

PARAMOUNT SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UN AUDITED)
FOR THE HALF YEAR ENDED 31 MARCH 2006

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.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the quarter ended 31 March 2006 are the same as those applied in the preparation of the annual audited financial statements for the year ended 30 June 2005.

4 PRESENTATION

- 4.1** 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.
- 4.2** All figures appearing the financial statements except 30 June 2005 figures are un audited.

5 FIXED ASSETS

	31 MARCH 2006	30 JUNE 2005
	Rupees	
Property, Plant and Equipment	748,090,133	751,322,206
Capital Work in Progress	76,736,520	60,661,866
	824,826,653	811,984,072

5.1 Property, Plant and Equipment- Additions

Owned:

Freehold Land	-	25,983,050
Building on Leased premises	10,203,536	87,581,725
Building Residential	1,316,240	2,738,166
Plant and machinery	35,716,946	232,234,535
Electric Installation	1,033,458	-
Factory Equipment	2,043,314	
Office equipment	370,656	7,839,807
Air Conditioner	-	31,800
Furniture and fittings	550,143	3,391,981
Vehicles	6,677,990	1,567,081

Leased:

Plant & Machinery	-	17,282,908
Vehicles	879,000	8,123,000

-	58,791,283	386,774,053
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5.2 Disposals / Transfer

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
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	31 MARCH 2006	30 JUNE 2005
	Rupees	

6 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,

7 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 JANUARY TO MARCH		ACCUMULATIVE JULY TO MARCH	
2006	2005	2006	2005

Rupees

8 SALES

Export Sales	9.1	244,934,225	168,869,266	769,094,797	573,997,237
Local Sales	9.2	157,151,808	193,646,916	459,569,271	456,063,331
		402,086,033	362,516,182	1,228,664,068	1,030,060,569

8.1 Export Sales

Yarn		181,378,671	127,175,556	519,385,241	467,713,413
Cloth		673,380	2,523,083	3,632,960	39,878,958
Garment		40,596,799	20,592,337	194,480,653	50,624,354
Bed Sheet		16,908,344	20,229,712	42,365,305	20,229,712
Exchange gain		5,017,177	961,607	7,565,253	4,068,617
Export Rebate		3,755,774	7,918	13,577,118	74,449
		248,330,145	171,490,213	781,006,530	582,589,503
Less: Commission		(3,395,920)	(2,620,947)	(11,911,733)	(8,592,265)
		244,934,225	168,869,266	769,094,797	573,997,237

8.2 Local Sale

Yarn		35,847,380	96,332,980	176,220,930	242,303,614
Cloth		98,931,930	84,842,812	214,438,358	184,349,605
Garment		2,599,184	422,976	2,804,959	5,661,861
Processing		21,969,842	13,055,853	73,535,891	27,802,720
		159,348,336	194,654,621	467,000,138	460,117,799
Less: Commission		(2,234,885)	(993,227)	(6,491,697)	(4,039,990)
Discount & quality claim		38,357	(14,478)	(939,170)	(14,478)
		(2,196,528)	(1,007,705)	(7,430,867)	(4,054,468)
		157,151,808	193,646,916	459,569,271	456,063,331

9 COST OF SALES

Stocks at beginning		95,081,488	74,801,717	98,652,278	126,832,622
Cost of goods manufactured	9.1	350,736,479	297,894,706	1,048,745,885	810,797,416
Finished goods purchases		903,000	5,004,328	1,053,855	43,737,943
		351,639,479	302,899,034	1,049,799,740	854,535,359
		446,720,967	377,700,751	1,148,452,018	981,367,981
Stocks at end		(110,638,713)	(71,588,383)	(110,638,713)	(71,588,383)
		336,082,254	306,112,368	1,037,813,305	909,779,598

9.1 Cost of goods manufactured

Work in process at beginning		41,171,172	26,107,821	45,890,442	16,141,525
Raw material & components consumed		241,034,102	178,129,629	681,426,819	590,866,749
Overheads		100,025,033	111,809,501	352,922,453	221,941,387
		382,230,307	316,046,951	1,080,239,714	828,949,661
Work in process at end		(31,493,829)	(18,152,245)	(31,493,829)	(18,152,245)
		350,736,479	297,894,706	1,048,745,885	810,797,416

10 OTHER INCOME

Miscellaneous income/(loss)		489,648	834,998	1,029,537	1,257,897
Remeasurement gain or (loss) on invest		(4,386,146)	(4,083,413)	5,617,586	(2,800,225)
		(3,896,498)	(3,248,415)	6,647,123	(1,542,328)

ACCUMULATIVE JULY TO MARCH	
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2006	2005
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RUPEES

11 CASH FLOW FROM OPERATING ACTIVITIES

Net Profit/(loss) before taxation	23,296,876	(1,546,608)
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Adjustments

Depreciation	53,387,356	33,852,889
Provision of gratuity	2,752,904	3,962,456
Interest income	(1,073,998)	(463,729)
Loss on disposal	-	(28,770)
Financial Charges	96,230,153	60,265,549
Amortization of discount on Term Finance Certificates	620,800	839,408
Gain on remeasurement of investments	(5,617,586)	2,800,225
	146,299,629	101,228,027

Cash flow from operation before working capital changes	169,596,505	99,681,419
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Change in Current assets

Stores , Spares & Loose tools	(4,130,966)	263,673
Stocks in trade	(244,918,639)	(188,582,549)
Trade debts	(89,480,048)	(68,819,362)
Trade Deposits & short term prepayments	1,601,858	(11,445,202)
Short Term investment	(14,642,656)	(7,656,120)
	(351,570,451)	(276,239,560)

Change in Current liabilities

Trade and other payables	1,204,972	44,697,431
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Change in Working Capital

	(180,768,973)	(131,860,710)
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Receipts/Payments for

Interest paid	(84,434,609)	(61,104,957)
Dividend paid	-	(10,500,000)
Tax paid	(6,234,958)	-
Gratuity paid	(2,362,201)	(2,838,428)
	(93,031,768)	(74,443,385)

Net cash used in operating activities	(273,800,741)	(206,304,095)
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ACCUMULATIVE JULY TO MARCH	
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2006	2005
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Rupees

12 TRANSACTION WITH ASSOCIATED COMPANIES

Purchase of Yarn	108,371,757	122,264,569
Purchase of Waste	-	712,139
Purchase of Cotton	53,355,478	-
Purchase of Fabric/cloth	9,088,889	22,456,470
Dyeing and conversion charges / Others	10,107,712	7,760,724
Purchase of Electricity	59,419,493	58,026,531
Sale of Yarn	77,284,122	85,337,886
Sale of Store / Machinery	40,920	5,501,669
Sale of Waste	22,774,180	23,309,970
Sale of Cloth	102,255,477	43,922,711
Dyeing and conversion charges	11,972,794	13,826,584
Interest Income	1,000,001	700,000
Dividend Income	-	926,948

Transactions with related parties are made at arm's length basis. The price charged to related party is generally determined under the "Comparable Uncontrolled Price Method".

13 SEASONALITY OR CYCLICALITY OF OPERATIONS

The textile business is an all year business, however, major raw material purchases i.e. cotton, take place during the four months from October to January. This leads to higher figures in respect of socks and bank borrowings reflected during these periods.

14 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue on 29 April 2006 by the Board of Directors of the

TANVEER AHMED
CHIEF EXECUTIVE

ABDUL SHAKOOR
DIRECTOR