



**HALF YEARLY ACCOUNTS
FOR THE HALF YEAR ENDED
DECEMBER 31, 2013
(UN-AUDTIED)**

Paramount Spinning Mills Limited

Contents

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

Company Information

BOARD OF DIRECTORS	Mr. Sohail Maqsood (Chairman) Mr. Tanveer Ahmed (Chief Executive) Mr. Ali Afzal Sheikh Mr. Riaz Ahmed Mr. Muhammad Shafiq Mr. Muhammad Salman Husain Chawala (NIT Nominee) Mr. Muhammad Maqbool Anjum
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

Director's Report to Shareholders

The Directors of your Company are pleased to present unaudited financial statements of the Company for the half year ended December 31, 2013.

Financial Results

Operating Indicators	Half Year Ended December 31, 2013 Rupees	Half Year Ended December 31, 2012 Rupees
Sales	1,429,857,546	1,234,900,733
Gross (loss) / Profit	(62,493,126)	(134,722,181)
Pre Tax (loss) / Profit	594,133,025	(329,423,212)
Provision for Taxation	17,985,238	13,247,603
Earnings/(loss) Per Share	33.20	(19.75)

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.

The debt amortization profile, higher interest cost and associated liquidity problems have forced the company to initiate restructuring of its debt obligations subject to reconciliation of financial obligations to ensure continued timely discharge of its commitments to its lenders. The company has initiated the debt restructuring process with the help of the key lending financial institutions. In this regard leading law firm has been appointed as transaction lawyer and restructuring plan/terms are in process of finalization and majority of financial institutions has agreed in principle to the restructuring process. Once achieved it would improve the company's financial health and liquidity of the Company.

Regarding the auditor's observation for liquidity issues and its repercussions, the company is very hopeful that with reconciliation of amounts, release of security as per pending litigation with the Lahore High Court and in post re-profiling scenario, the financial health of the company will be improved which will enable the company to purchased cost effective timely raw material, manage the resources properly, combat the pressure of local and global market and tackle with energy crises.

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.

Auditor's Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **PARAMOUNT SPINNING MILLS LIMITED** as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

Scope of Review

Except for the matter stated in paragraph (b) below, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

- (a) Mark-up / interest on long term finances, lease finances and short term borrowings to the extent of Rs.342.971 million, including balance aggregating Rs.99.855 million for the current period ended December 31, 2013 (the period), has not been accrued in the condensed interim financial information; thereby increasing profit for the current period by Rs.99.855 million and reducing shareholders' equity & current liabilities by Rs.342.971 million as fully detailed in notes 12 and 15.1.1.
- (b) Period-end confirmation certificates from all banks and financial institutions in respect of lease deposits, bank balances (note 9), long term finances (note 10), liabilities against assets subject to finance lease (note 10), payables against overdue letters of credit (note 11), accrued mark-up / interest (note 12) and short term borrowings (note 13) have not been received due to pending litigations with these banks and financial institutions. Further, period end bank statements from various banks and financial institutions in respect of bank balances and short term borrowings were also not available due to pending litigations.

Qualified Conclusion

Based on our review, with the exception of the matters described in the preceding paragraphs (a) to (b) and the extent to which these may affect the annexed condensed interim financial information, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half-year ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

Without further affecting the auditors' conclusion, we draw attention to note 1.3 to the condensed interim financial information, which indicates that the Company as at December 31, 2013 has accumulated losses amounting Rs.2.198 billion and, as of that date, Company's current liabilities exceeded its current assets by Rs.2.002 billion. These conditions, along with other matters as set-forth in note 1.3, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. This condensed interim financial information, however, has been prepared on the going concern basis on the assumptions as detailed in aforesaid note. Attention is also drawn to note 15.1.1 to the condensed interim financial information, which describes the uncertainty related to the outcome of the recovery suits filed by various banks and financial institutions against the Company. Since the matter is pending for adjudication before various Courts, the ultimate outcome of these suits cannot presently be determined.

