

SUNRAYS TEXTILE MILLS LIMITED
SELECTED NOTES TO THE FINANCIAL STATEMENTS - UNAUDITED
FOR THE HALF YEAR ENDED DECEMBER 31, 2005

1. The company is limited by shares 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 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. These unaudited interim financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting' and in compliance with requirements of section 245 of the Companies Ordinance, 1984. 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.
3. As per the direction of the Securities and Exchange Commission of Pakistan (SECP), the financial year of the company has been changed from September 30 to June 30, each year from the period ended June 30, 2005. The corresponding figures for half year ended December 31, 2004 were not reviewed as in last year, the half year review was carried out for the period ended March 31, 2005.
4. The accounting convention and policies adopted for the preparation of these half yearly financial statements are the same as those applied in the preparation of the financial statements for the period ended June 30, 2005 except for 6.1 and 6.2.

5. LONG TERM FINANCING - SECURED

- 5.1 During the period company has obtained demand finance amounting Rs. 50 million from Muslim Commercial Bank Limited, to finance textile spinning machinery (mainly back process machines). The loan is carrying mark up @ 6 - months KIBOR + 2 % and is repayable in 10 equal half yearly installments and is secured against 1st registered pari passu charge by way of hypothecation of plant and machinery of the company.

6. DEFERRED LIABILITIES

6.1 Staff retirement benefits - gratuity

Provision for gratuity has been made on estimated basis instead of following actuarial recommendations which will be adopted for the annual financial statements.

6.2 Deferred Taxation

No provision for deferred tax (IAS-12) has been provided in the financial statements. Had the provision amounting Rs. 23.94 million been made, the profit for the period would have reduced by Rs. 18.47, resulting in a loss of Rs. 12.50 million and surplus on revaluation of fixed assets been reduced by Rs. 5.47 million.

	Unaudited December 31, 2005	Audited June 30, 2005
7. CONTINGENCIES AND COMMITMENTS		
CONTINGENCIES		
Bank / Financial Institution / Insurance guarantees	49,688	27,700
COMMITMENTS		
Under letter of credits		
Raw material	250,300	11,637
Machinery	55,086	35,499
Store	-	928

Rupees '000'

8. PROPERTY, PLANT AND EQUIPMENT

Opening book value	628,834	504,244
Additions / transfers during the period		
<i>Owned:</i>		
Building on freehold land	18,250	15,659
Plant and machinery	80,598	192,656
Electric installations	2,112	-
Office equipments	295	-
Furniture and fittings	1,360	322
Vehicles	6,882	3,581
	109,497	212,218
Assets transferred from lease	-	(36,000)
Book value of assets disposed - off during the period	-	(8,599)
Depreciation charge for the period	(33,483)	(43,029)
Closing book value	704,848	628,834

Jul. 01, 2005 to Dec. 31, 2005	Jul. 01, 2004 to Dec. 31, 2004
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Rupees '000'

9. AGGREGATE TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Sales of goods and services	407,585	106,521
Purchase of goods and services	108,070	29,246
Purchase of property, plant and equipment	6,981	-

9.1 These transactions have been carried out on the commercial terms and conditions.

	Jul. 01, 2005 to Dec. 31, 2005	Jul. 01, 2004 to Dec. 31, 2004
	Rupees '000'	
10. COST OF GOODS SOLD		
Raw material consumed	550,310	405,290
Stores and spares consumed	10,843	11,828
Packing material consumed	9,855	7,883
Salaries, wages, and benefits	33,521	23,890
Power and fuel	38,663	25,258
Insurance	1,050	837
Repair and maintenance	2,533	1,952
Depreciation	31,231	24,311
Others	87	74
	678,093	501,323
Work in process		
Opening stock	7,480	9,125
Closing stock	(11,001)	(5,583)
	(3,521)	3,542
Cost of goods manufactured	674,572	504,865
Purchase of finished goods	1,067	39,771
Finished goods		
Opening stock	19,020	43,498
Closing stock	(20,361)	(25,201)
	(1,341)	18,297
	674,298	562,933

11. These financial statements were authorized for issue by the Board of Directors of the company on February 27, 2006.

12. Figures have been rounded off to the nearest thousand rupees.

CHIEF EXECUTIVE

DIRECTOR