

**PARAMOUNT SPINNING MILLS LIMITED**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS ( UN AUDITED)**  
**FOR THE PERIOD ENDED 31 MARCH 2008**

**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 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.17.5 million.

		Unaudited 31 March 2008 Rupees	Audited 30 June, 2007 Rupees
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>	<b>Note</b>		
Operating fixed assets	5.1	736,696,727	757,705,247
Capital work in progress	5.2	15,100,694	14,811,048
		<u>751,797,421</u>	<u>772,516,295</u>
<b>5.1 Tangible fixed assets</b>			
Opening book value		757,705,247	785,643,916
Additions during the period / year			
<b>Owned</b>			
- building on leased premises		-	841,946
- building on freehold land		517,643	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		215,553	1,378,101
- Vehicles		118,475	5,986,493
<b>Leased</b>			
- Plant & machinery		1,182,000	-
- Vehicles		1,542,000	-
		<u>12,701,305</u>	<u>32,927,706</u>
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		(33,537,793)	(67,762,062)
Closing book value		<u>736,696,727</u>	<u>757,705,247</u>
<b>5.1.1 Disposals during the period / year-at book value</b>			
<b>Owned:</b>			
Freehold Land		-	961,911
Vehicles		172,032	348,000
		<u>172,032</u>	<u>1,309,911</u>
<b>5.2 Capital work in progress</b>			
At the beginning of the period		14,811,048	22,839,444
Addition during the period / year	5.2.1	289,646	177,202
Transfer to fixed assets during the period / year		-	(8,205,598)
At the end of the period / year		<u>15,100,694</u>	<u>14,811,048</u>
<b>5.2.1 Capital work-in-progress</b>			
Civil works		-	177,202
Plant & machinery - letters of credit		289,646	-
		<u>289,646</u>	<u>177,202</u>
<b>6. Stock in trade</b>			
Raw Material		742,044,752	360,599,897
Packing Material		48,333,400	29,003,643
Work in progress		148,473,574	90,596,144
Finished goods		372,610,002	222,242,634
		<u>1,311,461,728</u>	<u>702,442,318</u>

## 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. CONTINGENCIES AND COMMITMENTS

### 8.1 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

### 8.2 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.3.674 million(30 June 2007: Rs.4.527 million).

### 8.3 Commitments in respect of confirmed letters of credit:

	Unaudited 31 March 2008 Rupees	Audited 30 June, 2007 Rupees
Raw Materials	2,246,926	-
Stores and Spare parts	24,932	3,532,228
Plant & machinery	21,525	-
	<b>2,293,383</b>	<b>3,532,228</b>

## 9. COST OF SALES

Note	QUARTER ENDED		PERIOD ENDED	
	31-Mar		31-Mar	
	2008	2007	2008	2007
	----- Rupees -----			
Stocks - opening	412,548,731	180,294,662	222,242,634	166,237,720
Cost of goods manufactured	622,834,651	336,778,475	1,675,465,662	1,131,984,380
Purchases of finished goods	36,324,799	46,464,246	90,878,054	74,310,873
	<b>659,159,450</b>	<b>383,242,721</b>	<b>1,766,343,716</b>	<b>1,206,295,253</b>
	<b>1,071,708,181</b>	<b>563,537,383</b>	<b>1,988,586,350</b>	<b>1,372,532,973</b>
Stocks - closing	<b>(372,610,002)</b>	<b>(224,662,937)</b>	<b>(372,610,002)</b>	<b>(224,662,937)</b>
	<b>699,098,179</b>	<b>338,874,446</b>	<b>1,615,976,348</b>	<b>1,147,870,036</b>

### 9.1 Cost of goods manufactured

Work in process - opening	93,063,128	61,320,679	90,596,144	53,025,800
Raw materials and components consumed	531,861,675	208,766,318	1,280,253,663	723,999,196
Overheads	146,383,422	114,982,583	453,089,429	403,250,489
	<b>678,245,097</b>	<b>323,748,901</b>	<b>1,733,343,092</b>	<b>1,127,249,685</b>
	<b>771,308,225</b>	<b>385,069,580</b>	<b>1,823,939,236</b>	<b>1,180,275,485</b>
Work in process - closing	<b>(148,473,574)</b>	<b>(48,291,105)</b>	<b>(148,473,574)</b>	<b>(48,291,105)</b>
	<b>622,834,651</b>	<b>336,778,475</b>	<b>1,675,465,662</b>	<b>1,131,984,380</b>

