |
| Share of profit from a joint venture | | 27,959 | (23,488) |
| | | (184,662) | (148,481) |
| Profit before taxation | | 524,523 | 340,212 |
| Provision for Taxation | | | |
| Current year | | (47,101) | (41,803) |
| Deferred | | 7,752 | 14,830 |
| | | (39,349) | (26,973) |
| Profit for the period | | 485,174 | 313,239 |
| Earning per share - Basic and diluted | | 26.84 | 17.33 |

The annexed notes from 1 to 12 form an integral part of this condensed interim consolidated financial information.

Chief Executive Officer

Director

INDUS DYEING & MANUFACTURING CO. LIMITED
CONDENSED INTERIM CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2012.

| | <u>Three month period ended</u> | |
|--|--|--------------------------------|
| | <u>Jul,12 - Sep- 12</u> | <u>Jul,11 - Sep- 11</u> |
| | ----- Rupees in '000 ----- | |
| Profit for the period | 485,174 | 313,239 |
| Other comprehensive income | | |
| Share of associate transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax. | 630 | 662 |
| Total comprehensive income for the period | <u>485,804</u> | <u>313,901</u> |

The annexed notes from 1 to 12 form an integral part of this condensed interim consolidated financial information.

INDUS DYEING & MANUFACTURING CO. LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2012.

| | Share capital | Share premium | Merger reserve | General reserve | Un- appropriated profit | Total |
|---|----------------------------|------------------|-------------------|--------------------|-------------------------------|------------------|
| | ----- Rupees in '000 ----- | | | | | |
| Balance as on July 01, 2011 | 180,737 | 10,920 | 11,512 | 4,000,000 | 2,060,377 | 6,263,546 |
| Profit for the year ended June 30,12 | - | - | - | - | 1,571,477 | 1,571,477 |
| Total comprehensive income | | | | | | |
| Share of associate transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation - net of deferred tax | - | - | - | - | 1,347 | 1,347 |
| Final cash dividend for the year ended June 30, 2011 @ Re. 10 per share | - | - | - | - | (180,737) | (180,737) |
| Interim cash dividend for the year ended September 30, 2011 @ Re. 5 per share | - | - | - | - | (90,369) | (90,369) |
| Interim cash dividend for the year ended March 31, 2012 @ Re. 10 per share | - | - | - | - | (180,737) | (180,737) |
| Transfer to general reserve | - | - | - | 1,000,000 | (1,000,000) | - |
| Balance as at June 30, 2012 | 180,737 | 10,920 | 11,512 | 5,000,000 | 2,181,358 | 7,384,527 |
| Total comprehensive income | | | | | | |
| Share of associate transfer from surplus on revaluation of property, plant & equipment on account of incremental depreciation - net of deferred tax | - | - | - | - | 630 | 630 |
| Profit for the first quarter Sept 30, 2012. | - | - | - | - | 485,174 | 485,174 |
| Balance as at September 30, 2012 | 180,737 | 10,920 | 11,512 | 5,000,000 | 2,667,162 | 7,870,331 |

The annexed notes from 1 to 12 form an integral part of this condensed interim consolidated financial information.

Chief Executive Officer

Director

INDUS DYEING & MANUFACTURING CO. LTD.
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2012.

Jul,12 - Sep- 12 Jul,11 - Sep- 11

----- Rupees in '000 -----

(A) Cash flows from operating activities :

| | | |
|---|----------------|----------------|
| Net profit before taxation | 524,523 | 340,212 |
| <u>Adjustments for:</u> | | |
| Depreciation | 110,656 | 65,442 |
| Provision for gratuity | 20,917 | 13,300 |
| Gain on disposal of other financial - assets | - | (6,586) |
| Realized loss / (gain) on derivative - financial instruments | 4,414 | - |
| (Gain) / loss on disposal of property, - plant and equipment | (44) | (161) |
| Finance cost | 61,231 | 10,941 |
| Dividend income | (292) | (299) |
| Share of profit from associate | (28,609) | (9,497) |
| Share of profit from Joint Venture | (27,959) | 23,488 |
| | <u>140,314</u> | <u>96,628</u> |
| Cash generated before working - capital changes | 664,837 | 436,840 |

Working capital changes:

(Increase) / decrease in current assets

| | | |
|---|---------------|----------------|
| Stores, spares and loose tools | (138,667) | (17,858) |
| Stock-in-trade | 386,201 | 897,647 |
| Trade debts | (197,177) | (16,200) |
| Loans and advances | 14,391 | (9,025) |
| Trade deposits and short-term payments | (11,857) | (12,774) |
| Tax refundable | (23,960) | 5,433 |
| Other receivables | (3,963) | 3,353 |
| Other financial assets | 2,001 | - |
| (Decrease) / increase in current liabilities | | |
| Trade and other payables | 41,279 | 41,603 |
| | <u>68,248</u> | <u>892,179</u> |

| | | |
|--|----------------|------------------|
| Cash generated used in operations | 733,085 | 1,329,019 |
|--|----------------|------------------|

| | | |
|--|----------------|------------------|
| Income taxes paid - net | (105,426) | (52,803) |
| Finance cost paid | (53,841) | (27,035) |
| Gratuity paid | (3,432) | (6,427) |
| Net cash used in operating activities | 570,386 | 1,242,754 |

