

ASIM TEXTILE MILLS LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your directors are pleased to present 2nd quarter and half yearly accounts for the period ended December 31, 2013.

The Company has earned net profit of Rs.62.978 million as compared to net profit of Rs. 44.008 million of corresponding period of last year. The increase in prices of yarn has resulted in profit during the current period as compared to the corresponding period of last year.

Earning per share (EPS) for the 2nd quarter is Rs. 0.94 and Rs. 4.15 for half year as compared to (EPS) of Rs. 0.55 for 2nd quarter and Rs. 2.84 for half year in the corresponding period of last year.

There has been no change in the position of on going court cases with the bank, as reported in the director's report of the financial statements for the year ended 30.06.2013.

Transactions with related parties are carried out at arms length. The prices are determined in accordance with comparable uncontrolled price method.

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 future.

for and on behalf of the Board



ZAHID ANWAR
CHIEF EXECUTIVE

26 FEB 2014

FAISALABAD.



HYDER BHIMJI & CO. CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Asim Textile Mills Limited** ("the Company") 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 (here-in-after referred to as the "interim condensed financial information") for the half year then ended. The Company's management is responsible for the preparation and presentation of this interim condensed financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with the 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. 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 separately reviewed as we are required to review the cumulative figures only for the half year ended December 31, 2013.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information as of and for the half year ended December 31, 2013 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.



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Matter of emphasis

Without qualifying our conclusion, we draw attention to:

- a) Note 8.1 to the condensed interim financial information, which indicates that the Company has filed a suit against Faysal Bank Limited and balances as appearing in the condensed financial information have also not been confirmed by the Bank. Although, the management of the company is affirmative that the case will be decided in company's favour, the ultimate outcome of the matter cannot presently be determined with any degree of certainty.

FEBRUARY 26, 2014
FAISALABAD


HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Khan Muhammad Engagement Partner

ASIM TEXTILE MILLS LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2013

| | | Unaudited December 31, 2013 | Audited June 30, 2013 |
|---|------|-----------------------------------|-----------------------------|
| | Note | (R U P E E S) | |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 374,504,514 | 371,419,451 |
| Long term deposits | | 11,046,184 | 11,046,184 |
| | | 385,550,698 | 382,465,635 |
| CURRENT ASSETS | | | |
| Stores and spares | | 10,382,517 | 9,626,213 |
| Stock in trade | | 210,141,591 | 95,091,358 |
| Trade debts | | 4,534,348 | 3,873,914 |
| Advances, prepayments and Other receivables | | 7,575,675 | 9,018,862 |
| Short term investments | | 9,688,571 | 9,338,298 |
| Tax refunds due from Government | | 12,811,335 | 11,006,169 |
| Cash and bank balances | | 163,025,069 | 165,529,175 |
| | | 418,159,106 | 303,483,989 |
| | | 803,709,804 | 685,949,624 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized capital | | | |
| 17,500,000 (June 30, 2013:17,500,000) ordinary shares of Rs.10 each | | 175,000,000 | 175,000,000 |
| Issued, subscribed and paid up capital | | | |
| 15,177,000 (June 30, 2013:15,177,000) ordinary shares of Rs. 10 each, fully paid in cash | | 151,770,000 | 151,770,000 |
| Accumulated loss | | (254,803,272) | (320,958,821) |
| | | (103,033,272) | (169,188,821) |
| SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | 6 | 140,159,497 | 142,987,060 |
| NON CURRENT LIABILITIES | | | |
| Long term financing | 7 | 415,046,998 | 415,046,998 |
| Deferred liabilities | | 63,213,124 | 64,677,880 |
| | | 478,260,122 | 479,724,878 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 91,618,326 | 35,721,376 |
| Accrued mark up | | 194,161,422 | 194,161,422 |
| Short term borrowing | | 2,543,709 | 2,543,709 |
| | | 288,323,457 | 232,426,507 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 8 | 803,709,804 | 685,949,624 |

