

SUNRAYS TEXTILE MILLS LIMITED

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2011**

1. STATUS AND ACTIVITIES

1.1 Sunrays Textile Mills Limited (the Company) was incorporated in Pakistan on August 27, 1987 under the Companies Ordinance, 1984 and listed at Karachi Stock Exchange. The principal business of the Company is to manufacture and sale of yarn. The registered office of the Company is situated at Karachi. The Mills is located at District Muzaffargarh, Dera Ghazi Khan Division, in the province of Punjab.

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

2. BASIS OF PREPARATION

2.1 The condensed interim financial information have been prepared under the historical cost convention, except for:

- revaluation of certain property, plant and equipment
- recognition of certain employees benefits at present value

2.2 This condensed interim financial report of the Company for the six months period ended December 31, 2011 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.3 This condensed interim financial information is unaudited but subject to limited scope review by the auditors and are being submitted to the shareholders as required under listing regulations of Karachi, Lahore and Islamabad Stock Exchange and section 245 of the Companies Ordinance, 1984. They do not include all of the informations required for the annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended as at June 30, 2011 .

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended June 30, 2011.

4. PROPERTY, PLANT AND EQUIPMENT

		<i>(Unaudited)</i> <i>December 31,</i> <i>2011</i> <i>Rupees</i>	<i>(Audited)</i> <i>June 30,</i> <i>2011</i> <i>Rupees</i>
	<i>Note</i>		
Operating assets	4.1	858,943,506	846,365,854
Capital work in progress		36,963,120	34,571,383
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	<i>(Unaudited)</i> <i>December 31,</i> <i>2011</i> <i>Rupees</i>	<i>(Audited)</i> <i>June 30,</i> <i>2011</i> <i>Rupees</i>
4.1 Operating assets		
Opening book value	846,365,854	858,486,270
Additions during the period / year - cost		
Plant and machinery	42,944,369	62,669,356
Office equipment	-	420,000
Furnitures and fittings	-	481,566
Electric appliances	-	217,617
Vehicles	11,145,100	5,271,300
	54,089,469	69,059,839
Book value of assets disposed off during the period / year	(2,167,110)	(576,112)
Depreciation charge for the period / year	(39,344,706)	(80,604,144)
Closing book value	<u>858,943,506</u>	<u>846,365,854</u>

5. STOCK IN TRADE

Raw material	1,300,878,420	419,314,057
Work in process	25,016,731	30,680,302
Finished goods	155,378,064	70,632,770
	<u>1,481,273,215</u>	<u>520,627,129</u>

6. SHORT-TERM BORROWINGS

Secured - under mark-up arrangements

Cash finances	623,440,239	28,662,573
Running finances	74,094,903	60,529,919
Finances against imported merchandise	154,766,426	471,689,838
Short term demand finance	175,000,000	-
	<u>1,027,301,567</u>	<u>560,882,330</u>

6.1 Short term facilities available from commercial banks under mark up arrangements amounts to Rs. 4,512 million (June 30, 2011: Rs.4,512 million) of which facilities aggregating to Rs.3,485 million (June 30, 2011: Rs. 3,905 million) remained unutilized at the period end. The rate of mark up ranges from 12.83% to 15.66% per annum (June 30, 2011: 13.76% to 15.75% per annum) payable on quarterly basis. These finances are secured against pledge of raw material and finished goods, hypothecation of store and spares and charge on fixed and floating assets of the Company.

7. TAXATION

Provision for current period taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, or minimum tax whichever is higher.

		<i>(Unaudited)</i> <i>December 31,</i> <i>2011</i> <i>Rupees</i>	<i>(Audited)</i> <i>June 30,</i> <i>2011</i> <i>Rupees</i>
	<i>Note</i>		
8. CONTINGENCIES AND COMMITMENTS			
<i>Contingencies</i>			
Bank guarantees	8.1	29,419,141	56,853,920
Inland bills purchased		29,520,000	142,908,000
Foreign bills purchased		322,452,000	114,575,000
Unrecognised workers' welfare fund		8,976,731	5,454,000
		<u>381,391,141</u>	<u>319,790,920</u>

8.1 Bank guarantees

<i>In favour of</i>	<i>Bank Name</i>		
Sui Northern Gas Pipelines Limited	MCB Bank Limited	21,458,674	21,458,674
Excise and taxation	Soneri Bank Limited	7,685,915	30,000,000
CCI & E	Habib Bank Limited	274,552	274,552
Multan Electric Power Company	MCB Bank Limited	-	5,081,010
		<u>29,419,141</u>	<u>56,814,236</u>

Commitments

Under letters of credit for			
- Stores and spares		3,977,185	7,952,420
- Property, plant and equipment		63,930,815	13,980,960
		<u>67,908,000</u>	<u>21,933,380</u>

9. RELATED PARTY TRANSACTIONS

9.1 Aggregate transactions made with the associated undertakings were as follows:

	<i>(Unaudited)</i> <i>December 31,</i> <i>2011</i> <i>Rupees</i>	<i>(Unaudited)</i> <i>December 31,</i> <i>2010</i> <i>Rupees</i>
Sale of goods	65,422,807	-
Purchase of goods	6,655,235	-

9.2 Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

10. DATE OF AUTHORIZATION OF ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors on February 28, 2012.

11. FIGURES

Figures have been rounded-off to nearest rupee, except stated otherwise.

Chief Executive Officer

Director

Chief Financial Officer