

PARAMOUNT SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UN AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

1 INTRODUCTION

Paramount Spinning Mills Limited (the Company) was incorporated as a public limited company and its shares are listed on Karachi and Lahore stock exchanges in Pakistan. The company is principally engaged in manufacture and sale of yarn and fabric.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and the International Financial Reporting Standard (IAS 34) " Interim Financial Reporting" as applicable in Pakistan. Wherever the requirements of the Companies Ordinance, 1984 or the directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of this standard, the requirements of the Companies Ordinance, 1984 or the requirements of

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these half yearly financial statements are the same as those applied in the preparation of the preceding published financial statements of the company for the nine months ended 30 June,2005 except as follows:

- (i) Previously unrealised gains and losses arising from changes in the fair value of the available for sale investments were included in the profit and loss account for the period in which they arose. In accordance with the revised International Accounting Standard (IAS 39) "Financial Instruments: Recognition and Measurement" which is applicable for accounting years beginning on or after 1 January,2005,now the unrealised changes in fair value are recognised directly in equity. The change in accounting policy has been
- (ii) The company continues to follow its policy of valuing investments in Associated Companies as available for sale in these financial statements in stead of applying the equity method of accounting as required by revised International Accounting Standard 28 (Investments in Associates) due to the non-availability of requisite audited / reviewed financial statements of Associated companies at period end. The same will be complied at the time of preparation of annual audited financial statements.

4 FIXED ASSETS

Property, Plant and Equipment
Capital Work in Progress

	31 DECEMBER 2005	30 JUNE 2005
	Rupees	
	761,100,758	751,322,206
	74,408,121	60,661,866
	<u>835,508,879</u>	<u>811,984,072</u>

4.1 Property, Plant and Equipment- Additions

Owned:

Freehold Land	-	25,983,050
Building on Leased premises	10,727,137	87,581,725
Building Residential	-	2,738,166
Plant and machinery	27,841,260	221,756,423
Electric Installation	1,033,458	-
Factory Equipment	1,624,517	
Office equipment	328,956	3,871,607
Air Conditioner	-	-
Furniture and fittings	505,653	3,391,981
Vehicles	879,000	868,081

Leased:

Plant & Machinery	-	17,282,908
Vehicles	879,000	8,123,000
	43,818,981	371,596,941

4.2 Disposals / Transfer

Owned:

Freehold Land
Building on Leased premises
Building Residential
Plant and machinery
Electric Installation
Factory Equipment
Office equipment
Air Conditioner
Furniture and fittings
Vehicles

Owned:

Plant & Machinery	-	225,238
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Leased:

Plant & Machinery	3,650,000	10,478,112
Office Equipment	-	4,000,000
Vehicles	4,986,000	699,000
	8,636,000	15,402,350

5 SHARE CAPITAL

110,250,000	105,000,000
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During the period the company issue 525,000 ordinary shares of Rs.10/- each as bonus shares amounting to Rs.5,250,000

6 CONTINGENCIES & COMMITMENTS

(a) Contingencies

There is no significant change in contingencies since the last balance sheet date.

(b) Commitments

Confirmed letters of credit in respect of machinery & spares	8,859,000	11,756,000
Commitments - building and other civil works	3,700,000	2,600,000

QUARTER ENDED OCTOBER TO DECEMBER		HALF YEAR ENDED JULY TO DECEMBER	
2005	2004	2005	2004
Rupees			

7 SALES

Export Sales	7.1	286,860,125	203,212,234	524,160,572	405,127,971
Local Sales	7.2	164,811,025	139,990,973	302,417,462	262,416,416
		451,671,150	343,203,207	826,578,034	667,544,387

7.1 Export Sales

Yarn	169,152,408	172,234,991	338,006,570	340,537,857
Cloth	1,048,554	23,094,905	2,959,580	37,355,875
Garment	100,103,150	8,735,970	153,883,854	30,032,017
Bed Sheet	11,728,121	-	25,456,961	-
Exchange gain	3,387,618	1,781,304	2,548,076	3,107,009
Export Rebate	5,857,298	11,615	9,821,344	66,531
	291,277,149	205,858,785	532,676,385	411,099,289

Less: Commission	(4,417,024)	(2,646,551)	(8,515,813)	(5,971,318)
	286,860,125	203,212,234	524,160,572	405,127,971

