



BANGLADESH SECURITIES AND EXCHANGE COMMISSION

JIBON BIMA TOWER (14, 15, 16 & 20 FLOOR), 10 DILKUSHA C/A, DHAKA-1000, BANGLADESH

নং বিএসইসি/এনফোর্সমেন্ট/২২০৮/২০১৫/ ৩২৪

তারিখঃ ১৯ অক্টোবর ২০১৫ ইং

আদেশ

যেহেতু, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) এর section 2(g) মোতাবেক অলটেন্ড ইভলুইজ লিমিটেড 'issuer' হিসাবে অভিহিত (অতঃপর 'ইস্যুরার' বলে উল্লিখিত);

যেহেতু, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) এর section 2(cc) মোতাবেক "Commission" means Bangladesh Securities and Exchange Commission constituted under the Bangladesh Securities and Exchange Commission Act, 1993 (অতঃপর 'কমিশন' বলে উল্লিখিত);

যেহেতু, Securities and Exchange Rules, 1987 এর rule 12(2) এ উল্লেখ রয়েছে যে, "The financial statements of an issuer of a listed security shall be prepared in accordance with the requirements laid down in the Schedule and the International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh.";

যেহেতু, Securities and Exchange Rules, 1987 এর rule 12 অনুযায়ী ইস্যুরার কর্তৃক নিরীক্ষিত আর্থিক বিবরণী কমিশন এ জমা দানের বিধান রয়েছে এবং সে মোতাবেক ইস্যুরার কর্তৃক জুন ৩০, ২০১৪ ইং তারিখে সমাপ্ত বৎসরে প্রস্তুতকৃত নিরীক্ষিত আর্থিক বিবরণী কমিশন এ জমা দান করা হয়েছে;

যেহেতু, উপরোক্ত বৎসরে আর্থিক প্রতিবেদনের উপর কমিশনের অন্যান্যের মধ্যে নিম্নোক্ত পর্যবেক্ষণ রয়েছে:

Commission's queries as well as auditors qualified opinion to AIL	Reply/clarification/explanation of AIL	Our(CFD) Comments
The auditors of AIL- M/s. MABS & J Partners, Chartered Accountants expressed qualified opinion on Audited Financial Statements of AIL for the year ended on June 30, 2014 making doubt on physical existence and value of fixed assets of Tk.119,60,41,016.00. It reveals from the summary statement and qualified opinion of the auditors that the financial statements of AIL for the year ended on June 30, 2014 did not reflect the true and fair view of the company's financial position as of June 30, 2014 due to doubt on physical existence and value of fixed assets of Tk.119,60,41,016.00.	With regards to the above it is apparent that the auditor of the Company has given Qualified Report for non-availability of Property Plant and Equipments Register. In this regard it is our opinion that the auditor of the Company was not justified in giving Qualified Report on the above matters because the auditor may perform the following alternative audit procedures as per BSA-510: <i>Initial Audit Engagement - Opening Balances</i> , the auditor shall obtain sufficient appropriate audit evidence about whether the opening balance that affect the current period's financial statements by performing one or more of the following: (i) Where the prior year financial statements were audited, reviewing the predecessor auditor's working papers to obtain evidence regarding the opening balances. (ii) Evaluating whether audit procedures performed in the current period provide evidence relevant to the opening balances; or (iii) Performing specific audit procedures to obtain evidence regarding the opening balances. (iv) Observing a current physical non-current assets count and reconciling it back to the opening non-current assets quantities. (v) Performing audit procedures on the valuation of the opening non-current assets item.	The explanation of AIL is not acceptable as we agree with the auditors that AIL is a listed company and a manufacturing concern with huge asset base, where Net Asset Value (NAV) is of immense importance to the users of the financial statements. Opening balance of fixed assets of Tk. 1,252.39 million shown in the audited financial statements of AIL against Property, Plant and Equipment, existence and value of those assets should be physically confirmed by the auditors. In this regard, the auditors were trying to confirm the opening balances of such assets as required by Bangladesh Standards on Auditing (BSA 510: Initial Audit Engagements- opening balances), and requested for making a Fixed Assets Register (FAR) available to them. Auditors also opted to visit the factory premise of AIL to conduct stock counting of fixed assets. No invitation was



