

INDUS DYEING & MANUFACTURING CO. LIMITED
SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2012

1. General information :

1.1 Legal status and nature of business

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Company) was incorporated in Pakistan on July 23, 1957 as a public limited Company under the Companies Act 1913 since repealed and replaced by the by the Companies Ordinance,1984.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) Ltd. 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, District Multan. 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 investment in a joint venture, Indus Home Limited and an associate, Sunrays Textile Mills Limited. During the period on January 31, 2012, the company acquired 100% shares of MIMA Cotton Mills Limited (Refer Note 6.1).

1.2 This condensed un-audited interim financial information is presented in Pak Rupees, which is the Company's functional and presentation currency.

1.3 This condensed un-audited interim financial information has 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.

1.4 After the acquisition of 100% shares of MIMA Cotton Mills Limited, the company is preparing unconsolidated condensed interim financial information for the first time. This condensed un-audited interim financial information has been prepared in accordance with the International Financial Reporting Standards 34 "Interim Financial Reporting" and in compliance with requirements of section 245 of the Companies Ordinance, 1984 and the Listing Regulations of the Karachi Stock Exchange. Review of this condensed interim financial information has been performed by the internal auditors of the company.

1.5 This condensed un-audited interim 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 for the year ended June 30, 2011. The accounting policies and methods of computation followed in the preparation of this condensed interim financial information are the same as those of the published standalone annual financial statements for the year ended June 30, 2011, except for the following:

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, where control exists, associates, where significant influence can be established, and joint ventures are initially stated at cost. Subsequently, the recoverable amount is estimated to determine the extent of impairment losses, if any, and carrying amounts are adjusted accordingly. Impairment losses are recognized as expense in the profit and loss account. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account adjusted for impairment, if any, in the recoverable amounts of such investments.

1.6 The comparative balance sheet presented has been extracted from the published standalone 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 un-audited standalone condensed interim financial information for the nine months period ended March 31, 2011, except for the effect of adjustment of investment in associate and joint venture.

2. Accounting estimates and judgments

The preparation of the condensed un-audited 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 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, 2011.

3. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the published standalone financial statements as at and for the year ended June 30, 2011.

4. Contingencies and commitments

4.1 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 unrecognized amount of WWF as at March 31, 2012 amounted Rs. 60.806 million.

	<u>Mar - 2012</u>	<u>June - 2011</u>
	----- Rupees in '000 -----	
4.2		
<u>Contingencies</u>		
Claim of arrears of Social Security Contribution not acknowledged, appeal is pending in The Honorable High Court of Sindh. The management is hopeful for favourable outcome.	453	453
4.3		
Guarantees issued by banks on behalf of the company	94,820	182,674
	<u>95,273</u>	<u>183,127</u>
4.4		
<u>Commitments</u>		
<u>Letter of credit:</u>		
Letter of credit for raw material	96,030	36,124
Letter of credit for stores and spares	40,536	14,635
Letter of credit for property, plant and equipment	163,319	1,088,319
Civil work contracts	4,545	100,117
	<u>304,430</u>	<u>1,239,195</u>

5. **Acquisition and disposal of property, plant and equipment**

	<u>March 31,2012</u>		<u>March 31,2011</u>	
	<u>Acquisition cost</u>	<u>Disposal W.D.V.</u>	<u>Acquisition cost</u>	<u>Disposal W.D.V.</u>
	----- Rupees in '000 -----		----- Rupees in '000 -----	
Land	-	-	1,600	-
Office building	32,001	-	-	-
Mill building	55,469	-	10,133	-
Plant and machinery 5.1	1,210,143	(2,765)	40,988	(23,791)
Factory equipment	-	(188)	-	(9)
Power generator	62,694	(935)	-	-
Office equipment	-	(284)	-	(40)
Furniture and fixtures	-	(69)	-	-
Vehicles	39,419	(2,725)	10,234	(2,318)
Plant and machinery - leased	-	(21,547)	-	-
	<u>1,399,726</u>	<u>(28,513)</u>	<u>62,955</u>	<u>(26,158)</u>

5.1 Additions to plant & machinery include transfer from assets subject to finance lease amounting to Rs. 21.547 million.

