

**SUNRAYS TEXTILE MILLS LIMITED**  
**SELECTED NOTES TO THE FINANCIAL STATEMENTS - (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

- 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.

The financial statements are presented in Pak Rupees, which is the company's functional and presentation currency.

- 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.
- 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 year ended June 30, 2006.

	Note	Un-audited December 31, 2006	Audited June 30, 2006
		Rupees '000'	
<b>4. DEFERRED LIABILITIES</b>			
Staff retirement benefits- gratuity		4,860	4,338
Deferred taxation	<b>4.1</b>	47,760	46,193
		52,620	50,531
<b>4.1 Deferred taxation</b>			
The deferred liability comprises of			
temporary differences arising due to			
Taxable temporary differences			
Surplus on revaluation of fixed assets		11,623	13,913
Accelerated tax depreciation and finance lease		55,049	60,178
		66,672	74,091
Deductible temporary differences			
Provision for gratuity		(1,302)	(1,343)
Taxable loss		(17,610)	(26,555)
		47,760	46,193

**5. CONTINGENCIES AND COMMITMENTS**

**CONTINGENCIES**

Bank / Financial Institution /			
Insurance guarantees		198,081	36,881

**COMMITMENTS**

Under letter of credits

Raw material

167,612

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Machinery

32,975

49,014

Store

1,096

1,521

	Note	Un-audited December 31, 2006	Audited June 30, 2006
Rupees '000'			
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	6.1	743,541	732,275
Capital work in progress		14,965	14,315
		758,506	746,590
<b>6.1 Operating assets</b>			
Opening book value		732,275	628,834
<b>Addition/ transfers during the period/ year</b>			
<b><i>Owned:</i></b>			
Building on freehold land		1,318	42,421
Plant and machinery		47,836	93,843
Plant and machinery transferred from lease		-	8,880
Electric installations		-	4,631
Factory equipment		550	198
Office equipments		277	551
Electric appliances		180	481
Furniture and fittings		64	1,562
Vehicles		4,141	15,283
<b><i>Leased assets:</i></b>			
Plant and machinery		-	16,506
		54,366	184,356
Lease assets transfer to own assets		-	(8,880)
Book value of assets disposed-off during the period/ year		(4,963)	(1,553)
Depreciation charge for the period/ year		(38,137)	(70,482)
Closing book value		743,541	732,275

	<i>Un-audited Jul. 01, 2006 to Dec. 31 2006</i>	<i>Un-audited Jul. 01, 2005 to to Dec. 31 2005</i>
	<i>Rupees '000'</i>	
<b>7. COST OF GOODS SOLD</b>		
Raw material consumed	555,852	550,310
Stores and spares consumed	11,194	10,843
Packing material consumed	11,034	9,855
Salaries, wages, and benefits	37,928	33,521
Power and fuel	52,399	38,663
Insurance	1,050	1,050
Repair and maintenance	3,035	2,533
Depreciation	35,202	31,231
Others	117	87
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	707,811	678,093
Work in process		
Opening stock	9,057	7,480
Closing stock	(11,187)	(11,001)
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	(2,130)	(3,521)
Cost of goods manufactured	705,681	674,572
Purchase of finished goods	73,209	1,067
Finished goods		
Opening stock	30,626	19,020
Closing stock	(27,609)	(20,361)
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	3,017	(1,341)
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	781,907	674,298

**8. AGGREGATE TRANSACTIONS WITH RELATED PARTIES**

*Associate*

Sales of goods and services	109,417	407,585
Purchase of goods and services	33,811	108,070
Purchase of operating assets	-	6,981
Sale of operating assets	25,500	-

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

*Transactions with key management personnel*

Remuneration under the terms of employment to Chief Executive	300,000	300,000
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**9. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors of the company on 24-02-2007

**CHIEF EXECUTIVE OFFICER**

**DIRECTOR**