



**QUARTERLY ACCOUNTS
FOR THREE MONTHS ENDED
SEPTEMBER 30, 2013
(UN-AUDTIED)**

Paramount Spinning Mills Limited

Contents

- 01** Company Information
- 02** Directors' Report
- 03** Condensed Interim Balance Sheet
- 04** Condensed Interim Profit & Loss Account
- 05** Condensed Interim Statement of Comprehensive Income
- 06** Condensed Interim Cash Flow Statement
- 07** Condensed Interim Statement of Changes in Equity
- 08** Notes to the Condensed Interim Financial Statements

Company Information

BOARD OF DIRECTORS	Mr. Sohail Maqsood Mr. Tanveer Ahmed Mr. Riaz Ahmed Mr. Muhammad Shafiq Mrs. Rubina Rizvi Mr. Muhammad Maqbool Anjum Mr. Iftikhar Ali	(Chairman) (Chief Executive) (NIT Nominee)
AUDIT COMMITTEE	Mr. Muhammad Maqbool Anjum (Chairman) Mr. Muhammad Shafiq Mr. Sohail Maqsood	
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr. Muhammad Shafiq (Chairman) Mr. Tanveer Ahmed Mr. Sohail Maqsood	
CHIEF FINANCIAL OFFICER	Mr. Nasir Mahmood	
COMPANY SECRETARY	Mr. Javaid Iqbal	
AUDITORS	M/s.Hameed Chaudri & Co. Chartered Accountants Karachi	
LEGAL ADVISOR	M/s. A.K. Brohi & Company-Advocate	
TAX CONSULTANT	M/s. Sharif & Company-Advocate	
SHARE REGISTRAR OFFICE	M/s. Hameed Majeed Associates (Pvt) Ltd. Karachi Chamber Hasrat Mohani Road Karachi Ph. 32424826, 32412754, Fax. 32424835	
REGISTERED OFFICE	2nd Floor Finlay House I.I. Chundrigar Road, Karachi	
REGIONAL OFFICE	2nd Floor, Garden Heights, 8 Aibak Block, New Garden Town, Lhr.	
MILLS	S.I.T.E. Kotri , Raiwind	
WEB PRESENCE	www.gulshan.com.pk/corporate/paramount.html	

Director's Report to Shareholders

The Directors of your Company are pleased to present unaudited financial statements of the Company for the first quarter ended September 30, 2013.

Financial Results

Operating Indicators	1 st Quarter Ended September 30, 2013 Rupees	1 st Quarter Ended September 30, 2012 Rupees
Sales	683,850,652	661,605,977
Gross (loss)/Profit	16,304,121	(122,095,723)
Pre Tax (loss)/Profit	(34,429,771)	(236,055,842)
Provision for Taxation	2,534,580	6,272,483
Earnings/(loss) Per Share	(2.13)	(13.97)

The period under review has also been proved difficult period though financial position of the Company is gradually improving. Severe energy crises coupled with on-going financial impediments have obstructed the optimum utilization of production capacities. The main reason for this underutilization has been non-availability of working capital facilities and resultantly the Company could not efficiently purchase sufficient raw material to run the installed capacities at optimum level. We were bound to arrange third party processing in order to keep our production units operational.

The Company had to operate in an increasingly competitive global textile market when local cost of operations has continued to go up due to increased utility cost and inflationary pressures. Inflationary pressures burdened our cost of production despite Company's efforts to mitigate the effect by implementation of several cost cutting measures. Persistent and unprecedented energy crisis in the Country compelled the Company to generate required energy through higher cost substitutes.

We have been conscious of the issues that are affecting our profitability and are committed to plans to turn Company into profit by implementing the restructuring process for better financial position, strengthening our operations through proficient acumen, improving manufacturing processes and offering better service to our customers.

Future Outlook:

We have been conscious of the issues that are affecting our profitability and are committed to plans to turn Company into profit by implementing the restructuring process (which is at advance stage) for better financial position, strengthening our operations through proficient acumen, improving manufacturing processes and offering better service to our customers. Moreover, present trend of increase in inflation, unpredictable abnormal hike in power costs and load shedding are likely to continue. All these factors may affect the profitability for the next quarter. In spite of these circumstances, the Management would be putting its best efforts to ensure continued growth, operational efficiency and optimum results for the Company and its valued stakeholders.

