



**THIRD QUARTERLY ACCOUNTS  
FOR THE NINE MONTHS ENDED  
MARCH 31, 2015  
(UN-AUDITED)**

**Paramount Spinning Mills Limited**

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**COMPANY INFORMATION**

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|--|--|--|
| <b>Board of Directors</b>                          | Mr. Sohail Maqsood<br>Mr. Iftikhar Ali<br>Mr. Riaz Ahmed<br>Mr. Maqsood ul haq<br>Mr. Muhammad Salman Husain Chawala<br>Mr. Muhammad Maqbool Anjum<br>Mr. Ali Afzal Sheikh | (Chairman)<br>(Chief Executive)<br><br><br>(NIT Nominee) |
| <b>Audit Committee</b>                             | Mr. Muhammad Maqbool Anjum<br>Mr. Maqsood ul haq<br>Mr. Sohail Maqsood   | (Chairman)   |
| <b>Human Resource &amp; Remuneration Committee</b> | Mr. Maqsood ul haq<br>Mr. Iftikhar Ali<br>Mr. Sohail Maqsood   | (Chairman)   |
| <b>Chief Financial Officer</b>                     | Mr. Nasir Mahmood  |  |
| <b>Company Secretary</b>                           | Mr. Javaid Iqbal   |  |
| <b>Auditors</b>                                    | M/s. Baker Tilly Mehmoed Idrees Qamar<br>Chartered Accountants<br>188, D-1, Model Town Lahore  |  |
| <b>Legal Advisor</b>                               | M/s. A.K. Brohi & Company-Advocate   |  |
| <b>Tax Consultant</b>                              | M/s. Sharif & Company-Advocate   |  |
| <b>Share Registrar Office</b>                      | M/s. Hameed Majeed Associates (Pvt) Ltd.<br>Karachi Chamber<br>Hasrat Mohani Road Karachi<br>Ph. 32424826, 32412754, Fax. 32424835   |  |
| <b>Registered Office</b>                           | 2nd Floor Finlay House I.I. Chundrigar Road,<br>Karachi  |  |
| <b>Regional Office</b>                             | The Enterprise Building No 1, 4th Floor,<br>1 Km, Thokar Niaz Baig, Multan Road,<br>Lahore   |  |
| <b>Mills</b>                                       | S.I.T.E. Kotri , Raiwind   |  |
| <b>Web Presence</b>                                | www.gulshan.com.pk   |  |

## PARAMOUNT SPINNING MILLS LIMITED

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### DIRECTOR'S REPORT TO SHAREHOLDERS

The Directors of your Company are pleased to present unaudited financial statements of the Company for the nine months ended March 31, 2015.

#### Financial Results:

| Operating indicators        | Nine Months Ended<br>March 31, 2015 | Nine Months Ended<br>March 31, 2014 |
|-----------------------------|-------------------------------------|-------------------------------------|
|                             | (Rupees)                            | (Rupees)                            |
| Sales                       | <b>963,289,412</b>                  | 2,094,303,085                       |
| Gross (loss) / Profit       | <b>(53,951,420)</b>                 | (199,340,163)                       |
| Pre Tax (loss) / Profit     | <b>(122,359,346)</b>                | 406,831,698                         |
| Provision for Taxation      | <b>(423,705)</b>                    | 22,075,442                          |
| Earnings / (loss) Per Share | <b>(7.03)</b>                       | 22.17                               |

#### Overview:

The period under review has also been proved difficult. Challenges like severe energy crises coupled with on-going financial barriers have obstructed the optimum utilization of production capacities. Inaccessibility to the working capital facilities caused underutilization of production capacities, due to which the Company could not efficiently procure essential raw materials on time. This hindered the Company's plan to run the mills according to the installed capacities and resultantly could not achieve the desired production targets which further affected sales turnover as well as profitability. In spite of the ongoing adverse eventualities, the Management has attempted to use maximum probabilities to keep the Mills operational.

The Management is conscious of the issues that are affecting our operations and are committed to plans to turn Company into profitable entity by taking serious decisions 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 financial 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. 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

#### Future Outlook:

We have been conscious of the issues that are affecting our production and are committed to turn the Company into a profitable organization 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. In spite of continued load shedding, the management is trying to implement its best efforts to ensure regain its growth, operational efficiency and optimum results for the Company and its valued stakeholders. This impediment is expected to be over in near future as the restructuring process is expected to be completed soon once the ongoing reconciliation & restructuring process is completed, we would be in better position to embark upon timely better priced procurement of the required raw materials. To increase profitability and improve performance, wide ranging and significant measures are being implemented by the Company focusing on cost reduction and increase in margins.