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

CHIEF EXECUTIVE



DIRECTOR

ASIM TEXTILE MILLS LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

| | Note | Half year ended | | Quarter ended | |
|---------------------------|------|-----------------|--------------|-----------------|--------------|
| | | December 31, | December 31, | December 31, | December 31, |
| | | 2013 | 2012 | 2013 | 2012 |
| | | { R U P E E S } | | { R U P E E S } | |
| Sales-net | 9 | 736,467,376 | 545,954,349 | 352,754,481 | 274,550,901 |
| Cost of sales | 10 | 659,267,872 | 495,067,193 | 332,357,752 | 262,129,152 |
| Gross (loss)/profit | | 77,199,504 | 50,887,156 | 20,396,729 | 12,421,749 |
| Operating expenses | | | | | |
| Administrative expenses | | 10,507,370 | 7,395,752 | 5,569,722 | 3,356,967 |
| Other expenses | | 3,628,685 | 2,379,949 | 902,328 | 2,379,949 |
| Finance cost | | 44,270 | 24,883 | 25,628 | 17,425 |
| | | 14,180,325 | 9,800,584 | 6,497,678 | 5,754,341 |
| | | 63,019,179 | 41,086,572 | 13,899,051 | 6,667,408 |
| Other income | | 5,925,843 | 4,132,454 | 3,245,191 | 2,655,209 |
| Profit before taxation | | 68,945,022 | 45,219,026 | 17,144,242 | 9,322,617 |
| Taxation | | | | | |
| Current | | 7,423,932 | 2,750,434 | 3,558,306 | 1,393,417 |
| Deferred | | (1,456,623) | (1,578,812) | (728,311) | (789,406) |
| Prior year | | - | 39,486 | - | 39,486 |
| | | 5,967,309 | 1,211,108 | 2,829,995 | 643,497 |
| Profit after taxation | | 62,977,713 | 44,007,918 | 14,314,247 | 8,679,120 |
| Earning per share - Basic | | 4.15 | 2.84 | 0.94 | 0.55 |

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



CHIEF EXECUTIVE




DIRECTOR

ASIM TEXTILE MILLS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

| | <u>Half year ended</u> | | <u>Quarter ended</u> | |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | <u>December 31,</u> <u>2013</u> | <u>December 31,</u> <u>2012</u> | <u>December 31,</u> <u>2013</u> | <u>December 31,</u> <u>2012</u> |
| | <u>{ R U P E E S }</u> | | <u>{ R U P E E S }</u> | |
| Net profit after taxation | 62,977,713 | 44,007,918 | 14,314,247 | 8,679,120 |
| Other comprehensive income for the period | 350,273 | 838,165 | 181,217 | 388,683 |
| Total comprehensive income for the period | <u>63,327,986</u> | <u>44,846,083</u> | <u>14,495,464</u> | <u>9,067,803</u> |

