

INDUS DYEING & MANUFACTURING COMPANY LIMITED
SELECTED EXPLANATORY NOTES
TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

The " Group " consists of :

1.1 Holding Company

Indus Dyeing & Manufacturing Co. Limited (the Company) was incorporated in Pakistan on July 23, 1957 as a public limited Company under the Companies Act 1913 since repealed and replaced by the Companies Ordinance, 1984.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 Company is situated at Office No. 508, 5th, floor, Beaumont Plaza, Civil Lines, Karachi. The Company is currently listed on Karachi Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn. The manufacturing facilities of the Company are located in Karachi, Hyderabad and Muzaffargarh. The Company is also operating three ginning units including two on leasing arrangements and two ice factories on leasing arrangements in District Multan. The Company has also made investments in a joint venture, Indus Home Limited and in an associate, Sunrays Textile Mills Limited. The Company has also investment in a subsidiary, Indus Lyallpur Limited (formerly MIMA Cotton Mills Limited).

1.2 Subsidiary Company

The Subsidiary Company is a wholly owned Company of the holding Company. 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, Sheikhupura 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

The 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. The condensed interim financial information of the Subsidiary Company for the period ended December 31, 2012 have been used for the purpose of consolidation.
- 2.2** These consolidated condensed interim financial information is unaudited and 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 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 Companies Ordinance, 1984 and the said directives shall take precedence.

3. BASIS OF PREPARATION

- 3.1** This consolidated condensed interim financial information is unaudited and in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and also presented in accordance with the listing regulations of Karachi Stock Exchange. This consolidated condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.
- 3.2** The condensed interim financial information has been prepared under the historical cost convention modified by: -
- recognition of certain employee retirement benefits at present value.
 - certain financial instruments at fair value.
 - investment in associate and investment in joint venture under equity method.

- 3.3** The accounting policies and methods of computation followed in the preparation of the consolidated condensed interim financial information are the same as those of the published annual audited financial statements for the year ended June 30, 2012. This consolidated condensed interim financial information does not include all of the information required for annual financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2012.
- 3.4** The comparative balance sheet presented has been extracted from annual financial statements for the year ended June 30, 2012, whereas comparative consolidated condensed profit and loss account, consolidated condensed cash flow statement and consolidated condensed statement of changes in equity are stated from the unaudited consolidated condensed interim financial information for the half year ended December 31, 2011.

4. 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 at the effective date of acquisition was accounted for as gain from bargain purchase in the consolidated profit and loss account.

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 the 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 for 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) - 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 of 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.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated condensed interim financial information in conformity with approved accounting standards as applicable in Pakistan for interim financial reporting requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognized prospectively commencing from the period of revision.

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

6. FINANCIAL RISK MANAGEMENT

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

7. TAXATION

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

8.1.1 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.

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 December 31, 2012 amounted to Rs. 94.156 million (June 30, 2012: 69.3 million).

	December 31, 2012 (Unaudited)	June 30, 2012 (Audited)
	-----Rupees in '000'-----	
8.1.2 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.	453	453
8.1.3 Guarantees issued by banks on behalf of the Company	128,100	96,820
8.2 Commitments		
Letters of credit for raw material	2,648,541	1,274,691
Letters of credit for stores and spares	47,689	20,585
Letters of credit for property, plant and equipment	523,253	153,470
Civil work contracts	20,217	17,532
US dollar forward contracts	-	385,900

9. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

During the period, following additions and disposals were made: -

	December 31, 2012		December 31, 2011	
	Additions / Transfers	Disposal at Carrying value	Additions / Transfers	Disposal at Carrying value
< ----- Rupees in '000' ----- >				
Assets				
Factory building	5,743	-	702	-
Plant and machinery	578,516	(92)	1,084,344	(529)
Power generator	10,700	-	35,929	(482)
Factory equipment	-	-	-	(188)
Office equipment	-	-	-	(284)
Furniture and fixtures	6,050	(41)	-	(69)
Vehicles	41,904	(595)	16,597	(541)
Plant and machinery - leased	-	-	-	(21,547)
Capital work in progress	96,638		93,359	-
	739,551	(728)	1,230,931	(23,639)

December 31, June 30,
2012 2012
(Unaudited) (Audited)
-----Rupees in '000'-----

10. LONG TERM INVESTMENTS

Investment in a joint venture	10.1	1,328,221	1,312,655
Investment in an associate	10.2	450,285	403,608
		1,778,506	1,716,263

10.1 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		15,566	98,138
		578,221	562,655
		1,328,221	1,312,655
Ownership interest		49.99%	49.99%