Condensed Interim Balance Sheet as at December 31, 2013

		Un-audited December 31, 2013	Audited June 30, 2013
ASSETS			
Non current assets			
Property, plant and equipment	5	2,386,109,992	2,410,718,695
Long term investments	6	-	55,066,672
Long term loans		604,609	794,000
Long term deposits		3,938,190	3,938,190
		<u>2,390,652,791</u>	<u>2,470,517,557</u>
Current assets			
Stores, spare parts and loose tools		65,729,632	62,875,784
Stock-in-trade	7	681,982,398	685,540,359
Trade debts		63,319,317	163,189,475
Loans and advances		49,164,964	52,796,191
Short term deposits		4,198,103	4,373,703
Short term investment	8	26,379,840	-
Accrued mark-up / interest		903,709	748,260
Other receivables		174,573,221	155,860,702
Cash and bank balances	9	18,479,341	12,833,924
		<u>1,084,730,525</u>	<u>1,138,218,398</u>
Total assets		<u>3,475,383,316</u>	<u>3,608,735,955</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised capital			
25,000,000 (June 30, 2013: 25,000,000) ordinary shares of Rs.10 each		250,000,000	250,000,000
Issued, subscribed and paid-up capital			
17,352,329 (June 30, 2013: 17,352,329) ordinary shares of Rs.10 each		173,523,290	173,523,290
Reserves		475,400,000	475,400,000
Accumulated loss		(2,198,241,125)	(2,798,842,238)
		<u>(1,549,317,835)</u>	<u>(2,149,918,948)</u>
Surplus on revaluation of operating fixed assets		1,556,048,136	2,309,615,641
Sub-ordinate loan		175,000,000	175,000,000
Non current liabilities			
Long term finances	10	-	-
Liabilities against assets subject to finance lease	10	-	-
Staff retirement benefit		60,944,505	58,119,074
Deferred taxation		146,217,751	137,549,385
		<u>207,162,256</u>	<u>195,668,459</u>
Current liabilities			
Trade and other payables	11	973,424,691	884,835,080
Accrued mark-up / interest	12	8,202,983	12,409,362
Short term borrowings	13	1,835,719,334	1,901,187,764
Current portion of non-current liabilities	14	259,826,879	261,257,004
Taxation		9,316,872	18,681,593
		<u>3,086,490,759</u>	<u>3,078,370,803</u>
Contingencies and commitments	15		
Total equity and liabilities		<u>3,475,383,316</u>	<u>3,608,735,955</u>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Condensed Interim Profit and Loss Account (Un-audited) for the quarter and half year ended December 31, 2013

	Note	Quarter ended		Half year ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
----- Rupees -----					
Sales - net		746,006,894	573,294,756	1,429,857,546	1,234,900,733
Cost of sales	16	824,804,141	585,921,214	1,492,350,672	1,369,622,914
Gross loss		(78,797,247)	(12,626,458)	(62,493,126)	(134,722,181)
Distribution cost		39,594,124	27,262,161	60,005,476	52,679,758
Administrative expenses		21,801,486	19,907,764	40,003,706	41,048,102
Other expenses		4,466,165	-	4,466,165	17,555,474
Other income	17	(793,037,171)	(62,549,823)	(793,116,236)	(63,159,392)
		(727,175,396)	(15,379,898)	(688,640,889)	48,123,942
Profit / (loss) from operations		648,378,149	2,753,440	626,147,763	(182,846,123)
Finance cost		10,156,235	10,701,225	16,760,620	25,334,978
		638,221,914	(7,947,785)	609,387,143	(208,181,101)
Share of loss of Associated Companies		(9,659,118)	(85,419,585)	(15,254,118)	(121,242,111)
Profit / (loss) before taxation		628,562,796	(93,367,370)	594,133,025	(329,423,212)
Taxation					
- current	18	6,782,292	6,975,120	9,316,872	13,247,603
- deferred		8,668,366	-	8,668,366	-
		15,450,658	6,975,120	17,985,238	13,247,603
Profit / (loss) after taxation		613,112,138	(100,342,490)	576,147,787	(342,670,815)
Earnings / (loss) per share					
- basic and diluted		35.33	(5.78)	33.20	(19.75)

