

PARAMOUNT SPINNING MILLS LIMITED

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Abdul Shakoor - Chairman Mr. Tanveer Ahmed - Chief Executive Mr. Naseer Ahmed Mr. N. R. Siddiqui Mr. Mirza Mehmood-ul-Hassan Mr. Gul Nawaz Mr. Mohammad Abdullah Mr. Riaz Ahmed
AUDIT COMMITTEE	Mr. Abdul Shakoor - Chairman Mr. N. R. Siddiqui Mr. Riaz Ahmed
CHIEF FINANCIAL OFFICER	Mr. Shadman Shoaib
COMPANY SECRETARY	Mr. Zameer Q. Siddiqui
AUDITORS	M/s. Hameed Chaudhri & Co. Chartered Accountants Karachi
LEGAL ADVISOR	M/s. Sharif & Company - Advocates
TAX CONSULTANTS	M/s. Sharif & Company - Advocates
BANKERS	Muslim Commercial Bank Limited United Bank Limited Allied Bank of Pakistan Limited Bank of Punjab National Bank of Pakistan
SHARE REGISTRAR OFFICE	M/s. Hameed Majeed Associates (Pvt) Limited Karachi Chamber Hasrat Mohani Road Karachi. Ph. 2424826, 2412754 Fax. 2424835
REGISTERED OFFICE	2nd Floor Finlay House, I. I. Chundrigar Road, Karachi.
REGIONAL OFFICE	58 Main Gulberg Lahore.
MILLS	S.I.T.E. Kotri

PARAMOUNT SPINNING MILLS LIMITED
BALANCE SHEET (UN AUDITED)
AS AT 31 DECEMBER 2005

		31 DECEMBER	30 JUNE
	NOTE	2005	2005
RUPEES			
ASSETS			
NON CURRENT ASSETS			
Fixed assets	4	835,508,879	811,984,072
Long term investments		60,661,766	63,580,512
Long term loan		20,000,000	20,000,000
Long term deposits		3,497,703	3,794,188
		<u>919,668,348</u>	<u>899,358,772</u>
CURRENT ASSETS			
Stores , spares & loose tools		43,618,708	40,006,623
Stocks in trade		706,718,818	422,342,349
Trade debts		236,684,423	177,265,041
Loans and advances		81,538,331	84,980,449
Deposits and prepayments		18,640,183	13,289,619
Accrued mark up/interest		41,167	334,821
Other receivables		19,566,046	7,147,498
Short term investments		32,690,057	17,418,562
Cash and bank balances		47,656,744	57,738,442
		<u>1,187,154,477</u>	<u>820,523,404</u>
		<u>2,106,822,825</u>	<u>1,719,882,176</u>
EQUITY & LIABILITIES			
Authorised Share Capital - Ordinary shares of Rs 10/- each		<u>250,000,000</u>	<u>125,000,000</u>
Share capital - Ordinary shares of Rs 10/- each	5	110,250,000	105,000,000
Reserves		175,400,000	175,400,000
Unappropriated profit		61,662,266	53,293,666
Shareholder's equity		<u>347,312,266</u>	<u>333,693,666</u>
SUBORDINATE LOAN		<u>80,000,000</u>	<u>80,000,000</u>
NON CURRENT LIABILITIES			
Long term financing		481,874,561	553,413,419
Liabilities against assets subject to finance lease		23,316,928	22,388,086
Provision for gratuity		13,316,087	13,770,883
		<u>518,507,576</u>	<u>589,572,388</u>
CURRENT LIABILITIES			
Trade and other payables		74,908,694	78,607,707
Accrued mark up/interest		38,757,211	25,783,881
Short term finances		889,433,721	476,497,392
Current maturity of long term financing		143,905,447	118,228,303
Current maturity of liabilities against assets subject to finance lease		7,759,726	11,263,881
Provision for taxation		6,238,184	6,234,958
		<u>1,161,002,983</u>	<u>716,616,122</u>
CONTINGENCIES AND COMMITMENTS	6	-	-
		<u>2,106,822,825</u>	<u>1,719,882,176</u>

The annexed notes form an integral part of these financial statements .