#### 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.

KARACHI  
April 29, 2015

IFTIKHAR ALI  
CHIEF EXECUTIVE

**PARAMOUNT SPINNING MILLS LIMITED**

**CONDENSED INTERIM BALANCE SHEET  
AS AT MARCH 31, 2015**

|  |      | Un-audited<br>March 31,<br>2015 | Audited<br>June 30,<br>2014 |
|--|------|---------------------------------|-----------------------------|
|  | Note | -----Rupees-----                |                             |
| <b>ASSETS</b>  |      |                                 |                             |
| <b>Non current assets</b>  |      |                                 |                             |
| Property, plant and equipment  | 5    | 2,326,740,634                   | 2,364,232,897               |
| Long term investments  |      | -                               | -                           |
| Long term loans  |      | 362,752                         | 516,253                     |
| Long term deposits   |      | 3,484,406                       | 3,484,406                   |
|  |      | <u>2,330,587,792</u>            | <u>2,368,233,556</u>        |
| <b>Current assets</b>  |      |                                 |                             |
| Stores, spare parts and loose tools                                  |      | 17,699,722                      | 16,207,842                  |
| Stock-in-trade   |      | 343,930,559                     | 375,656,141                 |
| Trade debts  |      | 46,325,965                      | 63,553,396                  |
| Loans and advances   |      | 23,260,114                      | 32,563,286                  |
| Short term deposits  |      | 3,856,903                       | 3,856,903                   |
| Short term investment  |      | 24,731,100                      | 24,731,100                  |
| Accrued mark-up / interest   |      | 654,230                         | 549,488                     |
| Other receivables  |      | 136,225,284                     | 148,658,936                 |
| Cash and bank balances   |      | 16,809,137                      | 15,160,030                  |
|  |      | <u>613,493,014</u>              | <u>680,937,122</u>          |
| <b>Total assets</b>  |      | <u><u>2,944,080,806</u></u>     | <u><u>3,049,170,678</u></u> |
| <b>EQUITY AND LIABILITIES</b>  |      |                                 |                             |
| <b>Share capital and reserves</b>                                    |      |                                 |                             |
| Authorised capital   |      |                                 |                             |
| 25,000,000 (June 30, 2013: 25,000,000) ordinary shares of Rs.10 each |      | <u>250,000,000</u>              | <u>250,000,000</u>          |
| 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   |      | <u>(2,809,995,923)</u>          | <u>(2,707,407,801)</u>      |
|  |      | <u>(2,161,072,633)</u>          | <u>(2,058,484,511)</u>      |
| <b>Surplus on revaluation of operating fixed assets</b>              |      | 1,514,183,746                   | 1,533,531,265               |
| <b>Sub-ordinate loan</b>   |      | 175,000,000                     | 175,000,000                 |
| <b>Non current liabilities</b>                                       |      |                                 |                             |
| Long term finances   | 6    | 142,235,639                     | 142,235,639                 |
| Liabilities against assets subject to finance lease                  | 6    | -                               | -                           |
| Staff retirement benefit   |      | 33,717,280                      | 32,319,898                  |
| Deferred taxation  |      | 150,996,828                     | 151,420,533                 |
|  |      | <u>326,949,747</u>              | <u>325,976,070</u>          |
| <b>Current liabilities</b>   |      |                                 |                             |
| Trade and other payables   | 7    | 1,007,256,511                   | 1,033,808,304               |
| Accrued mark-up / interest   | 8    | 27,685,999                      | 13,332,488                  |
| Short term borrowings  | 9    | 1,795,767,515                   | 1,754,783,479               |
| Current portion of non-current liabilities                           |      | 258,309,921                     | 259,065,242                 |
| Taxation   |      | -                               | 12,158,341                  |
|  |      | <u>3,089,019,946</u>            | <u>3,073,147,854</u>        |
| <b>Contingencies and commitments</b>                                 | 10   |                                 |                             |
| <b>Total equity and liabilities</b>                                  |      | <u><u>2,944,080,806</u></u>     | <u><u>3,049,170,678</u></u> |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