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Condensed Interim Statement of Comprehensive Income (Un-audited) for the quarter and half year ended December 31, 2013

	Quarter ended		Half year ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	----- Rupees -----			
Profit / (loss) after taxation	613,112,138	(100,342,490)	576,147,787	(342,670,815)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	613,112,138	(100,342,490)	576,147,787	(342,670,815)

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Condensed Interim Cash Flow Statement (Un-audited) for the half year ended December 31, 2013

	Note	Half year ended	
		December 31, 2013	December 31, 2012
		-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	33,836,565	20,765,421
Interest received		150,277	96,603
Interest paid		(20,966,999)	(36,484,736)
Income tax paid		(8,596,849)	(38,448,381)
Gratuity paid		(7,599,498)	(11,882,916)
Net cash used in operating activities		(3,176,504)	(65,954,009)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,685,328)	(942,309)
Proceed from disposal of operating fixed assets		400,000	750,000
Long term loans - net		189,391	-
Net cash used in investing activities		(1,095,937)	(192,309)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		-	(2,940,851)
Lease finances - net		(1,430,125)	(3,361,151)
Short term borrowings - net		11,347,983	83,644,981
Dividend paid		-	(652,152)
Net cash generated from financing activities		9,917,858	76,690,827
Net increase in cash and cash equivalents		5,645,417	10,544,509
Cash and cash equivalents - at beginning of the period		12,833,924	15,212,504
Cash and cash equivalents - at end of the period		18,479,341	25,757,013

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Condensed Interim Statement of Changes in Equity (Un-audited) for the half year ended December 31, 2013

	Issued, subscribed and paid-up capital	Reserves		Accumulated loss	Total
		Share premium	General reserve		
----- Rupees -----					
Balance as at July 1, 2012	173,523,290	15,400,000	460,000,000	(2,415,258,592)	(1,766,335,302)
Loss for the half year ended December 31, 2012	-	-	-	(342,670,815)	(342,670,815)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(342,670,815)	(342,670,815)
Surplus on revaluation of operating fixed assets realised during the period on account of incremental depreciation for the half year ended	-	-	-	19,374,751	19,374,751
Effect of item directly credited in equity by Associated Companies	-	-	-	20,718,096	20,718,096
Balance as at December 31, 2012	173,523,290	15,400,000	460,000,000	(2,717,836,560)	(2,068,913,270)
Balance as at July 1, 2013	173,523,290	15,400,000	460,000,000	(2,798,842,238)	(2,149,918,948)
Profit for the half year ended December 31, 2013	-	-	-	576,147,787	576,147,787
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	576,147,787	576,147,787
Surplus on revaluation of operating fixed assets realised during the period on account of incremental depreciation for the half year ended - net of deferred taxation	-	-	-	13,713,862	13,713,862
Effect of item directly credited in equity by Associated Companies	-	-	-	10,739,464	10,739,464
Balance as at December 31, 2013	173,523,290	15,400,000	460,000,000	(2,198,241,125)	(1,549,317,835)

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Notes to the Condensed Interim Financial Information (Un-audited) for the half year ended December 31, 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. 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, garments and yarn dyeing.
- 1.2 The Board of Directors of the Company in its meeting held on April 5, 2011 approved the scheme of merger by amalgamation of Gulistan Spinning Mills Limited, Gulshan Spinning Mills Limited into Paramount Spinning Mills Limited along with the approval of the share swap ratio in relation thereto. The Company on orders of 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 for the said matter.
- 1.3 **Going concern assumption**

The Company has accumulated loss of Rs.2.198 billion as at December 31, 2013 and as at that date its current liabilities exceeded its current assets by Rs.2.002 billion. This is mainly due to under utilisation of capacity because of insufficiency of working capital lines, high fuel and power cost, reduction in the Company's margin due to high production cost and devaluation of rupee against U.S. Dollar. All the working capital lines and other finances have been curtailed and blocked by respective banks and financial institutions due to litigations with these lenders as detailed in note 15.1.1 to this condensed interim financial information rendering the Company unable to operate its manufacturing facilities in normal manners. This condensed interim financial information, however, has been prepared under the going concern assumption due to following reasons:

(a) Restructuring / rescheduling of existing debt / loan facilities

The Company alongwith its restructuring agent (a leading financial institutions) 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. As per this indicative restructuring term sheet, the aggregate amount of principal outstanding will be repaid in instalments over a period of 8 years and mark-up will be charged at a reduced rate. Total accrued and outstanding mark-up till June 30, 2013 payable by the Company to its lenders will be repaid after the completion of repayment term of principal i.e. 8 years. After the formalization of this restructuring agreement, working capital lines and raw materials inventory will be released to the Company in order to run its operations normally. The management and its restructuring agent expects that entire process will be completed in due course of time and the Company will come out of liquidity crunch; and

- (b) the management is expecting equity injection from the Company's sponsor directors in the foreseeable future. This will help in overcoming the working capital shortfall and finalisation of the restructuring of finance facilities.

The management anticipates that above steps will not only bring the Company out of the existing financial crisis but also contribute significantly towards the profitability of the Company in the foreseeable future. Therefore, this condensed interim financial information does not include any adjustment that might result, should the Company not be able to continue as a going concern.

2. BASIS OF PREPARATION

This condensed interim financial information is un-audited and 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. The figures for the half year ended December 31, 2013 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. 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 the same as those applied in the preparation of preceding audited annual published 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.

During the preparation of this condensed interim financial information, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the audited annual financial statements for the year ended June 30, 2013.

	Un-audited December 31, 2013	Audited June 30, 2013
Note	-----Rupees-----	

5. PROPERTY, PLANT AND EQUIPMENT

Net book value at beginning of the period / year	2,410,718,695	2,557,894,389
Additions during the period / year	5.1 1,685,328	3,785,900
Disposals, costing Rs.769,000 (June 30, 2013):		
Rs.101,298,844) - at net book value	(87,368)	(94,317,408)
Depreciation charge for the period / year	(26,206,663)	(56,644,186)
Net book value at end of the period / year	<u>2,386,109,992</u>	<u>2,410,718,695</u>

5.1 Additions during the period / year:

Buildings on leasehold land	-	1,283,084
Plant and machinery	377,457	1,329,817
Electric Installations	1,135,443	286,358
Mills equipment	117,428	696,197
Furniture and fixtures	3,200	4,800
Office equipment	51,800	185,644
	<u>1,685,328</u>	<u>3,785,900</u>

- 5.2 Leased assets include plant and machinery at net book value of Rs.32,518 million (June 30, 2013: Rs.32,930 million) and vehicles at net book value of Rs.2,671 million (June 30, 2013: Rs.2,231 million) which have not been transferred to owned assets due to non-availability of relevant documents. Lease liability in respect of these assets has been fully repaid but due to litigations with financial institutions as detailed in note 15.1.1 lessors have not issued relevant supporting documents for transfer of the ownership of these assets.

	Un-audited December 31, 2013	Audited June 30, 2013
Note	-----Rupees-----	

6. LONG TERM INVESTMENTS

In Associated Companies

Quoted

Gulistan Textile Mills Limited	6.1	-	-
Gulistan Spinning Mills Limited	6.2	-	-

Unquoted

Gulistan Fibres Limited	6.3	-	55,066,672
		<u>-</u>	<u>55,066,672</u>

- 6.1 Previously, Gulistan Textile Mills Limited (GTM) was associated company based on the cross equity direct and indirect investments of more than 20%. However, GTM, during the current period has disposed of its investment in the Company's paid-up capital due to which GTM is no more associate of the Company. The Company has reclassified its investment in GTM as 'Investment at fair value through profit or loss' (note 8). This has resulted in gain of Rs.481.336 million which has been recognised in profit and loss account as per provisions of IAS 28 'Investment in Associates'.