CHIEF EXECUTIVE

DIRECTOR

PARAMOUNT SPINNING MILLS LIMITED
CASH FLOW STATEMENT (UN AUDITED)
FOR THE HALF YEAR ENDED

31 DECEMBER 2005 **31 DECEMBER 2004**

	NOTE	2005	2004
		RUPEES	
CASH USED IN OPERATING ACTIVITIES	10	(317,828,390)	(339,997,958)
CASH FLOW FROM INVESTING ACTIVITIES			
Sale proceeds of property, plant and equipment		-	225,238
Addition to fixed assets		(57,565,236)	(60,032,855)
Sale proceed of investments		-	1,867,626
Interest income received		888,665	463,730
Long term deposits		296,485	6,105,131
Net cash used in investing activities		(56,380,086)	(51,371,130)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of redeemable capital		(46,275,580)	75,709,268
Repayment of finance lease		(6,062,971)	(3,780,818)
Finance Lease obtained		3,529,000	-
Short term finances		412,936,329	302,324,745
Net cash from financing activities		364,126,778	374,253,195
Net (decrease) in cash and cash equivalents		(10,081,698)	(17,115,893)
Cash and cash equivalents at beginning of the period/ year		57,738,442	64,063,799
Cash and cash equivalents at end of the period/ year		47,656,744	46,947,906

The annexed notes form an integral part of these financial statements .

CHIEF EXECUTIVE

DIRECTOR

**PARAMOUNT SPINNING MILLS LIMITED
DIRECTOR'S REVIEW TO THE SHAREHOLDERS
FOR THE HALF YEAR ENDED 31 DECEMBER, 2005**

Dear Shareholders,

Assalam-o-Alaikum

Your Directors are pleased to place before you the unaudited financial statements for the half-year ended 31 Dec 2005. These accounts have been duly reviewed by the Auditors and are being presented in accordance with the requirements of the Companies Ordinance, 1984.

Operating and Financial Results:

During the half year ended December 31, 2005, your company earned a gross profit of Rs. 124.846 million on sales of Rs. 826.578 million as compared to gross profit of Rs. 63.877 million on sales of Rs. 667.544 for the corresponding half year of the previous financial year. The Company made operating profit of Rs.75.875 million and pre tax profit of Rs. 19.750 million as compared to operating profit of Rs. 21.661 million and pre tax profit of Rs. (7.634) million during the corresponding period of last year.

As brought to your notice through our last review report, the cotton production remained short of its estimate and consequently its prices remained volatile and shown rising trend during the period under review. The cotton prices are currently hovering around Rs. 2650 per moud. The substantial increase in cotton prices with less corresponding rise in yarn prices had adversely affected the profitability of spinning industry. The future profitability will depend mainly on the prices of yarn at home and abroad.

The projected results from the value added products could only be achieved through production of high quality products for which the provision of well-trained and disciplined work force is indispensable. Your company is consistently making efforts to build requisite workforce to produce the products of high quality at competitive cost, which could fetch significant Quality premium in the international markets. This would also increase company's customer base both at home and abroad.

We would also like to mention here that rising interest rates and cost of production may affect our profitability in second half of this year. Your company is striving hard to reduce the cost of production and to arrest the increase in financial cost through effective financial management.

We find it very pertinent to mention that your company is completely aware of its sustainability and growth needs in view of current macroeconomics and industry scenario. We are therefore making continuous investment in balancing and modernization of the existing plant and machinery to maintain the quality of the products and to improve profitability.

The Management would like to place on record the appreciation for the services of our dedicated employees and for the cooperation extended by our financiers during the period.

