

PARAMOUNT SPINNING MILLS LIMITED
DIRECTORS REVIEW TO THE SHAREHOLDERS
FOR THE 1ST QUARTER ENDED SEPTEMBER 30, 2005

Dear Shareholders,
Assalam-o-Alaikum,

Your Directors are pleased to place before you the Un-audited financial statement for the 1st Quarter ended 30th September, 2005.

Your Company posted gross profit of Rs. 44 million (gross margin 11.7 %) and operating profit of Rs. 35.4 million on sales of Rs. 375 million during the period under review. Your Co. after absorbing the financial cost of Rs. 29 million made a pre tax profit of Rs. 8.6 million and post tax profit of Rs. 29 million during the period. The financial cost as percentage of sales has increased mainly on account of rising interest rates and enhanced borrowings due to newly established Stitching Units.

As reported in earlier Directors Report your Company is making its best efforts to improve the quality standards of its value added products through imparting requisite training to its work force.

The earlier estimate of cotton of 150 million bales has now been reduced to 125 million. As a result of this unexpected shortage in the size of the crop the prices have started rising. At present it is difficult to project the real market trend due to volatile price. The cost of finance is continuously increasing. Under these circumstances the profitability for the future will mainly depend on stability in the price of cotton and yarn at home and abroad.

The Management will continue to modernizing, balancing to improve its production in terms of capacity and efficiency to compete in local and foreign markets. All possible efforts are being made to reduce the cost of production without compromising on the quality of the products.

The Management places on record the efforts and endeavors made by employees at all levels and assistance extended by our financiers.

Karachi
October 31, 2005

TANVEER AHMED
Chief Executive