Acknowledgement:

We appreciate the efforts and with thanks place on record the continued support extended to us by our customers, suppliers and bankers. The valuable services rendered by our team of employees are gratefully acknowledged.

Condensed Interim Balance Sheet (Un-Audited) as at September 30, 2013

	NOTE	30 September 2013 Rupees (Unaudited)	30 June 2013 Rupees (Audited)
ASSETS			
Non Current Assets			
Property, plant and equipment	5	2,397,968,300	2,410,718,695
Long term investments		50,461,952	55,066,672
Long term loans		794,000	794,000
Long term deposits		3,938,190	3,938,190
		<u>2,453,162,442</u>	<u>2,470,517,557</u>
Current Assets			
Stores, spare parts and loose tools		57,092,412	62,875,784
Stock in trade		692,556,857	685,540,359
Trade debts		147,061,346	163,189,475
Loans and advances		36,652,506	52,796,191
Deposits and prepayments		4,373,703	4,373,703
Accrued mark up / Interest		825,984	748,260
Other receivables		172,567,664	155,860,702
Cash and bank balances		11,850,178	12,833,924
		<u>1,122,980,651</u>	<u>1,138,218,398</u>
Total Assets		<u>3,576,143,093</u>	<u>3,608,735,955</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital		250,000,000	250,000,000
25,000,000 (30 June 2012: 25,000,000) ordinary shares of Rs.10/- each			
Share Capital		173,523,290	173,523,290
Reserves		475,400,000	475,400,000
(Accumulated loss) / unappropriated profit		(2,826,796,286)	(2,798,842,238)
		<u>(2,177,872,996)</u>	<u>(2,149,918,948)</u>
Surplus on Revaluation of Operating Fixed Assets		2,301,595,618	2,309,615,641
Sub-ordinate Loan		175,000,000	175,000,000
Non Current Liabilities			
Long term finances	6	-	-
Liabilities against assets subject to finance lease	6	-	-
Staff retirement benefit		60,290,759	58,119,074
Deferred liabilities		133,289,113	137,549,385
		<u>193,579,872</u>	<u>195,668,459</u>
Current Liabilities			
Trade and other payables	7	907,123,998	884,835,080
Accrued mark-up / interest	8	7,683,730	12,409,362
Short term borrowings	9	1,901,174,315	1,901,187,764
Current maturity of non-current liabilities		261,063,704	261,257,004
Taxation - net		6,794,853	18,681,593
		<u>3,083,840,599</u>	<u>3,078,370,803</u>
Contingencies and Commitments	10		
Total equity and liabilities		<u>3,576,143,093</u>	<u>3,608,735,955</u>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

TANVEER AHMED
Chief Executive

SOHAIL MAQSOOD
Director

Condensed Interim Profit and Loss Account (Un-audited) for the first quarter ended September 30, 2013

	QUARTER ENDED	
	30 September 2013	30 September 2012
	Rupees	Rupees
Sales	683,850,652	661,605,977
Cost of sales	667,546,531	783,701,700
Gross (loss) / profit	16,304,121	(122,095,723)
Distribution cost	20,411,352	25,417,597
Administrative expenses	18,202,220	21,140,338
Other operating expenses	-	17,555,474
Other operating income	(79,065)	(609,569)
	38,534,507	63,503,840
(Loss) / profit from Operations	(22,230,386)	(185,599,563)
Finance cost	6,604,385	14,633,753
	(28,834,771)	(200,233,316)
Share of (loss) / profit of Associated companies	(5,595,000)	(35,822,526)
(Loss) / profit before taxation	(34,429,771)	(236,055,842)
Taxation	2,534,580	6,272,483
(Loss) / profit after taxation	(36,964,351)	(242,328,325)
	Rupees	
(Loss) / earnings per share	(2.13)	(13.97)

