

PARAMOUNT SPINNING MILLS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2009

1 THE COMPANY AND ITS OPERATIONS

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 registered office is located at Finlay House, I.I. Chundrigar Road, Karachi. The manufacturing facilities of the Company are located at Kotri, Chunian, Ferozewattwan and Raiwind. The Company is principally engaged in progressive manufacture and sales of cotton yarn, fabric, yarn dyeing, garments and home textile products.

2 BASIS OF PREPARATION

These condensed interim financial statements are unaudited but subject to limited scope review by external auditors. These are required to be presented to the shareholders under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS) IAS 34 " Interim Financial Reporting" as applicable in Pakistan. These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 30, June 2009.

3 SIGNIFICANT ACCOUNTING POLICIES

- 3.1 The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the company for the year ended June 30, 2009, except as disclosed below.
- 3.2 IAS - 1 (Revised) 'Presentation of financial statements' , (effective from January 1 , 2009) was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The company has adopted IAS 1 (Revised) with effect from July 1, 2009 and accordingly, items of income and expense that are not recognized in profit or loss, and non-owner changes in equity have been presented in a separate 'statement of comprehensive income' in these condensed interim financial statements.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial statement requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimates were same as those applied to the financial statements for the year ended June 30, 2009

		Unaudited 31 December 2009	Audited 30 June, 2009
		Rupees	
5. PROPERTY, PLANT AND EQUIPMENT	Note		
Operating fixed assets	5.1	747,320,344	759,398,140
Capital work in progress	5.2	6,529,662	944,556
		753,850,006	760,342,696
5.1 Operating fixed assets			
Opening book value		759,398,140	781,342,394
Additions during the period / year			
Owned			
- building on leased premises		-	1,437,103
- building on freehold land		459,975	3,446,688
- plant and machinery		4,870,215	9,592,071
- electric installations		1,451,246	1,639,061
- mill equipments		363,940	1,302,795
- office equipment		288,852	759,400
- furniture and fixtures		3,500	139,004
- vehicles		30,000	14,202
Leased			
- plant & machinery		-	32,712,300
- vehicles		1,202,000	652,000
		8,669,728	51,694,624
Transfer from CWIP during the period / year		-	7,056,016
Less:			
Book value of assets disposed-off during the period / year	5.1.1	-	(30,590,604)
Depreciation charge for the period / year		(20,747,524)	(43,048,273)
Closing book value		747,320,344	759,398,140

5.1.1 Disposals during the period / year-at book value

Owned:

- plant and machinery	-	29,974,142
- vehicles	-	616,462
	-	30,590,604

5.1.2 The company has given on rent power looms having cost of Rs. 100.49 million (2009: Rs. 100.49 million) and book value of Rs. 60.10 million (2009: 61.657 million) to Gulshan Weaving Mills Limited (an associated company) for production of clothes. The looms are installed at the premises of associated company.

		Unaudited 31 December 2009	Audited 30 June, 2009
		Rupees	
5.2 Capital work in progress			
At the beginning of the period		944,556	549,708
Addition during the period / year	5.2.1	5,585,106	7,450,864
Transfer to fixed assets during the period / year		-	(7,056,016)
At the end of the period / year		6,529,662	944,556
5.2.1 Capital work-in-progress			
Civil works		6,529,662	944,556
		6,529,662	944,556

	Note	Unaudited 31 December 2009	Audited 30 June, 2009
Rupees			
6. LONG TERM INVESTMENTS			
Associated Companies			
Listed			
Gulistan Textile Mills Limited	6.1	298,988,698	296,635,353
Gulistan Spinning Mills Limited	6.2	6,156,386	5,930,067
Unlisted			
Gulistan Fibers Limited	6.3	90,653,526	89,449,458
Gulistan Power Generation Limited	6.4	44,672,631	44,473,087
		<u>440,471,241</u>	<u>436,487,965</u>

6.1 Gulistan Textile Mills Limited

1,648,740 (2009:1,498,855) Ordinary shares of Rs. 10 each		108,659,040	108,659,040
Share of post acquisition profit		145,901,251	143,547,906
Share of surplus on revaluation of land		44,428,407	44,428,407
		<u>298,988,698</u>	<u>296,635,353</u>

Fair value of investments in associates is Rs. 35.613 million (2009:Rs. 13.489 million).

