

**PARAMOUNT SPINNING MILLS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS ( UN AUDITED)**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2007**

**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 September, 2007 are the same as those applied in the preparation of the annual audited financial statements for the year ended 30 June 2007.

**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 in the financial statements except 30 June 2007 figures are un audited.

	30 SEP 2007	30 JUNE 2007
	Rupees	
<b>5 FIXED ASSETS</b>		
Property, Plant and Equipment	744,128,380	757,705,247
Capital Work in Progress	22,692,002	14,811,048
	<u>766,820,383</u>	<u>772,516,295</u>
<b>5.1 Property, Plant and Equipment- Additions</b>		
<b>Owned:</b>		
Building on Leased premises	-	972,237
Building on Freehold Land	13,000	5,708,788
Plant and machinery	1,849,161	19,345,554
Electric Installation	909,512	2,542,370
Factory Equipment	710,009	3,232,199
Office equipment	56,410	1,967,562
Furniture and fittings	18,125	1,378,101
Vehicles	53,190	5,986,493
	<u>3,609,407</u>	<u>41,133,304</u>
<b>5.2 Disposals / Transfer</b>		
<b>Owned:</b>		
Freehold Land	-	961,911
Vehicles	525,000	560,000
<b>Leased:</b>		
Plant & Machinery	-	35,239,070
Vehicles	-	4,063,291
	<u>-</u>	<u>39,862,361</u>
<b>6 SHARE CAPITAL</b>	<b>121,275,000</b>	121,275,000
<b>7 CONTINGENCIES &amp; COMMITMENTS</b>		
<b>(a) Contingencies</b>		
There is no significant change in contingencies since the last balance sheet date.		
<b>(b) Commitments</b>		
Confirmed letters of credit in respect of machinery & spares	2,927,819	4,527,833
Commitments - building and other civil works	3,500,000	3,532,228
Guarantee issued to Collector of Custom	5,851,700	5,851,700
	<u>12,279,519</u>	<u>13,911,761</u>

QUARTER ENDED JULY TO SEPTEMBER	
2007	2006
Rupees	

## 8 SALES

Export Sales	301,204,106	338,602,909
Local Sales	243,891,014	117,159,113
	<b>545,095,120</b>	<b>455,762,022</b>

## 9 COST OF SALES

Stocks at beginning	222,242,634	166,237,720
Cost of goods manufactured	505,570,370	356,448,262
Finished goods purchases	-	6,202,742
	<b>505,570,370</b>	<b>362,651,004</b>
	<b>727,813,004</b>	<b>528,888,724</b>
Stocks at end	(260,318,288)	(142,572,312)
	<b>467,494,716</b>	<b>386,316,412</b>

## 10 OTHER INCOME

Miscellaneous income/(loss)	368,968	656,317
Gain on investment in NIB	35,878,651	-
Remeasurement gain or loss on investment	3,891,795	2,794,252
	<b>40,139,414</b>	<b>3,450,569</b>

	ACCUMULATIVE JULY TO SEPTEMBER	
	2007	2006
	RUPEES	
<b>11 CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(loss) before taxation	32,365,987	4,675,888
<b>Adjustments</b>		
Depreciation	16,661,272	17,345,913
Provision of gratuity	1,857,500	2,000,000
Interest income	(159,587)	-
Gain on sale of fixed assets	(27,968)	-
Gain on sale of investment	(35,878,651)	-
Deferred income	(181,414)	-
Financial Charges	46,966,600	35,909,401
Worker's profit participation fund	1,703,473	-
Amortization of discount on Term Finance Certificates	83,283	206,934
Gain on remeasurement of investments	(3,891,795)	2,794,252
	27,132,713	58,256,500
<b>Cash flow from operation before working capital changes</b>	<b>59,498,700</b>	<b>62,932,388</b>
<b>Change in Current assets</b>		
Stores , Spares & Loose tools	(12,413,568)	(1,222,016)
Stocks in trade	(65,737,404)	3,786,492
Trade debts	(10,113,071)	(66,844,708)
Loan and advances	24,166,892	27,635,613
Trade Deposits & short term prepayments	710,129	1,039,468
Other receivables	(4,185,497)	(10,134,390)
	(67,572,519)	(45,739,541)
<b>Change in Current liabilities</b>		
Trade and other payables	2,999,806	15,125,655
<b>Change in Working Capital</b>	<b>(5,074,012)</b>	<b>32,318,502</b>
<b>Receipts/Payments for</b>		
Interest paid	(35,034,809)	(34,438,694)
Interest received	115,151	-
Tax paid	(3,051,267)	(15,045,858)
Gratuity paid	(2,869,082)	(437,148)
	(40,840,007)	(49,921,700)
<b>Net cash used in operating activities</b>	<b>(45,914,019)</b>	<b>(17,603,198)</b>

<b>ACCUMULATIVE JULY TO SEPTEMBER</b>
---

2007

2006

**Rupees**

**12 TRANSACTION WITH ASSOCIATED COMPANIES**

Purchase of Yarn	9,759,788	45,160,828
Purchase of waste	20,946,621	-
Purchase of Fabric/cloth	26,221,501	9,031,664
Processing,Dyeing and conversion charges / Others	39,573,616	5,286,834
Purchase of Electricity	21,685,456	20,268,496
Sale of Yarn	-	31,425,675
Sale of Cotton	-	21,695,681
Sale of Waste	347,300	11,086,631
Sale of Cloth	1,488,796	8,094,070
Dyeing and conversion charges	6,814,597	3,208,373
Interest Income	-	549,999

Transactions with related parties are made at arm's length basis. The price charged to related part is generally determined under the "Comparable Uncontrolled Price Method".

**13 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were authorized for issue on 31 October 2007 by the Board of Directors of the Company.

**CHIEF EXECUTIVE**

**DIRECTOR**