

**Indus Dyeing and Manufacturing Co. Limited**  
**Selected explanatory notes to the account ( un - audited )**  
**For the three months period ended September 30, 2010**

**Selected explanatory notes to the accounts.**

**1. Legal status and nature of business**

Indus Dyeing & Manufacturing Co. Limited ( the Company ) is limited by shares incorporated in Pakistan on July 23, 1957 under the Companies Act 1913 which is repealed by the Companies Ordinance ,1984 and quoted on Karachi Stock Exchange (Guarantee) Ltd. The principal business of the company is to manufacture and sale of yarn . The Company is also operating three ginning units including two on leasing arrangements and two ice factories on leasing arrangements.

**2. Basis of preparation**

These condensed un-audited interim financial statements have been prepared under the "historical cost convention" except for certain investments have been included at fair value.

These condensed un -audited interim financial statements have been prepared in accordance with the International Financial Reporting Standards ( IAS ) 34. Interim Financial Reporting and in compliance with requirement of section 245 of the Companies Ordinance , 1984 and the Listing Regulations of the Karachi Stock Exchange . Review of these interim financial statements has been performed by the internal auditors of the company.

**3. Significant accounting policies**

- 3.1** The accounting convention , policies and methods of computation followed in the preparation of these condensed interim financial statements are the same as those of the published annual financial statements for the year ended June 30, 2010.
- 3.2** The preparation of this interim financial information in conformity with the approved accounting standards require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing this interim financial statements , 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 financial statements as at and for the year ended June 30, 2010.

**3.3** These interim financial statements are in condensed form and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2010.

	<u>Sept - 2010</u>	<u>June - 2010</u>
	<u>Rupees in ( ' 000 ' )</u>	
<b>4. Contingencies and commitments.</b>		
<b>4.1 Contingencies</b>		
Claim of arrears of Social Security Contribution not acknowledged, appeal is pending in The Honorable High Court of Sindh.	453	453
Guarantees issued by banks on behalf of the company.	155,574	147,550
	<u>156,027</u>	<u>148,003</u>
<b>4.2 Commitments</b>		
<b>Letter of credit:</b>		
Raw material, stores, spares, property, plant and equipment	<u>239,106</u>	<u>675,138</u>

**5. Acquisition and disposal of property, plants and machinery**

	<u>September 30, 2010</u>			
	<u>Acquisition</u>	<u>Transfer</u>	<u>Disposal</u>	<u>Sale</u>
			<u>W.d.v.</u>	<u>proceed</u>
	<u>Rupees in ( ' 000 ' )</u>			
Mill building on leasehold land	260	-	-	-
Plant and machinery	2,342	-	(9,966)	135
Vehicles	2,425	-	-	-
	<u>5,027</u>	<u>-</u>	<u>(9,966)</u>	<u>135</u>

	<u>Sept - 2010</u>	<u>June - 2010</u>
	<u>Rupees in ( ' 000 ' )</u>	
<b>6. Long term investment</b>		
<b>6.1</b> Investment in associate	271,376	243,208
<b>6.2</b> Investment in joint venture	1,092,053	1,165,996
	<u>1,363,429</u>	<u>1,409,204</u>
<b>6.1 Investment in associate- Sunrays Textile Mills Ltd.</b>		
Cost	42,382	42,382
Share of post acquisition profit		
Opening	200,826	115,961
Profit from revaluation surplus	657	1,945
Share of profit from associate	27,511	82,920
	<u>271,376</u>	<u>243,208</u>

Number of shares held	1,695,290	1,695,290
Cost of investment	42,382	42,382
Ownership interest	24.57%	24.57%
Market value	<u>51,723</u>	<u>56,504</u>

**6.2 Investment in joint venture - Indus Home Limited.**

Cost	750,000	750,000
Share of post acquisition profit		
Opening	415,996	126,076
Share of profit from Joint		
Venture	(73,943)	289,920
	<u>1,092,053</u>	<u>1,165,996</u>
Ownership interest	<u>49.99%</u>	<u>49.99%</u>



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

	<u>Sept - 10</u>	<u>Sept - 09</u>
	<u>(Rupees in '000')</u>	
Sales of goods & services to associate.	<u>-</u>	<u>2,562</u>
Sales of goods to Joint venture	<u>109,165</u>	<u>159,309</u>

The transactions with the associated undertaking are made at commercial terms.

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

9. **Financial risk management :**

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended June 30, 2010.

10. Allocation to taxation, WPPF and WWF is provisional. Final liability will be determined on the basis of annual results.

11. **Approval of financial statements.**

These financial statements have been authorised for issue on 29th October, 2010 by the Board of Directors of the company.

12. **Reclassification.**

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purpose of comparison.

13. **Figures.**

Figures have been rounded off to the nearest thousand of Rupees.

Chief Executive Officer

Director