10.2 Investment in associate - Sunrays**Textile Mills Limited.**

Cost	42,382	42,382
Share of post acquisition profit		
Opening	361,226	256,235
Dividend received	(16,953)	(5,086)
Share of associate reversal of deferred tax liability on account of incremental depreciation	1,261	1,348
Share of profit from associate	62,369	108,729
	407,903	361,226
	450,285	403,608
Number of shares held	1,695,290	1,695,290
Cost of investment (in '000')	42,382	42,382
Ownership interest	24.5694%	24.5694%
Market value (in '000')	271,246	109,024

	Note	Half year ended		Quarter ended	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
11. COST OF GOODS SOLD		-----Rupees in '000'-----			
Raw material consumed		6,573,912	5,315,231	3,281,748	2,554,938
Manufacturing expenses	11.1	1,472,632	1,022,493	750,802	520,748
Outside purchase-yarn		2,474	43,044	114	12,580
		8,049,018	6,380,768	4,032,664	3,088,266
Work in process					
Opening stock		213,881	250,719	(35)	243,120
Closing stock		(243,123)	(217,884)	(10,711)	(217,884)
		(29,242)	32,835	(10,746)	25,236
Cost of goods manufactured		8,019,776	6,413,603	4,021,918	3,113,502
Finished Goods					
Opening stock		334,964	306,960	36	320,349
Closing stock		(261,846)	(258,517)	75,748	(258,517)
		73,118	48,443	75,784	61,832
		8,092,894	6,462,046	4,097,702	3,175,334
11.1 Manufacturing expenses					
Salaries, wages and benefits		383,192	283,889	181,974	150,505
Fuel, water and power		482,722	322,915	249,110	158,670
Stores and spares consumed		186,800	138,119	97,048	64,891
Packing material consumed		141,416	109,950	69,521	58,846
Insurance		12,627	6,997	6,039	3,892
Repairs and maintenance		12,370	9,404	6,674	5,479
Rent, rate and taxes		1,111	1,073	75	488
Depreciation		218,244	139,302	111,756	75,798
Others		34,150	10,844	28,605	2,179
		1,472,632	1,022,493	750,802	520,748

12. AGGREGATE TRANSACTION WITH RELATED PARTIES

The related parties comprise of associate (Sunrays Textiles Mills Limited), joint venture (Indus Home Limited) and entities where directors are common (Riaz Cotton Factory, Silver Seeds, MB Industries, Gailawala Cotton Company, Indus Heartland Limited, Lyallpur Properties) and key management personnel and post employment benefit scheme. The Company carries out transactions with related parties on agreed terms. Transactions with related parties during the period and balances with them at period end are as follows: -

12.1 Transactions during the period	Relationship with Company	Nature of transaction	Unaudited	Unaudited
			December 31 2012	December 31 2011
			-----Rupees in '000'-----	
	Associate	Sale of yarn	-	6,456
		Purchases of yarn	114	30,464
		Purchases of raw cotton	1,208	-
		Purchases of machinery	4,000	-
		Conversion cost	2,247	-
		Payments made on behalf of associate	33,608	12,448
		Payments made by associate on behalf of the Company	22,888	10,366
	Joint venture	Sale of yarn	70,855	247,866
		Payments made on behalf of joint venture	1,359	8,734

	Payments made by joint venture on behalf of the Company	1,359	7,766
Key management personnel	Short term borrowing repaid	109,455	54,131
	Short term borrowing received	107,099	70,375
	Remuneration paid	22,320	9,600
Other related parties	Expenses paid on behalf of entities where directors are common	234	179
	Expenses adjusted / reimbursed	1,848	214

	December 31, 2012 (Unaudited)	June 30, 2012 (Audited)
	-----Rupees in '000'-----	
12.2 Balances with related parties		
Associate		
- Receivable	3,821	-
- Payable	582	11,302
Joint Venture - receivable	14,550	1,480
Key management personnel - payable	975	5,464
Other related parties		
- Receivable	14	1,741
- Payable	2,636	1,383

13. SUBSEQUENT EVENTS

The Board of Directors of the Company at their meeting held on January 28, 2013 decided to distribute specie dividend of 1,626,633/= ordinary shares of Sunrays Textile Mills Limited (SUTM, the associated Company) having face value of Rs. 10/- each, out of 1,695,290/= ordinary shares, to the shareholders of Indus Dyeing & Manufacturing Company Limited (IDYM) in the ratio of 100:09 i.e., for every 100 shares of Indus Dyeing & Manufacturing Company, shareholders will get 9 shares of Sunrays Textile Mills Limited.

The carrying value and fair value of the aforesaid ordinary shares as of December 31, 2012 was Rs. 432.05 million and Rs. 260.30 million respectively. Fair value has been determined based on quoted market price of shares.

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

15. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue on 28th February, 2013 by the Board of Directors of the Company.

16. GENERAL

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

CHIEF EXECUTIVE OFFICER

DIRECTOR