

Mr. Hafiz Maqsood Munshi  
Manager  
Companies & Securities Compliance – RAD  
Pakistan Stock Exchange Limited  
Stock Exchange Building,  
Stock Exchange Road,  
Karachi

October 9, 2019  
REF/BFL/033/19

**INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2019**

Dear Sir,

Please refer to your letter Ref. No. PSX/Gen-5074 dated October 7, 2019 advising us to furnish detailed explanation regarding Independent Auditors in their Review Report to the members on the Financial Statements have issued Adverse Opinion which attracts action(s) under clause 5.11.1(i) of the PSX Regulations.

A detailed explanation is given in the enclosed Annex-A where you will find that we have cleared most of the defaults during the last fiscal year resulting in much healthier Auditors' Report for the year ended June 30, 2019.

We would like to submit that the Company has succeeded in clearing many defaults and has shown substantial improvements as few of them are given below:

1. A major breakthrough was made during the last fiscal year that we made alteration in the Memorandum and Articles of Association of the Company to include the current source of revenue under principal line of business. Certified true copy of Memorandum and Articles of Association and copies of the SECP acknowledgement of relevant forms have been submitted to PSX. A certificate of the statutory auditors has been obtained confirming that the basis of revenue of the Company fall under principal line of business and the same has also been submitted to PSX vide our letter No. REF/17/19 dated September 4, 2019 (Copy of the Auditors' Certificate is attached).
2. The evaluation of the Company's property has been conducted. The necessary adjustments have been incorporated into the financial statements for the year ended June 30, 2019.
3. Actuarial valuation has been carried out during last fiscal year. The relevant impact has been duly taken into the financial statements for the year ended June 30, 2019.
4. All the PSX and SECP compliances are being made regularly and in a timely manner.
5. The Company is in the process to find out the international and local investors for a joint venture and we will be in a position to resume the business operations soon since the government has initiated many steps to facilitate the textile sector and conducting various meetings with The State Bank of Pakistan, APTMA and other concerned departments' officials.
6. Amongst the worst prevailing economic conditions in Pakistan, where many units have closed their operations, we had managed to lease out the factory on monthly rent, duly approved by the shareholders, which has enabled the Company to generate good cash flows for meeting the day to day expenses as well as we are successfully paying off the market creditors.



# 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

7. The management of Company, contributing in the development and economic growth of the country since 1975, still believes the venture as a going concern as even though amid these adverse conditions, it is still managing to provide employment to many families working in the leased factory.

Moreover, the Directors have contributed their personal wealth and provided subordinated loan to the Company to take respite and keep it going. The only reason for this induction was their belief in the local textile industry and its power to regain its position after passing through a bad phase.

Our Auditors' letter is attached herewith stating that the going concern issue may be resolved confirming our efforts for clearing the defaults.

Based on the above mentioned, you are kindly requested that the trading in shares of the Company may please not be suspended neither further actions under subsequent provisions of Clause 5.11.2 of PSX Regulations will be taken since the management of the Company is concerned about protection of the public interest and so suspension of the trading of the Company would directly affect the general public.

Despite the name of the Company is still placed on the Defaulters' Segment of the Exchange and shares in the name of Sponsors, Directors and Senior Management are not allowed for trading, the management is standing with the Company through thick and thin. Even in these circumstances, the Company management has been trying its best to survive the worst situation with a belief that scenario will be reversed to our favor and hope that government will take steps towards revival of the sector.

We are very positive that the kind Exchange will acknowledge and appreciate our efforts and will extend to us its usual support and full cooperation as we are struggling very hard for resolving the defaults / issues and to manage keep going amongst the prevailing worst ever economic conditions of Pakistan.

In view of the continuous unfriendly business environment, we believe that our case will be given special consideration for helping and enabling us to negotiate with the local and international investors with lot more confidence so that we could successfully turn this concern again into a profitable and international competitive unit.

Thanking you.