**Karachi
28-02-2006**

**Tanveer Ahmed
Chief Executive**

PARAMOUNT SPINNING MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY (UN AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Share Capital	Share Premium	General Reserve	Fair Value Reserve	Unappropriated Profit	Total
Balance as at 30 September, 2004	105,000,000	15,400,000	160,000,000	-	39,856,721	320,256,721
Effect of Change in accounting policy	-	-	-	259,775	(259,775)	-
Balance as at 30 September, 2004-restated	105,000,000	15,400,000	160,000,000	259,775	39,596,946	320,256,721
Profit for the period	-	-	-	-	16,863,239	16,863,239
Fair value gain during the period	-	-	-	99,591	-	99,591
Balance as at 31 December, 2004	105,000,000	15,400,000	160,000,000	359,366	56,460,185	337,219,551
Profit for the period	-	-	-	-	6,720,117	6,720,117
Fair value gain during the period	-	-	-	253,998	-	253,998
Dividend for the year 2004	-	-	-	-	(10,500,000)	(10,500,000)
Balance as at 30 June, 2005	105,000,000	15,400,000	160,000,000	613,364	52,680,302	333,693,666
Profit for the half year	-	-	-	-	13,512,314	13,512,314
Fair value gain during the period	-	-	-	106,286	-	106,286
Bonus Shares	5,250,000	-	-	-	(5,250,000)	-
Balance as at 31 December, 2005	110,250,000	15,400,000	160,000,000	719,650	60,942,616	347,312,266

The annexed notes form an integral part of these financial statements .

CHIEF EXECUTIVE

DIRECTOR

PARAMOUNT SPINNING MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UN AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

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. Wherever the requirements of the Companies Ordinance, 1984 or the directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of this standard, the requirements of the Companies Ordinance, 1984 or the requirements of

3 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these half yearly financial statements are the same as those applied in the preparation of the preceding published financial statements of the company for the nine months ended 30 June,2005 except as follows:

- (i) Previously unrealised gains and losses arising from changes in the fair value of the available for sale investments were included in the profit and loss account for the period in which they arose. In accordance with the revised International Accounting Standard (IAS 39) "Financial Instruments: Recognition and Measurement" which is applicable for accounting years beginning on or after 1 January,2005,now the unrealised changes in fair value are recognised directly in equity. The change in accounting policy has been
- (ii) The company continues to follow its policy of valuing investments in Associated Companies as available for sale in these financial statements in stead of applying the equity method of accounting as required by revised International Accounting Standard 28 (Investments in Associates) due to the non-availability of requisite audited / reviewed financial statements of Associated companies at period end. The same will be complied at the time of preparation of annual audited financial statements.

4 FIXED ASSETS

Property, Plant and Equipment
Capital Work in Progress

	31 DECEMBER 2005	30 JUNE 2005
	Rupees	
	761,100,758	751,322,206
	74,408,121	60,661,866
	835,508,879	811,984,072

4.1 Property, Plant and Equipment- Additions

Owned:

Freehold Land	-	25,983,050
Building on Leased premises	10,727,137	87,581,725
Building Residential	-	2,738,166
Plant and machinery	27,841,260	221,756,423
Electric Installation	1,033,458	-
Factory Equipment	1,624,517	
Office equipment	328,956	3,871,607
Air Conditioner	-	-
Furniture and fittings	505,653	3,391,981
Vehicles	879,000	868,081

Leased:

Plant & Machinery	-	17,282,908
Vehicles	879,000	8,123,000
	43,818,981	371,596,941

4.2 Disposals / Transfer

Owned:

Freehold Land
Building on Leased premises
Building Residential
Plant and machinery
Electric Installation
Factory Equipment
Office equipment
Air Conditioner
Furniture and fittings
Vehicles

Owned:

Plant & Machinery	-	225,238
-------------------	---	---------

Leased:

Plant & Machinery	3,650,000	10,478,112
Office Equipment	-	4,000,000
Vehicles	4,986,000	699,000
	8,636,000	15,402,350

5 SHARE CAPITAL

110,250,000	105,000,000
--------------------	--------------------

During the period the company issue 525,000 ordinary shares of Rs.10/- each as bonus shares amounting to Rs.5,250,000

