

INDUS DYEING & MANUFACTURING CO. LIMITED
SELECTED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006 (UNAUDITED)

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 The Company is limited by shares incorporated in Pakistan on July 23, 1957 under the Companies Act 1913 since repealed by the Companies Ordinance, 1984 and quoted on Karachi Stock Exchange.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

2. BASIS OF PREPARATION

These interim financial statements have been prepared under the "historical cost convention", except for certain investments have been included at fair value and certain employee benefits which are carried at their present value.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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 year ended June 30, 2006.

4. LONG-TERM FINANCING

During the period, the Company obtained new long-term loans in the amounts of Rs. 834.1 million. These loans bear interest at rates ranging from 6% to 11.96% and are repayable within 3 to 7 years. The Company also converted to long-term loans (EOP) its Morabaha facilities amounting to Rs. 15.1 million and liabilities against assets subject to finance lease amounting to Rs. 11.9 million. Repayments of other bank loans amounting to Rs. 896.5 million were made in line with previous disclosed repayment terms.

5. SHORT-TERM BORROWINGS

At period-end, the Company had utilized its revolving short-term loans and overdraft facilities in the amounts of Rs. 714 million and Rs. 1,485 million. The loans bear interest at market rates and are repayable within 1 year. The proceeds were used to meet short-term expenditure needs.

<i>Unaudited</i>	<i>Audited</i>
<i>December 31</i>	<i>June 30,</i>
<i>2006</i>	<i>2006</i>
<i>....Rupees in "000"...</i>	

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

Bank guarantees	99,431	96,431
Claim of social security contribution	453	453

99,884	96,884
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6.2 Commitments

Building extension	-	15,264
Letters of credit for raw material, stores and spares and machinery	742,903	365,605

742,903	380,869
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7. **ACQUISITION AND DISPOSAL
OF PROPERTY PLANT AND EQUIPMENT**

	<i>Unaudited</i>		
	<i>December 31, 2006</i>		
	<i>Acquisition /</i>	<i>Disposal</i>	<i>Sale proceed</i>
	<i>Transfer from</i>	<i>WDV</i>	
<i>CWIP</i>	<i>WDV</i>		
	----- Rupees in '000' -----		
Land	-	13,798	68,595
Factory building	77,301	178,381	178,381
Non-factory building	16,466	97,823	97,823
Plant and machinery	217,245	559,518	560,344
Factory equipment	2,212	7,923	7,923
Electric installations and appliances	4,091	21,281	21,281
Power Generator	18,319	44,801	44,801
Office equipment	1,599	6,040	6,040
Furniture & fixture	179	6,422	6,422
Vehicles	8,572	12,170	12,227
	345,984	948,157	1,003,837

8. **JOINT VENTURES**

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. 20.7 million was included in the Company's Profit & Loss account.

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

	<i>Unaudited</i>	<i>Audited</i>
	<i>December 31</i>	<i>June 30,</i>
	<i>2006</i>	<i>2006</i>
	----- Rupees in '000' -----	
Opening balance	2,500	-
Additional investment (net)	747,500	2,500
Share of profit from jointly controlled entity	20,747	-
	770,747	2,500

9. COST OF SALES

	Quarter Oct - Dec 2006	Six Months Period July - Dec 2006	Quarter Oct - Dec 2005	Six Months Period July - Dec 2005
----- Rupees in '000' -----				
Opening stock	103,960	118,706	150,995	144,705
Purchases	10,034	15,947	174,402	178,684
Cost of Goods Manufactured (9.1)	1,334,534	2,596,858	1,258,138	2,543,017
	1,448,528	2,731,511	1,583,535	2,866,406
Closing stock	(145,051)	(145,051)	(170,464)	(170,464)
	1,303,477	2,586,460	1,413,071	2,695,942

Quarter Oct - Dec 2006	Six Months Period July - Dec 2006	Quarter Oct - Dec 2005	Six Months Period July - Dec 2005
----- Rupees in '000' -----			