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

**Condensed Interim Statement of Comprehensive Income (Un-audited)
for the first quarter ended September 30, 2013**

	For the first quarter ended	
	30 September 2013	30 September 2012
	Rupees	Rupees
Profit after taxation	(36,964,351)	(242,328,325)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(36,964,351)	(242,328,325)

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

Condensed Interim Cash Flow Statement (Un-audited) for the first quarter ended September 30, 2013

	NOTE	30 September 2013 Rupees	30 September 2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES	11	19,788,911	(8,241,171)
Cash generated from operations			
Interest paid		(11,330,017)	(21,526,163)
Interest received		1,340	87,341
Income tax paid		(4,140,487)	(4,757,011)
Gratuity paid		(4,751,684)	(4,787,868)
Net cash used in operating activities		(431,937)	(39,224,872)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(345,059)	(276,379)
Net cash used in investing activities		(345,059)	(276,379)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease finances - net		(193,301)	(491,096)
Short term borrowings - net		(13,449)	39,238,375
Dividend paid		-	(652,152)
Net cash generated from financing activities		(206,751)	38,095,127
Net (decrease) / increase in cash and cash equivalents		(983,747)	(1,406,124)
Cash and cash equivalents - at beginning of the year		12,833,924	15,212,504
Cash and cash equivalents - at end of the year		11,850,178	13,806,381

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

Condensed Interim Statement of Changes in Equity (Un-audited) for the first quarter ended September 30, 2013

Share Capital	RESERVE		Unappropriated profit / (Accumulated loss)	Total	
	Share Premium	General Reserve			
----- Rupees -----					
Balance as at 01 July 2012	173,523,290	15,400,000	460,000,000	(2,415,258,592)	(1,766,335,302)
Total Comprehensive income for the period ended Sep 30,2012	-	-	-	(242,328,325)	(242,328,325)
Surplus on revaluation of operating fixed assets realised during the year:					
- on account of incremental depreciation for the year	-	-	-	9,687,375	9,687,375
Balance as at 30 Sept 2012	<u>173,523,290</u>	<u>15,400,000</u>	<u>460,000,000</u>	<u>(2,647,899,542)</u>	<u>(1,998,976,252)</u>
Balance as at 01 July 2013	173,523,290	15,400,000	460,000,000	(2,798,842,238)	(2,149,918,948)
Total comprehensive loss for the 1st quarter ended Sep 30,2013	-	-	-	(36,964,351)	(36,964,351)
Surplus on revaluation of operating fixed assets realised during the year:					
- on account of incremental depreciation for the year	-	-	-	8,020,023	8,020,023
Effect of item directly credited in equity by Associated Companies	-	-	-	990,280	990,280
Balance as at 30 Sept 2013	<u>173,523,290</u>	<u>15,400,000</u>	<u>460,000,000</u>	<u>(2,826,796,286)</u>	<u>(2,177,872,996)</u>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.

Notes to the Condensed Interim Financial Information (Un-audited) for the first quarter ended September 30, 2013

1. THE COMPANY AND ITS OPERATIONS

- 1.1 Paramount Spinning Mills Limited (the Company) was incorporated as a public limited Company on August 22, 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 Kotri and Raiwind. The Company is principally engaged in progressive manufacture and sales of cotton yarn, yarn dyeing and garments.
- 1.2 The Board of Directors of the Company in its meeting held on April 05, 2011 approved the scheme of merger by amalgamation of Gulshan Spinning Mills Limited and Gulistan Spinning Mills Limited with and into Paramount Spinning Mills Limited along with the approval of the share swap ratio in relation thereto. The Company on orders of Honourable Sindh High Court called Extra Ordinary General Meeting on August 1, 2011 in which the above said scheme was approved by the shareholders of the Company. No Objection Certificates from its creditors and lenders are pending in said matter.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2013.

3. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are same as those applied in the preparation of preceding audited annual financial statements of the Company for the year ended June 30, 2013.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, actual results may differ from these estimates.

Estimation and judgements made by the management in the preparation of this condensed interim financial information were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2013.

