

PARAMOUNT SPINNING MILLS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2007

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 Rawind. 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 the 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 (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 2007.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements for the half year ended 31 December 2007 are consistent with those followed in the preparation of the Company's annual audited financial statements for the year ended 30 June 2007.

4 APPLICATION OF EQUITY METHOD

These condensed interim financial statements are unaudited but subject to limited scope review by the 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 (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 2007.

4 CHANGE IN ACCOUNTING ESTIMATES

Effective from the current period, the company has made a change in accounting estimate in respect of method of computation of depreciation on plant and machinery from 10% to 5%. The company has reassessed the remaining useful life of its plant and machinery and considers that its net book values as at 30 June 2007 will be more appropriately written-off over the remaining useful life of the asset .

The above change would result in more accurate allocation of depreciation expense to the accounting periods in which depreciable assets are utilized by the company . This change has been accounted for as a change in accounting estimate in accordance with International Accounting Standard (IAS 8) "Accounting policies, Changes in Accounting Estimates and Errors" and the effect of change has been recognised in the profit and loss account for the current period. Had this estimate not been revised , the depreciation expense for the period would have been higher by and the carrying value of plant and machinery would have been lower by Rs.12.6 million.

		Unaudited 31 December 2007 Rupees	Audited 30 June, 2007 Rupees
5. PROPERTY, PLANT AND EQUIPMENT	Note		
Operating fixed assets	5.1	748,925,211	757,705,247
Capital work in progress	5.2	14,948,244	14,811,048
		763,873,455	772,516,295
5.1 Tangible fixed assets			
Opening book value		757,705,247	785,643,916
Additions during the period / year			
Owned			
- building on leased premises		-	841,946
- building on freehold land		405,539	1,365,659
- plant & machinery		3,639,309	15,613,376
- electric installations		3,675,161	2,542,370
- factory equipment		1,652,749	3,232,199
- office equipment		158,415	1,967,562
- furniture & fixtures		127,975	1,378,101
- Vehicles		53,190	5,986,493
Leased			
- Plant & machinery		1,182,000	-
- Vehicles		1,542,000	-
		12,436,338	32,927,706
Transfer from CWIP during the period / year		-	8,205,598
Less:			
Book value of assets disposed-off during the period / year	5.1.1	(172,032)	(1,309,911)
Depreciation charge for the period / year		(21,044,342)	(67,762,062)
Closing book value		748,925,211	757,705,247
5.1.1 Disposals during the period / year-at book value			
Owned:			
Freehold Land		-	961,911
Vehicles		172,032	348,000
		172,032	1,309,911
5.2 Capital work in progress			
At the beginning of the period		14,811,048	22,839,444
Addition during the period / year	5.2.1	137,196	177,202
Transfer to fixed assets during the period / year		-	(8,205,598)
At the end of the period / year		14,948,244	14,811,048
5.2.1 Capital work-in-progress			
Civil works		-	177,202
Plant & machinery - letters of credit		137,196	-
		137,196	177,202
6. Stock in trade			
Raw Material		439,304,381	360,599,897
Packing Material		45,871,469	29,003,643
Work in progress		93,063,128	90,596,144
Finished goods		412,548,731	222,242,634
		990,787,709	702,442,318

7. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

During the period, the company issued 1,212,750(30 June 2007:1,102,500) ordinary shares of Rs.10/- each as fully paid bonus shares.

8. LONG TERM FINANCING

Unaudited 31 December 2007 Rupees	Audited 30-Jun 2007 Rupees
100,000,000	82,300,000

During the period ,the company has obtained a new loan amounting to Rs. 17.700 million (30 June 2007: 82.300 million) from Premier (Pvt) Limited,an associate for Working Capital Management.The loan carries mark up at the rate of 6 months KIBOR + 1.25 % and is repayable in five years from the date of disbursement. Repayments of other bank loans amounting to Rs.81,095 million (30 June 2007:156.257 million) were made in line with previous disclosed repayments terms.

9. CONTINGENCIES AND COMMITMENTS

9.1 CONTINGENCIES

There were no significant changes in contingencies as reported in note 28.1 in the annual financial statements for the year ended 30 June 2007.

COMMITMENTS

9.2 Guarantees issued by banks to Collector of Custom on behalf of the Company aggregated to Rs.5.852 million (30 June 2007: Rs.5.852 million).

Commitments in respect of buildings and civil works aggregated to Rs.3.457 million(30 June 2007: Rs.4.527 million).

9.3 Commitments in respect of confirmed letters of credit:

	Unaudited 31 December 2007 Rupees	Audited 30 June, 2007 Rupees
Raw Materials	1,315,925	-
Stores and Spare parts	743,000	3,532,228
Plant & machinery	241,542	
	2,300,467	3,532,228

10. COST OF SALES

Note	QUARTER ENDED		HALF YEAR ENDED	
	31 December		31 December	
	2007	2006	2007	2006
	----- Rupees -----			
Stocks - opening	260,318,288	142,572,312	222,242,634	166,237,720
Cost of goods manufactured	547,060,641	408,420,187	1,052,631,011	795,166,194
Purchases of finished goods	54,553,255	21,643,882	54,553,255	27,846,624
	601,613,896	430,064,069	1,107,184,266	823,012,818
	861,932,184	572,636,381	1,329,426,900	989,250,538
Stocks - closing	(412,548,731)	(180,294,662)	(412,548,731)	(180,294,662)
	449,383,453	392,341,719	916,878,169	808,955,876
10.1 Cost of goods manufactured				
Work in process - opening	99,384,701	37,951,592	90,596,144	53,025,800
Raw materials and components consumed	414,829,793	282,934,477	748,391,988	515,193,167
Overheads	125,909,275	148,854,797	306,706,007	288,267,906
	540,739,068	431,789,274	1,055,097,995	803,461,073
	640,123,769	469,740,866	1,145,694,139	856,486,873
Work in process - closing	93,063,128	(61,320,679)	(93,063,128)	(61,320,679)
	547,060,641	408,420,187	1,052,631,011	795,166,194

	HALF YEAR ENDED	
	31 December	31 December
	2007	2006
	Rupees	Rupees
11. CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	41,816,760	(9,761,404)
Adjustments for non cash charges and other items:		
Depreciation	21,044,342	34,813,481
Provision of gratuity	4,397,222	3,151,854
Interest income	(290,739)	(1,379,537)
Worker's profit participation fund	2,200,882	-
Gain on sale of property, plant and equipment	(27,968)	(182,000)
Dividend income	(138)	(50,214)
Deferred Income	(362,828)	-
Finance Cost	82,720,219	67,273,570
Amortization of discount on term finance certificates	166,566	413,868
Gain on sale of investments	(35,872,122)	(150,689)
Gain on remeasurement of investments	(1,708,740)	(3,655,546)
	72,266,696	100,234,787
Cash flow from operating activities before working capital changes	114,083,456	90,473,383
(Increase) in current assets		
Stores , spares parts & loose tools	(9,971,369)	(32,339,083)
Stock in trade	(288,345,391)	(360,816,605)
Trade debts	31,112,015	(15,111,382)
Loan and advances	(5,503,495)	(15,689,576)
Trade Deposits & short term prepayments	(5,107,449)	(2,845,701)
Other receivables	(6,546,792)	7,316,993
	(284,362,481)	(419,485,354)
Increase in current liabilities		
Trade and other payables	17,926,356	40,767,058
Cash generated from / (used in) operating activities	(152,352,669)	(288,244,913)
Receipts/Payments for		
Interest paid	(65,180,347)	(58,748,903)
Interest received	2,475,061	279,325
Taxes paid	(7,030,542)	(9,074,749)
Gratuity paid	(2,497,458)	(1,099,415)
	(72,233,286)	(68,643,742)
Net cash used in operating activities	(224,585,955)	(356,888,655)

12. 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 2007 Rupees	Unaudited 31 December 2007 Rupees
Transactions			
Purchase of Yarn	Associated Companies	21,203,792	77,215,081
Purchase of Waste	Associated Companies	52,122,100	-
Purchase of Fabric/cloth	Associated Companies	36,385,262	27,097,280
Processing, Dyeing and conversion charges	Associated Companies Associated Companies	79,750,792	9,627,021
Purchase of Electricity	Associated Companies	43,016,330	40,455,767
Sale of Yarn	Associated Companies	2,262,000	58,080,052
Sale of Store	Associated Companies		1,535,520
Sale of Cotton	Associated Companies	-	21,695,681
Sale of waste	Associated Companies	347,300	19,443,525
Sales of Cloth	Associated Companies	3,651,812	13,797,340
Dyeing and conversion charges	Associated Companies	18,168,057	5,811,821
Interest Income	Associated Companies	-	1,109,040
Provision for gratuity	Post Employment benefits	4,397,458	3,151,854
Salaries and other benefits	Key management personnel	1,849,093	1,849,093
Balances			
Prepayments	Associated Companies	6,408,363	2,193,000
Mark up Accrued	Associated Companies	-	2,200,000
Trade debts	Associated Companies	65,579,208	57,403,958
Trade & other payables	Associated Companies	37,195,878	14,658,574
Loan from associates	Associated Companies	100,000,000	82,300,000
Markup accrued	Associated Companies	9,479,745	4,489,860

13. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on **29 February 2008** by the Board of Directors of the Company.

14. GENERAL

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

CHIEF EXECUTIVE

DIRECTOR