

INDUS DYEING & MANUFACTURING CO. LIMITED
SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2010

1. GENERAL INFORMATION

- 1.1** 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Company) was incorporated in Pakistan on July 23, 1957 as a public limited Company under the Companies Act 1913 since repealed and replaced by the Companies Ordinance, 1984.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 (Guarantee) Limited. The principal activity of the Company is to manufacture and sale of yarn. The manufacturing facilities of the Company are located in Hyderabad, Karachi and Muzaffargarh, District Multan. The Company is operating three ginning units including two on leasing arrangements and two ice factories on leasing arrangements in District Multan. The Company has also made investment in a joint venture, Indus Home Limited.
- 1.2** The interim financial information are presented in Pak Rupees, which is the company's functional and presentation currency.
- 1.3** These interim financial information have been prepared under the "historical cost convention" as 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.
- 1.4** These interim financial information are unaudited but subject to limited scope review by 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 and are 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. These interim financial information have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.
- 1.5** The accounting policies and methods of computation followed in the preparation of the six month interim financial information are the same as those of the published annual audited financial statements for the year ended June 30, 2010. These condensed interim financial information do 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, 2010.

In the current period, the Company has adopted following Standards issued by the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for Company's accounting period beginning on July 01, 2010: -

	<i>Effective for accounting period beginning on or after</i>
- Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2010
- Amendments to IAS 7 - Statement of Cash Flows	January 01, 2010
- Amendments to IAS 17 - Leases	January 01, 2010
- Amendments to IAS 24 - Related Party Disclosures	January 01, 2010

December 31, June 30,
2010 2010
(Unaudited) (Audited)
Rupees in '000'

2. CONTINGENCIES AND COMMITMENTS

2.1 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

159,574 147,550

2.2 Commitments

Letters of credit for raw material and stores and spares

2,612,247 658,282

Letters of credit for property, plant and equipemnt

284,080 16,856

Operating lease rentals

11,563 4,605

3. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

During the period following additions and disposals were made: -

	<u>December 31, 2010</u>		<u>June 30, 2010</u>	
	<i>Additions</i>	<i>Disposal at Carrying value</i>	<i>Additions</i>	<i>Disposal at Carrying value</i>
	< ----- Rupees ----- >			
<i>Assets</i>				
Plant and machinery	21,864	(170)	145,898	(26,093)
Factory building	10,126	(9)	6,553	-
Vehicles	4,730	(339)	9,658	(1,045)
Office equipment	-	(39)	18	-
Power generator	-	-	24,307	(7,213)
Electric Installations	-	-	1,672	-
Non factory building	-	-	384	-
	<u>36,720</u>	<u>(557)</u>	<u>188,490</u>	<u>(34,351)</u>

<i>Note</i>	<i>December 31, 2010 (Unaudited)</i>	<i>June 30, 2010 (Audited)</i>
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Rupees in '000'

4. LONG TERM INVESTMENTS

Investment in a joint venture	4.1	1,158,514	1,165,996
Investment in an associate	4.2	272,848	243,208
		<u>1,431,362</u>	<u>1,409,204</u>

<i>December 31, 2010 (Unaudited)</i>	<i>June 30, 2010 (Audited)</i>
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----- Rupees in '000' -----

4.1 Investment in a Joint Venture *Indus Home Limited*

Cost	750,000	750,000
Share of post acquisition profit		
Opening	415,996	126,076
Share of (loss) / profit from the joint venture	(7,483)	289,920
	<u>408,513</u>	<u>415,996</u>
	<u>1,158,513</u>	<u>1,165,996</u>
Ownership interest	49.99%	49.99%

4.2 Investment in an Associate - *Sunrays Textile Mills Limited*

Cost	42,382	42,382
Share of post acquisition profit		
Opening	200,826	117,656
Dividend received	-	(1,695)
Share of associate reversal of deferred tax liability on account of incremental depreciation	855	1,945
Share of profit from associate	28,785	82,920
	<u>230,466</u>	<u>200,826</u>
	<u>272,848</u>	<u>243,208</u>

<i>December 31, 2010 (Unaudited)</i>	<i>June 30, 2010 (Audited)</i>
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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')	61,217	56,504

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>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>

<----- Rupees in '000' ----->

5. COST OF GOODS SOLD

Raw material consumed	5,590,882	3,236,857	3,286,958	1,699,490
Manufacturing expenses	916,198	809,385	472,968	424,837
Outside purchase-yarn	-	3,459	-	896
	6,507,080	4,049,701	3,759,926	2,125,223
Work in process				
Opening stock	121,321	101,265	161,587	95,699
Closing stock	(215,494)	(107,677)	(215,494)	(107,677)
	(94,173)	(6,412)	(53,907)	(11,978)
Cost of goods manufactured	6,412,907	4,043,289	3,706,019	2,113,245
Finished Goods				
Opening stock	216,580	157,865	257,356	144,386
Closing stock	(335,948)	(175,788)	(335,948)	(175,788)
	(119,368)	(17,923)	(78,592)	(31,402)
	6,293,539	4,025,366	3,627,427	2,081,843

5.1 Manufacturing expenses

Salaries, wages and benefits	252,925	228,720	133,690	126,376
Fuel, water and power	305,451	255,321	156,073	130,560
Stores and spares consumed	125,373	106,110	65,139	57,151
Packing material consumed	84,728	65,444	44,454	31,860
Insurance	6,455	3,000	3,552	1,699
Repairs and maintenance	4,504	7,837	1,798	5,429
Rent, rate and taxes	1,204	1,033	207	409
Depreciation	131,514	138,251	66,021	69,493
Others	4,044	3,669	2,034	1,860
	916,198	809,385	472,968	424,837

6. AGGREGATE TRANSACTION WITH RELATED PARTIES

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

Relationship with Company	Nature of transaction	<i>Unaudited</i>	<i>Unaudited</i>
		<i>December 31</i>	<i>December 31</i>
		<i>2010</i>	<i>2009</i>
		<i>Rupees in '000'</i>	
Associates			
	Sales of yarn	-	9,646
	Purchases of yarn	-	3,459
	Sale of waste	-	1,929
Joint venture			
	Sales of yarn	157,915	340,963
Director			
	Repayment of short-term loan	19,330	67,270

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

8. ***DATE OF AUTHORISATION FOR ISSUE***

These condensed interim financial statements were authorized for issue on 25th February, 2011 by the Board of Directors of the Company.

9. ***GENERAL***

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

CHIEF EXECUTIVE OFFICER

DIRECTOR