(B) Cash flows from investing activities :

| | | |
|--|------------------|--------------------|
| Purchase of property, plant and equipment | (366,360) | (284,121) |
| Capital work in progress | 123,180 | - |
| Proceeds from disposal of property, - plant and equipment | 541 | 1,250 |
| Purchase of other financial assets | 38,059 | (822,200) |
| Proceeds from disposal of other financial - assets | - | - |
| Dividend received | 292 | 299 |
| Long-term deposits | - | (315) |
| Net cash used in investing activities | (204,288) | (1,105,087) |

Jul,12 - Sep- 12 Jul,11 - Sep- 11

----- Rupees in '000 -----

(C) Cash flows from financing activities :

| | | |
|--|-------------------------|------------------------|
| Long-term financing acquired | 78,000 | 361,157 |
| Repayment of long-term financing | (9,138) | (123,505) |
| Loans from directors obtained - net | (3,086) | - |
| Repayment of liabilities against - assets subject to finance lease | (1,105) | (21,884) |
| Short term borrowings - other than running finance | (168,498) | (273,685) |
| Dividend paid | (20,023) | - |
| Net cash generated from / (used in) - financing activities | <u>(123,850)</u> | <u>(57,917)</u> |
| Net decrease in cash and - cash equivalents (A + B + C) | 242,248 | 79,750 |
| Cash and cash equivalents at - the beginning of the period | (529,074) | (45,095) |
| Cash and cash equivalents at - the end of the period | <u>(286,826)</u> | <u>34,655</u> |
| Cash and cash equivalents at - the end of the period | | |
| Cash and bank balances | 42,364 | 63,873 |
| Short-term borrowings - running finance | (329,190) | (29,218) |
| | <u>(286,826)</u> | <u>34,655</u> |

The annexed notes from 1 to 12 form an integral part of this condensed interim consolidated financial information.

Chief executive Officer

Director

INDUS DYEING & MANUFACTURING CO. LIMITED
SELECTED EXPLANATORY NOTES
TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2012.

1. Status and nature of business

The " Group " consists of :

1.1 Holding Company

Indus Dyeing & Manufacturing Co. Limited (the holding company) was incorporated in Pakistan on July 23, 1957 as a public limited Company under the Companies Act 1913 since repealed and replaced by the Companies Ordinance,1984. Registered office of the holding company is situated at Office No. 508, 5th, floor, Beaumont Plaza, Civil Lines, Karachi. The holding company is currently listed on Karachi Stock Exchange (Guarantee) Ltd. The principal activity of the holding company is manufacturing and sale of yarn. The manufacturing facilities of the holding company are located in Karachi, Hyderabad and Muzaffargarh, District Multan. The holding company is also operating three ginning units including two on leasing arrangements and two ice factories on leasing arrangements in District Multan.

1.2 Subsidiary Company

During the period, the holding company acquired 71,540,000 Ordinary shares of Indus Lyallpur Limited (Formerly MIMA Cotton Mills Limited), (the subsidiary Company) @ 6.85 per share aggregating to Rs. 490 million, making it a wholly owned subsidiary of the holding company through execution of an agreement for purchase of shares. The effective date of acquisition is January 31, 2012. The subsidiary Company is an unlisted public limited company, incorporated in Pakistan on April 25, 1992 under the Companies Ordinance, 1984. Principal business of the Company is manufacturing and sale of yarn. Mill is located at 38th kilometer, Shaikhupura road, District Faisalabad in the province of Punjab. Registered office of the holding company is situated at Office No. 508, 5th, floor, Beaumont Plaza, Civil Lines, Karachi.

1.3 Associate Company and Joint Venture

Holding Company also has investment in an Associate and Joint Venture.

- Sunrays Textile Mills Limited -- Associate -- ownership 24.5694%
- Indus Home Limited -- Joint Venture -- ownership 49.9900%

2. Statement of Compliance

2.1 After the acquisition of 100% shares of the subsidiary company, the holding company is preparing consolidated condensed interim financial information for the first time. The condensed interim financial information of the subsidiary company for the period ended June 30, 2012 have been used for the purpose of consolidation.

2.2 These condensed un-audited interim consolidated financial information has been prepared in accordance with the approved Financial Reporting Standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as notified under the provision of the Companies Ordinance 1984, The requirements of The Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance,1984 or the directives issued by the SECP differ with the requirements of the IFRS, the requirements of the Companies Ordinance,1984 and the said directives shall take precedence.

