

ASIM TEXTILE MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
FOR THE HALF YEAR ENDED DECEMBER 31, 2005

1. COMPANY AND ITS OPERATIONS

The Company is limited by shares and incorporated in Pakistan under the Companies Ordinance, 1984. Its shares are listed at Karachi, Islamabad and Lahore stock exchange. The principal business of the Company is manufacturing and sale of yarn. The Mill is located at Tehsil Jaranwala, District Faisalabad in the Province of Punjab and registered office of the Company is located at 16-C, Peoples Colony, Faisalabad.

The Company has incurred net loss of Rs.3.157 million during the period and has accumulated losses of Rs.535.315 million as at December 31, 2005. Its total liabilities exceed its assets by Rs. 206.224 million and its current liabilities exceeds current assets by Rs. 141.873 million as at the balance sheet date. These factors along with matters described in Note 4 of the financial statements raise doubts about the Company operating as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, any adjustment relating to the recoverability of recorded assets and liabilities have not been incorporated in these accounts as the management is hopeful that the litigation/case with the lending bank is likely to be decided in Company's favour as the case is based on strong legal grounds. The management is also making efforts for improvement in the production, quality and marketing of its products. Therefore, the management believes that the going concern assumption is valid and these accounts have been prepared on going concern basis without considering any adjustment relating to the recoverability of recorded assets and settlement of liabilities.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

- 2.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance). Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or Directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence. The disclosures made in these financial statements have, however, been limited based on the requirements of the International accounting Standard 34, "Interim Financial Reporting".

These financial statements are un-audited and have been reviewed by the external auditors as required by the Code of Corporate Governance.

- 2.2 These financial statements have been prepared using the same accounting policies as were applied in the preparation of the annual financial statements of the company for the year ended June 30, 2005.

The financial statements comprise of the balance sheet as at December 31, 2005 and the profit and loss account, statement of changes in equity and the cash flow statement for the six months period ended December 31, 2005 which have been subject to a review but not audited. The financial statements also include the profit and loss account for the quarter ended December 31, 2005.

The comparative balance sheet presented in these financial statements as at June 30, 2005 has been extracted from the audited financial statements of the company for the year ended June 30, 2005 whereas the comparative profit and loss account, statement of changes in equity and cash flow statement are for the six months period ended December 31, 2004 which were extracted by subtracting results of nine months ended June 30, 2004 from the results of annual financial statements ended September 30, 2004 and adding to results of quarter ended December 31, 2004. These amounts were neither subjected to a review nor to audit. The comparative profit and loss for the quarter ended December 31, 2005 is also included in the financial statements.

	Unaudited Dec 31, 2005	Audited June 30, 2005
3. PROPERTY PLANT AND EQUIPMENT- <i>Tangible</i>	----- (Rupees '000') -----	
Opening balance	450,851	464,066
Add: additions during the period	2,221	5,424
Less: deletions during the period	-	1,163
	<u>453,072</u>	<u>468,327</u>
Less: Depreciation for the period	11,245	17,476
Closing balance	<u>441,827</u>	<u>450,851</u>

4. CONTINGENCIES AND COMMITMENTS

The Company has filed a suit in the Honorable Lahore High Court, Lahore against Faysal Bank Limited for the compensation of loss suffered on acquisition of unremunerative agriculture 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 and 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.

As per Company's Lawyer's opinion the case is based on strong legal grounds and is likely to be decided in Company's favor, if so decided the amount of morahaba finances would decrease by the amount decided by the Court. Faysal Bank Limited has also filed a counter suit against the Company.

	NOTE	Quarter Ended		Half Year Ended	
		Dec 31, 2005	Dec 31, 2004	Dec 31, 2005	Dec 31, 2004
5. COST OF SALES		----- (Rupees '000') -----			
Raw material consumed- Cotton	5.1	42,553	16,595	86,223	39,714
Raw material consumed- Polyester	5.2	50,881	49,350	101,414	95,439
Salaries, wages and benefits		8,053	6,741	15,145	12,755
Stores and spares consumed		2,248	2,092	4,619	7,014
Packing material consumed		1,550	1,550	3,100	2,957
Fuel and power		13,616	10,944	27,484	24,260
Repairs and maintenance		338	47	362	336
Insurance		413	603	815	1,017
Depreciation		5,565	5,658	11,073	11,616
Other manufacturing expenses		221	304	314	541
		125,438	93,884	250,549	195,649
Inventory effect of work in process					
Opening		3,884	4,146	3,993	5,543
Closing		(4,140)	(3,753)	(4,140)	(3,753)
		(256)	393	(147)	1,790
Cost of goods manufactured		125,182	94,277	250,402	197,439
Inventory effect of finished goods					
Opening		19,834	2,435	9,922	6,040
Closing		(28,526)	(3,318)	(28,526)	(3,318)
		(8,692)	(883)	(18,604)	2,722
Less: duty draw back		54	39	91	77
Cost of goods sold		116,436	93,355	231,707	200,084
5.1 RAW MATERIAL CONSUMED- COTTON					
Opening stock		8,794	10,533	16,466	989
Purchases including direct expenses		46,740	14,247	82,738	46,910
		55,534	24,780	99,204	47,899
Closing stock		(12,981)	(8,185)	(12,981)	(8,185)
		42,553	16,595	86,223	39,714
5.2 RAW MATERIAL CONSUMED- POLYESTER					
Opening stock		1,406	12,621	790	6,385
Purchases including direct expenses		50,515	38,742	101,664	91,067
		51,921	51,363	102,454	97,452
Closing stock		(1,040)	(2,013)	(1,040)	(2,013)
		50,881	49,350	101,414	95,439

6. TRANSACTIONS WITH RELATED PARTIES

During the period Company has purchased electricity from related party (Zeeshan Energy Limited) of Rs.27.484 million (December 31, 2004: Rs.24.260 million).

7. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 27, 2006 by the Board of Directors of the Company.

8. GENERAL

- Previous period's figures have been reclassified, wherever necessary, for the purpose of comparison.
- Figures have been rounded off to the nearest of thousand rupees unless otherwise stated.

(CHIEF EXECUTIVE)

(DIRECTOR)