	Un-audited December 31, 2013	Audited June 30, 2013
Note	-----Rupees-----	

6.2 Gulistan Spinning Mills Limited

202,777 (June 30, 2013: 202,777) ordinary shares of Rs.10 each - cost	6.2.1	2,346,250	2,346,250
Equity held 1.39% (June 30, 2013: 1.39%) Market value Rs.1.040 million (June 30, 2013: Rs.0.953 million)			-
Share of post acquisition losses		(14,956,985)	(15,180,533)
Share of item directly credited in the equity of Associated Company		629,807	426,519
Share of surplus on revaluation of fixed assets		11,980,928	12,407,764
		<u>-</u>	<u>-</u>

- 6.2.1 Gulistan Spinning Mills Limited is an Associated Company based on common directorship.

		Un-audited December 31, 2013	Audited June 30, 2013
	Note	-----Rupees-----	
6.3 Gulistan Fibres Limited			
741,185 ordinary shares of Rs.10 each - cost		5,530,760	5,530,760
Share of post acquisition losses		(254,010,741)	(226,989,252)
Share of item directly credited in the equity of Associated Company		14,134,893	9,746,460
Share of surplus on revaluation of fixed assets		248,538,281	266,778,704
		<u>14,193,193</u>	<u>55,066,672</u>
Less: investment disposed during the period	6.3.1	14,193,193	-
		<u>-</u>	<u>55,066,672</u>

- 6.3.1** The management keeping in view the on-going financial crises has disposed-off its investments of 741,185 ordinary shares of Rs.10 each of Gulistan Fibres Limited to the relative of the Chief Executive (a related party) at the rate of Rs.103.64 per share. Sales proceed of Rs.76.816 million has been adjusted against interest free loan provided by this relative to the Company in preceding financial year (note 13.2). Difference between sales proceed and value based on equity method of this investment has been credited to 'Other Income' (note 17).

7. STOCK-IN-TRADE

All of the current assets of the Company are under banks' charge as security of short term borrowings (note 13). The Company filed a suit in the Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001. Further various banks and financial institutions have also filed suits before Banking Court, Sindh High Court and Lahore High Court for recovery of their financial liabilities through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully explained in note 15.1.1 .

		Un-audited December 31, 2013	Audited June 30, 2013
	Note	-----Rupees-----	
8. SHORT TERM INVESTMENT			
- At fair value through profit or loss			
Gulistan Textile Mills Limited			
1,648,740 (June 30, 2013:1,648,740) ordinary shares of Rs.10 each	8.1	<u>26,379,840</u>	<u>-</u>
Equity held 8.68% (June 30, 2013: 8.68%)			

- 8.1** Refer contents of note 6.1 to this condensed interim financial information.

9. CASH AND BANK BALANCES

Majority of the Company's bank accounts operations have been blocked by the respective bank due to on-going litigations with these banks as detailed in note 15.1.1 to this condensed interim financial information. Further, due to the litigation and blockage of bank accounts, complete bank statements for the current period of six months ended December 31, 2013 and preceding financial year ended June 30, 2013 of banks were not available to ensure balances held with these banks.

10. LONG TERM FINANCES AND LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

The Company filed a suit in the Lahore High Court against all banks / financial institutions under section 9 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 and lending banks have also filed suits before different High Courts for recovery of their long term & short term liabilities and lease finances through attachment and sale of Company's hypothecated / mortgaged / charged stocks and properties as fully disclosed in note 15.1.1.

Due to the abovementioned litigations the Company's financial arrangements with banking companies and lessors are disputed and these liabilities have become payable on demand so instalments due after the year ending December 31, 2014 have been grouped in current portion of non-current liabilities in accordance with the requirements of International Accounting Standard (IAS) 1 'Financial Statements Presentation'.

11. TRADE AND OTHER PAYABLES

Trade and other payables include bills payable / letters of credit payable of Rs.594.902 million (June 30, 2013: Rs.579.180 million), which represent payables 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. Period end balance include Rs.468.059 million which is due but not paid. The Company is in litigation with banks and financial institutions as detailed in note 15.1.1 so current situation and balance confirmation of these bills payable could not be ascertained due to non availability of relevant documents . Further, no provision of any further commission / interest / mark-up or penalty in respect of overdue LCs has been made in this condensed interim financial information. Amount of the un-provided commission / interest / mark-up or penalty is impracticable to determine as at the reporting date.