7.2 Local Sale

Yarn	70,762,520	71,222,939	140,373,550	145,970,634
Cloth	74,939,531	56,999,348	115,506,428	99,506,793
Garment	205,775	1,228,905	205,775	5,238,885
Processing	23,012,280	12,380,939	51,566,049	14,746,867
	168,920,106	141,832,131	307,651,802	265,463,179
Less: Commission	(3,131,553)	(1,841,158)	(4,256,812)	(3,046,763)
Discount and Quality Claim	(977,528)	-	(977,528)	-
	(4,109,081)	(1,841,158)	(5,234,340)	(3,046,763)
	164,811,025	139,990,973	302,417,462	262,416,416

8 COST OF SALES

Stocks at beginning	103,820,240	74,071,639	98,652,278	126,832,622
Cost of goods manufacture	375,266,967	268,067,848	698,009,406	512,902,710
Finished goods purchases	-	32,536,086	150,855	38,733,615
	375,266,967	300,603,934	698,160,261	551,636,325
	479,087,207	374,675,573	796,812,539	678,468,947
Stocks at end	(95,081,488)	(74,801,717)	(95,081,488)	(74,801,717)
	384,005,719	299,873,856	701,731,051	603,667,230

(Cost of Sales included and amount of Rs. 10,886,912 of research and development)

QUARTER ENDED		HALF YEAR ENDED	
OCTOBER TO DECEMBER		JULY TO DECEMBER	
2005	2004	2005	2004
Rupees			

8.1 Cost of goods manufactured

Work in process at beginning	98,536,473	22,317,742	45,890,442	16,141,525
Raw material & components consumed	317,901,666	271,057,534	693,290,136	522,068,613
	416,438,139	293,375,276	739,180,578	538,210,138
Work in process at end	(41,171,172)	(25,307,428)	(41,171,172)	(25,307,428)
	375,266,967	268,067,848	698,009,406	512,902,710

9 OTHER INCOME

Miscellaneous income/(loss)	525,243	(40,831)	539,889	422,899
Remeasurement gain or loss on invest.	9,950,589	12,134,237	9,897,446	1,183,597
	10,475,832	12,093,406	10,437,335	1,606,496

10 CASH FLOW FROM OPERATING ACTIVITIES

Net Profit/(loss) before taxation **0** **0**

Adjustments

Depreciation	34,040,429	20,499,495
Provision of gratuity	1,552,904	2,478,223
Interest income	(595,011)	(463,730)
Loss on disposal	-	(28,770)
Financial Charges	64,969,940	31,106,262
Amortization of discount on Term Finance Certificates	413,866	189,090
Gain on remeasurement of investments	(9,897,446)	(1,283,188)

	90,484,682	52,497,382
Cash flow from operation before working capital changes	90,484,682	52,497,382
Change in Current assets		
Stores , Spares & Loose tools	-	(17,724,688)
Stocks in trade	-	(254,100,790)
Trade debts	-	(64,343,478)
Trade Deposits & short term prepayments	(1,113,548)	(10,204,543)
Sales Tax refundable	(12,101,421)	(6,609,392)
Short Term investment	(2,349,191)	(922,703)
	(15,564,160)	(353,905,594)
Change in Current liabilities		
Trade and other payables	(3,699,013)	11,062,410
Change in Working Capital	71,221,509	(290,345,802)
Receipts/Payments for		
Interest paid	(51,996,610)	(31,295,352)
Tax paid	(7,388,151)	(10,721,944)
Gratuity paid	(2,007,700)	-
	(61,392,461)	(42,017,296)
Net cash used in operating activities	9,829,048	(332,363,098)

**HALF YEAR ENDED
JULY TO DECEMBER**

2005 2004

Rupees

11 TRANSACTION WITH ASSOCIATED COMPANIES

Purchase of Yarn	60,572,728	102,257,757
Purchase of Waste	-	601,046
Purchase of Cotton	53,355,478	-
Purchase of Fabric/cloth	6,924,579	18,113,974
Dyeing and conversion charges	2,170,631	4,421,418
Purchase of Electricity	39,521,987	19,708,403
Sale of Yarn	50,560,729	44,894,481
Sale of Store	118,920	1,852,576
Sale of Waste	11,770,172	16,334,089
Sale of Cloth	50,490,798	31,935,867
Dyeing and conversion charges	11,554,688	7,948,489
Interest Income	399,999	352,877
Sale of Machinery	-	2,210,000

12 PRESENTATION

- Previous period figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. All amounts have been rounded off to the nearest rupee.
- All figures appearing the financial statements except 30 June 2005 figures are un audited.

13 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue on 28 February 2006 by the Board of Directors of the

CHIEF EXECUTIVE

DIRECTOR