

**SUNRAYS TEXTILE MILLS LIMITED**  
**SELECTED NOTES TO THE CONDENSED**  
**INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2012**

**1. STATUS AND ACTIVITIES**

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.

**2. BASIS OF PREPARATION**

**2.1 Statement of Compliance**

This condensed interim financial report of the Company for the six months period ended December 31, 2012 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.

**3. BASIS OF MEASUREMENT**

**3.1** These financial statements have been prepared under the historical cost convention as modified by the revaluation of operating fixed assets and certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

**3.2** 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 information 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, 2012.

**3.3 Presentation and functional currency**

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

**3.4 Accounting estimates and judgments**

The preparation of the condensed 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 source of estimation and uncertainty were the same as those that applied to the annual audited financial statements as at and for the year ended June 30, 2012.

### 3.5 Significant accounting policies

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, 2012.

## 4 FINANCIAL RISK MANAGEMENT

The Company's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Company as at and for the year ended 30 June 2012.

	<i>(Unaudited)</i> <i>December 31,</i> <i>2012</i> <i>Rupees</i>	<i>(Audited)</i> <i>June 30,</i> <i>2012</i> <i>Rupees</i>
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating assets	886,997,596	912,528,450
Capital work in progress	32,891,239	32,891,239
	<u>919,888,835</u>	<u>945,419,689</u>
<b>5.1 Operating assets</b>		
Opening book value	912,528,450	846,365,854
Additions during the period / year - cost		
Building on freehold Land	15,303,659	12,167,351
Plant and machinery	-	123,936,148
Office equipment	-	-
Furniture and fittings	-	-
Electric appliances	-	176,043
Vehicles	1,689,500	18,077,400
	16,993,159	154,356,942
Book value of assets disposed off during the period / year	-	(24,663,068)
Depreciation charge for the period / year	(42,524,013)	(63,531,278)
Closing book value	<u>886,997,596</u>	<u>912,528,450</u>
<b>6. STOCK IN TRADE</b>		
Raw material	682,507,169	407,075,564
Raw material in-transit	65,258,012	198,645,775
Work in process	30,531,581	27,765,267
Finished goods	107,158,816	75,200,974
	<u>885,455,578</u>	<u>708,687,580</u>
<b>7. SHORT-TERM BORROWINGS</b>		
<i>Secured - under mark-up arrangements</i>		
Cash finances	-	74,424,965
Running finances	4,501,047	88,810,082
Finances against imported merchandise	-	280,337,192
Short term demand finance	6,547	133,544
	<u>4,507,594</u>	<u>443,705,783</u>

7.1 Short term facilities available from commercial banks under mark up arrangements amounts to Rs.4,638 million (June 30, 2012: Rs.4,512 million) of which facilities aggregating to Rs.4,633 million (June 30, 2012: Rs.4,068 million) remained unutilized at the period end. The rate of mark up ranges from 10.45% to 15.04% per annum (June 30, 2012: 12.54% to 15.66% 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 floating assets of the Company.

## 8. 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>(Audited)</i>
<i>December 31,</i>	<i>June 30,</i>
<i>2012</i>	<i>2012</i>
<i>Rupees</i>	<i>Rupees</i>

## 9. CONTINGENCIES AND COMMITMENTS

### Contingencies

Bank guarantees	36,063,713	32,163,713
Inland bills purchased	51,458,273	24,564,847
Foreign bills purchased	833,738,458	342,088,500
	<u>921,260,444</u>	<u>398,817,060</u>

### 9.1 Bank guarantees

<i>In favour of</i>	<i>Bank Name</i>		
Sui Northern Gas Pipelines Limited	MCB Bank Limited	23,203,246	23,203,246
Excise and taxation	Soneri Bank Limited	12,585,915	8,685,915
CCI & E	Habib Bank Limited	274,552	274,552
		<u>36,063,713</u>	<u>32,163,713</u>

### Commitments

Under letters of credit for			
- Raw material	408,787,021	-	
- Property, plant and equipment	-	7,846,000	
	<u>408,787,021</u>	<u>7,846,000</u>	

## 10. RELATED PARTY TRANSACTIONS

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

	-----Unaudited-----			
	<i>Six months period ended 31 December</i>		<i>Three months period ended 31 December</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<b>Rupees in '000'</b>		<b>Rupees in '000'</b>	
Sale of goods	12,341,340	65,422,807	12,341,340	20,420,507
Purchase of goods	-	6,655,235	-	6,655,235

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

**11. DATE OF AUTHORIZATION OF ISSUE**

These condensed interim financial information are authorized for issue by the Board of Directors of the Company on February 28, 2013.

**12. FIGURES**

Figures have been rounded off to the nearest thousand rupees except as stated otherwise.

*Chief Executive Officer*

*Director*

*Chief Financial Officer*