

PARAMOUNT SPINNING MILLS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED 31 MARCH 2010

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 March 2010	Audited 30 June, 2009
		Rupees	
5. PROPERTY, PLANT AND EQUIPMENT	Note		
Operating fixed assets	5.1	743,405,867	759,398,140
Capital work in progress	5.2	6,945,676	944,556
		<u>750,351,543</u>	<u>760,342,696</u>
5.1 Operating fixed assets			
Opening book value		759,398,140	781,342,394
Additions during the period / year			
Owned			
- building on leased premises		588,096	1,437,103
- building on freehold land		460,016	3,446,688
- plant and machinery		6,178,462	9,592,071
- electric installations		2,051,027	1,639,061
- mill equipments		522,025	1,302,795
- office equipment		480,672	759,400
- furniture and fixtures		78,669	139,004
- vehicles		30,000	14,202
Leased			
- plant & machinery		2,506,000	32,712,300
- vehicles		2,434,000	652,000
		<u>15,328,967</u>	<u>51,694,624</u>
Transfer from CWIP during the period / year		586,536	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		(31,321,241)	(43,048,273)
Closing book value		<u>743,405,867</u>	<u>759,398,140</u>
5.1.1 Disposals during the period / year-at book value			
Owned:			
- plant and machinery		-	29,974,142
- vehicles		-	616,462
		<u>-</u>	<u>30,590,604</u>
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 cloth. The looms are installed at the premises of associated company.			
		Unaudited 31 March 2010	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	6,587,656	7,450,864
Transfer to fixed assets during the period / year		(586,536)	(7,056,016)
At the end of the period / year		<u>6,945,676</u>	<u>944,556</u>
5.2.1 Capital work-in-progress			
Civil works		6,945,676	944,556

6,945,676

944,556

6. 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.

7. Contingencies and commitments

7.1 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.

7.2 Commitments

	As at March 31, 2010	As at 30, 2009	June
	Rupees		
Building and civil works	6,945,676		1,527,606
Guarantees issued to collector of Custom	11,851,000		10,951,700
Raw material - confirmed letter of credit	141,062,040		192,618,722
	<u>159,858,716</u>		<u>205,098,028</u>
Bills discounted	<u>476,985,764</u>		<u>334,883,452</u>

8. COST OF SALES

Note	QUARTER ENDED		PERIOD ENDED	
	31 March		31 March	
	2010	2009	2010	2009
	----- Rupees -----			
Stocks - opening	504,373,981	660,487,953	513,590,737	412,206,981
Cost of goods manufactured	607,448,279	406,385,980	1,747,041,632	1,696,189,103
Purchases of finished goods	12,636,000	70,725,532	79,428,459	136,987,819
	<u>620,084,278</u>	477,111,512	<u>1,826,470,090</u>	1,833,176,922
	<u>1,124,458,259</u>	1,137,599,465	<u>2,340,060,827</u>	2,245,383,903
Stocks - closing	(502,639,057)	(478,631,830)	(502,639,057)	(478,631,830)
	<u>621,819,202</u>	658,967,635	<u>1,837,421,770</u>	1,766,752,073

8.1 Cost of goods manufactured

Work in process - opening	68,947,488	54,046,112	51,045,236	71,300,136
Raw materials and components consumed	453,004,718	278,504,984	1,293,188,710	1,198,518,456
Overheads	144,677,905	140,523,601	461,989,518	493,059,229
	<u>597,682,623</u>	419,028,585	<u>1,755,178,228</u>	1,691,577,685
	<u>666,630,111</u>	473,074,697	<u>1,806,223,464</u>	1,762,877,821
Work in process - closing	(59,181,832)	(66,688,717)	(59,181,832)	(66,688,717)
	<u>607,448,279</u>	406,385,980	<u>1,747,041,632</u>	1,696,189,103

	PERIOD ENDED	
	31 March	31 March
	2010	2009
	Rupees	
9. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	69,873,595	34,898,832
Adjustments for non cash charges and other items:		
Depreciation	31,321,241	32,263,740
Provision of gratuity	8,243,133	4,501,996
Interest income	(646,559)	37,080
Worker's profit participation fund	3,467,911	1,536,414
Gain on sale of property, plant and equipment	-	(28,538)
Gain on sale of investments	(56,620)	-
Share of profit from associate	(3,983,276)	(5,706,970)
Dividend income	(311)	(535)
Deferred Income	(568,449)	(568,449)
Finance Cost	171,669,948	161,584,098
Exchange gain on foreign currency	(1,125,361)	-
Loss on remeasurement of investment	(394,080)	2,651,992
	207,927,577	196,270,829
Cash flow from operating activities before working capital changes	277,801,172	231,169,661
(Increase)/decrease in current assets		
Stores , spares parts and loose tools	(4,641,495)	(8,803,812)
Stock in trade	34,986,675	(42,125,590)
Trade debts	(19,065,921)	(57,923,558)
Loan and advances	(14,810,237)	(6,195,723)
Trade deposits and short term prepayments	1,384,983	(483,476)
Other receivables	(11,068,091)	10,534,826
	(13,214,086)	(104,997,333)
Increase in current liabilities		
Trade and other payables	11,536,374	(34,766,799)
Cash generated from operating activities	276,123,460	91,405,529
Receipts/Payments for		
Interest paid	(176,932,350)	(145,937,247)
Interest received	1,777,737	481
Taxes paid	(19,754,801)	(16,505,125)
Gratuity paid	(7,645,119)	(6,686,039)
	(202,554,532)	(169,127,929)
Net cash from operating activities	73,568,928	(77,722,400)

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 March 2010	Unaudited 31 March 2009
		Rupees	
Transactions			
Purchase of goods and services	Associated Companies	275,533,105	235,859,975
Sale of goods and services	Associated Companies	194,557,272	30,166,263
Dyeing and conversion charges	Associated Companies	25,590,445	17,947,937
Processing charges pur	Associated Companies	34,680,759	95,147,740

11. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 30 **April 2010** by the Board of Directors of the Company.

12. GENERAL

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

CHIEF EXECUTIVE

DIRECTOR