



**QUALTERLY ACCOUNTS
FOR THREE MONTHS ENDED
SEPTEMBER 30,2015
(UN AUDITED)**

PARAMOUNT SPINNING MILLS LIMITED

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PARAMOUNT SPINNING MILLS LIMITED
COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Muhammad Akhtar Mirza (Chairman)
Mr. Sohail Maqsood (Chief Executive)
Mr. Muhammad Ashraf Khan
Mr. Abid Sattar
Mr. Iftikhar Ali
Mr. Muhammad Maqbool Anjum
Mr. Hussain Ather

AUDIT COMMITTEE

Mr. Hussain Ather (Chairman)
Mr. Muhammad Maqbool Anjum
Mr. Muhammad Akhtar Mirza

**HUMAN RESOURCE & REMUNERATION
COMMITTEE**

Mr. Maqsood ul haq (Chairman)
Mr. Iftikhar Ali
Mr. Sohail Maqsood

CHIEF FINANCIAL OFFICER

Mr. Nasir Mahmood

COMPANY SECRETARY

Mr. Muhammad Saleem Raza

AUDITORS

M/s Baker Tilly Mehmood Idrees Qamar - Chartered Accountants
188, D-1, Model Town Lahore

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, Finlay House, 8-Aibak Block,
New Garden Town, Lahore

MILLS

S.I.T.E. Kotri , Raiwind

WEB PRESENCE

<http://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, 2015.

Financial Results

Operating indicators	First Quarter Ended September 30, 2015	First Quarter Ended September 30, 2014
	(Rupees)	(Rupees)
Sales	52,643,796	341,229,776
Gross profit / (loss)	(43,420,729)	(16,304,602)
Pre Tax profit / (loss)	(55,719,021)	(35,765,380)
Provision for Taxation	0	3,412,298
Earnings / (loss) Per Share	(3.21)	(2.26)

The period under review has also been proved difficult period. Severe energy crises coupled with ongoing financial impediments have obstructed the utilization of production capacities. The root cause for this underutilization had been non-availability of working capital facilities which were blocked by the banks/financial institutions unilaterally, and resultantly the Company could not efficiently purchase sufficient raw material to run the installed capacities at optimum level. This hindered the Company's plan to achieve the desired production targets which badly affected our sales turnover as well as profitability of the Company. In spite of the ongoing adverse eventualities the Management is making all possible efforts to keep the Mills of the Company operational.

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 have 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 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.

LAHORE


SOHAIL MAQSOOD
CHIEF EXECUTIVE

PARAMOUNT SPINNING MILLS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2015

	NOTE	30 SEPT 2015	30 SEPT 2014
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES	11	(10,180,881)	9,827,414
Cash generated from operations			
Interest paid		(5,416,379)	(2,153,353)
Interest received		30,675	96,917
Income tax paid		(224,358)	(249,354)
Gratuity paid		(8,596,000)	(1,023,269)
Net cash used in operating activities		(24,386,942)	6,498,355
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		-	(1,603,595)
Proceeds from sale of operating fixed assets		3,372,253	-
Net cash used in investing activities		3,372,253	(1,603,595)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances - net		(100,000)	-
Lease finances - net		(181,177)	(107,547)
Short term borrowings - net		7,503,915	359,734
Net cash generated from financing activities		7,222,739	252,187
Net (decrease) / increase in cash and cash equivalents		(13,791,950)	5,146,948
Cash and cash equivalents - at beginning of the year		18,856,876	15,160,030
Cash and cash equivalents - at end of the year		5,064,926	20,306,978

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


SOHAIL MAQSOOD
CHIEF EXECUTIVE


M. AKHTAR MIRZA
DIRECTOR

PARAMOUNT SPINNING MILLS LIMITED**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2015**

	Share Capital	RESERVE		Unappropri- ated profit / (Accumulated loss)	Total
		Share Premium	General Reserve		
----- Rupees -----					
Balance as at 01 July 2014	173,523,290	15,400,000	460,000,000	(2,707,407,801)	(2,058,484,511)
Total Comprehensive loss for the quarter ended Sep 30,2014	-	-	-	(39,177,677)	(39,177,677)
Surplus on revaluation of operating fixed assets realised during the year:					
- on account of incremental depreciation for the year	-	-	-	8,085,941	8,085,941
Balance as at 30 Sept 2014	173,523,290	15,400,000	460,000,000	(2,738,499,537)	(2,089,576,247)
Balance as at 01 July 2015	173,523,290	15,400,000	460,000,000	(3,188,148,474)	(2,539,225,184)
Total Comprehensive loss for the quarter ended Sep 30,2015	-	-	-	(55,719,021)	(55,719,021)
Surplus on revaluation of operating fixed assets realised during the year:					
- on account of incremental depreciation for the year	-	-	-	2,534,718	2,534,718
Balance as at 30 Sept 2015	173,523,290	15,400,000	460,000,000	(3,241,332,777)	(2,592,409,487)

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


SOHAIL MAQSOOD
CHIEF EXECUTIVE


M. AKHTAR MIRZA
DIRECTOR

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 (now Pakistan Stock Exchange Limited). 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.