The Company holds 8.68% (2009: 8.68%) of equity of Gulistan Textile Mills Limited. The investee Company is an associate of the Company by virtue of common director.

Summarised financial information based on unaudited financial statements of Gulistan Textile Mills Limited for the half year ended December 31, 2009.

	As at December 31, 2009	As at 30, 2009
Rupees		
Assets	9,484,064,025	9,271,072,152
Liabilities	6,915,732,200	6,757,475,299
Net assets	<u>2,568,331,825</u>	<u>2,513,596,853</u>

6.2 Gulistan Spinning Mills Limited

202,777 (2009:184,343) ordinary shares of Rs. 10 each		2,346,250	2,346,250
Share of post acquisition profit		2,643,494	2,417,175
Share of surplus on revaluation of land		1,166,642	1,166,642
		<u>6,156,386</u>	<u>5,930,067</u>

The Company holds 1.39% (2009: 1.39%) of equity of Gulistan Textile Mills Limited. The investee Company is an associate of the Company by virtue of common director.

Summarised financial information based on unaudited financial statements of Gulistan Spinning Mills Limited for the half year ended December 31, 2009 .

	As at December 31, 2009	As at 30, 2009	June 2009
	Rupees		
Assets	1,724,037,246	1,676,348,584	
Liabilities	1,353,283,786	1,325,126,413	
Net assets	370,753,460	351,222,171	

6.3 Gulistan Fibers Limited

741,185 (2009:741,185) ordinary shares of Rs. 10 each	5,530,760	5,530,760
Share of post acquisition profit	75,494,823	74,290,755
Share of surplus on revaluation of land	9,627,943	9,627,943
	90,653,526	89,449,458

The Company holds 37.30% (2009: 37.30%) of equity of Gulistan Fibers Limited. The investee Company is an associate of the Company by virtue of common director.

The break up value per share is Rs. 106.40 (2009:Rs 100.71) as per latest available unaudited financial statements for the half year ended December 31, 2009.

Summarised financial information based on draft financial statements of Gulistan Fibers Limited for the half year ended December 31, 2009.

	As at December 31, 2009	As at 30, 2009	June 2009
	Rupees		
Assets	526,682,256	491,816,167	
Liabilities	312,040,286	291,690,898	
Net assets	214,641,970	200,125,269	

6.4 Gulistan Power Generation Limited

2,465,980 (2009:2,465,980) Ordinary shares of Rs. 10 each	22,418,000	22,418,000
Share of post acquisition profit	7,307,126	7,107,582
Share of surplus on revaluation of land	14,947,505	14,947,505
	44,672,631	44,473,087

The break up value per share is Rs. 27 (2009:Rs 26.94) as per latest available unaudited financial statements for the half year ended December 31, 2009.

Summarised financial information based on unaudited financial statements of Gulistan Power Generation Limited for the half year ended December 31, 2009 .

	As at December 31, 2009	As at 30, 2009	June
	Rupees		
Assets	397,655,402	406,022,989	
Liabilities	196,998,214	209,230,056	
Net assets	200,657,188	196,792,933	

7. Issued ,Subscribed and paid up Capital

During the period, the company issued 1,434,076 (June 30, 2009:1,000,519) ordinary shares of Rs. 10 /- each as fully paid bonus shares.

8. Contingencies and commitments

8.1 Contingencies

There were no significant change in contingencies as reported in note 29.1 in the annual financial statements for the year ended June 30, 2009.

8.2 Commitments

	As at December 31, 2009	As at 30, 2009
	Rupees	
Building and civil works	6,529,662	1,527,606
Guarantees issued to collector of Custom	11,851,000	10,951,700
Raw material - confirmed letter of credit	20,999,606	192,618,722
	39,380,268	205,098,028
Bills discounted	321,812,982	334,883,452

