

PARAMOUNT SPINNING MILLS LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2011

1 THE COMPANY AND ITS OPERATIONS

Paramount Spinning Mills Limited (the Company) was incorporated as a public limited Company on 22 August 1981 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 Kotrti, 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 OF FINANCIAL INFORMATION

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The condensed interim financial information are being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi and Lahore Stock Exchanges.

The condensed interim financial information should be read in conjunction with the annual financial statement for the year ended June 30, 2010.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computations adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statement of the company for the year ended June 30, 2010.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumption that effect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Actual result may differ from these estimates 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 statement for the year ended June 30, 2010.

5 PROPERTY, PLANT AND EQUIPMENT

	Operating assets	Capital work in progress	(Un-audited) 31 March 2011	(Audited) 30 June 2010
----- (Rupees) -----				
<i>Cost</i>				
Opening balance	1,423,358,747	3,266,325	1,426,625,072	1,387,886,405
Additions / deletion-net	49,375,493	(181,501)	49,193,992	38,738,667
	1,472,734,240	3,084,824	1,475,819,064	1,426,625,072
<i>Accumulated depreciation</i>				
Opening balance	(663,215,570)	-	(663,215,570)	(625,221,941)
For the period / disposal	(32,134,277)	-	(32,134,277)	(37,993,629)
	(695,349,847)	-	(695,349,847)	(663,215,570)
Written down value	777,384,394	3,084,824	780,469,218	763,409,503
			March 31, 2011	June 30, 2010
			Rupees	

6 LONG TERM INVESTMENTS

Associated companies	6.1	459,454,695	448,247,039
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6.1 Associated Companies**Listed**

Gulistan Textile Mills Limited	6.2	331,938,370	308,255,041
Gulistan Spinning Mills Limited	6.3	9,466,791	6,812,717

Unlisted

Gulistan Fiber Limited	6.4	92,000,554	88,615,539
Gulistan Power Generation Limited	6.5	26,048,980	44,563,742
		459,454,695	448,247,039

6.2 Gulistan Textile Mills Limited

1,648,740 (June 2010: 1,648,740) Ordinary shares of Rs.10 each	108,659,040	108,659,040
Share of post acquisition profits	178,525,385	155,167,594
Share of surplus of revaluation of land	46,402,685	44,428,407
Less: Dividend received	(1,648,740)	-
	331,938,370	308,255,041

6.2.1 Fair value of investments in associates is Rs.32.150 millions (June 2010: Rs 35.712 millions)

6.2.2 The Company holds 8.68% (June 2010: 8.68%) of equity of Gulistan Textile Mills Limited. The investee Company is an associate of the Company by virtue of common directorship.

March 31, 2011 June 30, 2010
Rupees

6.3 Gulistan Spinning Mills Limited

202,777 (June 2010: 202,777) ordinary shares of Rs 10 each	2,346,250	2,346,250
Share of post acquisition profits	6,101,019	3,299,825
Share of surplus on Revaluation of land	1,222,299	1,166,642
Less: Dividend received	(202,777)	-
	9,466,791	6,812,717

6.3.1 Fair value of investments in associates is Rs. 1.595 million (June 2010: Rs 1.134 millions).

6.3.2 The Company holds 1.39% (June 2010: 1.39%) of equity of Gulistan Spinning Mills Limited. The investee Company is an associate of the Company by virtue of common directorship.