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

M/s Aslam Malik & Co.  
(Chartered Accountants)  
Suite # 18-19 First Floor, Central Plaza,  
Civic Centre, New Garden Town,  
Lahore

Encl: AA

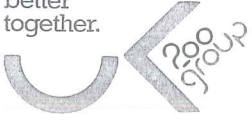
DETAILED EXPLANATION REGARDING ADVERSE OPINION OF THE AUDITORS ON THE FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED JUNE 30, 2019

	BASIS OF ADVERSE OPINION	EXPLANATION
a)	We did not observe the counting of the physical inventory of stock in trade amounting to Rs 57.87 million and physical inspection of the mills plant and machinery as of June 30, 2019; however, we received independent valuation report subsequently. The management informed us that the stocks are pledged with the banking companies and are under litigation while the factory is now on lease with the third party. The management further informed us that since the date of closure of mill's operations, there is no movement in stock in trade and mill's plant & machinery during the period under audit.	As given in the auditor's qualification, there is no movement in stock in trade and mill's plant & machinery since the mill's operations were stopped in June 2016. The stock is pledged with banks and so is under lock and key in the custody of the banks' Macadam.
b)	The Company's Stocks are carried in the statement of financial position at Rs 57.87 million. Management has not stated the inventories at the lower of cost and net realizable value but has stated them solely at cost, which constitutes a departure from IFRSs as applicable in Pakistan. Consequently, we were unable to determine whether any adjustments were necessary in this regard.	
c)	As fully explained in note 25 the Company is in litigation with the banking companies. The Company had not worked out and provided the amount of mark-up on long term financing from financial institutions, Liabilities against assets subject to finance lease and short term borrowings (Note 23) in these financial statements. Moreover, due to litigation out of Rs. 473.34 million of long term loan only Rs 174 million were confirmed through direct confirmation from bank of Punjab and remaining banks do not confirm us the balances of long term financing (Note No.18), Liabilities against assets subject to finance lease (Note 19) and short term borrowings (Note No.23). Based on available underlying records, response from the legal counsel and non-confirmation of loan balances from banking companies, we were	The management is also seeking some sort of finalization of Settlement Agreements with Financial Institutions which are under litigation in the courts. The banks have realized the Company's present situation and they understand that the Company was operating for a long period of time and they never had any problem. This situation is where almost every textile unit is in a dilemma between closing down the unit or continuation of operations.

	unable to determine with reasonable accuracy the impact on these financial statements of any disagreement.	
d)	<p>As explained in note 9 to the financial statements, the Company has leased out the factory land and building along with plant &amp; machinery since April 1, 2017. During the year, Company has changed its policy and charged the impact of change in fair value to other comprehensive income and do not restated the financial statements to fully describe the impact of change in accounting policy from the date of change in use of land and building which constitutes a departure from IFRSs as applicable in Pakistan.</p> <p>Had the change in accounting policy been properly applied and accounted for, then the fair value difference at the date of transfer from property, plant &amp; equipment to investment property would have been charged to other comprehensive income, and subsequently difference between the fair values of investment property should be charged to Profit &amp; Loss account for the year ended June 30, 2017 and 2018. In the absence of fair values at the date of transfer of land and building, as at April 01, 2017 and subsequently June 30, 2017 and 2018 we were unable to quantify the impact.</p>	<p>It was not practical to obtain four evaluation reports as at April 1, 2017, June 30, 2017, June 30, 2018 and June 30, 2019 simultaneously. Hence, we conducted the evaluation of property, plant and equipment as at June 30, 2019.</p>
e)	<p>At the balance sheet date, the Company's accumulated losses stand at Rupees 422.14 million and its current liabilities exceed its current assets by Rupees 753.56million. This situation may be further deteriorated if the possible effects of matter discussed in paragraph (a) to (d) above all accounted for in the financial statements. The Company has suspended its operations since June 16, 2016 and has leased out the factory. Further, the financial results show adverse key financial ratios and the Company's court cases are decreed in favour of the banking companies, due to its inability to comply with loan agreements. The Company is also unable to pay long term financing from banking companies amounting to Rupees 473.33million and the related finance cost, Liabilities against assets subject to finance lease amounting to Rupees</p>	<p>Bilal Fibres Ltd., (incorporated more than 30 years ago) was operating very successfully till 2011 and has been doing all the good and the bad time with patience, commitment and an aim to contribute our role in the local industry.</p> <p>The Company is incurring losses from 2011 onwards. The continuation of operations was causing the Company a loss of 12.7 million rupees per month while closing down the mill and its operations was resulting in a loss of 2 million rupees per month. Keeping in view the scenario where future growth was limited, the Company management took a decision to close down the operations and is considering different situations to get upturned. At the same time management was looking for an alternate option in the form of an equity contributor or as a joint venture, but in these circumstances no investor was willing to invest in a dead stock.</p>