Chief Executive

Director

**PARAMOUNT SPINNING MILLS LIMITED**

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2015**

|  | Note | Quarter ended       |                      | Nine Months ended    |                      |
|--|------|---------------------|----------------------|----------------------|----------------------|
|  |      | March 31,<br>2015   | March 31,<br>2014    | March 31,<br>2015    | March 31,<br>2014    |
|  |      | ----- Rupees -----  |                      |                      |                      |
| Sales - net                              |      | 296,979,259         | 664,445,539          | 963,289,412          | 2,094,303,085        |
| Cost of sales                            | 11   | 332,703,914         | 801,292,575          | 1,017,240,832        | 2,293,643,248        |
| <b>Gross loss</b>                        |      | <b>(35,724,655)</b> | <b>(136,847,036)</b> | <b>(53,951,420)</b>  | <b>(199,340,163)</b> |
| Distribution cost                        |      | 2,878,492           | 19,437,473           | 5,576,266            | 79,442,949           |
| Administrative expenses                  |      | 15,763,688          | 28,257,317           | 50,473,240           | 68,261,023           |
| Other expenses                           |      | -                   | (4,466,165)          | -                    | -                    |
| Other income                             |      | (914,273)           | (2,516,079)          | (3,015,756)          | (795,632,315)        |
|  |      | 17,727,907          | 40,712,546           | 53,033,750           | (647,928,344)        |
| <b>Profit / (loss) from operations</b>   |      | <b>(53,452,562)</b> | <b>(177,559,581)</b> | <b>(106,985,170)</b> | <b>448,588,181</b>   |
| Finance cost                             |      | 5,058,055           | 9,741,745            | 15,374,176           | 26,502,365           |
|  |      | (58,510,617)        | (187,301,326)        | (122,359,346)        | 422,085,816          |
| Share of loss of Associated<br>Companies |      | -                   | -                    | -                    | (15,254,118)         |
| <b>Profit / (loss) before taxation</b>   |      | <b>(58,510,617)</b> | <b>(187,301,326)</b> | <b>(122,359,346)</b> | <b>406,831,698</b>   |
| Taxation                                 | 12   |                     |                      |                      |                      |
| - current                                |      | -                   | 4,090,205            | -                    | 13,407,077           |
| - deferred                               |      | 337,957             | -                    | (423,705)            | 8,668,366            |
|  |      | 337,957             | 4,090,205            | (423,705)            | 22,075,442           |
| <b>Profit / (loss) after taxation</b>    |      | <b>(58,848,574)</b> | <b>(191,391,531)</b> | <b>(121,935,641)</b> | <b>384,756,256</b>   |
| <b>Earnings / (loss) per share</b>       |      |                     |                      |                      |                      |
| - basic and diluted                      |      | (3.39)              | (11.03)              | (7.03)               | 22.17                |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

**PARAMOUNT SPINNING MILLS LIMITED**

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**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2015**

|   | Quarter ended       |                   | Nine Months ended    |                   |
|---|---------------------|-------------------|----------------------|-------------------|
|   | March 31,<br>2015   | March 31,<br>2014 | March 31,<br>2015    | March 31,<br>2014 |
|   | ----- Rupees -----  |                   |                      |                   |
| <b>Profit / (loss) after taxation</b>                         | <b>(58,848,574)</b> | (191,391,531)     | <b>(121,935,641)</b> | 384,756,256       |
| Other comprehensive income                                    | -                   | -                 | -                    | -                 |
| <b>Total comprehensive income /<br/>(loss) for the period</b> | <b>(58,848,574)</b> | (191,391,531)     | <b>(121,935,641)</b> | 384,756,256       |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

