

**Indus Dyeing and Manufacturing Co. Limited**

**Notes to the account ( un - audited )**

**For the third quarterly ended March 31, 2007**

1. **Selected explanatory notes to the accounts.**
- 1.1 The Company was incorporated in Pakistan on July 23, 1957 as a public limited company and its shares are quoted in Karachi Stock Exchange (Guarantee) Ltd. The principal activity of the company is to manufacture and sale of yarn.
- 1.2 These unaudited interim financial statements have been prepared in accordance with the International Accounting Standard IAS 34. Interim financial reporting and in compliance with requirement of section 245 of the Companies Ordinance, 1984. Review of these interim financial statements has been performed by the internal auditors of the company.
- 1.3 The accounting convention, policies and methods of computation followed in the preparation of the first quarterly report are the same as those of the published annual financial statements for the period ended June 30, 2006.

	<u>March - 2007</u>	<u>June - 2006</u>
	<u>Rupees in ( ' 000 ' )</u>	
<b>2. <u>Contingencies</u></b>		
Claim of arrears of Social Security Contribution not acknowledged, appeal is pending in The Honorable High Court of Sindh.	453	453
Guarantees issued by banks on behalf of the company.	101,452	96,431
	<u>101,905</u>	<u>96,884</u>
 <b><u>Commitments</u></b>		
Building extension	15,500	15,264
Letters of credit for store, raw materials and machinery	494,551	365,605
	<u>510,051</u>	<u>380,869</u>

3. Acquisition and disposal of property, plants and machinery

	<u>March 31, 2007</u>		
	<u>Acquisition</u>	<u>Disposal</u>	<u>Sale</u>
		<u>W.d.v.</u>	<u>proceed</u>
	<u>Rupees in ( ' 000 ' )</u>		
Land	-	(2,443)	9,848
Mill building on leasehold land	10,237	-	-
Plant and machinery	101,361	(9,136)	9,295
Electric installations and appliances	2,029	-	-
Power generator	16,166	(4,297)	4,415
Office equipment and fixtures	55	-	-
Vehicles	2,754	(216)	245
	<u>132,602</u>	<u>(16,092)</u>	<u>23,803</u>

4. The Company has a 49.99 per cent equity shareholding with equivalent voting power in Indus Home Limited ( IHL ), a joint venture established in Lahore, Pakistan. During the period, the Company's share of IHL's profit amounting to Rs. 34.264 million is included in the Company's Profit & Loss account.

The movement for the period in the Company's interest in joint venture is analyzed as follows:

	<u>March - 2007</u>	<u>June - 2006</u>
	<u>Rupees in ( ' 000 ' )</u>	
Opening balance	2,500	-
Additional investment	747,500	2,500
Share of profit from jointly controlled entity	34,264	-
	<u>784,264</u>	<u>2,500</u>

		<u>Un - audited</u> Jan, 07 - Mar, 07	<u>Un - audited</u> Jan, 06 - Mar, 06	<u>Un - audited</u> Jul, 06 - Mar, 07	<u>Un - audited</u> Jul, 05 - Mar, 06
<b><u>Continuing operations</u></b>		<b>Rupees in ( ' 000 ' )</b>		<b>Rupees in ( ' 000 ' )</b>	
<b>5. <u>Cost of goods sold</u></b>					
Raw material consumed	5.1	1,070,058	995,419	3,143,310	3,024,136
Stores and spare consumed		32,291	30,326	85,690	102,995
Manufacturing expenses	5.2	253,049	266,226	737,243	563,535
Outside purchases		15,013	398,542	30,960	680,441
		<b>1,370,411</b>	<b>1,690,513</b>	<b>3,997,203</b>	<b>4,371,107</b>
<b><u>Work in process</u></b>					
Opening stock		72,564	41,244	58,576	43,591
Closing stock		(66,004)	(73,141)	(66,004)	(73,141)
		6,560	(31,897)	(7,428)	(29,550)
<b>Cost of goods manufactured</b>		<b>1,376,971</b>	<b>1,658,616</b>	<b>3,989,775</b>	<b>4,341,557</b>
<b><u>Finished goods</u></b>					
Opening stock		145,051	118,254	118,706	131,254
Closing stock		(157,651)	(130,023)	(157,651)	(130,023)
		(12,600)	(11,769)	(38,945)	1,231
		<b>1,364,371</b>	<b>1,646,847</b>	<b>3,950,830</b>	<b>4,342,788</b>
<b>5.1 Raw material consumed</b>					
Opening stock		2,206,147	1,487,452	1,066,183	784,205
Purchases		619,058	1,052,705	3,832,274	3,784,669
		2,825,205	2,540,157	4,898,457	4,568,874
Closing stock		(1,755,147)	(1,544,738)	(1,755,147)	(1,544,738)
		<b>1,070,058</b>	<b>995,419</b>	<b>3,143,310</b>	<b>3,024,136</b>
<b>5.2 Manufacturing expenses</b>					
Salaries, wages & benefits		80,868	78,202	241,121	216,926
Other over heads		1,039	2,101	14,272	18,138
Fuel & power		90,571	96,831	270,920	257,694
Insurance		1,996	138	6,695	9,431
Repairs & maintenance		1,666	3,482	5,193	7,185
Rent rates and taxes		145	270	474	595
Mercerizing cost		-	-	(23,623)	(194,753)
Depreciation		76,764	85,202	222,191	248,319
		<b>253,049</b>	<b>266,226</b>	<b>737,243</b>	<b>563,535</b>

**6. Discontinued operations.**

On 28th September 2006, the Board of Directors entered into a sale agreement to dispose of the Company's weaving business. The disposal of the weaving business is consistent with the Company's plan to operate the unit as a jointly controlled entity with West Point Pakistan Inc., USA. The disposal was completed on 10th October 2006, on which date control of the weaving business passed to the acquirer, Indus Home Limited. The proceeds of disposal of Rs. 1,128 million received in cash.

The profit for the period from the discontinued operation is analysed as follows:

7. **Aggregate transaction with associated undertaking.**

	March 31, 2007	March 31, 2006
	<u>( Rupees in ' 000 ' )</u>	
Sales of goods & services	<u>45,318</u>	<u>109,762</u>
Sale of fixed assets	<u>12,406</u>	<u>-</u>
Purchase of goods & services	<u>180,677</u>	<u>573,534</u>
Purchase of fixed assets	<u>41,666</u>	<u>6,981</u>

The transactions with the associated undertaking are made at commercial terms.

8. Allocation to Taxation is provisional. Final liability will be determined on the basis of annual results.

9. **Approval of Financial statements.**

These financial statements were authorized for issue on **April 28, 2007** by the Board of Directors of the company.

10 **Figures.**

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

Shahzad Ahmed  
Chief Executive

Naveed Ahmed  
Director