	<u>Mar - 2012</u>	<u>June - 2011</u>
	----- Rupees in '000 -----	
6. <u>Long-term investments</u>		
Investment in subsidiary - 100%		
MIMA Cotton Mills Limited	590,000	-
Investment in associate - 24.57%		
Sunrays Textile Mills Ltd.	42,382	42,382
Investment in joint venture - 49.99%		
Indus Home Limited	750,000	750,000
	<u><u>1,382,382</u></u>	<u><u>792,382</u></u>

- 6.1** During the period, the company acquired 71,540,000 Ordinary shares of MIMA Cotton Mills Limited @ 6.85 per share aggregating to Rs. 490 million, making it a wholly owned subsidiary of the company through execution of an agreement for purchase of shares. In addition to the total price to be paid as consideration for the shares, the company has also agreed to assume the obligation of the subsidiary in respect of retained liabilities up to an amount of Rs. 100 million, resulting in a total cost of acquisition of Rs. 590 million. The effective date of acquisition is January 31, 2012. MIMA Cotton Mills Limited 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.

Nine month period ended**Jul, 11 - Mar, 12** **Jul, 10 - Mar, 11**

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

Quarter ended**Mar 31, 2012** **Mar 31, 2011**

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

7. Cost of goods sold

Raw material consumed	7,811,235	9,804,953	2,496,004	4,214,071
Manufacturing expenses	1,583,130	1,411,615	560,637	495,417
Outside purchases	46,587	181	3,543	181
	9,440,952	11,216,749	3,060,184	4,709,669

Work in process

Opening stock	250,719	121,321	217,884	215,494
Closing stock	(204,533)	(231,245)	(204,533)	(231,245)
	46,186	(109,924)	13,351	(15,751)

Cost of goods manufactured**9,487,138** **11,106,825** **3,073,535** **4,693,918****Finished goods**

Opening stock	306,960	216,580	258,517	335,948
Closing stock	(231,272)	(329,567)	(231,272)	(329,567)
	75,688	(112,988)	27,245	6,380

9,562,826 **10,993,837** **3,100,780** **4,700,298****7.1 Manufacturing expenses**

Salaries, wages & benefits	414,034	385,437	130,145	132,512
Stores and spare consumed	207,236	188,500	69,117	63,127
Packing material consumed	160,222	131,087	50,272	46,359
Other over heads	12,524	9,467	1,680	5,423
Fuel & power	528,717	475,362	205,802	169,911
Insurance	12,869	11,499	5,872	5,044
Repairs & maintenance	13,745	10,888	4,341	6,384
Rent rates and taxes	1,820	1,580	747	376
Depreciation	231,963	197,795	92,661	66,281
	1,583,130	1,411,615	560,637	495,417

8. Aggregate transaction with related parties :

The related parties comprise of associate (Sunrays textile mills limited), joint venture (Indus home limited). The company in the normal course of business carries out transactions with related parties.

Mar 31, 2012 **Mar 31, 2011**
----- Rupees in '000 -----

8.1 Transactions with related parties

Associates:

Sale of yarn	6,546	-
Purchase of yarn	30,464	-

Joint Venture:

Sale of yarn	305,532	230,869
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- 9.** Allocation to taxation and W.P.P.F. is provisional. Final liability will be determined on the basis of annual results.

10. Non-adjusting event after the balance sheet date

In respect of the current period, the directors proposed to pay interim cash dividend of Rs. 18,074 million @ Rs.10/= per ordinary share of Rs. 10/= each. The proposed dividend has not been included as a liability in these financial statements.

11. Approval of condensed interim financial information.

These condensed interim financial information were authorized for issue on 30th April 2012 by the Board of Directors of the company.

12. Figures.

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

Chief Executive Officer

Director