

INDUS DYEING & MANUFACTURING CO. LIMITED
SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Indus Dyeing & Manufacturing Co. Limited (the Company) was incorporated in Pakistan on July 23, 1957 as a public company limited by shares under the Companies Act 1913 since repealed and replaced by the Companies Ordinance, 1984.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. The principal activity of the Company is manufacturing and sale of yarn. The manufacturing facilities of the Company are located at Hyderabad, Karachi and Muzaffargarh. 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 and an associate, Sunrays Textile Mills Limited.
- 1.2** The Board of Directors of the Company at their meeting held on January 19, 2012 decided to invest surplus funds available with the Company by acquisition of 71,540,000 Ordinary shares @ Rs. 6.85 per share aggregating to Rs. 490 million from the shareholders of MIMA Cotton Mills Limited, an unlisted public limited company, making it a 100% wholly owned subsidiary of the Company through execution of an agreement for purchase of shares.
- 1.3** This interim financial information is presented in Pak Rupees, which is the Company's functional and presentation currency.
- 1.4** 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.
- 1.5** This condensed interim financial information is 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 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 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.
- 1.6** The accounting policies and methods of computation followed in the preparation of the condensed interim financial information are the same as those of the published annual audited financial statements for the year ended June 30, 2011. This 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, 2011.
- 1.7** The comparative balance sheet presented has been extracted from annual financial statements for the year ended June 30, 2011, whereas comparative condensed profit and loss account, condensed cash flow statement and condensed statement of changes in equity are stated from the unaudited condensed interim financial information for the six months ended December 31, 2010.

2. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the 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 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, 2011.

3. 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, 2011.

4. CONTINGENCIES AND COMMITMENTS

4.1 Contingencies

4.1.1 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.

During the current period, 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 unrecognised amount of WWF as at December 31, 2011 amounted to Rs. 53.645 million.

	<i>December 31, 2011 (Unaudited)</i>	<i>June 30, 2011 (Audited)</i>
	<i>-----Rupees in '000'-----</i>	
4.1.2 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
4.1.3 Guarantees issued by banks on behalf of the Company and outstanding	92,820	182,674

4.2 Commitments

Letters of credit for raw material	165,758	36,124
Letters of credit for stores and spares	30,526	14,635
Letters of credit for property, plant and equipment	271,114	1,088,319
Civil work contracts	31,069	100,117
US dollar forward contracts	1,484,580	991,496

5. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

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

	<i>December 31, 2011</i>		<i>December 31, 2010</i>	
	<i>Addition at Cost</i>	<i>Disposal at Carrying value</i>	<i>Addition at Cost</i>	<i>Disposal at Carrying value</i>
	<i><-----Rupees in '000'-----></i>			
<i>Assets</i>				
Leasehold land	-	-	-	-
Factory building	702	-	10,126	(9)
Plant and machinery	1,084,344	(529)	21,864	(170)
Power generator	35,929	(482)	-	-
Factory equipment	-	(188)	-	-
Office equipment	-	(284)	-	(39)
Furniture and fixtures	-	(69)	-	-
Vehicles	16,597	(541)	4,730	(339)
Plant and machinery - leased	-	(21,547)	-	-
<i>Capital work in progress</i>	93,359	-	10,814	-
	1,230,931	(23,639)	47,534	(557)

5.1 Additions to plant & machinery include transfer from assets subject to finance lease amounting to Rs. 21.548 million.

6. LONG TERM INVESTMENTS

	<i>Note</i>	<i>December 31, 2011 (Unaudited)</i>	<i>June 30, 2011 (Audited)</i>
		<i>-----Rupees in '000'-----</i>	
Investment in a joint venture	6.1	1,198,084	1,214,517
Investment in an associate	6.2	332,768	298,617
		1,530,852	1,513,134

6.1 Investment in a Joint Venture
Indus Home Limited

Cost	750,000	750,000
Share of post acquisition profit		
Opening	464,517	415,996
Share of (loss) / profit from the joint venture	(16,433)	48,521
	448,084	464,517
	1,198,084	1,214,517
Ownership interest	49.99%	49.99%