1.3 Going concern assumption

The Company has accumulated loss of Rs.3,241.33 million as at September 30, 2014 and as at that date its current liabilities exceeded its current assets by Rs.2,918.76 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 the financial statements rendering the company unable to operate its manufacturing facilities in normal manners. These financial statements, however, have been prepared under the going concern assumption due to following reasons:

(i) Restructuring / rescheduling of existing debt / loan facilities availed by the Company

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.250 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 September 30, 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.
- (ii) the management has made arrangements whereby third party cotton is being processed against processing fee for utilisation of unutilised capacity.
- (iii) 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 ect.

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, these financial statements do 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 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, 2015.

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, 2015.

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, 2015.

5. PROPERTY, PLANT AND EQUIPMENT

		Un-audited	Audited
		September 30,	June 30,
		2015	2015
	Note	----- (Rupees) -----	
Operating fixed assets	5.1	1,718,452,210	1,727,472,357
		<u>1,718,452,210</u>	<u>1,727,472,357</u>

5.1 Operating fixed assets

Book value at beginning of the period / year		1,727,472,357	2,364,232,897
Impairment Loss	5.1.1	-	(584,095,681)
Book value of assets disposed-off		(526,397)	(1,971,841)
Depreciation charge for the period / year		(8,493,749)	(50,693,018)
Book value at end of the period / year		<u>1,718,452,210</u>	<u>1,727,472,357</u>

5.1.1 Impairment Loss during the period / year:

Plant and machinery	-	483,821,858
Electric Installations	-	36,272,071
Building	-	38,122,368
Mills equipment	-	25,879,384
		<u>-</u>
		<u>584,095,681</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, 2015 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, 2015, 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.5,193 million, Rs 0.714 million and Rs.33,337 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.683.874 million.

9. SHORT TERM BORROWINGS - Secured

		Un-audited September 30, 2015	Audited June 30, 2015
	Note	(Rupees)	
Short term finances - secured	9.1	1,411,965,394	1,411,965,394
Running finances - secured	9.1	315,343,108	315,343,108
Loan - unsecured		21,662,236	21,662,236
Interest free loans from other parties- unsecured		273,206,114	271,946,528
Temporary bank overdraft - unsecured		15,225,528	8,981,199
		<u>2,037,402,380</u>	<u>2,029,898,465</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.3,445,831 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 company filed appeal before divisional bench of the LHC against the above mentioned order. The divisional bench passed the order, dated November 27, 2013, that respondent banks will not liquidate the company's assets and operations 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 in the process of signing ; 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 30.1.2, 30.1.3 and 30.1.4 to the Company's published annual financial statements for the year ended June 30, 2015.

10.2 Commitments

There has been no change in the matter as detail in note 30.2 to the Company's published annual financial statements for the year ended June 30, 2015.

	Note	Quarter ended	
		September 30, 2015	September 30, 2014
----- (Rupees) -----			
11. CASH GENERATED FROM OPERATIONS			
(Loss) / profit before taxation		(55,719,021)	(35,765,380)
Adjustments for non-cash charges and other items			
Depreciation of operating fixed assets		8,493,748	12,670,774
Provision of gratuity		8,916,636	2,753,148
Finance cost		3,921,945	327,982
(Gain) / loss on disposal of fixed assets		(2,845,854)	-
Interest income		(30,675)	(96,915)
Working capital changes	11.1	27,082,341	29,937,805
		<u>(10,180,881)</u>	<u>9,827,414</u>
11.1 Movement in working capital			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		1,294,579	(854,789)
Stock-in-trade		61,349,790	(13,009,690)
Trade debts		14,328,339	27,085,634
Loans and advances		457,121	(3,056,861)
Other receivables		17,278,570	(126,916)
		<u>94,708,400</u>	<u>10,037,378</u>
Increase / (decrease) in trade and other payables		(67,626,059)	19,900,426
		<u>27,082,341</u>	<u>29,937,805</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, 2015	September 30, 2014
Purchases	Related Parties	-	37,345,098
Sales	Related Parties	-	787,200

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 2015

Spinning Segment	Dying Segment	Garments Segment	Weaving Segment	Total
------(Rupees)-----				

Sales	52,643,796	-	-	52,643,796
Cost of sales				96,064,525
Gross loss				<u>(43,420,729)</u>

For the quarter ended 30 Sept 2014

Spinning Segment	Dying Segment	Garments Segment	Weaving Segment	Total
------(Rupees)-----				

Sales	341,229,776	-	-	341,229,776
Cost of sales				357,534,378
Gross profit				<u>(16,304,602)</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


SOHAIL MAQSOOD
CHIEF EXECUTIVE


M.AKHTAR MIRZA
DIRECTOR