

INDUS DYEING & MANUFACTURING CO. LIMITED
SELECTED EXPLANATORY NOTES
TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2008

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Limited (the Company) is limited by shares incorporated in Pakistan on July 23, 1957 under the Companies Act 1913 since repealed by the Companies Ordinance, 1984 and quoted on Karachi Stock Exchange. The principal business of the Company is manufacture and sale of yarn. The manufacturing facilities of the company are situated in Karachi, Hyderabad and Muzaffargarh (Multan). The Company is also operating four ginning units including three on leasing arrangements and three ice factories on leasing arrangements.

2. BASIS OF PREPARATION

These condensed interim financial information have been prepared under the "historical cost convention", except for certain investments have been included at fair value.

These condensed interim financial information have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standard (IAS) 34 : Interim Financial Reporting and in compliance with the requirement of section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi Stock Exchange.

These condensed interim financial information are unaudited. However, a limited scope review of these interim financial information has been performed by the external auditors of the Company in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and they have issued their review report thereon.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of these condensed interim financial information are the same as those of the published annual financial statements for the year ended June 30, 2008.

<i>December 31,</i>	<i>June 30,</i>
<i>2008</i>	<i>2008</i>
<i>(Unaudited)</i>	<i>(Audited)</i>
<i>----- Rupees in '000' -----</i>	

4. CONTINGENCIES AND COMMITMENTS

4.1 Contingencies

Bank guarantees issued by banks on behalf of the company	<u>124,231</u>	<u>121,702</u>
Claim of arrears of social security contribution not acknowledged, appeal is pending in Honorable High Court of Sindh. The management is hopeful for favorable outcome.	<u>453</u>	<u>453</u>

December 31, 2008
(Unaudited)
----- *Rupees in '000'* -----

June 30, 2008
(Audited)

4.2 Commitments

Letters of credit for raw material, stores and spares and machinery

332,461 714,132

Derivative Financial Instruments

	<i>No. of Contracts</i>	<i>Notional Principal Rupees in '000'</i>	<i>Maturity</i>
Interest rate swaps	2	502,593	April 2 - 9, 2010
Forward exchange contracts - Purchase US \$	6	274,750	January 27 to May 4, 2009

5. ACQUISITIONS, TRANSFERS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

	<i>Acquisition / transfers from leased assets</i>	<i>Disposal / transfer (WDV)</i>	<i>Sale proceeds</i>
	----- <i>Rupees in '000'</i> -----		
<i>Owned</i>			
Factory building	4,815	-	-
Plant and machinery	103,588	-	-
Electric installations	3,683	-	-
Power generator	31,186	20,371	19,573
Furniture and fixtures	44	-	-
Vehicles	5,540	2,016	2,397
<i>Leased</i>			
Plant and machinery	19,573	59,906	-
<i>December 31, 2008 (Unaudited)</i>	<u>168,429</u>	<u>82,292</u>	<u>21,971</u>
<i>June 30, 2008 (Audited)</i>	<u>145,943</u>	<u>4,694</u>	<u>5,404</u>

December 31, 2008
(Unaudited)
----- *Rupees in '000'* -----

June 30, 2008
(Audited)

Note

6. LONG TERM INVESTMENTS

Investment in associate	6.1	156,425	144,937
Investment in joint venture	6.2	799,746	783,047
		<u>956,171</u>	<u>927,984</u>

December 31, **June 30,**
2008 **2008**
(Unaudited) **(Audited)**
Note **----- Rupees in '000' -----**

6.1 Investment in Associate - Sunrays Textile Mills Limited

Cost	42,382	42,382
Share of post acquisition profit		
Opening	102,555	102,068
Share of associate's reversal of Deferred tax liability on account of incremental depreciation	1,382	278
Share of profit from associate	10,106	209
	114,043	102,555
	156,425	144,937
Number of shares held	1,695,290	1,695,290
Cost of investments (Rupees in '000')	42,382	42,382
Ownership interest	24.57%	24.57%

6.1.1 The market value of investment is Rs.50,858,700/- (June 30, 2008 : Rs.50,858,700/-).

December 31, **June 30,**
2008 **2008**
(Unaudited) **(Audited)**

6.2 Investment in Joint Venture - Indus Home Limited

Ownership interest	49.99%	49.99%
Cost	750,000	750,000
Share of post acquisition profit		
Opening	33,047	45,679
Share of profit from joint venture	16,699	(12,632)
	49,746	33,047
	799,746	783,047

December 31, **June 30,**
2008 **2008**
(Unaudited) **(Audited)**
----- Rupees in '000' -----

Note	<i>Half year ended</i>		<i>Quarter ended</i>	
	<i>December 31,</i>	<i>December 31,</i>	<i>December 31,</i>	<i>December 31,</i>
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>

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

7. COST OF GOODS SOLD

Raw material consumed	3,115,465	2,394,625	1,455,480	1,160,995
Stores and spares	79,792	52,276	36,411	23,276
Manufacturing expenses	633,505	543,428	328,584	293,607
Outside purchases - yarn	7,669	59,358	7,669	36,299
	3,836,431	3,049,687	1,828,144	1,514,177
Work in process				
Opening stock	90,601	74,609	112,589	70,714
Closing stock	(98,903)	(62,245)	(98,903)	(62,245)
	(8,302)	12,364	13,686	8,469
Cost of goods manufactured	3,828,129	3,062,051	1,841,830	1,522,646
Finished Goods				
Opening stock	204,367	135,513	229,627	198,740
Closing stock	(253,352)	(211,133)	(253,352)	(211,133)
	(48,985)	(75,620)	(23,725)	(12,393)
	3,779,144	2,986,431	1,818,105	1,510,253

7.1 Manufacturing expenses

Salaries, wages and benefits	211,134	165,884	115,336	94,896
Fuel, water and power	252,339	195,301	123,443	103,326
Rent, rate and taxes	1,174	638	999	-
Insurance	5,000	9,945	3,015	7,544
Repairs and maintenance	6,516	6,635	4,511	4,418
Depreciation	149,458	155,284	76,079	77,483
Others	7,884	9,741	5,201	5,940
	633,505	543,428	328,584	293,607

8. OTHER OPERATING INCOME

Operating profit / (loss) of ice factory	457	(586)	414	(312)
Profit on trading of raw cotton	8,605	3,422	4,924	392
Profit on trading of stores and spares	9	60	-	-
Loss on trading of fibers	-	(890)	-	-
Other income / (loss)	6,171	(865)	2,246	(1,633)
	15,242	1,141	7,585	(1,553)

Unaudited *Unaudited*
December 31 *December 31*
2008 2007
----- Rupees in '000' -----

9. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

Associates

Sales of yarn	13,164	18,398
Sales of stores & spares	-	1,109
Purchases of yarn	7,669	59,358
Purchases of stores & spares	-	160
Sale of waste	4,041	-

Joint venture

Sales of yarn	271,807	178,366
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10.

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

11. EVENT AFTER BALANCE SHEET DATE

Subsequent to balance sheet date, State Bank of Pakistan (SBP) has allowed grace period of one year in principal repayments of LTF-EOP, Debt Swap and LTFF loans originally falling due from January 1, 2009 to December 31, 2009 vide Circular SMEFD No. 1 dated January 22, 2009. The company, being qualified to avail the facility, has applied to concerned banks for approval of such grace period. Accordingly, installments of LTF-EOP loans qualifying under the Circular have been grouped under non-current liabilities.

12. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on February 27, 2009 by the Board of Directors of the Company.

13. GENERAL

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

CHIEF EXECUTIVE OFFICER

DIRECTOR