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



CHIEF EXECUTIVE

DIRECTOR

ASIM TEXTILE MILLS LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

| | Half year ended | |
|---|----------------------|----------------------|
| | December 31, 2013 | December 31, 2012 |
| | { R U P E E S } | |
| a) CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 68,945,022 | 45,219,026 |
| Adjustments for non cash and other items | | |
| Depreciation | 9,662,694 | 9,165,138 |
| Other operating income | (5,925,843) | (4,132,454) |
| Finance cost | 44,270 | 24,883 |
| Workers' profit participation fund | 3,628,685 | 2,379,949 |
| Operating cash flows before working capital changes | 76,354,828 | 52,656,542 |
| Changes in working capital | | |
| (Increase)/decrease in current assets | | |
| Stores and spares | (756,304) | (800,032) |
| Stock in trade | (115,050,233) | (78,590,517) |
| Trade debts | (660,434) | (553,910) |
| Advances, prepayments and other receivables | 1,443,187 | 1,717,313 |
| Tax refunds due from Government | (1,647,389) | (272,726) |
| (Decrease)/increase in current liabilities | | |
| Trade and other payables | 52,268,265 | 18,424,494 |
| Cash generated from/(used in) operations | (64,402,908) | (60,075,378) |
| Finance cost paid | 11,951,920 | (7,418,836) |
| Taxes paid | (44,270) | (24,883) |
| Gratuity paid | (7,581,709) | (3,270,902) |
| Net cash generated from/(used in) operating activities | (8,133) | (16,457) |
| | 4,317,808 | (10,731,078) |
| b) CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (12,747,757) | (696,800) |
| Long term deposits | - | (1,823,500) |
| Short term investments | (350,273) | (838,165) |
| Unrealised gain on short term investment | 350,273 | 838,165 |
| Profit on deposits | 5,925,843 | 4,132,454 |
| Net cash (used in)/generated from investing activities | (6,821,914) | 1,612,154 |
| Net (decrease) in cash and cash equivalents (a+b) | (2,504,106) | (9,118,924) |
| Cash and cash equivalents at the beginning of the period | 165,529,175 | 120,111,214 |
| Cash and cash equivalents at the end of the period | 163,025,069 | 110,992,290 |

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

CHIEF EXECUTIVE



DIRECTOR

ASIM TEXTILE MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

| | Share capital | Accumulated loss | Total |
|--|---------------------------|-----------------------------|-----------------------------|
| | { | R U P E E S } | |
| Balance as at July 01, 2012 | 151,770,000 | (429,064,292) | (277,294,292) |
| Incremental depreciation on revalued property, plant and equipment for the period | - | 4,510,891 | 4,510,891 |
| Tax effect on incremental depreciation | - | (1,578,812) | (1,578,812) |
| Total comprehensive income for the period | - | 44,846,083 | 44,846,083 |
| Balance as at December 31, 2012 | <u>151,770,000</u> | <u>(381,286,130)</u> | <u>(229,516,130)</u> |
| Balance as at July 01, 2013 | 151,770,000 | (320,958,821) | (169,188,821) |
| Incremental depreciation on revalued property, plant and equipment for the period | - | 4,284,186 | 4,284,186 |
| Tax effect on incremental depreciation | - | (1,456,623) | (1,456,623) |
| Total comprehensive income for the period | - | 63,327,986 | 63,327,986 |
| Balance as at December 31, 2013 | <u>151,770,000</u> | <u>(254,803,272)</u> | <u>(103,033,272)</u> |

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

CHIEF EXECUTIVE



DIRECTOR

| | Unaudited December 31, 2013 | Audited June 30, 2013 |
|--|-----------------------------------|-----------------------------|
| | { R U P E E S } | |
| 6. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT | | |
| Opening balance | 142,987,060 | 148,941,435 |
| Incremental depreciation on revalued property, plant and equipment transferred to accumulated loss | 4,284,186 | (9,021,781) |
| Related effect of deferred tax liability | (1,456,623) | 3,067,406 |
| | 2,827,563 | (5,954,375) |
| | <u>140,159,497</u> | <u>142,987,060</u> |

First revaluation of building on freehold land and plant & machinery was carried out as on September 30, 1995 by an independent valuer M/s Iqbal A. Nanjee & Co. Lahore on the basis of depreciated replacement values.

Second revaluation of freehold land, building on freehold land and plant and machinery has been carried out on September 30, 2000 by an independent valuer Inspectorates Corporation International (Pvt) Limited, Lahore and the same has been verified by SBP's approved auditors on the basis of depreciated replacement values.

Third revaluation of freehold land, building on freehold land, plant and machinery and electric installations has been carried out on June 30, 2012 by an independent valuer M/s Nizamy Associates, Faisalabad on the basis of depreciated replacement values.