3. **Basis of preparation**

3.1 **Accounting Conventions**

This condensed un-audited interim consolidated financial information has been prepared under the "historical cost convention" as modified by :

- recognition of certain employee retirement benefits at present value.
- certain financial instruments at fair value.

3.2 **Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make estimates, assumptions and use of judgment that affect the application of policies and the reported amount of assets, liabilities, income and expenses.

Estimates and judgments, if any, are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the financial statements or where judgment was exercised in application of accounting policies are as follows :

- Provision of current tax and deferred tax
- Provision for staff retirement
- Useful lives and depreciation rates of property, plant and equipment
- Classification and impairment of investment
- Net realizable value of stock in trade
- Provision for impairment of trade debts and other receivable

3.3 **Basis of consolidation**

Acquisition of business are accounted for using the acquisitions method in accordance with the IFRS 3 - Business combination. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange plus cost directly attributable to the acquisition. Identifiable assets and liabilities assumed in a business combination (including contingent liabilities) are measured initially. The excess of the fair value of the net identifiable assets of the acquired subsidiary over the cost of acquisition at the effective date of acquisition is accounted for as gain from bargain purchase in the condensed consolidated profit and loss account June 30, 2012.

The interim consolidated financial statements include the financial statements of the holding company and its subsidiary - "the group". Reporting period of all the group companies are same i.e. June 30, using consistent accounting policies.

The assets and liabilities of the subsidiary have been consolidated on a line by line basis and the carrying value of investments held by the holding company is eliminated against the subsidiary's share capital and pre-acquisition reserves in the interim financial statements. Material intra group balances and transactions are eliminated.

A change in the ownership interest of the subsidiary, without a change of control, is accounted for as an equity transaction.

Subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the holding company or power to govern the financial and operating policies of the subsidiary is established and is excluded from

consolidation from the date of disposal or cessation of control.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the holding company.

The Group consists of:

Indus Dyeing & Manufacturing Co. Limited (the holding company)

Indus Lyallpur Ltd. (formerly MIMA Cotton Mills Limited) (subsidiary) - 100%

Sunrays Textile Mills Limited (associate) - 24.5694%

Indus Home Limited (joint venture) - 49.9900%

This condensed un-audited interim consolidated financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the published standalone annual financial statements of the company for the year ended June 30, 2012. The accounting policies and methods of computation followed in the preparation of this condensed interim consolidated financial information are the same as those used for the published standalone annual financial statements for the year ended June 30, 2012.

In preparing this condensed interim consolidated financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to published standalone financial statements as at and for the year ended June 30, 2012.

4. Financial risk management

The holding company's financial risk management objectives and policies are consistent with those disclosed in the published standalone financial statements as at and for the year ended June 30,2012.

5. Contingencies and commitments

5.1 Earlier, under the Workers' Welfare fund Ordinance (the Ordinance), 1971, Workers Welfare Fund (WWF) was levied at 2% of the assessed income excluding income falling under the final Tax Regime (FTR). Through finance Act, 2008 an amendment was made in section 4(5) of the WWF Ordinance, 1971 (the Ordinance) whereby WWF liability is applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return.

5.2 In the year 2011, the Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. Further, the management also expects that decision of the petition of the similar case in the honorable High Court of Sindh on the subject will also support the companies of similar nature of business. The management is of the opinion that recording of WWF liability is no longer applicable to the Company as the total income of the Company falls under FTR. Accordingly no provision has been made for the current year in respect of WWF. The aggregate unrecognized amount of WWF as at June 30,2012 amounted Rs. 69.3 million.

Sep - 2012 **June - 2012**
 ----- Rupees in '000 -----

5.3 Contingencies

Claim of arrears of Social Security Contribution not acknowledged, appeal is pending in The Honorable High Court of Sindh. The management is hopeful for favorable outcome.

453 453

5.4 Guarantees issued by banks on behalf of the company and outstanding

143,380 116,100

143,833 **116,553**

5.5 Commitments

Letters of credit:

Letter of credit for raw material 207,941 1,274,690

Letter of credit for stores and spares 35,838 240,285

Letter of credit for property, plant and equipment 212,965 153,470

Civil work contracts 8,250 17,532

Foreign currency forward contracts 401,499 385,900

866,493 **2,071,877**

6. Additions and disposal of property, plant and equipment

Sep 30,2012 **Sep 30,2011**

Additions **Disposal** **Additions** **Disposal**
cost **W.D.V.** **cost** **W.D.V.**