	PERIOD ENDED	
	31 March	31 March
	2008	2007
	Rupees	Rupees
<b>10. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	51,210,494	(13,588,998)
<b>Adjustments for non cash charges and other items:</b>		
Depreciation	33,537,795	48,399,139
Provision of gratuity	5,905,222	4,557,312
Interest income	(456,348)	(2,052,932)
Worker's profit participation fund	2,695,289	-
Gain on sale of property, plant and equipment	(27,968)	(1,395,089)
Dividend income	(500)	(50,335)
Deferred Income	(544,241)	-
Finance Cost	130,632,803	98,540,485
Amortization of discount on term finance certificates	191,503	620,802
Gain on sale of investments	(35,878,651)	(150,689)
Gain on remeasurement of investments	0	(1,404,598)
	<b>136,054,904</b>	<b>147,064,095</b>
<b>Cash flow from operating activities before working capital changes</b>	<b>187,265,397</b>	<b>133,475,097</b>
<b>(Increase) in current assets</b>		
Stores , spares parts & loose tools	(12,784,456)	2,840,280
Stock in trade	(559,019,410)	(439,706,701)
Trade debts	(58,548,826)	(112,214,721)
Loan and advances	41,915,655	1,388,155
Trade Deposits & short term prepayments	1,645,126	(13,431,543)
Other receivables	7,473,846	2,880,277
	<b>(579,318,065)</b>	<b>(558,244,253)</b>
<b>Increase in current liabilities</b>		
Trade and other payables	35,807,607	70,100,633
<b>Cash generated from / (used in) operating activities</b>	<b>(356,245,061)</b>	<b>(354,668,523)</b>
<b>Receipts/Payments for</b>		
Interest paid	(111,803,913)	(97,848,395)
Interest received	2,603,807	349,412
Taxes paid	(12,117,835)	(11,683,542)
Gratuity paid	(3,541,459)	(1,188,447)
	<b>(124,859,400)</b>	<b>(110,370,972)</b>
<b>Net cash used in operating activities</b>	<b>(481,104,460)</b>	<b>(465,039,495)</b>

## 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 March 2008 Rupees	Unaudited 31 March 2007 Rupees
<b>Transactions</b>			
Purchase of Yarn	Associated Companies	38,218,891	123,003,413
Purchase of Waste / Store	Associated Companies	89,128,289	573,428
Purchase of Fabric/cloth	Associated Companies	48,428,000	49,339,694
Processing, Dyeing and conversion charges	Associated Companies Associated Companies	104,746,993	9,627,021
Purchase of Electricity	Associated Companies	63,885,525	59,750,292
Sale of Yarn	Associated Companies	2,262,000	67,599,073
Sale of Store	Associated Companies	-	1,632,746
Sale of Cotton	Associated Companies	-	59,129,533
Sale of waste	Associated Companies	20,141,768	28,477,185
Sales of Cloth	Associated Companies	3,676,744	29,755,708
Dyeing and conversion charges	Associated Companies	27,638,462	15,821,282
Interest Income	Associated Companies	-	1,109,040
Provision for gratuity	Post Employment benefits	5,905,222	4,557,312
Salaries and other benefits	Key management personnel	1,849,093	1,849,093
<b>Balances</b>			
Prepayments	Associated Companies	3,906,622	2,193,000
Mark up Accrued	Associated Companies	-	2,200,000
Trade debts	Associated Companies	67,198,935	57,403,958
Trade & other payables	Associated Companies	24,330,349	14,658,574
Loan from associates	Associated Companies	112,300,000	82,300,000
Markup accrued	Associated Companies	9,847,833	4,489,860

## 12. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 30 April 2008 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