Unaudited	Audited
March 31, 2011	June 30, 2010
Rupees	

6.4 Gulistan Fibres Limited

741,185 (June 2010: 741,185) ordinary shares of Rs 10 each	5,530,760	5,530,760
Share of post acquisition profits	76,933,977	73,456,836
Share of surplus on revaluation of land	9,535,817	9,627,943
	<u>92,000,554</u>	<u>88,615,539</u>

6.4.1 The Company holds 37.30%(June 2010: 37.30%) of equity of Gulistan Fibres Limited. The investee Company is an associate of the Company by virtue of common directorship

6.4.2 The Companys' break up value per share is Rs. 115.21 (June 2010: Rs. 103.6) as per latest available unaudited financial information for the period ended December 31, 2010

Unaudited	Audited
March 31, 2011	June 30, 2010
Rupees	

6.5 Gulistan Power Generations Limited

2,465,980 (June 2010: 2,465,980) ordinary shares of Rs 10 each	22,418,000	22,418,000
Share of post acquisition profits	3,630,980	7,198,237
Share of surplus on revaluation of land	-	14,947,505
	<u>26,048,980</u>	<u>44,563,742</u>

6.5.1 The Company holds 33.76% (June 2010: 33.76%) of equity of Gulistan Fibres Limited. The investee Company is an associate of the Company by virtue of common directorship

6.5.2 The Company's Break up value per share is Rs. 25.32 (June 2010: Rs. 26.98) as per latest available unaudited financial information for the period ended December 31, 2010

7 LONG TERM LOAN

The Company has obtained Non Interest Demand Finance (NIDF) from United Bank Limited amounting to Rs 200 million under mark up arrangement for the purpose of repayment of short term obligations. It is secured against mortgage charge of Rs.102 M and ranking charge of Rs.178 M over land , building and plant & machinery of the company situated at kotri . The loan carry mark up at the rate of three months KIBOR plus 2.00 %. The loan is repayable in twentys quarterly installments.

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is no change in the contingencies as disclosed in Note 29.1 to the annual published financial information for the year ended June 30, 2010.

Unaudited

Audited

	March 31, 2011	June 30, 2010
	Rupees	
Building and Civil works	2,510,000	1,492,421
Confirmed letters of credit in respect of raw material	240,138,983	326,915,956
Guarantees issued to Collector of Custom	24,851,700	13,525,646
	<u>267,500,683</u>	<u>341,934,022</u>
Bills discounted	<u>265,892,470</u>	<u>417,227,174</u>

-----Unaudited-----				
9	Quarter Ended		Period Ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
----- (Rupees) -----				
Local	58,425,059	171,688,561	658,266,238	697,380,307
Export	<u>1,252,833,743</u>	<u>582,200,892</u>	<u>3,092,382,714</u>	<u>1,517,401,544</u>
	<u>1,311,258,802</u>	<u>753,889,453</u>	<u>3,750,648,952</u>	<u>2,214,781,851</u>
Sales tax	-	-	(111,396)	(103,557)
Quality claim	-	-	(2,568,430)	(27,140)
	-	-	(2,679,826)	(130,697)
	<u>1,311,258,802</u>	<u>753,889,453</u>	<u>3,747,969,126</u>	<u>2,214,651,154</u>

9.1 Its includes sale of yarn Rs. 488.440 million (2010: Rs. 114.419 million) made to direct exporters against special purchase order (SPO).

10 COST OF SALES

Stock - opening	553,629,902	504,373,981	571,221,463	513,590,737
Cost of goods manufactured 9.1	<u>1,160,479,719</u>	<u>607,448,279</u>	<u>2,966,091,978</u>	<u>1,747,041,632</u>
Purchased of finished goods	<u>51,407,020</u>	<u>12,636,000</u>	<u>214,124,221</u>	<u>79,428,459</u>
	<u>1,211,886,739</u>	<u>620,084,279</u>	<u>3,180,216,199</u>	<u>1,826,470,091</u>
Stock - closing	(647,408,030)	(502,639,057)	(647,408,030)	(502,639,057)
	<u>1,118,108,611</u>	<u>621,819,203</u>	<u>3,104,029,632</u>	<u>1,837,421,771</u>

