

PARAMOUNT SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UN AUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2008.

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 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of Companies Ordinance, 1984, and the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and exchange Commission of Pakistan (SECP). Where the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP prevail.

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the financial statements for the quarter ended 30 September, 2008 are the same as those applied in the preparation of the annual audited financial statements for the year ended 30 June 2008.

4 PRESENTATION

All amounts have been rounded off to the nearest rupee.
All figures appearing in the financial statements except 30 June 2008 figures are un audited.

5 CORRESPONDING FIGURES

Corresponding period's figures in respect of depreciation on plant & machinery has been restated, as a result of change in accounting estimate as reported in the year ended June 30, 2008 in accordance with International Accounting Standard (IAS 8), due to which corresponding quarter's profit have increased by Rs.6.3 million.

30 SEPT
2008

30 JUNE
2008

Rupees

6 FIXED ASSETS

Property, Plant and Equipment	772,620,603	755,107,494
Capital Work in Progress	549,708	549,708
	773,170,310	755,657,202

6.1 Property, Plant and Equipment- Additions

Owned:

Building on Leased premises	-	1,943,405
Building on Freehold Land	-	6,529,911
Plant and machinery	732,702	47,178,502
Electric Installation	134,674	4,668,791
Factory Equipment	424,680	2,597,544
Office equipment	474,450	1,277,847
Furniture and fittings	40,751	233,579
Vehicles	-	118,475

Leased:

Plant & Machinery	-	1,076,949
Vehicles	-	1,540,000

1,807,257	67,165,003
------------------	-------------------

6.2 Disposals / Transfer

Owned:

Vehicles	555,000	1,224,000
----------	---------	-----------

Leased:

Plant & Machinery	28,514,161	6,191,972
Vehicles	-	2,369,000

28,514,161	9,784,972
-------------------	------------------

7 SHARE CAPITAL

133,402,500	133,402,500
--------------------	--------------------

8 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	1,592,434	1,592,434
Commitments - building and other civil works	5,560,161	3,501,653
Guarantee issued to Collector of Custom	6,851,700	6,851,700
	14,004,295	11,945,787

QUARTER ENDED JULY TO SEPTEMBER	
2008	2007
Rupees	

9 SALES

Export Sales	440,843,729	301,204,106
Local Sales	297,903,558	249,748,126
	738,747,287	550,952,232

10 COST OF SALES

Stocks at beginning	412,206,981	222,242,634
Cost of goods manufactured	611,917,964	481,245,481
Finished goods purchases	39,927,976	23,890,679
	651,845,940	505,136,160
	1,064,052,921	727,378,794
Stocks at end	(437,692,472)	(260,318,288)
	626,360,449	467,060,505

11 OTHER INCOME

Miscellaneous income/(loss)	372,848	368,968
Gain on investment in NIB	-	35,878,651
Remeasurement gain on investment	-	3,891,795
	372,848	40,139,414

	ACCUMULATIVE JULY TO SEPTEMBER	
	2008	2007
	RUPEES	
12 CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(loss) before taxation	16,840,308	38,657,309
Adjustments		
Depreciation	10,405,381	16,661,272
Provision of gratuity	3,574,882	1,857,500
Interest income	(143,168)	(159,587)
Gain on sale of fixed assets	(41,334)	(27,968)
Gain on sale of investment	-	(35,878,651)
Deffered income	(188,190)	(181,414)
Financial Charges	56,053,187	46,966,600
Worker's profit participation fund	620,331	1,703,473
Amortization of discount on Term Finance Certificates	-	83,283
Gain on remeasurement of investments	-	(3,891,795)
	70,281,088	27,132,713
Cash flow from operation before working capital changes	87,121,396	65,790,022
Change in Current assets		
Stores , Spares & Loose tools	(408,973)	(12,413,568)
Stocks in trade	145,648,974	(65,737,404)
Trade debts	(20,078,186)	(10,113,071)
Loan and advances	(18,210,392)	24,166,892
Trade Deposits & short term prepayments	461,527	710,129
Other receivables	(3,825,443)	(4,185,497)
	103,587,507	(67,572,519)
Change in Current liabilities		
Trade and other payables	(2,889,635)	2,999,806
	187,819,269	1,217,310
Receipts/Payments for		
Interest paid	(50,890,122)	(35,034,809)
Interest received	104,888	115,151
Tax paid	(4,406,296)	(3,051,267)
Gratuity paid	(1,996,993)	(2,869,082)
	(57,188,523)	(40,840,007)
Net cash used in operating activities	130,630,746	(39,622,697)

ACCUMULATIVE JULY TO SEPTEMBER	
---	--

2008

2007

Rupees

13 TRANSACTION WITH ASSOCIATED COMPANIES

Purchases	75,958,445	78,613,366
Processing, Dyeing and conversion charges / Others	32,888,775	39,573,616
Sales	18,980,441	1,836,096
Dyeing and conversion charges	6,193,361	6,814,597

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".

14 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue on 31 October 2008 by the Board of Directors of the Company.

**TANVEER AHMED
CHIEF EXECUTIVE**

**NASEER AHMED
DIRECTOR**