<p>155.582 along with the finance cost, short term borrowings amounting to Rupees 143.855 million along with the related finance cost, accrued mark-up amounting to Rupees 97.52 million if the execution applications filed by the banking companies are decided by the courts. At present, there is no formal approved business plan for future periods.</p> <p>These conditions and events indicate material uncertainty that may cast significant doubt on the Company's ability to continue 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, as described in Note 1.2, these financial statements have been prepared under the going concern assumption. Because of the circumstances and events as mentioned herein, in our opinion, the Company cannot be considered to be a going concern and thus the preparation of these financial statements on a going concern basis is inappropriate. In our opinion, the financial statements should reflect adjustments to reduce the value of assets to their recoverable amount and to provide any further liabilities that may arise. These adjustments are likely to be substantial, and in view of further qualifications discussed in paragraphs (a) to (d) above we are unable to determine the quantum of the required adjustments and provisions with a reasonable degree of accuracy.</p>	<p>Even in these circumstances the Company management has been trying its best to survive the worst situation with a belief that scenario will be reversed to our favor and hope that government will take steps towards revival of the sector. The management strongly believes the venture as a going concern even though the circumstances for the time being are not very supportive, it is still managing to provide employment to many families working in the leased factory.</p> <p>The step of leasing out the factory was taken to camouflage against these adverse circumstances and the factory was leased out for the time being. The factory has been rented out upon shareholders' approval and it's generating revenue to meet the day to day expenses and to pay off the creditors. Simultaneously, the Company is in the process 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 a positive sign in the textile sector appearing then the relevant investments will be available and we will be in a position to resume the business operations soon since the government has initiated many steps to facilitate the textile sector and conducting various meetings with The State Bank of Pakistan, APTMA and other concerned departments' officials. Accordingly, the Auditors Report of the following year will be healthier.</p>
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building  
better  
together.



 **Aslam Malik & Co.**  
Chartered Accountants

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Central Plaza, Civic Centre,  
New Garden Town, Lahore-Pakistan.

August 19, 2019

The Board of Directors  
Bilal Fibres Limited  
73/4 Block - K, Phase 1, DHA  
Lahore Cantt,  
Lahore.

**SUB: CONFIRMATION OF THE BASIS OF REVENUE FALL UNDER THE  
PRINCIPAL LINE OF BUSINESS - M/S BILAL FIBRES LIMITED**

Dear Sir,

Certified that the current source of revenue of M/s Bilal Fibres Limited is rental income of Rs 500,000/- per month which has been rented out to M/s MKB Spinning Mills Limited, having its registered office at 446-C Batala Colony, Faisalabad upon shareholders' approval and the said revenue falls under the principal line of business of the Company since M/s Bilal Fibres Limited has got the alteration made in the Memorandum and Articles of Association approved by Securities and Exchange Commission of Pakistan (SECP).

A certified true copy of the Memorandum and Articles of Association confirming the aforementioned alteration has also been received from SECP.

Thanking you.

Yours Truly,

(Aslam Malik & Co.)  
Chartered Accountants

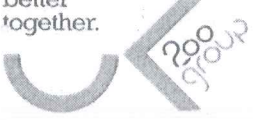


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Phone : +92-51-2374282-3 Fax: +92-51-2374281

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**Aslam Malik & Co.**

Chartered Accountants

October 9, 2019

The Board of Directors  
Bilal Fibres Limited  
73/4 Block – K, Phase 1, DHA  
Lahore Cantt.,  
Lahore

**SUB: COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN**

**RE: INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED JUNE 30, 2019  
M/S BILAL FIBRES LIMITED**

Dear Sir,

We were engaged to audit the financial statements of our client, M/s Bilal Fibres Limited, (the Company) having its registered office at 73/4, Block – K, Phase 1, DHA, Lahore Cantt., Lahore. The qualifications discussed in paragraphs (a) to (e) of our Review Report to the members on the financial statements for the year ended June 30, 2019 reflect substantial reservation on the Company's ability to continue as a going concern.

We were given to understand to that , the Company has been continuously and keenly working on clearing its defaults and making compliances in conformity with the accounting and reporting standards as applicable in Pakistan and as required by the Companies Act, 2017 (XIX of 2017). We expect that the going concern issue may be resolved considering the substantial efforts and strong will of the directors as they have contributed their personal wealth and provided subordinated loan to the Company to keep it in running conditions.

Thanking you.

Yours truly,

**(Aslam Malik & Co.)**  
Chartered Accountants

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