7 LONG TERM FINANCING

Loan from banking company- Secured

| | | | |
|-------------|----------|--------------------|--------------------|
| Morabaha I | Note 7.1 | 340,901,898 | 340,901,898 |
| Morabaha II | Note 7.2 | 74,145,100 | 74,145,100 |
| | | <u>415,046,998</u> | <u>415,046,998</u> |

- 7.1 It represents morabaha finance created by Faysal Bank Limited by converting various morabaha finances into long term morabaha-I at an interest rate of 13% per annum.
- 7.2 It represents an interest free morabaha finance by Faysal Bank Limited by converting various unpaid markups into long term non profit morabaha-II.
- 7.3 The above mentioned morabaha finances are secured against the first charge of Rs.5.5 million on fixed assets and personal guarantees of Directors and Chief Executive of the Company.
- 7.4 The Company is not repaying the morabaha finances as it has filed a suit against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The bank has also filed a counter suit praying for a decree to be passed in its favour for a sum of Rs.454.502 million against the defendants jointly and severally, with cost of funds at the rate of 20% or as certified by State Bank of Pakistan from date of default and 20% liquidated damages plus service charges and all costs, charges, expenses payable or to be incurred by the plaintiff bank till the final payment / realization of the aforementioned amount. The facts and status of the litigations are further explained in note 8.1. Accordingly, the current portion of these morabaha finances has not been transferred to current liabilities as the amount of liability and related current portion is dependent upon the decision of the above stated cases.

8 CONTINGENCIES AND COMMITMENTS

Contingencies

- 8.1 The company has instituted a suit in the Honorable Lahore High Court, Lahore against Faysal Bank Limited claiming damages on account of acquisition of un-remunerative agricultural land on the advice of Faysal Bank Limited (Faysal Islamic Bank Limited), 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 memorandum of Association, Articles of Association and against circulars issued by the State Bank of Pakistan. The amount claimed for the first two counts is Rs.141.831 million (including claims of Central Excise Duty), whereas the amount of last count has been left for the court to determine.

The bank has also filed a counter suit for recovery of Rs.454.502 million in Honorable Lahore high Court, Lahore along with cost of funds, etc., pending adjudication at the terminal date. The cost of the fund in the instant case cannot be determined with reasonable degree of certainty at this point in time, in view of the dispute in the recovery amount as well as undetermined rate of cost and period of default. Due to litigations, the Bank is not responding and confirming the balance to the company.



The management of the company as well as its legal advisors are of the opinion that these cases are based and being contested on strong legal grounds and are likely to be decided in Company's favor. Accordingly, markups on these pending are not being accrued, particularly in view of the fact that the total liability already booked in this regard is much more than that to be decided by the court.

- 8.2 During the period, the company has not acknowledged a liability amounting to Rs. 1,378,900/- (June 30, 2012: Rs. 2,081,286) of Workers Welfare Fund in the light of the decision of Honorable High Court Lahore dated 24 August, 2011 whereby the Honorable High Court Lahore has struck down amendments regarding Workers Welfare Fund Ordinance, 1971 introduced through Finance Act 2006 and 2008 as being unconstitutional. However, the department has filed an appeal against the decision, which is pending for adjudication.

| | Half year ended | | Quarter ended | |
|----------------------|--------------------|--------------------|--------------------|--------------------|
| | December 31, | December 31, | December 31, | December 31, |
| | 2013 | 2012 | 2013 | 2012 |
| | { R U P E E S } | | { R U P E E S } | |
| 9 SALES - NET | | | | |
| Yarn sales | | | | |
| Local | 731,223,982 | 541,441,804 | 350,102,801 | 272,594,856 |
| Waste sales | | | | |
| Local | 5,243,394 | 4,512,545 | 2,651,680 | 1,956,045 |
| | <u>736,467,376</u> | <u>545,954,349</u> | <u>352,754,481</u> | <u>274,550,901</u> |
| Less: Commission | - | - | - | - |
| | <u>736,467,376</u> | <u>545,954,349</u> | <u>352,754,481</u> | <u>274,550,901</u> |

