



BILAL FIBRES LIMITED

MANUFACTURERS & EXPORTERS OF YARN



ISO 9001:2008 CERTIFIED
Registration # 9910765

EXPORT REGISTRATION NO.W-077224
IMPORT REGISTRATION NO.W-211496

N.T.N 0658669-4

SALES TAX REGISTRATION NO.
04-04-5202-011-46

✓ Mr. Hafiz Maqsood Munshi
Senior Manager
Listed Companies Compliance Department – RAD
Pakistan Stock Exchange Limited
Stock Exchange Building,
Stock Exchange Road,
Karachi

November 17, 2021
REF/BFL/70/21

Ali Akh
Pls circulate
23/11

SUB: INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED JUNE 30, 2021

Dear Sir,

Please refer to your letter Ref. No. PSX/GEN-2255 dated November 12, 2021 advising us to furnish our detailed explanation regarding the following:

1. Independent Auditors in their Review Report to the members on the Financial Statements have again issued an adverse opinion on the Company's financial statements.
2. Further, the Company's operation is suspended.

We are submitting herewith our detailed explanation in the enclosed Annex-A.

We expect that our explanation will meet your satisfaction and we are very positive that the kind Exchange will extend to us its usual support and cooperation enabling us to keep going amongst the prevailing worst economic conditions of Pakistan and further action(s) under clause 5.11.1.(i) and clause 5.11.1.(b) of the PSX Regulations may please not be taken.

Looking forward to receiving your kind support and usual cooperation.

Yours sincerely,
For BILAL FIBRES LIMITED


Muhammad Ijaz Shahid
Company Secretary



CC: The Director (CSD) – SECP
The Additional Director (AD-SMD) – SECP
The Acting Chief Regulatory Officer – PSX

19/11



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ANNEX – A

1) EXPLANATION REGARDING ADVERSE OPINION OF THE INDEPENDENT AUDITORS IN THEIR REPORT TO THE MEMBERS ON THE FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED JUNE 30, 2021

	BASIS OF ADVERSE OPINION	EXPLANATION
a)	We did not observe the counting of the Physical inventory of stock in trade amounting to Rs.57.873 million as at June 30, 2021. The management informed us that the stocks are pledged with the banking Companies and are under litigation, while the factory is on lease now with the third Party.	The auditors could not physically verify the inventory of stock in trade as the stocks stood pledged with the banking companies and were also under litigation while the factory was on lease with the third party. It was confirmed to the auditors that since the closure of mills operation, there was no movement in stock in trade and mill's plant and machinery during the period under audit. The auditors should have relied on the management confirmation certificate.
b)	The stocks are carried out in the statement of financial Position at Rs. 57.873 million i.e., at cost. Management has not stated the inventories at lower of cost or net realizable value as required by the financial reporting standards as applicable in Pakistan, which constitutes a departure from applicable financial reporting standards. Therefore, we are unable to determine whether any adjustments were necessary in this regard.	
c)	As explained in note 23 to the financial statements, the company is in litigation with the banking companies. The banks have not confirmed the balances of Long Term financing, as shown in note 16, amounting Rs.476.664 million, liabilities against assets subject to finance lease, as shown in note 18, amounting Rs.108.306 million and short term borrowings, as shown in note 22, amounting Rs.143.465 million. The banks have not confirmed the balances of accrued mark up on long term financing, liabilities against assets subject to finance lease and short term borrowings, note 21, sum of Rs, 97.520 million.	The legal counsel of the company has continuously been working on an amicable settlement with the banking companies and we are very positive that they will adjudicated in due course of time. The banks are also extending their support to us since they understand that the Company was operating since 80's and they never had any problem and amongst these unusual and challenging business conditions, the Company is trying its best to cope with this critical phase where more than 150 textile units have closed down their operations.





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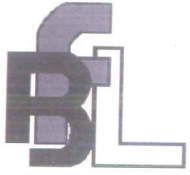
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	The Company had not worked out and provided the amount of markup on long term borrowings from financial institutions, Liabilities against assets subject to finance lease and short-term borrowings, as shown in note 21, in these financial statements. Due to the unavailability of record, we were unable to determine whether any adjustments were necessary in this regard.	
d)	As mentioned in note 23 we have not received reply of confirmation request from banks in respect of bank guarantees amounting to Rs. 8.675 million in aggregate and bank guarantee margin note 10 amounting to Rs. 2.925 million, to verify the correctness of contingency and trade deposits and short term prepayments. We were also unable to satisfy ourselves as to the correctness of the reported balances by performing other alternate auditing procedures.	It is the responsibility of banks to provide information about outstanding liabilities including mark-up directly to the auditors. It is very common that banks avoid giving any confirmation. The management is not responsible for the non-confirmation by the banks.
e)	At the reporting date the Company has accumulated losses amounting to Rs.449.607 million and its current liabilities exceed its current assets by Rs.776.902 million.	Despite going through the prevailing challenging period, the Company management has been trying its best to survive the worst situation with a belief that government will take necessary steps towards revival of the sector. The management believes the venture as a going concern which is still managing to provide employment to many families working in the leased factory. Simultaneously, the Company has been trying to find out the international or local investors for a joint venture to invest in the technological improvements to make it a profitable and international competitive unit. The management is confident that once the investments are available, we will be in a position to develop a formal business plan and resume the business operations accordingly. Once the aforementioned proposed plan for revival of the textile sector are materialized, the Auditors' Report will be improved / healthy accordingly.





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2) EXPLANATION REGARDING THE COMPANY'S OPERATION IS SUSPENDED.

During the slump in textile sector, the Company started incurring losses from 2011 onwards. Due to crisis of the textile Industry, operations of numerous Textile Mills were closed. Running the production unit was causing a loss of Rs. 12.7 million per month whereas by shutting down the operations the cost came down to Rs.2.0 million per month. Meanwhile, the factory premises were leased out, upon shareholders' approval to generate cash flows for meeting the day to day expenses.