12. ACCRUED MARK-UP / INTEREST

During the period of six months ended December 31, 2013, the Company has not provided mark-up / interest on its long term finances, lease finances and short term borrowings to the extent of Rs.12.436 million, Rs.1.302 million and Rs.86.117 million respectively due to pending litigations with the financial institutions. Further, as detailed in note 1.3, the management is in the process of finalisation of restructuring of its debts and as per indicative restructuring term sheet total accrued and outstanding mark-up till June 30, 2013 will be repaid after the completion of repayment term of principal i.e. 8 years. Un-provided mark-up / interest upto the balance sheet date aggregated Rs.342.971 million. This non-provisioning is in contravention with the requirements of IAS 23 - Borrowing Costs. The exact amount of un-provided mark-up / interest could not be ascertained because of non-availability of relevant information and documents due to on-going litigations with banks and financial institutions.

13. SHORT TERM BORROWINGS

		Un-audited December 31, 2013	Audited June 30, 2013
	Note	-----Rupees-----	
Short term finances - secured	13.1	1,329,340,007	1,329,340,007
Running finances - secured	13.1	315,180,324	315,180,324
Loan from a related party - unsecured		21,662,236	21,762,236
Interest free loans from related parties - unsecured	13.2	146,171,261	222,282,061
Temporary bank overdraft - unsecured	13.3	23,365,506	12,623,136
		<u>1,835,719,334</u>	<u>1,901,187,764</u>

- 13.1 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 15.1.1.

Further, due to these litigations, complete bank statements for the current period ended December 31, 2013 and preceding financial year ended June 30, 2013 of all banks / financial institutions were also not available to ensure period end balances of these finance facilities.

	Un-audited December 31, 2013	Audited June 30, 2013
	-----Rupees-----	
13.2 Interest free loans from related parties - unsecured		
Balance at beginning of the period / year	222,282,061	-
Add: funds received during the period / year	7,205,616	278,172,840
Less: repayments / adjustment made during the period / year	(83,316,416)	(55,890,779)
Balance at end of the year / period	<u>146,171,261</u>	<u>222,282,061</u>

- 13.2.1 These loans were advanced by Spouse of the Chief Executive and other relatives (related parties) in order to meet working capital shortage.

- 13.3 These have arisen due to issuance of cheques in excess of balance at bank accounts.

	Un-audited December 31, 2013	Audited June 30, 2013
	-----Rupees-----	
Note		

14. CURRENT PORTION OF NON-CURRENT LIABILITIES

Long term finances:

- overdue instalments		102,650,133	70,615,497
- instalments due within next twelve months		54,913,168	59,289,171
- instalments due after December 31, 2014 / June 30, 2014	14.1	<u>75,631,917</u>	<u>103,290,550</u>
		233,195,218	<u>233,195,218</u>

Liabilities against assets subject to

finance lease

- overdue instalments		16,710,509	13,873,815
- instalments due within next twelve months		6,155,301	7,341,954
- instalments due after December 31, 2014 / June 30, 2014	14.1	<u>3,765,851</u>	<u>6,846,017</u>
		26,631,661	<u>28,061,786</u>
		<u>259,826,879</u>	<u>261,257,004</u>

- 14.1 Refer contents of note 10 to this condensed interim financial information.

15. CONTINGENCIES AND COMMITMENTS**15.1 Contingencies****15.1.1 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 (June 30, 2013: 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 interim 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 Company filed appeal before Divisional Bench of the LHC against the abovementioned order. The Divisional Bench passed the order, dated November 27, 2013, that respondent bank will not liquidate the Company's assets and operation of impugned judgement and decree dated September 11, 2013 will remain suspended meanwhile.

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.

- 15.1.2 There has been no change in the matters as detailed in notes 29.1.2 and 29.1.3 to the Company's published annual financial statements for the year ended June 30, 2013.

- 15.1.3 Counter guarantees aggregating Rs.9.067 million (June 30, 2013: Rs.9.067 million) were given by the Company to various banks outstanding as at December 31, 2013 in respect of guarantees issued in favour of various Government Departments / Institutions.

