ASIM TEXTILE MILLS LTD.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your directors are pleased to present 2nd quarter and half yearly accounts for the period ended March 31, 2005.

Company has incurred a gross loss of Rs. 4.998 million and net loss of Rs. 22.098 million as compared to gross profit of Rs. 9.677 million and net loss of Rs. 9.735 million of corresponding period of last year.

It is mainly due to huge increase in prices of polyester staple fibre (PSF) and depressed selling prices. Prices of PSF are still getting higher and improvement in results will depend upon availability of better sales prices.

In order to maintain / improve the quality of yarn, new spindle booster for 11 frames have been imported and replaced with old ones.

The management is trying its best to improve the performance of the company.

Earning per share (EPS) for this period is negative at Rs. 0.55 for 2nd quarter and Rs. 1.46 for half year as compared to negative EPS of Rs. 0.37 for 2nd quarter and Rs. 0.64 for half year in the corresponding period of last year.

Without qualifying report, auditors have drawn attention about going concern assumption. Due to losses in the past years, there is a net capital deficiency of Rs. 187.994 million. Current liabilities exceed current assets by Rs. 131.135 million. The fact is that major reason of losses / capital deficiency is high burden of financial charges, which are being booked under prudent accounting policy despite the fact that company has filed a suit against bank. In directors as well as company's lawyer's opinion, case is based on strong legal grounds and is likely to be decided in company's favour. So management is confident that accumulated losses of company will be recovered and capital will be restored. Accordingly these financial statements have been prepared on going concern basis.

Transactions with related parties are carried out at arms length. The prices are determined in accordance with comparable un-controlled price method. The power is purchased from related party at WAPDA power tariff.

As CBR has directed a change in the close of accounting year of 'Cotton textile units' from September to June vide its SRO 684(1)/2004 dated 10.08.2004, the current financial year will be closed for nine months ended on 30.06.2005.

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

FAISALABAD.
30.05.2005

ZAHID ANWAR
CHIEF EXECUTIVE