9.1 Cost of Goods Manufactured

Raw material consumed	1,052,197	2,055,262	996,314	2,014,477
Stores and spares	25,445	53,399	23,614	72,668
Salaries, wages and benefits	95,254	156,253	78,840	138,724
Fuel and power	86,337	180,349	75,566	153,363
Rent, rate and taxes	583	619	788	824
Insurance	1,696	4,699	6,091	9,569
Repairs and maintenance	1,629	3,527	2,948	4,703
Depreciation	67,430	145,427	86,221	163,117
Other overheads	6,277	11,311	7,821	19,037
	1,336,848	2,610,846	1,278,205	2,576,484
Work in process				
Opening stock	70,250	58,576	65,721	52,321
Closing stock	(72,564)	(72,564)	(85,788)	(85,788)
	(2,314)	(13,988)	(20,067)	(33,467)
Cost of goods manufactured	1,334,534	2,596,858	1,258,138	2,543,017

10. DISCONTINUED OPERATIONS

On 28 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 10 October 2006, on which date control of the weaving business passed to the acquirer, Indus Home Limited. The proceeds of disposal of Rs. 1,116 million were received in cash.

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

	Quarter Oct - Dec 2006	Six Months Period July - Dec 2006	Quarter Oct - Dec 2005	Six Months Period July - Dec 2005
	----- Rupees in '000' -----			
Profit of weaving unit for the period	1,026	35,107	14,929	18,786
Gain on disposal	54,797	54,797	-	-
	<u>55,823</u>	<u>89,904</u>	<u>14,929</u>	<u>18,786</u>

The following were the results of the weaving unit for the period:

	Quarter Oct - Dec 2006	Six Months Period July - Dec 2006	Quarter Oct - Dec 2005	Six Months Period July - Dec 2005
	----- Rupees in '000' -----			
Sales	108,379	413,600	215,815	403,082
Cost of sales	100,273	345,421	186,220	350,097
Gross profit	<u>8,106</u>	<u>68,179</u>	<u>29,595</u>	<u>52,984</u>
Other operating income	61	604	-	-
	<u>8,167</u>	<u>68,783</u>	<u>29,595</u>	<u>52,984</u>

Distribution cost	4,303	7,602	3,505	6,952
Administration	857	6,331	2,590	4,909
Other operating expenses	144	2,068	1,072	1,379
Financial charges	154	13,530	5,367	16,858
	<u>(5,458)</u>	<u>(29,531)</u>	<u>(12,535)</u>	<u>(30,098)</u>
Profit before taxation	<u>2,709</u>	<u>39,252</u>	<u>17,061</u>	<u>22,887</u>
Taxation	(1,683)	(4,145)	(2,131)	(4,101)
Profit after taxation	<u><u>1,026</u></u>	<u><u>35,107</u></u>	<u><u>14,929</u></u>	<u><u>18,786</u></u>

The net assets of the weaving unit at the date of disposal were as follows:

	Rs '000'
<u>Consideration</u>	
Net assets disposed of	1,061,021
Gain on disposal	54,797
	<u><u>1,115,818</u></u>
Consideration satisfied by Cash and cash equivalents	<u><u>1,115,818</u></u>
<u>Net cash inflow on disposal</u>	
Consideration received in cash and cash equivalents	<u><u>1,115,818</u></u>

11. **AGGREGATE TRANSACTION WITH ASSOCIATED UNDERTAKING**

	<i>Unaudited</i>	<i>Unaudited</i>
	<i>December 31</i>	<i>December 31</i>
	<i>2006</i>	<i>2005</i>
	<i>----- Rupees in '000' -----</i>	
Sales of yarn	33,766	407,585
Purchases of yarn	52,966	115,051
Disposal of business	1,061,021	-

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

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

13. **APPROVAL OF FINANCIAL STATEMENTS**

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

14. **GENERAL**

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

CHIEF EXECUTIVE

DIRECTOR