11 EARNING PER SHARE - BASIC AND DILUTED

Profit after taxation for the period - Rupee	<u>87,721,830</u>	<u>20,829,551</u>	<u>263,829,850</u>	<u>51,108,591</u>
Average number of ordinary shares in issue during the period	<u>17,352,329</u>	<u>17,352,329</u>	<u>17,352,329</u>	<u>17,352,329</u>
Basic and diluted earnings per share - Rupee	<u>5.06</u>	<u>1.20</u>	<u>15.20</u>	<u>2.95</u>

Unaudited

	31 March 2011	31 March 2010
Note	(Rupees)	
12 Cash flows from operating activities		
Profit before taxation	287,529,891	69,873,594
Adjustments for :		
Depreciation	32,134,277	31,321,241
Provision for gratuity	10,515,100	8,243,133
Interest on bank deposit accounts	(264,619)	(646,559)
Worker profit participation fund	13,857,926	3,467,911
Workers welfare fund	1,839,578	-
Gain on sale of investment	-	(450,700)
Share of profit from associates	(26,068,869)	(3,983,276)
Dividend income	-	(311)
Deferred income	(568,449)	(568,449)
Exchange gain on foreign currency	(193)	(1,125,361)
Financial charges	202,478,780	171,669,948
	<u>233,923,531</u>	<u>207,927,577</u>
Movement in:		
Working capital		
Stores and spares	(5,857,908)	(4,641,495)
Stock-in-trade	(386,620,979)	34,986,675
Trade debts	11,920,678	(19,065,921)
Loan and advances	14,213,488	(14,810,237)
Deposits and prepayments	(710,350)	1,384,983
Other receivables	(8,958,687)	(11,068,091)
Trade and other payables	91,319,942	11,536,374
	<u>(284,693,815)</u>	<u>(1,677,712)</u>
Movement in long term deposits	(611,572)	1,327,137
Cash generated from operations	<u>236,148,035</u>	<u>277,450,596</u>
Gratuity paid	(5,800,738)	(7,645,119)
Dividend paid	(9,114,819)	-
Financial charges paid	(210,889,735)	(176,932,350)
Taxes paid	(32,023,489)	(19,754,801)
Cash generated from operating activities	<u>(21,680,745)</u>	<u>73,118,326</u>

13 SEGMENT INFORMATION

For the period ended March 31, 2011 - Unaudited

	Spinning	Dyeing	Garments	Weaving	Total
	----- (Rupees) -----				
Sales	2,227,615,387	442,401,936	1,066,154,000	11,797,803	<u>3,747,969,126</u>
Operating profit					476,248,051
Other operating expense					15,697,504
Finance cost					202,478,780
Other operating income					3,389,256
Share of profit from associate					26,068,869
Taxation					23,700,041
Profit after tax					<u>263,829,848</u>

For the period ended March 31, 2010 - Unaudited

	Spinning	Dyeing	Garments	Weaving	Total
	----- (Rupees) -----				
Sales	1,500,332,677	253,231,732	442,228,044	18,858,701	2,214,651,154
Operating profit					247,333,731
Other operating expense					3,467,911
Finance cost					180,766,881
Other operating income					2,791,380
Share of profit from associate					3,983,276
Taxation					18,765,004
Profit after tax					<u>51,108,592</u>

14 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises associated Companies, directors and key management personnel. Transaction with related parties are carried out on arm's length basis. Aggregate transaction with associated companies during the period were as follow.

Nature of Transaction	Relationship with company	Unaudited	
		March 2011	March 2010
Rupees			
Sales	Associated Company	112,380,810	194,557,272
Dyeing Charges/Loom rent	Associated Company	16,997,509	25,590,445
Purchases	Associated Company	472,829,659	275,533,105
Processing charges	Associated Company	43,535,520	34,680,759

15 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorized for issue by the Board of Directors on April 30, 2011.

16 COMPARATIVES

Previous figures have been rearranged and reclassified wherever necessary for the purpose of better presentation in the condensed interim financial information. There were no major reclassifications or rearrangement for the period.

17 GENERAL

Figures have been rounded off to the nearest rupees.

Chief Executive

Director