

ASIM TEXTILE MILLS LIMITED
NOTES TO AND FORMING PART OF THE INTERIM CONDENSED
FINANCIAL STATEMENTS (Unaudited)
FOR THE HALF YEAR ENDED DECEMBER 31, 2008

1. COMPANY AND ITS OPERATIONS

1.1 The Company is a public listed company and incorporated in Pakistan under the Companies Ordinance, 1984. Its shares are listed at Karachi, Islamabad and Lahore stock exchanges. 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.

1.2 Going concern assumption

These interim condensed financial statements have been prepared on the assumption that Company would continue as a going concern although the Company has incurred net loss of Rs. 4.056 million during the half year and has accumulated losses of Rs. 524.343 million as at December 31, 2008. Its total liabilities exceed its assets by Rs. 219.723 million and its current liabilities exceeds current assets by Rs. 121.432 million as at the balance sheet date. The assumptions that the Company would continue as a going concern are as follows:

Future profitability and improvement in plant efficiency.

The decision of 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 reversal of current energy crises and revival of economic conditions in the country.

2. BASIS OF PRESENTATION

2.1 statement of compliance

These interim condensed financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board as notified under the Companies Ordinance, 1984, the provisions of and directive issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

These interim condensed financial statements have been prepared in compliance with the International Accounting Standards (IAS) 34 Interim financial reporting and in compliance with the requirements of section 245 of the Companies Ordinance 1984.

The disclosure made in these interim condensed financial statements have, however been limited based on the requirements of International Accounting Standards (IAS) 34, Interim Financial Reporting. These interim condensed financial statements are un-audited but a limited scope review have been performed by the external auditors of the company in accordance with the requirements of the Code of Corporate Governance and they have been issued their report thereon.

2.2 Accounting convention

These interim condensed financial statements have been prepared under " Historical Cost Convention" except as disclosed in the company's accounting policies.

3 ACCOUNTING POLICIES

The accounting policies adopted in preparation of these interim condensed financial statements are the same as those applied in the preparation of the preceding annual published financial statements for the year ended June 30, 2008.

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	Note	Dec 31, 2008 Unaudited	June 30, 2008 Audited
----- (Rupees '000') -----			
4. PROPERTY PLANT AND EQUIPMENT- <i>Tangible</i>			
Opening balance		402,817	422,996
Add: Additions during the period		259	1,121
		403,076	424,117
Less: Depreciation for the period		(10,121)	(21,300)
Closing balance		392,955	402,817
5. LONG TERM FINANCING			
Loan from banking company- Secured			
Morabaha finance			
Morabaha-I	(5.1)	340,902	340,902
Morabaha-II	(5.2)	74,145	74,145
		415,047	415,047

5.1 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.

5.2 It represents an interest free morabaha finance by Faysal Bank Limited by converting various unpaid markups into long term non-profit morabaha-II.

5.3 The above mentioned morabaha finances are secured against the first charge of Rs. 505 million on fixed assets and personal guarantees of directors and Chief Executive of the Company.

5.4 The Company is not repaying the morabaha finances as it has filed a case against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The facts of the litigation are explained in note 7. 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 on the decision of the case.

6. INTEREST ACCRUED ON LONG TERM FINANCING

Accrued markup on secured morabaha financing	(6.1)	194,161	194,161
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6.1 The company has ceased the payment of mark up as it has filed a case against Faysal Bank Limited in the Honorable Lahore High Court, Lahore. The facts of the litigation are explained in note 7.

7. 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 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 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 Morabaha finances would decrease by the amount decided by the Court. Faysal Bank Limited has also filed a counter suit against the Company.

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	Note	Quarter Ended		Half Year Ended	
		Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
8. COST OF SALES		----- (Rupees '000') -----			
Raw material consumed- Cotton	(8.1)	58,870	57,627	124,232	109,354
Raw material consumed- Polyester	(8.2)	63,987	62,376	142,178	118,460
Salaries, wages and benefits		11,217	11,941	21,597	21,577
Stores and spares consumed		2,494	1,847	5,621	4,151
Packing material consumed		2,878	2,336	5,736	4,576
Fuel and power		17,214	14,911	35,534	29,995
Repairs and maintenance		137	75	243	99
Insurance		362	337	741	668
Depreciation		4,972	5,211	9,941	10,422
Goods handling charges		-	54	-	54
General expenses		216	102	369	226
		<u>162,347</u>	<u>156,817</u>	<u>346,192</u>	<u>299,582</u>
Inventory effect of work in process					
Opening		3,909	3,194	3,340	3,418
Closing		(3,777)	(3,253)	(3,777)	(3,253)
		<u>132</u>	<u>(59)</u>	<u>(437)</u>	<u>165</u>
Cost of goods manufactured		162,479	156,758	345,755	299,747
Inventory effect of finished goods					
Opening		57,414	3,862	20,859	9,367
Closing		(1,529)	(32,306)	(1,529)	(32,306)
		<u>55,885</u>	<u>(28,444)</u>	<u>19,330</u>	<u>(22,939)</u>
Cost of goods sold		<u>218,364</u>	<u>128,314</u>	<u>365,085</u>	<u>276,808</u>
8.1 Raw material consumed- Cotton					
Opening stock		29,226	18,685	58,800	32,484
Purchases including direct expenses		47,014	60,142	82,802	98,070
		<u>76,240</u>	<u>78,827</u>	<u>141,602</u>	<u>130,554</u>
Closing stock		(17,370)	(21,200)	(17,370)	(21,200)
		<u>58,870</u>	<u>57,627</u>	<u>124,232</u>	<u>109,354</u>
8.2 Raw material consumed- Polyester					
Opening stock		5,587	1,675	7,792	1,261
Purchases including direct expenses		58,944	65,495	134,930	121,993
		<u>64,531</u>	<u>67,170</u>	<u>142,722</u>	<u>123,254</u>
Closing stock		(544)	(4,794)	(544)	(4,794)
		<u>63,987</u>	<u>62,376</u>	<u>142,178</u>	<u>118,460</u>

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Note	Quarter Ended		Half Year Ended	
	Dec 31,	Dec 31,	Dec 31,	Dec 31,
	2008	2007	2008	2007
----- (Rupees '000') -----				

9. FINANCE COST

Interest / mark up on long term financing	(9.1)	-	-	-	-
Bank charges and commission		6	5	8	12
		<u>6</u>	<u>5</u>	<u>8</u>	<u>12</u>

9.1 Markup on morabaha finances amounting to Rs. 2.241 million (December 31, 2007: Rs. 5.998 million) has not been accounted for in these interim condensed financial statements.

10. DATE OF AUTHORIZATION

These interim condensed financial statements were authorized for issue on February 23, 2009 by the Board of Directors of the Company.

11. GENERAL

- Previous period's figures have been rearranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.
- Figures have been rounded off to the nearest of thousand rupees unless otherwise stated.

(CHIEF EXECUTIVE)

(DIRECTOR)