

**INDUS DYEING & MANUFACTURING CO. LIMITED**  
**SELECTED EXPLANATORY NOTES**  
**TO THE INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2009**

**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(the Company) is limited by shares incorporated in Pakistan on July 23, 1957 under the Companies Act 1913 which is repealed by the Companies Ordinance, 1984 and quoted on Karachi Stock Exchange. The principal business of the Company is 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 interim financial information have been prepared under the "historical cost convention", except for certain investments have been included at fair value.

These 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 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**

**3.1** The accounting policies adopted in the preparation of this interim financial information are the same as those applied in the preparation of the audited annual published financial statements of the Company for the year ended June 30, 2009 , except for the adoption of new standards noted below:

***IAS 1 '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 1, 2009) replaced IAS 14 - 'Segment 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 requires 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 judgements 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.

In preparing this interim financial information, the significant judgements made by 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.

*December 31,      June 30,*  
*2009                      2009*  
*(Unaudited)        (Audited)*  
*Rupees in '000'*

#### 4. CONTINGENCIES AND COMMITMENTS

##### 4.1 Contingencies

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

Bank guarantees

136,050                      127,050

##### 4.2 Commitments

Letters of credit:

- Raw material and stores and spares

337,317                      687,933

- Property, plant and equipment

80,444                      22,764

<i>No. of Contracts</i>	<i>Notional Principal Rupees in '000'</i>	<i>Maturity</i>
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##### *Derivative Financial Instruments*

Interest rate swaps

2

536,991

April 2, 2010 and April 9, 2010

<i>Acquisition / transfers from leased assets</i>	<i>Disposal / transfer (WDV)</i>	<i>Sale proceeds</i>
<i>&lt; ----- Rupees in '000' ----- &gt;</i>		

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

*Owned*

Plant and machinery	25,482	(782)	875
Vehicles	2,553	-	-
Office equipment	18	-	-
Electric installations	1,672	-	-
Power generator	24,307	-	-
December 31, 2009(Unaudited)	<u>54,032</u>	<u>(782)</u>	<u>875</u>
June 30, 2009 (Audited)	<u>130,134</u>	<u>(24,152)</u>	<u>23,947</u>

**December 31,**  
**2009**  
**(Unaudited)**

**June 30,**  
**2009**  
**(Audited)**

**Note**

**Rupees in '000'**

## 6. LONG TERM INVESTMENTS

Investment in associate	6.1	177,883	160,039
Investment in joint venture	6.2	1,047,043	876,076
		<u>1,224,926</u>	<u>1,036,115</u>

### 6.1 Investment in Associate - Sunrays Textile Mills Limited

Cost		42,382	42,382
Share of post acquisition profit			
Opening		117,657	102,555
Share of associate reversal of Deferred tax liability on account of incremental depreciation		881	2,225
Share of profit from associate		16,964	12,877
		<u>135,502</u>	<u>117,657</u>
		<u>177,884</u>	<u>160,039</u>

**December 31,**  
**2009**  
**(Unaudited)**

**June 30,**  
**2009**  
**(Audited)**

Number of shares held		1,695,290	1,695,290
Cost of investment (Rupees in '000')		42,382	42,382
Ownership interest		24.57%	24.57%
Market value (Rupees in '000')		50,435	37,296

**December 31,**  
**2009**  
**(Unaudited)**

**June 30,**  
**2009**  
**(Audited)**

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

### 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		170,967	93,029
		<u>297,043</u>	<u>126,076</u>
		<u>1,047,043</u>	<u>876,076</u>

Ownership interest

49.99%

49.99%

	<i>Half year ended</i>		<i>Quarter ended</i>	
	<i>December 31, 2009</i>	<i>December 31, 2008</i>	<i>December 31, 2009</i>	<i>December 31, 2008</i>

*Note* < ----- Rupees in '000' ----- >

## 7. COST OF GOODS SOLD

Raw material	3,302,301	3,115,465	1,731,350	1,455,480
Stores and spares	106,110	79,792	57,151	36,411
Manufacturing expenses	637,831	633,505	335,826	328,584
Yarn purchase	3,459	7,669	896	7,669
	4,049,701	3,836,431	2,125,223	1,828,144
Work in process				
Opening stock	101,265	90,601	95,699	112,589
Closing stock	(107,677)	(98,903)	(107,677)	(98,903)
	(6,412)	(8,302)	(11,978)	13,686
Cost of goods manufactured	4,043,289	3,828,129	2,113,245	1,841,830
Finished Goods				
Opening stock	157,865	204,367	144,386	229,627
Closing stock	(175,788)	(253,352)	(175,788)	(253,352)
	(17,923)	(48,985)	(31,402)	(23,725)
	4,025,366	3,779,144	2,081,843	1,818,105

### 7.1 Manufacturing expenses

Salaries, wages and benefits	228,720	211,134	126,376	115,336
Fuel, water and power	255,321	252,339	130,560	123,443
Rent, rate and taxes	1,033	1,174	409	999
Insurance	3,000	5,000	1,699	3,015
Repairs and maintenance	7,837	6,516	5,429	4,511
Depreciation	138,251	149,458	69,493	76,079
Others	3,669	7,884	1,860	5,201
	637,831	633,505	335,826	328,584

## 8. AGGREGATE TRANSACTION WITH RELATED PARTIES

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

	<i>Unaudited December 31, 2009</i>	<i>Unaudited December 31, 2008</i>
<i>Associates</i>		
		<i>Rupees in '000'</i>
Sales of yarn	9,646	13,164
Purchases of yarn	3,459	7,669
Sale of waste	1,929	4,041
<i>Joint venture</i>		
Sales of yarn	340,963	271,807

***Director***

Repayment of short-term loan

67,270

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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. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorized for issue on February 26, 2010 by the Board of Directors of the Company.

**12. GENERAL**

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

***CHIEF EXECUTIVE OFFICER***

***DIRECTOR***