9. COST OF SALES

Note	QUARTER ENDED		HALF YEAR ENDED	
	31 December		31 December	
	2009	2008	2009	2008
	----- Rupees -----			
Stocks - opening	471,559,393	437,692,472	513,590,737	412,206,981
Cost of goods manufactured	574,572,067	677,885,159	1,139,593,353	1,289,803,124
Purchases of finished goods	28,149,681	26,334,311	66,792,459	66,262,286
	602,721,748	704,219,470	1,206,385,812	1,356,065,410
	1,074,281,141	1,141,911,942	1,719,976,549	1,768,272,391
Stocks - closing	(504,373,981)	(660,487,953)	(504,373,981)	(660,487,953)
	569,907,160	481,423,989	1,215,602,568	1,107,784,438

9.1 Cost of goods manufactured

Work in process - opening	40,220,748	73,990,205	51,045,236	71,300,136
Raw materials and components consumed	446,530,575	469,366,246	840,183,992	920,013,472
Overheads	156,768,232	188,517,218	317,311,613	352,535,628
	603,298,807	657,883,464	1,157,495,605	1,272,549,100
	643,519,555	731,873,669	1,208,540,841	1,343,849,236
Work in process - closing	(68,947,488)	(54,046,112)	(68,947,488)	(54,046,112)
	574,572,067	677,827,557	1,139,593,353	1,289,803,124

	HALF YEAR ENDED	
	31 December	31 December
	2009	2008
	Rupees	
10. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	43,203,503	24,524,126
Adjustments for non cash charges and other items:		
Depreciation	20,747,524	22,608,514
Provision of gratuity	5,487,126	3,134,493
Interest income	(568,158)	(519,263)
Worker's profit participation fund	2,020,964	990,377
Gain on sale of property, plant and equipment	-	(28,538)
Gain on sale of investments	(450,700)	-
Share of profit from associate	(3,983,276)	(5,706,970)
Dividend income	(311)	(397)
Deferred Income	(315,805)	(378,967)
Finance Cost	119,663,548	99,243,322
Exchange gain on foreign currency	(1,948)	(2,518,979)
Loss on remeasurement of investment		3,023,032
	142,598,964	119,846,624
Cash flow from operating activities before working capital changes	185,802,467	144,370,750
(Increase)/decrease in current assets		
Stores , spares parts and loose tools	(4,896,177)	4,987,209
Stock in trade	165,285,172	(50,916,130)
Trade debts	33,357,130	38,484,772
Loan and advances	(8,565,397)	(36,958,255)
Trade deposits and short term prepayments	(480,276)	502,298
Other receivables	(8,235,525)	8,403,536
	176,464,927	(35,496,570)
Increase in current liabilities		
Trade and other payables	(92,466,920)	(8,764,235)
Cash generated from operating activities	269,800,474	100,109,945
Receipts/Payments for		
Interest paid	(114,234,943)	(82,320,270)
Interest received	567,358	990,377
Taxes paid	(13,852,965)	(10,110,062)
Gratuity paid	(5,962,499)	(5,805,945)
	(133,483,049)	(97,245,900)
Net cash from operating activities	136,317,425	2,864,046

11. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its Associated Companies, employee benefit plan, its directors and key management personnel. Transactions with related parties are carried-out on arm's length basis. There were no transactions with key management personnel other than under the terms of employment. Aggregate transactions with Associated Companies during the period were as follows:

Nature of transaction	Relationship with the company	HALF YEAR ENDED	
		Unaudited 31 December 2009	Unaudited 31 December 2008
		Rupees	
Transactions			
Purchase of goods and services	Associated Companies	182,965,729	133,665,868
Sale of goods and services	Associated Companies	140,359,938	16,267,438
Dyeing and conversion charges	Associated Companies	12,453,892	12,341,772
Processing charges	Associated Companies	42,650,421	66,477,275
Provision for gratuity	Post Employment benefits	5,487,126	3,134,493
Salaries and other benefits	Key management personnel	1,478,313	3,103,326
		Unaudited 31 December 2009	Audited 30 June 2009
		Rupees	
Balances			
Receivables	Associated Companies	38,717,811	15,300,478
Payables	Associated Companies	-	17,392,583
Post retirement benefit	Defined benefit plan	30,116,146	30,591,519

12. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on **1 March 2010** by the Board of Directors of the Company.

13. GENERAL

Figures in the condensed interim financial statements have been rounded-off to the nearest Rupees.

CHIEF EXECUTIVE

DIRECTOR