

**PARAMOUNT SPINNING MILLS LIMITED
DIRECTOR'S REVIEW TO THE SHAREHOLDERS
FOR THE HALF YEAR ENDED 31 DECEMBER, 2005**

Dear Shareholders,

Assalam-o-Alaikum

Your Directors are pleased to place before you the unaudited financial statements for the half-year ended 31 Dec 2005. These accounts have been duly reviewed by the Auditors and are being presented in accordance with the requirements of the Companies Ordinance, 1984.

Operating and Financial Results:

During the half year ended December 31, 2005, your company earned a gross profit of Rs. 124.846 million on sales of Rs. 826.578 million as compared to gross profit of Rs. 63.877 million on sales of Rs. 667.544 for the corresponding half year of the previous financial year. The Company made operating profit of Rs.75.875 million and pre tax profit of Rs. 19.750 million as compared to operating profit of Rs. 21.661 million and pre tax profit of Rs. (7.634) million during the corresponding period of last year.

As brought to your notice through our last review report, the cotton production remained short of its estimate and consequently its prices remained volatile and shown rising trend during the period under review. The cotton prices are currently hovering around Rs. 2650 per mound. The substantial increase in cotton prices with less corresponding rise in yarn prices had adversely affected the profitability of spinning industry. The future profitability will depend mainly on the prices of yarn at home and abroad.

The projected results from the value added products could only be achieved through production of high quality products for which the provision of well-trained and disciplined work force is indispensable. Your company is consistently making efforts to build requisite workforce to produce the products of high quality at competitive cost, which could fetch significant Quality premium in the international markets. This would also increase company's customer base both at home and abroad.

We would also like to mention here that rising interest rates and cost of production may affect our profitability in second half of this year. Your company is striving hard to reduce the cost of production and to arrest the increase in financial cost through effective financial management.

We find it very pertinent to mention that your company is completely aware of its sustainability and growth needs in view of current macroeconomics and industry scenario. We are therefore making continuous investment in balancing and modernization of the existing plant and machinery to maintain the quality of the products and to improve profitability.

The Management would like to place on record the appreciation for the services of our dedicated employees and for the cooperation extended by our financiers during the period.

**Karachi
28-02-2006**

**Tanveer Ahmed
Chief Executive**