

## **ASIM TEXTILE MILLS LTD.**

### **DIRECTORS' REPORT TO THE SHAREHOLDERS**

Your directors are pleased to present 2<sup>nd</sup> quarter & half yearly accounts for the period ended on March 31, 2004.

#### **FINANCIAL RESULTS:**

Sales during the period under review increased by 15.27% in comparison with the corresponding period of last year, due to which the gross profit margin increased slightly to 4.21% from 2.29% in the corresponding period of last year.

Administration and selling expenses went down by 5.68% during the period under review in comparison to corresponding period of the previous year. During the period under review financial expenses went down by 16.33%. As a result of increase in gross profit margin and decrease in Admin, selling and financial expenses net loss before tax for the period stands at Rs 11.176 million in comparison to Rs. 19.760 for the corresponding period of last year.

Due to losses in the past years there is a net capital deficiency of Rs. 327.612 million. Current liabilities exceed current assets by Rs. 103.809 million. Without qualifying report, auditor has drawn attention about going concern assumption, but situation has improved a great deal. Loss after taxation Rs 9.735 million has reduced by Rs 8.297 million as compared to corresponding period loss of Rs. 18.032 million. Trade creditor have reduced by Rs 17.437 million as compared to corresponding period. As a cost effective measure, management has planned to install gas generators, which will substantially reduce electricity cost. Letter of credit to import one generator has been established. Facts in respect of case with Faysal Bank Ltd are being mentioned below. In director as well as company's lawyer opinion, the case is based on strong legal grounds and is likely to be decided in company's favour. Future prospects of the company looks good.

Earning per share (EPS) for this period is in negative at Rs. 0.37 for 2<sup>nd</sup> quarter & Rs 0.64 for half yearly as compared to negative EPS of Rs. 0.44 for 2<sup>nd</sup> quarter and Rs. 1.19 for half year in the corresponding period of last year.

#### **COURT CASES.**

As mentioned in the previous years directors' reports that the company has filed a suit in the Honourable Lahore High Court, Lahore against Faysal Bank Limited for compensation of loss suffered on acquisition of unremunerative agricultural land and disposal of the same, for not providing timely cash finance facilities despite written commitments and for charging illegal profits against the principles of Islamic banking in contravention of the objective clause of its Articles and Memorandum of Association. The amount claimed for the first two counts is Rs 141.831 Million (including claims of Central Excise Duty) and for the last count has been left for the court to determine. In the opinion of directors and company's lawyers the case is based on strong legal grounds and is likely to be decided in company's favour, if so happened the amount of long term morabaha liability and related financial charges would decrease by an amount decided by the court. After filing our suit, Faysal Bank Limited has also filed a suit against the company. The cases are continuing and are at argument stage. Due to litigation the company is not making payment on account of Morahaba Finances.

**FUTURE PROSPECTS:**

**Performance of the company has improved from that in the corresponding period of last year. Management of your company will try its best to further improve the performance of the company in future.**

**ACKNOWLEDGMENT:**

**The management would like to place on record its appreciation for the continuous support of its shareholders, customers and employees and expect to receive same cooperation in the future.**

**for and on behalf of the Board**

**FAISALABAD.  
29.05.2004**

**ZAHID ANWAR  
CHIEF EXECUTIVE**