6 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	8,859,000	11,756,000
Commitments - building and other civil works	3,700,000	2,600,000

QUARTER ENDED OCTOBER TO DECEMBER		HALF YEAR ENDED JULY TO DECEMBER	
2005	2004	2005	2004
Rupees			

7 SALES

Export Sales	7.1	286,860,125	203,212,234	524,160,572	405,127,971
Local Sales	7.2	164,811,025	139,990,973	302,417,462	262,416,416
		451,671,150	343,203,207	826,578,034	667,544,387

7.1 Export Sales

Yarn	169,152,408	172,234,991	338,006,570	340,537,857
Cloth	1,048,554	23,094,905	2,959,580	37,355,875
Garment	100,103,150	8,735,970	153,883,854	30,032,017
Bed Sheet	11,728,121	-	25,456,961	-
Exchange gain	3,387,618	1,781,304	2,548,076	3,107,009
Export Rebate	5,857,298	11,615	9,821,344	66,531
	291,277,149	205,858,785	532,676,385	411,099,289

Less: Commission	(4,417,024)	(2,646,551)	(8,515,813)	(5,971,318)
	286,860,125	203,212,234	524,160,572	405,127,971

7.2 Local Sale

Yarn	70,762,520	71,222,939	140,373,550	145,970,634
Cloth	74,939,531	56,999,348	115,506,428	99,506,793
Garment	205,775	1,228,905	205,775	5,238,885
Processing	23,012,280	12,380,939	51,566,049	14,746,867
	168,920,106	141,832,131	307,651,802	265,463,179
Less: Commission	(3,131,553)	(1,841,158)	(4,256,812)	(3,046,763)
Discount and Quality Claim	(977,528)	-	(977,528)	-
	(4,109,081)	(1,841,158)	(5,234,340)	(3,046,763)
	164,811,025	139,990,973	302,417,462	262,416,416

8 COST OF SALES

Stocks at beginning	103,820,240	74,071,639	98,652,278	126,832,622
Cost of goods manufacture	375,266,967	268,067,848	698,009,406	512,902,710
Finished goods purchases	-	32,536,086	150,855	38,733,615
	375,266,967	300,603,934	698,160,261	551,636,325
	479,087,207	374,675,573	796,812,539	678,468,947
Stocks at end	(95,081,488)	(74,801,717)	(95,081,488)	(74,801,717)
	384,005,719	299,873,856	701,731,051	603,667,230

(Cost of Sales included and amount of Rs. 10,886,912 of research and development)

QUARTER ENDED OCTOBER TO DECEMBER		HALF YEAR ENDED JULY TO DECEMBER	
2005	2004	2005	2004
Rupees			

8.1 Cost of goods manufactured

Work in process at beginning	98,536,473	22,317,742	45,890,442	16,141,525
Raw material & components consumed	317,901,666	271,057,534	693,290,136	522,068,613
	416,438,139	293,375,276	739,180,578	538,210,138
Work in process at end	(41,171,172)	(25,307,428)	(41,171,172)	(25,307,428)
	375,266,967	268,067,848	698,009,406	512,902,710

9 OTHER INCOME

Miscellaneous income/(loss)	525,243	(40,831)	539,889	422,899
Remeasurement gain or loss on invest.	9,950,589	12,134,237	9,897,446	1,183,597
	10,475,832	12,093,406	10,437,335	1,606,496

10 CASH FLOW FROM OPERATING ACTIVITIES

Net Profit/(loss) before taxation **0** **0**

Adjustments

Depreciation	34,040,429	20,499,495
Provision of gratuity	1,552,904	2,478,223
Interest income	(595,011)	(463,730)
Loss on disposal	-	(28,770)
Financial Charges	64,969,940	31,106,262
Amortization of discount on Term Finance Certificates	413,866	189,090
Gain on remeasurement of investments	(9,897,446)	(1,283,188)

