

PARAMOUNT SPINNING MILLS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER, 2008

1. CORPORATE INFORMATION

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, Ferozewattan 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

2.1 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 Accounting Standards (IAS)-34 "Interim Financial Reporting", as applicable in Pakistan. These condensed interim financial statements do not include all the informations and disclosures 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 2008.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The present accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements for the half year ended 31 December 2008 are consistent with those applied in the preparation of the preceding published financial statements of the Company for the year ended 30 June, 2008.

3. FIXED ASSETS

	Note	Unaudited 31 December 2008 Rupees	Audited 30 June, 2008 Rupees
Operating fixed assets	3.1	764,677,118	781,342,394
Capital work in progress	3.2	2,122,398	549,708
		766,799,516	781,892,102

3.1 Tangible fixed assets

Opening book value		781,342,394	757,705,247
Additions during the period / year			
Owned			
- building on leased premises		-	325,008
- building on freehold land		199,198	803,096
- plant & machinery		3,297,517	40,714,612
- electric installations		892,074	4,120,124
- factory equipment		913,920	3,526,760
- office equipment		496,202	1,277,847
- furniture & fixtures		68,729	233,579
- Vehicles		1,067,285	328,224
Leased			
- Plant & machinery		30,000,000	7,268,921
- Vehicles		652,000	3,909,000
		37,586,925	62,507,171
Transfer from CWIP during the period / year		-	14,357,769
Less: Book value of assets disposed-off / transfer during the period / year	3.1.1	(31,643,687)	(9,883,025)
Depreciation charge for the period / year		(22,608,514)	(43,344,768)
Closing book value		764,677,118	781,342,394

	Note	Unaudited 31 December 2008 Rupees	Audited 30 June, 2008 Rupees
3.1.1 Disposals / transfer during the period / year-at book value			
Owned / Leased:			
Plant and machinery		29,974,142	6,264,222
Factory equipment		-	929,216
Vehicles		1,669,545	2,689,587
		<u>31,643,687</u>	<u>9,883,025</u>
3.2 Capital work-in-progress			
At the beginning of the period		549,708	14,811,048
Addition during the period / year	3.2.1	1,572,690	96,429
Transfer to fixed assets during the period / year		-	(14,357,769)
At the end of the period / year		<u>2,122,398</u>	<u>549,708</u>
3.2.1 Capital work-in-progress			
Civil works		1,565,781	99,429
Plant & machinery - letters of credit		6,909	-
		<u>1,572,690</u>	<u>99,429</u>
4. LONG TERM INVESTMENTS			
Associated companies	4.1	439,421,414	420,818,918
		<u>439,421,414</u>	<u>420,818,918</u>
4.1 Associated Companies			
Listed			
Gulistan Textile Mills Limited	4.1.1	297,496,530	287,248,588
Gulistan Spinning Mills Limited	4.1.2	5,808,613	5,662,277
Unlisted			
Gulistan Fiber Limited	4.1.3	91,547,383	85,233,208
Gulistan Power Generation Limited	4.1.4	44,568,888	42,674,845
		<u>439,421,414</u>	<u>420,818,918</u>
4.1.1 Gulistan Textile Mills Limited			
1,498,855 (2008:1,394,285) Ordinary shares of Rs.10 each		108,659,040	108,659,040
Share of post acquisition profits less dividend received		143,916,705	143,410,484
Share of surplus on revaluation of land		44,920,785	35,179,064
		<u>297,496,530</u>	<u>287,248,588</u>

Fair value of investments in associates is Rs.37.277 (30 June 2008: Rs 37.646) million.

The Company holds 8.68 % (30 June 2008: 8.68 %) of equity of Gulistan Textile Mills limited. The investee company is an associate of the Company by virtue of common directorship.

Note	Unaudited 31 December 2008 Rupees	Audited 30 June, 2008 Rupees
4.1.2 Gulistan Spinning Mills Limited		
184,343 (2008: 167,585) ordinary shares of Rs 10 each	2,346,250	2,346,250
Share of post acquisition profits	2,295,679	2,232,554
Share of surplus on Revaluation of land	1,166,684	1,083,473
	5,808,613	5,662,277

Fair value of investments in associates is Rs. 1.322 (30 June 2008: Rs 2.515) million.

The Company holds 1.39 % (30 June 2008 :1.39 %) of equity of Gulistan Spinning Mills limited. The investee company is an associate of the Company by virtue of common directorship.

4.1.3 Gulistan Fibres Limited		
741,185 (2008: 741,185) ordinary shares of Rs 10 each	5,530,760	5,530,760
Share of post acquisition profits	76,287,560	72,004,186
Share of surplus on Revaluation of land	9,729,063	7,698,262
	91,547,383	85,233,208

The Company 's Break up value per share is Rs.103.39 (30 June 2008:Rs 96.57) as per latest available unaudited financial statements for the half year ended 31 December 2008.

The Company holds 37.30 % (30 June 2008: 37.30 %) of equity of Gulistan Fibres limited. The investee company is an associate of the Company by virtue of common directorship.

4.1.4 Gulistan Power Generations Limited		
2,465,983 (2008: 2,465,980) ordinary shares of Rs 10 each	22,418,000	22,418,000
Share of post acquisition profits	7,192,375	6,338,125
Share of surplus on Revaluation of land	14,958,513	13,918,720
	44,568,888	42,674,845

The Company 's Break up value per share is Rs.32.67 (30 June 2008:Rs.25.55) as per latest available unaudited financial statements for the half year ended 31 December 2008.

The Company holds 33.76% (30 June 2008 : 33.76%) of equity of Gulistan Power Generations limited. The investee company is an associate of the Company by virtue of common directorship.

5. Stock in trade

Raw Material	491,090,125	672,679,686
Packing Material	37,438,748	35,960,748
Work in progress	54,046,112	71,300,136
Finished goods	660,487,953	412,206,981
	1,243,062,938	1,192,147,551

6. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

During the period, the company issued 1,000,519 (30 June 2008:1,212,750) ordinary shares of Rs.10/- each as fully paid bonus shares.

7. CONTINGENCIES AND COMMITMENTS

7.1 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 2008.

COMMITMENTS

7.2 Guarantees issued by banks to Collector of Custom on behalf of the Company aggregated to Rs.9.452 million (30 June 2008: Rs.6.851 million).

Commitments in respect of buildings and civil works aggregated to Rs.1.592 million (30 June 2008: Rs.1.592 million).

7.3 Commitments in respect of confirmed letters of credit:

	Unaudited 31 December 2008 Rupees	Audited 30 June, 2008 Rupees
Raw Materials	1,579,819	-
Stores and Spare parts	880,600	3,000,000
Plant & machinery	-	501,653
	2,460,419	3,501,653

8. COST OF SALES

Note	QUARTER ENDED		HALF YEAR ENDED	
	31 December		31 December	
	2008	2007	2008	2007
	----- Rupees -----			
Stocks - opening	437,692,472	260,318,288	412,206,981	222,242,634
Cost of goods manufactured	677,885,159	547,060,641	1,289,803,124	1,052,631,011
Purchases of finished goods	26,334,311	54,553,255	66,262,286	54,553,255
	704,219,470	601,613,896	1,356,065,410	1,107,184,266
	1,141,911,942	861,932,184	1,768,272,391	1,329,426,900
Stocks - closing	(660,487,953)	(412,548,731)	(660,487,953)	(412,548,731)
	481,423,989	449,383,453	1,107,784,438	916,878,169

8.1 Cost of goods manufactured

Work in process - opening	73,990,205	99,384,701	71,300,136	90,596,144
Raw materials and components consumed	469,366,246	414,829,793	920,013,472	748,391,988
Overheads	188,517,218	125,909,275	352,535,628	306,706,007
	657,883,464	540,739,068	1,272,549,100	1,055,097,995
	731,873,669	640,123,769	1,343,849,236	1,145,694,139
Work in process - closing	(54,046,112)	(93,063,128)	(54,046,112)	(93,063,128)
	677,827,557	547,060,641	1,289,803,124	1,052,631,011

	HALF YEAR ENDED	
	31 December	31 December
	2008	2007
	Rupees	Rupees
9. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	18,817,156	41,816,760
Add/Less: Adjustments for non cash charges and other items		
Depreciation	22,608,514	21,044,342
Provision of gratuity	3,134,493	4,397,222
Finance Cost	99,243,322	82,720,219
Interest income	(519,263)	(290,739)
Worker's profit participation fund	990,377	2,200,882
Gain on sale of fixed assets	(28,538)	(27,968)
Dividend income	(397)	(138)
Deferred Income	(378,967)	(362,828)
Exchange gain on foreign currency	(2,518,979)	-
Amortization of discount on term finance certificates	-	166,566
Gain on sale of investments	-	(35,872,122)
Loss/(Gain) on remeasurement of investments	3,023,032	(1,708,740)
	125,553,594	72,266,696
Cash flow from operating activities before working capital changes	144,370,750	114,083,456
(Increase)/ Decrease in current assets		
Stores , spares parts & loose tools	4,987,209	(9,971,369)
Stock in trade	(50,916,130)	(288,345,391)
Trade debts	38,484,772	31,112,015
Loan and advances	(36,958,255)	(5,503,495)
Trade Deposits & prepayments	502,298	(5,107,449)
Other receivables	8,403,536	(6,546,792)
	(35,496,570)	(284,362,481)
(Decrease) / Increase in current liabilities		
Trade and other payables	(8,764,235)	17,926,356
Cash generated from / (used in) operating activities	100,109,946	(152,352,669)
Receipts / Payments for		
Interest paid	(82,320,270)	(65,180,347)
Interest received	990,377	2,475,061
Taxes paid	(10,110,062)	(7,030,542)
Gratuity paid	(5,805,945)	(2,497,458)
	(97,245,900)	(72,233,286)
Net cash generated from / (used) in operating activities	2,864,046	(224,585,955)

10. 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 2008 Rupees	Unaudited 31 December 2007 Rupees
Transactions			
Purchase of goods and services	Associated Companies	133,665,868	152,727,484
Sale of goods and services	Associated Companies	16,267,438	6,261,112
Dyeing and conversion charges	Associated Companies	12,341,772	18,168,057
Processing charges	Associated Companies	66,477,275	79,750,792
Interest Income	Associated Companies	-	1,109,040
Others			
Provision for gratuity	Post Employment benefits	3,134,493	4,397,458
Salaries and other benefits	Key management personnel	3,103,326	1,849,093
Balances			
Prepayments	Associated Companies	2,847,337	2,847,337
Trade debts	Associated Companies	14,675,047	17,860,787
Trade & other payables	Associated Companies	28,406,727	6,063,563
Loan from associates	Associated Companies	129,085,000	129,085,000
Accrued mark up	Associated Companies	8,423,340	2,832,356

11. CORRESPONDING FIGURES

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

12. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on **28 February 2009** 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