15.2 Commitments

There has been no commitment as at December 31, 2013 and June 30, 2013.

16. COST OF SALES

	(Un-audited)			
	Quarter ended		Half year ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Note	----- (Rupees) -----			
Stocks - opening	263,000,506	166,974,559	277,040,674	233,808,882
Cost of goods manufactured	800,480,101	575,904,350	1,453,986,464	1,290,351,917
Purchase of finished goods	-	-	-	2,419,810
	800,480,101	575,904,350	1,453,986,464	1,292,771,727
	1,063,480,607	742,878,909	1,731,027,138	1,526,580,609
Stocks - closing	(238,676,466)	(156,957,695)	(238,676,466)	(156,957,695)
	824,804,141	585,921,214	1,492,350,672	1,369,622,914

16.1 Cost of goods manufactured

Opening work-in-process	28,048,663	47,795,240	32,436,817	85,268,559
Raw materials consumed	543,590,377	361,912,603	944,149,876	804,091,435
Direct labour and overheads	273,638,890	207,051,429	522,197,600	441,846,845
	817,229,267	568,964,032	1,466,347,476	1,245,938,280
	845,277,930	616,759,272	1,498,784,293	1,331,206,839
Closing work-in-process	(44,797,829)	(40,854,922)	(44,797,829)	(40,854,922)
	800,480,101	575,904,350	1,453,986,464	1,290,351,917

17. OTHER INCOME

Includes gains of Rs.481.336 million and Rs.311.161 million arisen upon reclassification of investment in an Associate to 'Investment at fair value through profit or loss' and due to disposal of investment in an Associated Company respectively. Refer contents of note 6.1 and 6.3.1 to this condensed interim financial information.

18. TAXATION

Provision for the current period represents taxes paid under section 154 of the Income Tax Ordinance, 2001 (the Ordinance). No provision from minimum tax due under section 113 of the Ordinance is incorporated as the Company has suffered gross loss before depreciation and other inadmissible expenses.

		(Un-audited)	
		Half year ended	
		December 31, 2013	December 31, 2012
		-----Rupees-----	
19.	Note		
CASH GENERATED FROM OPERATIONS			
		594,133,025	(329,423,212)
		Adjustments for non-cash and other items:	
		26,206,663	33,197,852
		10,424,929	9,530,293
		16,760,620	25,334,978
		15,254,118	121,242,111
		4,466,165	-
		(305,726)	(187,153)
		(312,632)	(509,402)
		(311,161,501)	-
		(481,336,377)	-
		-	(62,462,837)
	19.1	159,707,281	224,042,791
		<u>33,836,565</u>	<u>20,765,421</u>
19.1 Working capital changes			
(Increase) / decrease in current assets:			
		(2,853,848)	2,717,797
		3,557,961	79,678,702
		99,870,158	102,953,479
		(6,453,517)	37,613,338
		175,600	133,495
		(18,712,519)	(9,976,855)
		<u>75,583,835</u>	<u>213,119,956</u>
		<u>84,123,446</u>	<u>10,922,835</u>
		<u>159,707,281</u>	<u>224,042,791</u>

20. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the audited annual financial statements and should be read in conjunction with the Company's audited annual financial statement as at June 30, 2013.

There have been no changes in the risk management policies since the year end.

21. RELATED PARTY TRANSACTIONS**21.1 Significant transactions with related parties are as follows:**

	(Un-audited) Half year ended	
	December 31, 2013	December 31, 2012
	-----Rupees-----	
Nature of transactions		
Purchases	82,153,263	77,283,101
Processing charges	-	2,522,542
Sales	578,000	31,616,653
Processing income	2,653,580	11,485,832
Mark-up accrued	1,040,354	1,535,877
Advance given for purchase of yarn / cotton	7,955,147	-
Sale of investment in an Associated Company	76,816,413	-
Interest free loans received	7,205,616	-
Interest free loans repaid	6,500,000	-
Interest bearing loan repaid	100,000	-
Remuneration and other benefits to key management personnel	6,019,956	6,483,029
	Un-audited December 31, 2013	Audited June 30, 2013
	-----Rupees-----	

21.2 Period / year end balances are as follows:**Receivables from related parties**

Long term investments	-	55,066,672
Trade debts	9,054,628	12,278,468
Loans and advances	7,955,147	-
Short term investment	26,379,840	-
Other receivables	400,000	-

Payable to related parties

Trade and other payables	31,274,635	29,747,581
Accrued mark-up / interest	8,202,983	7,162,629
Short term borrowings	167,833,497	244,044,297

22. SEGMENT INFORMATION

22.1 The Company's reportable segments are as follows:

- spinning;
- dyeing;
- garments; and
- weaving - note 22.3.