	90,484,682	52,497,382
Cash flow from operation before working capital changes	90,484,682	52,497,382
Change in Current assets		
Stores , Spares & Loose tools	-	(17,724,688)
Stocks in trade	-	(254,100,790)
Trade debts	-	(64,343,478)
Trade Deposits & short term prepayments	(1,113,548)	(10,204,543)
Sales Tax refundable	(12,101,421)	(6,609,392)
Short Term investment	(2,349,191)	(922,703)
	(15,564,160)	(353,905,594)
Change in Current liabilities		
Trade and other payables	(3,699,013)	11,062,410
Change in Working Capital	71,221,509	(290,345,802)
Receipts/Payments for		
Interest paid	(51,996,610)	(31,295,352)
Tax paid	(7,388,151)	(10,721,944)
Gratuity paid	(2,007,700)	-
	(61,392,461)	(42,017,296)
Net cash used in operating activities	9,829,048	(332,363,098)

**HALF YEAR ENDED
JULY TO DECEMBER**

2005 2004

Rupees

11 TRANSACTION WITH ASSOCIATED COMPANIES

Purchase of Yarn	60,572,728	102,257,757
Purchase of Waste	-	601,046
Purchase of Cotton	53,355,478	-
Purchase of Fabric/cloth	6,924,579	18,113,974
Dyeing and conversion charges	2,170,631	4,421,418
Purchase of Electricity	39,521,987	19,708,403
Sale of Yarn	50,560,729	44,894,481
Sale of Store	118,920	1,852,576
Sale of Waste	11,770,172	16,334,089
Sale of Cloth	50,490,798	31,935,867
Dyeing and conversion charges	11,554,688	7,948,489
Interest Income	399,999	352,877
Sale of Machinery	-	2,210,000

12 PRESENTATION

- 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.
- All figures appearing the financial statements except 30 June 2005 figures are un audited.

13 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized for issue on 28 February 2006 by the Board of Directors of the

CHIEF EXECUTIVE

DIRECTOR

PARAMOUNT SPINNING MILLS LIMITED
PROFIT AND LOSS ACCOUNT (UN AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	NOTE	QUARTER ENDED		HALF YEAR ENDED	
		2005	2004	2005	2004
		RUPEES			
SALES	7	451,671,150	343,203,207	826,578,034	667,544,387
COST OF SALES	8	384,005,719	299,873,856	701,731,051	603,667,230
GROSS PROFIT		67,665,431	43,329,351	124,846,983	63,877,157
OPERATING EXPENSES					
Distribution Cost		8,767,589	7,482,745	21,943,298	14,995,331
Administrative Expenses		18,425,645	8,465,598	27,028,298	27,220,563
		27,193,234	15,948,343	48,971,596	42,215,894
OPERATING PROFIT		40,472,197	27,381,008	75,875,387	21,661,263
FINANCE COST		38,458,142	18,297,342	65,383,805	31,295,352
OTHER CHARGES		773,810	1,063,833	1,178,419	(392,733)
		1,240,245	8,019,833	9,313,163	(9,241,356)
OTHER INCOME	9	10,475,832	12,093,406	10,437,335	1,606,496
PROFIT BEFORE TAXATION		11,716,077	20,113,239	19,750,498	(7,634,860)
PROVISION FOR TAXATION		3,316,176	3,250,000	6,238,184	4,721,944
NET PROFIT AFTER TAXATION		8,399,901	16,863,239	13,512,314	(12,356,804)
EARNING PER SHARE		0.76	1.53	1.23	(1.12)

The annexed notes form an integral part of these financial statements .

CHIEF EXECUTIVE

DIRECTOR

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of **PARAMOUNT SPINNING MILLS LIMITED** as at 31 December, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the half-year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended 31 December, 2004 and 2005 and the corresponding figures of the profit and loss account, cash flow statement and statement of changes in equity have not been reviewed as we are required to review only the cumulative figures for the half-year ended 31 December, 2005.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, except for the contents of note 3 (ii) to the financial statements and the extent to which this may affect the annexed financial statements, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

KARACHI;

**HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS**