

Indus Dyeing and Manufacturing Co. Limited

Selected explanatory notes to the account (un - audited)

For the nine months period ended March 31, 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(the Company) is limited by shares incorporated in Pakistan on July 23, 1957 under the Companies Act 1913 which is repealed by the Companies Ordinance,1984 and quoted on Karachi Stock Exchange (Guarantee) Ltd.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, 2009, except for the adoption of new standards noted below .:

IAS ' Presentation of financial statements (Revised) '

This standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The company has elected to present two statements.

IFRS 8 'Operating segments'

IFRS 8 -'Operating Segments' (effective from January 01, 2009) replaced IAS 14 - 'Segments reporting'. The new standard requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. The application of this standard does not have any impact on these condensed interim financial statements.

- 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, 2009.

- 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, 2009.

	<u>Mar - 2010</u>	<u>June - 2009</u>
	<u>Rupees in (' 000 ')</u>	
4. Contingencies and commitments.		
4.1 Contingencies		
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.	190,018	127,050
	<u>190,471</u>	<u>127,503</u>
4.2 Commitments		
Letter of credit:		
Raw material and stores and spares	577,450	687,933
Property, plant and equipment	-	22,764
	<u>577,450</u>	<u>710,697</u>

	<u>No of contracts</u>	<u>Notional principal</u>	<u>Maturity</u>
	<u>Rs. In '000"</u>		
Derivative Financial Instruments			
Interest rate swap	2	535,080	April 02,2010 and April 09,2010

5. Acquisition and disposal of property, plants and machinery

	<u>March 31, 2010</u>			
	<u>Acquisition</u>	<u>Transfer</u>	<u>Disposal</u>	<u>Sale</u>
				<u>W.d.v.</u>
	<u>Rupees in (' 000 ')</u>			
Mill building on leasehold land	3,579	-	-	-
Plant and machinery	82,969	25,201	891	1,005
Electric installations and appliances	1,672	-	-	-
Power generator	24,307	-	-	-
Office equipment and fixtures	17	-	-	-
Vehicles	5,748	-	271	417
	<u>118,292</u>	<u>25,201</u>	<u>1,162</u>	<u>1,422</u>

6.	<u>Mar - 2010</u>	<u>June - 2009</u>	
	<u>Rupees in (' 000 ')</u>		
	Long term investment		
6.1	Investment in associate	204,091	160,039
6.2	Investment in joint venture	1,102,154	876,076
	1,306,245	1,036,115	
6.1	Investment in associate- Sunrays Textile Mills Ltd.		
	Cost	42,382	42,382
	Share of post acquisition profit		
	Opening	117,657	102,556
	Profit from revaluation surplus	2,033	2,224
	Share of profit from associate	42,019	12,877
	204,091	160,039	
	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	56,792	37,296
6.2	Investment in joint venture - Indus Home Limited.		
	Cost	750,000	750,000
	Share of post acquisition profit		
	Opening	126,076	33,047
	Share of profit from Joint		
	Venture	226,078	93,029
	1,102,154	876,076	
	Ownership interest	49.99%	49.99%

	<u>Nine month period ended</u>		<u>Quarter ended</u>	
	<u>Jul.09 - Mar- 10</u>	<u>Jul.08 - Mar- 09</u>	<u>Mar 31, 2010</u>	<u>Mar 31, 2009</u>
	Rs in (000)		Rs in (000)	
7. Cost of goods sold				
Raw material consumed	5,020,749	4,381,801	1,718,448	1,266,336
Stores and spare consumed	153,116	131,698	47,006	51,906
Manufacturing expenses	973,755	955,360	335,924	321,855
Outside purchases	22,729	13,376	19,270	5,707
	6,170,349	5,482,235	2,120,648	1,645,804
<u>Work in process</u>				
Opening stock	101,265	90,601	107,677	98,903
Closing stock	(118,658)	(100,990)	(118,658)	(100,990)
	(17,393)	(10,389)	(10,981)	(2,087)
Cost of goods manufactured	6,152,956	5,471,846	2,109,667	1,643,717
<u>Finished goods</u>				
Opening stock	157,865	204,367	175,788	253,352
Closing stock	(153,388)	(145,077)	(153,388)	(145,077)
	4,477	59,290	22,400	108,275
	6,157,433	5,531,136	2,132,067	1,751,992
7.1 Manufacturing expenses				
Salaries, wages & benefits	338,987	316,408	110,267	105,274
Other over heads	4,962	12,540	1,293	4,656
Fuel & power	403,373	384,306	148,052	131,967
Insurance	4,507	8,027	1,507	3,027
Repairs & maintenance	10,492	8,542	2,655	2,026
Rent rates and taxes	1,398	1,428	365	254
Depreciation	210,036	224,109	71,785	74,651
	973,755	955,360	335,924	321,855

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

	<u>Mar-10</u>	<u>Mar-09</u>
	(Rupees in ' 000 ')	

The related parties comprised of associated companies, directors and key management personnel. Transactions with related parties are as follows:-

Associates:

Sale of yarn / waste	11,570	18,360
Purchase of yarn	22,729	13,376

Joint Venture:

Sale of yarn	480,441	371,261
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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, 2009.

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 were authorized for issue on 30th April, 2010 by the Board of Directors of the company.

12. **Figures.**

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

Chief Executive Officer

Director