5. PROPERTY, PLANT AND EQUIPMENT

		Un-audited September 30, 2013	Audited June 30, 2013
Note		------(Rupees)-----	
	Operating fixed assets	5.1	2,397,968,300
		<u>2,397,968,300</u>	<u>2,410,718,695</u>
		<u>2,397,968,300</u>	<u>2,410,718,695</u>

		Un-audited September 30, 2013	Audited June 30, 2013
Note		----- (Rupees) -----	
5.1 Operating fixed assets			
Book value at beginning of the period / year		2,410,718,695	2,557,894,389
Additions during the period / year	5.1.1	345,059	3,785,900
Book value of assets disposed-off		-	(94,317,408)
Depreciation charge for the period / year		(13,095,454)	(56,644,186)
Book value at end of the period / year		<u>2,397,968,300</u>	<u>2,410,718,695</u>

5.1.1 Additions/(disposal) during the period / year:

Plant and machinery	119,635	1,329,817
Electric Installations	108,000	286,358
Building	-	1,283,084
Mills equipment	117,424	696,197
Office equipment	-	185,644
Furniture and fixture	-	4,800
	<u>345,059</u>	<u>3,785,900</u>

6. LONG TERM FINANCES AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Due to the pending litigations as detailed in note 10.1.1 to this condensed interim financial information, the Company's financial arrangements with the banking companies and financial institutions have been disputed and the Company will only make payments / adjustments of all the finances after the amounts are reconciled with banks and financial institutions in accordance with abovementioned suit. In terms of provisions of International Accounting Standard 1 - 'Presentation of Financial Statements', all liabilities under these finance agreements should be classified as current liabilities. Based on the above, instalments due after the twelve months period ending September 30, 2013 under long term finance agreements and lease finance agreements have been grouped in current portion of non current liabilities.

7. TRADE AND OTHER PAYABLES

Trade and other payables include bills payable / letters of credit, which represents payable to various financial institutions in respect of letters of credit (LCs) issued by the financial institutions in favour of various local and imported raw material suppliers. The Company is in litigation with banks and financial institutions as detailed in note 10.1.1 below and payments / adjustments will be made upon the outcome of final decision of the litigation.

8. ACCRUED MARK-UP / INTEREST

During the period ended September 30, 2013, the Company has not provided for the mark-up / interest on its long term finances, lease finances and short term borrowings to the extent of Rs.4.675 million, Rs 0.424 million and Rs.43.184 million respectively due to pending litigations with the financial institutions. Amount of the mark-up / interest not accrued upto the balance sheet date aggregate to Rs.291.399 million.

		Un-audited September 30, 2013	Audited June 30, 2013
	Note	----- (Rupees) -----	
9. SHORT TERM BORROWINGS - Secured			
Short term finances - secured	9.1	1,326,765,955	1,329,340,007
Running finances - secured	9.1	317,754,375	315,180,324
Loan from a related party - unsecured		21,762,236	21,762,236
Interest free loans from related parties- unsecured		223,662,182	222,282,061
Temporary bank overdraft - unsecured		11,229,566	12,623,136
		<u>1,901,174,315</u>	<u>1,901,187,764</u>

9.1 The abovementioned balances are against expired finance facilities and have not been renewed by the respective banks / financial institutions. These banks & financial Institutions have filed suits before different Civil Courts, Banking Courts and High Courts for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The Company had also filed a suit in the Lahore High Court for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs as more fully detailed in note 10.1.1.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Liabilities towards banks and financial institutions

- (a) Various banks and financial Institutions have filed recovery suits before Banking Court - Karachi, Sindh High Court and Lahore High Court for recovery of their long term and short term liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties. The aggregate amount of these claims is Rs.2,113.550 million.

The management is strongly contesting the above mentioned suits on the merits as well as cogent factual and legal grounds available to the Company under the law. Since all the cases are pending before various Courts therefore the ultimate outcome these cases can not be established.