**PARAMOUNT SPINNING MILLS LIMITED**

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2015**

|   | Note | Nine Months ended   |                    |
|---|------|---------------------|--------------------|
|   |      | March 31,<br>2015   | March 31,<br>2014  |
|   |      | -----Rupees-----    |                    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |      |                     |                    |
| Cash generated from operations                                | 13   | (32,279,090)        | 48,928,564         |
| Interest received   |      | (1,020,665)         | (30,201,313)       |
| Interest paid   |      | 291,677             | 525,493            |
| Income tax paid   |      | (925,915)           | (11,719,553)       |
| Gratuity paid   |      | (6,862,063)         | (11,950,963)       |
| Long term loans paid  |      | 153,501             | -                  |
| <b>Net cash used in operating activities</b>                  |      | <b>(40,642,554)</b> | <b>(4,417,772)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |      |                     |                    |
| Fixed capital expenditure                                     |      | (2,252,933)         | (5,787,085)        |
| Proceed from disposal of operating fixed assets               |      | 4,315,878           | 660,000            |
| Long term loans - net   |      | -                   | 431,248            |
| <b>Net cash used in investing activities</b>                  |      | <b>2,062,945</b>    | <b>(4,695,837)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |      |                     |                    |
| Lease finances - net  |      | (755,321)           | (1,978,982)        |
| Short term borrowings - net                                   |      | 40,984,037          | 13,180,283         |
| <b>Net cash generated from financing activities</b>           |      | <b>40,228,716</b>   | <b>11,201,302</b>  |
| <b>Net increase in cash and cash equivalents</b>              |      | <b>1,649,107</b>    | <b>2,087,693</b>   |
| <b>Cash and cash equivalents - at beginning of the period</b> |      | <b>15,160,030</b>   | <b>12,833,924</b>  |
| <b>- at beginning of the period - at end of the period</b>    |      | <b>16,809,137</b>   | <b>14,921,617</b>  |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



**PARAMOUNT SPINNING MILLS LIMITED**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2015**

|   | Issued,<br>subscribed<br>and paid-up<br>capital | Reserves          |                    | Accumulated<br>loss    | Total                  |
|---|---|-------------------|--------------------|------------------------|------------------------|
|   |   | Share<br>premium  | General<br>reserve |                        |                        |
| ----- Rupees -----  |   |                   |                    |                        |                        |
| <b>Balance as at July 1, 2013</b>   | 173,523,290                                     | 15,400,000        | 460,000,000        | (2,798,842,238)        | (2,149,918,948)        |
| Profit for the nine months ended<br>March 31, 2014  | -   | -                 | -                  | 384,756,256            | 384,756,256            |
| Other comprehensive income  | -   | -                 | -                  | -                      | -                      |
| <b>Total comprehensive loss for<br/>the period</b>  | -   | -                 | -                  | 384,756,256            | 384,756,256            |
| Surplus on revaluation of operating<br>fixed assets realised during the<br>period on account of incremental<br>depreciation for the nine months ended                               | -   | -                 | -                  | 21,733,885             | 21,733,885             |
| Effect of item directly credited in<br>equity by Associated Companies   | -   | -                 | -                  | 10,739,464             | 10,739,464             |
| <b>Balance as at March 31, 2014</b>   | <b>173,523,290</b>                              | <b>15,400,000</b> | <b>460,000,000</b> | <b>(2,381,612,633)</b> | <b>(1,732,689,343)</b> |
| <b>Balance as at July 1, 2014</b>   | <b>173,523,290</b>                              | <b>15,400,000</b> | <b>460,000,000</b> | <b>(2,707,407,801)</b> | <b>(2,058,484,511)</b> |
| Loss for the nine months ended<br>March 31, 2015  | -   | -                 | -                  | (121,935,641)          | (121,935,641)          |
| Other comprehensive income  | -   | -                 | -                  | -                      | -                      |
| <b>Total comprehensive income for<br/>the period</b>  | -   | -                 | -                  | (121,935,641)          | (121,935,641)          |
| Surplus on revaluation of operating<br>fixed assets realised during the<br>period on account of incremental<br>depreciation for the nine months ended<br>- net of deferred taxation | -   | -                 | -                  | 19,347,519             | 19,347,519             |
| <b>Balance as at March 31, 2015</b>   | <b>173,523,290</b>                              | <b>15,400,000</b> | <b>460,000,000</b> | <b>(2,809,995,923)</b> | <b>(2,161,072,633)</b> |

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2015**

**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. 2,809.996 million as at March 31, 2015 and as at that date its current liabilities exceeded its current assets by Rs. 3,089.020 million. This is mainly due to under utilisation of capacity because of insufficiency of working capital lines. All the working capital lines and other finances have been blocked by respective banks and financial institutions due to litigations with these lenders as detailed in note 10.1.1 to this condensed interim financial information. These Conditions along with other adverse key financial ratios and the pending litigations with the banking companies and financial institutions indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. These financial statements, however, have 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 in the process of finalisation; immediately thereafter it will be signed by all parties and legal documentation will be executed to formalize the restructuring of outstanding debts of the Company. Salient features of this indicative term sheet are as follows:

- the existing facilities will be restructured and consolidated into a long term facility and aggregate principal outstanding will be repaid over 8 years. The sponsors will inject equity through sale of assets of the Company for approximately Rs. 1,369 million. Balance of the outstanding facility amount will be repaid in instalments over a period of 8 years on quarterly basis as per the agreed repayment schedule;
  - Total accrued and outstanding mark-up due / payable till March 31, 2015 by the Company to its existing lenders will be repaid starting immediately after the expiry of 8 years time period of principal repayment on quarterly basis over a 2 years period (accrued mark-up period); and
  - Mark-up rate shall be 5.00% per annum for the first 2 years of repayment tenor, however, a mark-up of 0.50% per annum shall be paid by the Company during the first year and mark-up at the rate of 1.00% will be paid in second year of the repayment tenor. Whereas the remaining differential mark-up amount for these periods will be accumulated and repaid on quarterly basis starting from second-year of the accrued mark-up period. For the remaining 6 years of the restructured facility, mark-up shall be charged and repaid on quarterly basis at the rate of 5.00% per annum.
- (b)** the management has made arrangements whereby third party cotton is being processed against processing fee for utilisation of unutilised capacity.
- (c)** the management has also undertaken adequate steps towards the reduction of fixed cost and expenses. Such steps include, but not limited to, right sizing of the man power, resource conservation, close monitoring of other fixed cost etc.

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. 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, 2014.

**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, 2014.

**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, 2014.

**5. PROPERTY, PLANT AND EQUIPMENT**

|  | Note | <b>Un-audited<br/>March 31,<br/>2015</b> | Audited<br>June 30,<br>2014 |
|--|------|--|-----------------------------|
| -----Rupees-----                                 |      |  |                             |
| Net book value at beginning of the period / year |      | <b>2,364,232,897</b>                     | 2,410,718,695               |
| Additions during the period / year               | 5.1  | <b>2,253,081</b>                         | 6,510,409                   |
| Net Book value of assets disposed-off            |      | <b>(1,696,541)</b>                       | (634,861)                   |
| Depreciation charge for the period / year        |      | <b>(38,048,803)</b>                      | (52,361,346)                |
| Net book value at end of the period / year       |      | <b><u>2,326,740,634</u></b>              | <u>2,364,232,897</u>        |

**5.1 Additions during the period / year:**

|                        |                         |                  |
|------------------------|-------------------------|------------------|
| Building               | -                       | 2,688,834        |
| Plant and machinery    | <b>1,697,341</b>        | 975,096          |
| Electric Installations | <b>507,940</b>          | 2,636,551        |
| Mills equipment        | -                       | 154,928          |
| Furniture and fixtures | <b>47,800</b>           | 3,200            |
| Office equipment       | -                       | 51,800           |
|                        | <b><u>2,253,081</u></b> | <u>6,510,409</u> |

**6. 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 10.1.1.

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 March 31, 2016 have been grouped in current portion of non-current liabilities in accordance with the requirements of International Accounting Standard (IAS) 1 'Financial Statements Presentation'.

**7. TRADE AND OTHER PAYABLES**

This represents overdue bills payable / letters of credit 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 so current status 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 the financial statements. Amount of the un-provided commission / interest / mark-up or penalty is impracticable to determine as at the reporting date.

**8. ACCRUED MARK-UP / INTEREST**

During the period of nine months ended March 31, 2015, the Company has not provided mark-up / interest on its long term finances, lease finances and short term borrowings to the extent of Rs. 16.725 million, Rs. 2.208 million and Rs. 132.842 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 date 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. 597.313 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.

9. These 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.

Further, due to these litigations, complete bank statements for the current period ended March 31, 2015 and preceding financial year ended June 30, 2014 of all banks / financial institutions were also not available to ensure period end balances of these finance facilities.

**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. 2,332.365 million (June 30, 2014: Rs. 2,332.365 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.

## PARAMOUNT SPINNING MILLS LIMITED

**10.1.2** There has been no change in the matters as detailed in notes 30.1.2 and 30.1.3 to the Company's published annual financial statements for the year ended June 30, 2014.

**10.1.3** Counter guarantees aggregating Rs. 9.067 million (June 30, 2014: Rs. 9.067 million) were given by the Company to various banks outstanding as at March 31, 2015 in respect of guarantees issued in favour of various Government Departments / Institutions.