6.2 Investment in an Associate -
Sunrays Textile Mills Limited

Cost	42,382	42,382
Share of post acquisition profit		
Opening	256,235	200,826
Dividend received	(5,086)	(5,086)
Share of associate reversal of deferred tax liability on account of incremental depreciation	974	2,630
Share of profit from associate	38,263	57,865
	290,386	256,235
	332,768	298,617
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')	54,249	57,640

	<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>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
<i>Note</i>	< ----- Rupees in '000' ----- >			

7. COST OF GOODS SOLD

Raw material consumed	7.1	5,315,231	5,590,882	2,554,938	3,286,958
Manufacturing expenses	7.2	1,022,493	916,198	520,748	472,968
Outside purchase-yarn		43,044	-	12,580	-
		6,380,768	6,507,080	3,088,266	3,759,926
Work in process					
Opening stock		250,719	121,321	243,120	161,587
Closing stock		(217,884)	(215,494)	(217,884)	(215,494)
		32,835	(94,173)	25,236	(53,907)
Cost of goods manufactured		6,413,603	6,412,907	3,113,502	3,706,019
Finished Goods					
Opening stock		306,960	216,580	320,349	257,356
Closing stock		(258,517)	(335,948)	(258,517)	(335,948)
		48,443	(119,368)	61,832	(78,592)
		6,462,046	6,293,539	3,175,335	3,627,427

7.1 Raw material consumed includes impact of write-down of carrying value to net realisable value by Rs. 41.241 million.

	<i>Half year ended</i>		<i>Quarter ended</i>	
	<i>December 31, 2011</i>	<i>December 31, 2010</i>	<i>December 31, 2011</i>	<i>December 31, 2010</i>
<i>Note</i>	<i><-----Rupees in '000'-----></i>			
7.2 Manufacturing expenses				
Salaries, wages and benefits	283,889	252,925	150,505	133,690
Fuel, water and power	322,915	305,451	158,670	156,073
Stores and spares consumed	138,119	125,373	64,891	65,139
Packing material consumed	109,950	84,728	58,846	44,454
Insurance	6,997	6,455	3,892	3,552
Repairs and maintenance	9,404	4,504	5,479	1,798
Rent, rate and taxes	1,073	1,204	488	207
Depreciation	139,302	131,514	75,798	66,021
Others	10,844	4,044	2,180	2,034
	1,022,493	916,198	520,748	472,968

8. AGGREGATE TRANSACTION WITH RELATED PARTIES

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

8.1 Transactions during the period	<i>Nature of transaction</i>	<i>Unaudited</i>	<i>Unaudited</i>
		<i>December 31 2011</i>	<i>December 31 2010</i>
		<i>-----Rupees in '000'-----</i>	
Relationship with Company			
Associate	Sale of yarn	6,546	-
	Sale of waste	-	-
	Purchases of yarn	30,464	-
	Expenses paid on behalf of associate	12,448	-
	Expenses paid by associate on behalf of the Company	10,366	-
Joint Venture	Sale of yarn	247,866	157,915
	Expenses paid on behalf of joint venture	8,734	-
	Expenses paid by joint venture on behalf of the Company	7,766	-
Directors	Short term borrowing repaid	54,131	19,330
	Short term borrowing received	70,375	-
	Remuneration paid	7,800	3,600
Chief Executive Officer	Remuneration paid	1,800	1,200
Other related parties	Expenses paid on behalf of associates	179	-
	Expenses adjusted / reimbursed	214	-

8.2 Balances with related parties	December 31, 2011 (Unaudited)	June 30, 2011 (Audited)
	-----Rupees in '000'-----	
Associate		
- Receivable	43,151	420
- Payable	-	265
Joint Venture - receivable	13,757	10,870
Directors - payable	21,757	5,512
Other related parties		
- Receivable	276	98
- Payable	947	733

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

10. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 28th February,2012 by the Board of Directors of the Company.

11. GENERAL

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

CHIEF EXECUTIVE OFFICER

DIRECTOR