



Hamid Textile Mills Limited

www.hamid-textile.com

Ref: HTML/PSX/1975/2019

October 25, 2019.

Mr. Hafiz Maqsood Munshi

Manager,
Companies and Securities Compliance- RAD,
Pakistan Stock Exchange Limited, Karachi.

Dear Sir,

Subject:- Independent Auditors Report for the year Ended June 30, 2019

This refers to your office notice No.PSX/GEN/5074 dated October 07, 2019 whereby your office has directed us to reply the observation noted in the said letter that that external auditors' has issued adverse opinion on the issue of going concern.

In this context, we would like to submit that the management has disclosed all facts to the users /readers of the financial statement in Note-1.2 such as accumulated losses, net capital deficiency including the pending litigation with the National Bank of Pakistan (NBP) which are considered as significant matters which did effect the company's ability to continue as going concern. In the said note it has been also disclosed that the company maximum liability is limited to the recovery suit filed by the BP for Rs.110.000 million, whereas, the company fixed asset carrying value is Rs.579.553 million and overall assets carrying amount is in excess of overall liability of Rs.363.634 million. The only factor which causes material uncertainty is litigation with the NBP which need to be resolved. The management itself has disclosed all the facts in the Note-1.2 in annexed notes to the financial statement as well as replied issue of auditor's adverse opinion in the director report at length.

Further, it is submitted that auditors are persistently giving adverse opinion about going concern for last six years since financial year 2014 but despite financial constraint faced by the company due to non-availability of any financial limit support from the banks because of pending litigation and default, the company has been able to continue the operation for these years. The company operational results also suggest that company has been able to avoid cash losses by generating sufficient funds to liquidate its liabilities and improve equity as well which is tabulated as under:-

Funds Generated:

Particulars	2019	2018	2017	2016	2015	2014
	Rupees in Million					
Profit & loss after taxation	(15.732)	(9.568)	(5.549)	(7.818)	(3.717)	(33.404)
Depreciation expense – Non Cash Items:	35.139	25.197	27.466	29.651	33.271	36.272
Funds Generated after meeting all expenses	19.407	15.629	21.917	21.833	29.554	2.868
Cumulative effect Fund Generated for years	Rs in Million - 111.208					

28/10/19

Registered Office Mills:

Changa Manga Road, Wan Adhan, Pattoki, Distt. Kasur
Tel: 049-4528177, 4528099 Fax : 049-4528188

E-mail: sales@hamid-textile.com, accounts@hamid-textile.com, hamidtextile@yahoo.com



Certificate No. SG05/0299



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Equity:

Particulars	2019	2018	2017	2016	2015	2014
	Rupees in Million					
Issued Subscribed and Paid up Capital	132.716	132.716	132.716	132.716	132.716	132.716
Accumulated losses	(215.436)	(231.922)	(244.516)	(255.206)	(264.146)	(278.841)
	(82.719)	(99.206)	(111.800)	(122.490)	(131.431)	(146.125)
Surplus on revaluation of Property, Plant & Equipment's	445.354	477.230	352.404	368.644	385.653	403.450
Total Equity	362.635	378.024	240.604	246.154	254.222	257.325

Total Assets minus total liability:

Particulars	2019	2018	2017	2016	2015	2014
	Rupees in Million					
Total Assets	541.056	574.057	436.939	493.050	532.984	554.075
Total liabilities	178.422	196.033	196.335	246.896	278.762	296.749
Excess of Assets over liabilities	362.634	378.024	240.604	246.154	254.222	257.326

From above tabulation of facts, it is evident that all the factors such as profitability, equity and excess of assets over liabilities are all showing positive trends with significant improvement. Our submission is that management is doing best to revive the company despite all odd factors faced by the textile sector.

Conclusion:

From above discussion, it is very much clear that management is striving hard for revival of the company in letter in spirit but the auditor's has been expressing adverse opinion being over conscious approach because as per International Auditing Standard-570 states when audit conclusion about material certainty exists and the matter has been properly disclosed, the auditor should have added emphasis paragraph highlighting the uncertainty. As the going concern matter has been properly disclosed in the financial statement and the auditors was to add emphasis paragraph as per International Auditing Standard 570, but auditor being over conscious approach has been issuing adverse opinion.

In the light of above, it is requested that the company despite facing financial constraints is continuously maintaining the operation through self-production and working on conversion basis which remains quite helpful in reviving the company equity. It is therefore requested that company's status may be allowed to continue with status quo and the management hereby assure that they will make all efforts to get convince the external auditor to suitably amend the auditor opinion.

Yours truly,


Mr. Dilshad Ali
(Chief Executive)



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