- (b) The Company filed a global suit in the Lahore High Court (LHC) against all banks / financial institutions under Section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 (the Ordinance) for redemption / release of security, rendition of accounts, recovery of damages, permanent injunction and ancillary reliefs. The LHC vide its order dated October 25, 2012 ordered not to disturb the present position of current assets and fixed assets of the Company and no coercive action shall be taken against the Company. The LHC through its order dated September 11, 2013 dismissed the case on legal grounds. The management is analysing various options available to the Company including filing appeal before higher court.

However, the Company alongwith its restructuring agent and all lending financial institutions & banks are in the process of finalising and approving the terms to restructure the outstanding debt obligations of the Company. An indicative term sheet of the restructuring terms is being signed; immediately thereafter legal documentation will be executed to formalize the restructuring of outstanding debts of the Company. The management expects that entire process will be completed in due course of time and these recovery suits will be settled accordingly.

10.1.2 There has been no change in the matter as detail in note 29.1.2, 29.1.3 and 29.1.4 to the Company's published annual financial statements for the year ended June 30, 2013.

10.2 Commitments

There has been no change in the matter as detail in note 29.2 to the Company's published annual financial statements for the year ended June 30, 2013.

	Note	Quarter ended	
		September 30, 2013	September 30, 2012
		----- (Rupees) -----	
11. CASH GENERATED FROM OPERATIONS			
(Loss) / profit before taxation		(34,429,771)	(236,055,842)
Adjustments for non-cash charges and other items			
Depreciation of operating fixed assets		13,095,454	17,387,475
Provision of gratuity		6,923,369	3,516,811
Finance cost		6,604,385	14,633,753
Share of loss / (profit) from Associated Companies		5,595,000	35,822,526
Gain on disposal of fixed assets		-	(509,402)
Interest income		(79,065)	(100,167)
Working capital changes	11.1	22,079,538	157,063,675
		<u>19,788,911</u>	<u>(8,241,171)</u>
11.1 Movement in working capital			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		5,783,372	2,161,568
Stock-in-trade		(7,016,498)	88,548,900
Trade debts		16,128,130	83,478,203
Loans and advances		1,602,579	12,071,637
Deposits and prepayments		-	(2,010,060)
Other receivables		(16,706,962)	(7,537,038)
		<u>(209,380)</u>	<u>176,713,210</u>
Increase / (decrease) in trade and other payables		22,288,918	(19,649,535)
		<u>22,079,538</u>	<u>157,063,675</u>

12. RELATED PARTY TRANSACTIONS

- 12.1 The related parties comprises associated companies, directors and key management personnel. Transaction with related parties are carried out on arm's length basis. Aggregate transactions and balances with associated companies during the period were as follow.

Nature of transactions	Nature of relationship	Quarter ended	
		September 30, 2013	September 30, 2012
		----- (Rupees) -----	
Purchases	Related Parties	35,784,649	25,634,550
Processing charges	Related Parties	-	2,522,542
Sales	Related Parties	578,000	24,330,064
Processing income	Related Parties	1,985,692	5,024,903

13. SEGMENT INFORMATION

A business segment is a group of assets and operations engaged in providing products that are subject to risk and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Operating Decision Maker of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organised into following three operating segments:

- spinning; - dying; - garments;

Management monitors the operating results of above mentioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

For the quarter ended 30 Sept 2013

	Spinning Segment	Dying Segment	Garments Segment	Weaving Segment	Total
	------(Rupees)-----				
Sales	176,394,808	54,688,449	452,767,394	-	683,850,652
Cost of sales					667,546,531
Gross loss					<u>16,304,121</u>

For the quarter ended 30 Sept 2012

	Spinning Segment	Dying Segment	Garments Segment	Weaving Segment	Total
	------(Rupees)-----				
Sales	211,124,913	70,499,207	379,981,856	-	661,605,977
Cost of sales					783,701,700
Gross profit					<u>(122,095,723)</u>

14. GENERAL

14.1 Figures have been rounded off to the nearest rupee except stated otherwise.

14.2 This condensed interim financial information has been authorized for issue by the Board of Directors of the Company on October 31, 2013.



Paramount Spinning Mills Limited

2nd Floor, Finlay House, I.I Chundrigar Road,
Karachi Pakistan.