Information regarding the Company's reportable segments is presented below:

22.2 Segment revenues and results

	Spinning	Dyeing	Garments	Weaving - note 22.3	Total
----- Rupees -----					
For the year ended					
December 31, 2013					
Sales	513,656,271	76,001,897	840,199,378	-	1,429,857,546
Cost of sales	576,011,341	82,089,411	834,249,920	-	1,492,350,672
Gross (loss) / profit	(62,355,070)	(6,087,514)	5,949,458	-	(62,493,126)
Distribution cost	875,048	1,563,585	57,566,843	-	60,005,476
Administrative expenses	18,733,686	1,873,532	19,396,488	-	40,003,706
Other expenses	4,253,684	-	212,481	-	4,466,165
Other income	(793,116,236)	-	-	-	(793,116,236)
	(769,253,818)	3,437,117	77,175,812	-	(688,640,889)
Profit / (loss) from operations	706,898,748	(9,524,631)	(71,226,354)	-	626,147,763
Finance cost	7,932,117	2,157,088	6,671,415	-	16,760,620
Share of loss from Associated Companies	(15,254,118)	-	-	-	(15,254,118)
Profit / (loss) before taxation	683,712,513	(11,681,719)	(77,897,769)	-	594,133,025
Taxation					17,985,238
Profit after taxation					576,147,787
----- Rupees -----					
For the period ended					
December 31, 2012					
Sales	356,775,592	153,668,286	724,456,855	-	1,234,900,733
Cost of sales	430,119,984	167,197,206	770,670,250	1,635,474	1,369,622,914
Gross loss	(73,344,392)	(13,528,920)	(46,213,395)	(1,635,474)	(134,722,181)
Distribution cost	7,936,017	5,763,622	38,980,119	-	52,679,758
Administrative expenses	22,980,772	2,415,528	15,651,124	678	41,048,102
Other expenses	17,555,474	-	-	-	17,555,474
Other income	(63,159,392)	-	-	-	(63,159,392)
	(14,687,129)	8,179,150	54,631,243	678	48,123,942
Loss from operations	(58,657,263)	(21,708,070)	(100,844,638)	(1,636,152)	(182,846,123)
Finance cost	11,621,864	232,052	13,481,062	-	25,334,978
Share of loss from Associated Companies	(121,242,111)	-	-	-	(121,242,111)
Loss before taxation	(191,521,238)	(21,940,122)	(114,325,700)	(1,636,152)	(329,423,212)
Taxation					13,247,603
Loss after taxation					(342,670,815)

- 22.3 The Company, during preceding financial year, disposed-off its power looms as detailed in note 5.3.1 to the audited annual financial statements of the Company for year ended June 30, 2013.
- 22.4 Segment revenue reported above are revenue generated from external customers. There were no inter-segment sales during the period.
- 22.5 60.18% (December 31, 2012: 73.06%) of sales of the Company are made to customers located outside Pakistan.
- 22.6 All non-current assets of the Company at December 31, 2013 and December 31, 2012 are located in Pakistan.
- 22.7 The Company has earned revenue from three (December 31, 2012: one) customers aggregating Rs.790.942 million (December 31, 2012: Rs.360.209 million) during the period which constituted 55.32% (December 31, 2012: 29.17%).

23. GENERAL

- 23.1 Figures have been rounded off to the nearest rupee except stated otherwise.
- 23.2 This condensed interim financial information has been authorized for issue by the Board of Directors of the Company on February 26, 2014.



Paramount Spinning Mills Limited

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