| | Half year ended | | Quarter ended | |
|------------------------------|------------------------------|--------------------|--------------------|--------------------|
| | December 31, | December 31, | December 31, | December 31, |
| | 2013 | 2012 | 2013 | 2012 |
| | { R U P E E S } | | { R U P E E S } | |
| 10 COST OF SALES | | | | |
| Raw material consumed | Note 10.1 460,805,434 | 379,551,507 | 233,419,754 | 185,487,450 |
| Stores and spares consumed | 15,210,365 | 8,729,854 | 4,760,102 | 5,263,935 |
| Packing material consumed | 10,268,667 | 8,119,730 | 5,318,603 | 3,947,012 |
| Salaries, wages and benefits | 41,836,343 | 40,791,639 | 21,885,144 | 22,227,220 |
| Provident fund contribution | 1,352,773 | 1,073,982 | 688,528 | 570,106 |
| Fuel and power | 80,321,806 | 48,391,469 | 45,849,989 | 24,747,050 |
| Repairs and maintenance | 707,755 | 515,500 | 357,520 | 92,104 |
| Insurance | 1,275,314 | 871,235 | 855,408 | 561,018 |
| Depreciation | 8,313,928 | 8,706,214 | 4,156,965 | 4,378,844 |
| Others | 533,011 | 359,074 | 396,611 | 101,158 |
| | <u>620,625,396</u> | <u>497,110,204</u> | <u>317,688,624</u> | <u>247,375,897</u> |
| Work in process | | | | |
| Opening balance | 7,693,160 | 7,648,957 | 7,740,940 | 7,445,465 |
| Closing balance | (7,753,175) | (9,135,293) | (7,753,175) | (9,135,293) |
| | <u>(60,015)</u> | <u>(1,486,336)</u> | <u>(12,235)</u> | <u>(1,689,828)</u> |
| Cost of goods manufactured | <u>620,565,381</u> | <u>495,623,868</u> | <u>317,676,389</u> | <u>245,686,069</u> |
| Finished goods | | | | |
| Opening balance | 44,875,344 | 4,042,555 | 20,854,216 | 21,042,313 |
| Closing balance | (6,172,853) | (4,599,230) | (6,172,853) | (4,599,230) |
| | <u>38,702,491</u> | <u>(556,675)</u> | <u>14,681,363</u> | <u>16,443,083</u> |
| | <u>659,267,872</u> | <u>495,067,193</u> | <u>332,357,752</u> | <u>262,129,152</u> |



| | Half year ended | | Quarter ended | |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| | { R U P E E S } | | { R U P E E S } | |
| 10.1 RAW MATERIAL CONSUMED | | | | |
| Opening balance | 42,522,854 | 28,241,240 | 91,336,577 | 55,022,675 |
| Purchases | 614,498,143 | 456,099,013 | 338,298,740 | 235,253,521 |
| | 657,020,997 | 484,340,253 | 429,635,317 | 290,276,196 |
| Closing balance | (196,215,563) | (104,788,746) | (196,215,563) | (104,788,746) |
| | 460,805,434 | 379,551,507 | 233,419,754 | 185,487,450 |

11 RELATED PARTY TRANSACTIONS

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings and other key management personnel. Amounts due from and due to related parties, if any, are shown under relevant notes to condensed interim financial information. Transactions with related parties undertaken during the year were as follows:-

| | Half year ended | |
|-------------------------|----------------------|----------------------|
| | December 31, 2013 | December 31, 2012 |
| | { R U P E E S } | |
| Post employment benefit | 2,986,262 | 1,192,011 |
| Repayment to directors | 824,286 | 61,695 |

12 TAXATION

12.1 The provision for taxation made in this condensed interim financial information is subject to adjustment in annual financial statements.


13 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information were authorized for issue on 26 FEB 2014 by the Board of Directors of the Company.

14 GENERAL

Figures have been rounded off to the nearest rupee.




CHIEF EXECUTIVE


DIRECTOR