

Paramount Spinning Mills Limited
Directors Report
For the 1st quarter ended
30th September 2007

Dear Shareholders
Assalam o Alaikum

Your Directors are pleased to present financial statements for the first quarter ended 30th September 2007.

Operating Performance

You would be satisfied to note that even in the difficult circumstances we have succeeded in increasing the sales and resultantly the profit during the quarter under review in comparison to the corresponding quarter of last year. The cost of finance has increased which is mainly due to higher KIBOR rates. The gain we achieved from the sale of NIB shares has increased the other income. Consequently the profit before tax has increased substantially from Rs. 1.114 million to Rs.28.406 million.

Future Out look

Our textile industry is still facing very tough competition particularly from our regional competitors such as China, India and Bangladesh whom competitive position is better because of their lower cost of doing business on account of various incentives and subsidies available to them. Your company has been confronting continuously with the challenges of upsurge in input costs and deteriorating competitiveness in export market. The tough competition in the international market and continuous rise of financial cost and cotton rates at home may have further adverse impact on profitability of ongoing year.

Under these adverse circumstances your management is making its best efforts to improve company's profitability through exercising better control on input costs and change of product mix.

We would like to thank our customers, suppliers and bankers for their continued support and would like to place on record appreciation for the valuable services of our employees.

For and On behalf of Board of Directors

(Tanveer Ahmed)
Chief Executive

Karachi
31-10-07