----- Rupees in '000 ----- Rupees in '000 -----

| | | | | |
|------------------------|-----------------------|---------------------|-----------------------|-----------------------|
| Mill building | - | - | 381 | - |
| Plant and machinery | 350,375 | - | 199,074 | - |
| Factory equipment | - | - | - | (188) |
| Power generator | 5,350 | - | 35,929 | (482) |
| Office equipment | - | - | - | (283) |
| Furniture and fixtures | 1,292 | - | - | - |
| Vehicles | 9,344 | (447) | 8,926 | (69) |
| | <u>366,361</u> | <u>(447)</u> | <u>244,310</u> | <u>(1,022)</u> |

Sep - 2012 **June - 2012**

----- Rupees in '000 -----

7. Long-term investments

| | | | |
|-----------------------------|-----|------------------|------------------|
| Investment in associate | 7.1 | 432,847 | 403,608 |
| Investment in joint venture | 7.2 | 1,340,614 | 1,312,655 |
| | | 1,773,461 | 1,716,263 |

7.1 Investment in associate - Sunrays Textile Mills Limited

| | | | |
|--|--|----------------|----------------|
| Cost | | 42,382 | 42,382 |
| Share of post acquisition profit | | | |
| Opening | | 361,226 | 256,235 |
| Dividend received | | - | (5,086) |
| Share of associate reversal of deferred tax liability on account of incremental depreciation | | 630 | 1,348 |
| Share of profit from associate | | 28,609 | 108,729 |
| | | 390,465 | 361,226 |
| | | 432,847 | 403,608 |

| | | |
|--------------------------------------|-----------|-----------|
| Number of shares held | 1,695,290 | 1,695,290 |
| Cost of investment (Rupees in '000') | 42,382 | 42,382 |
| Ownership interest | 24.5694% | 24.5694% |
| Market value (Rupees in '000') | 117,721 | 109,024 |

7.2 Investment in joint venture - Indus Home Limited

| | | | |
|--|--|------------------|------------------|
| Cost | | 750,000 | 750,000 |
| Share of post acquisition profit | | | |
| Opening | | 562,655 | 464,517 |
| Share of profit from the joint venture | | 27,959 | 98,138 |
| | | 590,614 | 562,655 |
| | | 1,340,614 | 1,312,655 |

| | | |
|--------------------|----------|----------|
| Ownership interest | 49.9900% | 49.9900% |
|--------------------|----------|----------|

Three month period ended
Jul,12 - Sep,12 Jul,11 - Sep,11
 ----- Rupees in '000 -----

8. Cost of goods sold

| | | |
|------------------------|------------------|------------------|
| Raw material consumed | 3,292,164 | 2,763,393 |
| Manufacturing expenses | 721,830 | 498,645 |
| Outside purchases | 2,360 | 30,464 |
| | 4,016,354 | 3,292,502 |

Work in process

| | | |
|---------------|-----------|-----------|
| Opening stock | 213,916 | 250,719 |
| Closing stock | (232,412) | (243,120) |
| | (18,496) | 7,599 |

Cost of goods manufactured

3,997,858 3,300,101

Finished goods

| | | |
|---------------|------------------|------------------|
| Opening stock | 334,928 | 306,960 |
| Closing stock | (337,594) | (320,349) |
| | (2,666) | (13,389) |
| | 3,995,192 | 3,286,712 |

8.1 Manufacturing expenses

| | | |
|----------------------------|----------------|----------------|
| Salaries, wages & benefits | 201,218 | 133,385 |
| Stores and spare consumed | 89,752 | 73,228 |
| Packing material consumed | 71,895 | 51,104 |
| Other overheads | 5,545 | 8,664 |
| Fuel & power | 233,612 | 164,245 |
| Insurance | 6,588 | 3,105 |
| Repairs & maintenance | 5,696 | 825 |
| Rent rates and taxes | 1,036 | 585 |
| Depreciation | 106,488 | 63,504 |
| | 721,830 | 498,645 |

9. **Aggregate transaction with related parties :**

The related parties comprise of associate (Sunrays Textile Mills Limited), joint venture (Indus Home Limited). The company in the normal course of business carries out transactions with related parties.

| | <u>Sep 30, 2012</u> | <u>Sep 30, 2011</u> |
|---|----------------------------|---------------------|
| | ----- Rupees in '000 ----- | |
| 9.1 <u>Transactions with related parties</u> | | |
| <u>Associates:</u> | | |
| Sale of yarn | - | 6,655 |
| Purchase of yarn | - | 30,464 |
| <u>Joint Venture:</u> | | |
| Sale of yarn | 77,490 | 169,442 |
| Conversion cost | 2,247 | - |

10. Allocation to taxation and W.P.P.F. is provisional. Final liability will be determined on the basis of annual results.

11. **Approval of financial statements.**

These condensed interim financial informations have been authorized for issue on 31st Oct 2012 by the Board of Directors of the company.

12. **Figures.**

Figures have been rounded off to the nearest thousand

Chief Executive Officer

Director