

INDUS DYEING & MANUFACTURING CO. LIMITED
NOTES TO THE ACCOUNTS - DECEMBER 31, 2005 (UNAUDITED)

1. SELECTED EXPLANATORY NOTES TO THE ACCOUNTS

1.1 The Company is limited by shares incorporated in Pakistan on July 23, 1957 under the Companies Act 1913 since repealed by the Companies Ordinance, 1984 and quoted in Karachi Stock Exchange. The principal business of the Company is to manufacture and sale of yarn and towels. The Company is also operating three ginning units and ice factories.

1.2 The shareholders of Indus Dyeing & Manufacturing Company Limited (IDML) and shareholders of Yusuf Textile Mills Limited (YMTL) passed special resolution on May 09, 2005 and approved the Scheme of arrangement for amalgamation of YMTL into IDML to take effect from October 01, 2004. The Companies filed petition No. J. Misc. 8 of 2005 and the Honourable High Court of Sindh has sanctioned the said petition on November 29, 2005 with certain modifications proposed by Securities & Exchange Commission of Pakistan in its letter dated November 23, 2005, changing values and weights between IDML and YMTL.

Pursuant to the Scheme of arrangement for amalgamation sanctioned by the Honourable High Court of Sindh, the assets, liabilities and reserves of YMTL have been merged with IDML with effect from October 01, 2004. According to the Scheme of arrangement for amalgamation, members of the YMTL will receive ordinary shares of IDML in the ratio sanctioned by the Honourable High Court of Sindh.

1.3 Historical convention

The financial statements have been prepared under the "historical cost convention", except that certain investments have been included at fair value.

1.4 These financial statements have been prepared in compliance with the International Accounting Standard (IAS-34) Interim Financial Reporting and in compliance with the section 245 of the Companies Ordinance, 1984.

1.5 The accounting policies and methods of computation followed in the preparation of the half year financial statements are the same as those of the published annual financial statements for the period ended June 30,2005.

1.6 These interim financial statements are unaudited. However, a limited scope review of these interim financial statements 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.

2. CONTINGENCIES AND COMMITMENTS

2.1 Contingencies

	Unaudited <i>December 31</i> 2005	Audited <i>June 30,</i> 2005
	<i>(Rupees in '000')</i>	
Bank guarantees	85,849	112,270
Claim of social security contribution	453	453
	86,302	112,723

	Unaudited <i>December 31</i> 2005	Audited <i>June 30,</i> 2005
	<i>(Rupees in '000')</i>	
2.2 Commitments		
Building extension	-	27,625
Letters of credit for raw material, stores and spares and machinery	437,547	520,227
	437,547	547,852

3. ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	<i>December 31</i> 2005		
	<i>Rupees in '000'</i>		
	<i>Acquisition /</i> transfer from CWIP	<i>Disposal</i> WDV	<i>Sale proceeds</i>
Leasehold land	-	144	800
Building on leasehold land	40,075	-	-
Non factory building	52,020	-	-
Plant and machinery	1,092,625	6,957	7,117
Office renovation	3,412	-	-
Electric installations and appliances	4,627	-	-
Power generator	17,264	-	-
Office equipment	5,131	-	-
Furniture & fixture	2,104	-	-
Vehicles	7,856	595	675

4. COST OF GOODS SOLD

	<i>Quarter</i> Oct - Dec 2005	<i>Half Year</i> July - Dec 2005	<i>Quarter</i> Oct - Dec 2004	<i>Half Year</i> July - Dec 2004
	<i>Rupees in '000'</i>			
Opening stock	150,995	144,705	108,323	99,213
Purchases- yarn	174,402	178,684	71,226	73,567
Cost of goods manufactured (4.1)	1,258,138	2,543,017	942,025	1,904,948
	1,583,535	2,866,406	1,121,574	2,077,728
Closing stock	(170,464)	(170,464)	(105,180)	(105,180)
	1,413,071	2,695,942	1,016,394	1,972,548

Quarter *Half Year* *Quarter* *Half Year*
Oct - Dec *July - Dec* *Oct - Dec* *July - Dec*
2005 *2005* *2004* *2004*
 ----- *Rupees in '000'* -----

4.1 COST OF GOODS MANUFACTURED

Raw material consumed	996,314	2,014,477	750,621	1,574,197
Stores and spares	23,615	72,669	26,928	44,818
Salaries, wages and benefits	78,840	138,724	47,521	90,933
Fuel and power	75,566	153,363	50,753	102,584
Rent, rate and taxes	789	825	92	787
Insurance	6,091	9,569	2,858	5,887
Repairs and maintenance	2,948	4,703	1,983	4,543
Depreciation	86,221	163,117	43,050	77,236
Other overheads	7,821	19,037	4,200	7,595
	1,278,205	2,576,484	928,006	1,908,580
Work in process				
Opening stock	65,721	52,321	53,846	36,195
Closing stock	(85,788)	(85,788)	(39,827)	(39,827)
	(20,067)	(33,467)	14,019	(3,632)
Cost of goods manufactured	1,258,138	2,543,017	942,025	1,904,948

5. TRANSACTIONS WITH RELATED PARTIES

	December 31 2005	December 31 2004
<i>Associates</i>		
Sales of yarn	407,585	34,278
Purchases of yarn	115,051	57,187
Amount owed by	-	2,306

The transactions with related parties are made at commercial terms. No guarantees have been provided or received for any related party receivables or payables.

Transactions with key management personnel

Short-term benefits	3,600	1,800
Amount owed to	48,630	73,219

Company maintained cars and cellular phones are provided to chief executive and directors.

6. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.

7. GENERAL

Figures have been rounded off to the nearest thousand.

CHIEF EXECUTIVE

DIRECTOR