

PARAMOUNT SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UN AUDITED)
FOR THE HALF YEAR ENDED 30 SEPTEMBER 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 30 June, 2006 are the same as those applied in the preparation of the annual audited financial statements for the year ended 30 June 2006.

4 APPLICATION OF EQUITY METHOD

The company has not change its accounting policy for accounting for associates in accordance with IAS-28 "Investment in Associates"

which require to value all investments in associates using the equity method where significance influence exists. Due to pr

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 2006 figures are un audited.

5 FIXED ASSETS

	30 SEP 2006	30 JUNE 2006
	Rupees	
Property, Plant and Equipment	779,162,493	785,643,916
Capital Work in Progress	22,839,444	22,839,444
	802,001,937	808,483,360

5.1 Property, Plant and Equipment- Additions

Owned:

Freehold Land	-	-
Building on Leased premises		7,794,403
Building on Freehold Land	720,693	26,810,814
Plant and machinery	7,910,352	45,121,694
Electric Installation	659,467	3,461,174
Factory Equipment	753,172	7,484,568
Office equipment	541,359	458,767
Furniture and fittings	425,704	1,555,881
Vehicles	903,690	2,556,085

Leased:

Plant & Machinery	-	10,181,247
Vehicles	-	879,000

	11,914,438	106,303,633
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5.2 Disposals / Transfer

Owned:

Vehicles	-	669,000
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Leased:

Plant & Machinery	-	3,650,000
Office Equipment	-	-
Vehicles	-	6,155,000
	-	10,474,000

	30 SEP	30 JUNE
	2006	2006
	Rupees	

6 SHARE CAPITAL	110,250,000	110,250,000
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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	4,216,250	3,052,509
Commitments - building and other civil works	1,274,000	1,152,000
Guarantee issued to Collector of Custom	10,851,700	10,851,700

QUARTER ENDED	
JULY TO SEPTEMBER	
2006	2005
Rupees	

8 SALES

Export Sales	8.1	338,602,909	236,309,315
Local Sales	8.2	117,159,113	138,597,571
		455,762,022	374,906,886

8.1 Export Sales

Yarn	198,102,220	163,167,511
Dyed Yarn	17,780,357	-
Cloth	20,850,621	1,894,565
Garment	78,493,849	54,896,530
Bed Sheet	22,273,295	13,712,099
Exchange gain	1,285,633	1,939,478
Export Rebate	4,947,974	3,801,582
	343,733,949	239,411,765
Less: Commission	(5,131,040)	(3,102,451)
	338,602,909	236,309,315

8.2 Local Sale

Yarn	25,951,388	69,611,030
Cloth	74,091,232	40,566,897
Garment	3,383,577	-
Processing	15,508,106	30,053,770
	118,934,303	140,231,697
Less: Commission	(1,209,726)	(1,626,982)
FDiscout & quality claim	(565,464)	(7,144)
	(1,775,190)	(1,634,126)
	117,159,113	138,597,571

9 COST OF SALES

Stocks at beginning		166,237,720	98,652,278
Cost of goods manufactured	9.1	356,448,262	354,515,472
Finished goods purchases		6,202,742	106,299
		362,651,004	354,621,771
		528,888,724	453,274,049
Stocks at end		(142,572,312)	(135,548,718)
		386,316,412	317,725,331

9.1 Cost of goods manufactured

Work in process at beginning		53,025,800	45,890,442
Raw material & components consumed		201,960,944	260,143,143
Overheads		139,413,109	147,018,360
		394,399,854	453,051,945
Work in process at end		(37,951,592)	(98,536,473)
		356,448,262	354,515,472

10 OTHER INCOME

Miscellaneous income/(loss)		656,317	14,646
Remeasurement gain or loss on investment		2,794,252	-
		3,450,569	14,646

ACCUMULATIVE JULY TO SEPTEMBER	
2006	2005

RUPEES**11 CASH FLOW FROM OPERATING ACTIVITIES**

Net Profit/(loss) before taxation	4,675,888	8,087,564
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Adjustments

Depreciation	17,345,913	17,399,368
Provision of gratuity	2,000,000	67,138
Interest income	-	(2,240,958)
Dividend income	-	1,764,640
Loss on disposal	-	-
Financial Charges	35,909,401	29,151,975
Amortization of discount on Term Finance Certificates	206,934	-
Gain on remeasurement of investments	2,794,252	-
	58,256,500	46,142,163

Cash flow from operation before working capital changes

62,932,388	54,229,727
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Change in Current assets

Stores, Spares & Loose tools	(1,222,016)	2,789,098
Stocks in trade	3,786,492	77,247,303
Trade debts	(66,844,708)	(36,228,993)
Loan and advances	27,635,613	9,979,982
Trade Deposits & short term prepayments	1,039,468	(2,530,484)
Other receivables	(10,134,390)	(4,310,348)
Short Term investment	(4,444,043)	-
	(50,183,585)	46,946,558

Change in Current liabilities

Trade and other payables	15,125,655	(18,583,817)
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Change in Working Capital

27,874,458	82,592,468
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Receipts/Payments for

Interest paid	(34,438,694)	(21,522,132)
Dividend paid	-	-
Tax paid	(15,045,858)	(6,234,958)
Gratuity paid	(437,148)	-
	(49,921,700)	(27,757,090)

Net cash used in operating activities

(22,047,242)	54,835,378
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ACCUMULATIVE JULY TO SEPTEMBER	
2006	2005

Rupees

12 TRANSACTION WITH ASSOCIATED COMPANIES

Purchase of Yarn	45,160,828	7,794,365
Purchase of Cotton	-	53,355,478
Purchase of Fabric/cloth	9,031,664	5,008,037
Dyeing and conversion charges / Others	5,286,834	2,170,631
Purchase of Electricity	20,268,496	20,234,865
Sale of Yarn	31,425,675	25,191,653
Sale of Cotton	21,695,681	-
Sale of Waste	11,086,631	7,716,796
Sale of Cloth	8,094,070	1,774,326
Dyeing and conversion charges	3,208,373	10,468,068
Interest Income	549,999	-

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 31 October 2006 by the Board of Directors of the Company.

TANVEER AHMED
CHIEF EXECUTIVE

MOHAMMD ABDULLAH
DIRECTOR