### 10.2 Commitments

There has been no commitment as at March 31, 2015 and June 30, 2014.

(Un-audited)

| Quarter ended     |                   | Nine months ended |                   |
|-------------------|-------------------|-------------------|-------------------|
| March 31,<br>2015 | March 31,<br>2014 | March 31,<br>2015 | March 31,<br>2014 |

(Rupees)

### 11. COST OF SALES

|                            |               |               |               |               |
|----------------------------|---------------|---------------|---------------|---------------|
| Stocks - opening           | 131,716,174   | 238,676,466   | 134,652,489   | 277,040,674   |
| Cost of goods manufactured | 316,707,263   | 729,360,307   | 983,303,749   | 2,183,346,772 |
| Purchase of finished goods | -             | 10,506,000    | 15,004,116    | 10,506,000    |
|                            | 316,707,263   | 739,866,307   | 998,307,865   | 2,193,852,772 |
|                            | 448,423,436   | 978,542,773   | 1,132,960,354 | 2,470,893,446 |
| Stocks - closing           | (115,719,522) | (177,250,198) | (115,719,522) | (177,250,198) |
|                            | 332,703,914   | 801,292,575   | 1,017,240,832 | 2,293,643,248 |

### 12. TAXATION

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)

Nine months ended

|  |             | March 31,<br>2015   | March 31,<br>2014 |
|--|-------------|---------------------|-------------------|
| <b>13. CASH GENERATED FROM OPERATIONS</b>  | <b>Note</b> | -----Rupees-----    |                   |
| Profit / (loss) before taxation  |             | (122,359,346)       | 406,831,698       |
| <b>Adjustments for non-cash and other items:</b>   |             |                     |                   |
| Depreciation of operating fixed assets   |             | 38,048,803          | 39,360,354        |
| Provision of gratuity  |             | 8,259,444           | 18,369,929        |
| Finance cost   |             | 15,374,176          | 26,502,365        |
| Share of loss of Associated Companies  |             | -                   | 15,254,118        |
| Exchange loss - net  |             | -                   | (2,275,047)       |
| Interest income  |             | (396,419)           | (305,726)         |
| Gain on disposal of operating fixed assets   |             | (2,619,337)         | (535,586)         |
| Gain on disposal of investment in an Associated Company  |             | -                   | (311,161,501)     |
| Gain on reclassification of investment in an Associated Company to investment at fair value through profit or loss |             | -                   | (481,336,378)     |
| Working capital changes  | 13.1        | 31,413,589          | 338,224,337       |
|  |             | <u>(32,279,090)</u> | <u>48,928,564</u> |

|  | (Un-audited)             |                           |
|--|--------------------------|---------------------------|
|  | Nine months ended        |                           |
|  | March 31,<br>2015        | March 31,<br>2014         |
|  | -----Rupees-----         |                           |
| <b>13.1 Working capital changes</b>      |                          |                           |
| (Increase) / decrease in current assets: |                          |                           |
| Stores, spare parts and loose tools      | (1,491,880)              | 13,343,306                |
| Stock-in-trade                           | 31,725,582               | 135,645,454               |
| Trade debts                              | 17,227,431               | 111,009,976               |
| Loans and advances                       | (1,929,255)              | (9,514,106)               |
| Short term deposits                      | -                        | 516,800                   |
| Other receivables                        | 12,433,653               | (7,703,501)               |
|  | <u>57,965,530</u>        | <u>243,297,928</u>        |
| Increase in trade and other payables     | (26,551,941)             | 94,926,409                |
|  | <u><u>31,413,589</u></u> | <u><u>338,224,337</u></u> |

**14. RELATED PARTY TRANSACTIONS**

**14.1 Significant transactions with related parties are as follows:**

**Nature of transactions**

|                   |             |             |
|-------------------|-------------|-------------|
| Purchases         | 115,659,247 | 124,902,123 |
| Sales             | 1,648,450   | 11,389,895  |
| Processing income | -           | 2,706,652   |

**15. GENERAL**

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

**15.2** This condensed interim financial information has been authorized for issue by the Board of Directors of the Company on April 29, 2015.



**Paramount Spinning Mills Limited**

2nd Floor, Finlay House, I.I. Chundigar Road, Karachi - Pakistan.