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	<p>For non-current assets, such as Property Plant and Equipment, the auditor will ordinarily examine the accounting records and other information underlying the opening balances. In certain cases, the auditor may be able to obtain confirmation of opening balances with third parties, for example, vendor relating to Property Plant and Equipment. In other cases, the auditor may need to carry out the following additional audit procedures:</p> <ul style="list-style-type: none"> • observing a current physical Property Plant and Equipment count and reconciling it back to the opening Property Plant and Equipment quantity • performing audit procedures on the valuation of the opening Property Plant and Equipment item, <p>A combination of these procedures may provide sufficient appropriate audit evidence.</p> <p>As per BSA-510 for confirming physical existence of Property Plant and Equipment auditor has not followed alternative audit procedures. It is also mentionable that in order to give complete account of the Property Plant and Equipment of the Company, the management provided the Insurance Policy of the Company with Pioneer Insurance Co. Ltd, which provided as full account of the Property Plant and Equipment. Moreover the Company also offered the auditors to visit the factory premises to verify the physical existence but instead of visiting the auditor but rather qualified on the basis that there was no register in the form of a "Balam Khata" for Property Plant and Equipment. As such the auditor of the Company cannot qualify their report on this ground. Moreover management of the Company has given clear disclosure in Financial Statements relating to non maintenance of Fixed Assets Register in notes to the accounts (See Note 3.03.1). But the Auditor did not pass any opinion about management disclosure regarding non maintenance of Fixed Assets Registers.</p>	<p>made to them by AIL for physical verification of fixed assets. The auditors opined that without existence of any Fixed Asset Register it would not have been possible for them to verify fixed assets. As such, the auditors expressed qualified opinion making doubt on physical existence and value of fixed assets of Tk.119, 60,41,016.00.</p> <p>It reveals from the above and qualified opinion of the auditors that the financial statements of AIL for the year ended on June 30, 2014 did not reflect the true and fair view of the company's financial position as of June 30, 2014 due to doubt on physical existence and value of fixed assets of Tk.119, 60,41,016.00.</p>
<p>Interest expenses amounting to Tk.174.89 million accrued during the year ended on June 30, 2014 against outstanding bank loan amounting to Tk.1,722.77 million, which was not provided for/charged in the statement of comprehensive income. By not making provision/charging interest expenses amounting to Tk.174.89 million in the statement of</p>	<p>Auditor of the Company has given Qualified Report on Financing Charges (interest expenses) amounting to Tk.174.89 million for not providing it in the Statement of Comprehensive Income. In this regard we are informing you that the management of the Company has given clear disclosure in notes to the accounts of Financial Statements in accordance with Bangladesh Accounting Standard (BAS-37 : Provisions, Contingent Liabilities and Contingent Assets). We are explaining our reasons for considering financial charges as contingent liabilities in accordance with Bangladesh Accounting Standard (BAS-37) which are stated below:-</p> <p>a. Being contingent liability the Company has no legal or constructive obligation to pay financial expenses, because the financial expenses has not been</p>	<p>Explanation of AIL is not acceptable as AIL did not make provision/charge the interest expenses of Tk.174.89 million against its outstanding bank loan amounting to Tk.1,722.77 million in the statement of comprehensive income for the year ended on June 30, 2014. As a result, Net Profit & Earning Per Share (EPS) as well as Net Assets Value (NAV) of the company were shown overstated in its financial statements for the year ended on June 30, 2014. The</p>



বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন

জীবন বীমা টাওয়ার (১৫, ১৬, ১৭ ও ২১তম তলা), ১০ দিলকুশা বা/এ, ঢাকা-১০০০, বাংলাদেশ।

comprehensive income for the year ended on June 30, 2014, Interest Expenses/ Financial Expense was understated and shown Net Profit of Tk. 122,674,490.00 instead of Net Loss of Tk. 52,215,510.00. As a result, the financial statements of AIL for the year ended on June 30, 2014 did not reflect true & fair view of the company's financial position as of June 30, 2014 and the result of its operation for the year then ended;

calculated and charged by the Money Lending Bank on borrower. In this case the Money Lending Bank i.e. Sonali Bank Limited has not calculated and charged financing expenses on our Company due to Legal Procedures for giving waiver of imposed and un-imposed interest in accordance with Bangladesh Bank BRPD circular No.07 dated June 20, 2013 as sick industries. In absence of definite indication to pay the financing charges there is no legal or constructive obligation created for the year ended 30th June, 2014.

b. As per auditor qualified report, these financing expenses are probable. We strongly defend ourselves that it is absolutely possible but not probable because in this circumstance there is no scope to disregard the application by the Bangladesh Bank. Bangladesh Bank has already issued a BRPD circular-7 for giving waiver of imposed and un-imposed interest of sick industries. As per such circular concerned lending Bank is authority to give waiver of imposed and un-imposed interest not Bangladesh Bank.

As sick industries we had applied to Sonali Bank Limited for giving waiver not to the Bangladesh Bank. So there is no question for disregarding our application by Bangladesh Bank.

Considering our application Lending Bank i.e. Sonali Bank Limited has reviewed for giving waiver of imposed and un-imposed interest in accordance with Bangladesh Bank BRPD circular No.07 dated June 20, 2013 and decision is still pending. We have definite option to pay all principal borrowing amounts without paying imposed and un-imposed interest. The management of the Company is thinking to pay principal borrowing amount without paying imposed and un-imposed interest availing the Bangladesh Bank BRPD circular-07. We think before giving Qualified Report Auditor has not considered the actual facts and BAS-37 which has been disclosed in the notes to the accounts of Financial Statements.

Under the above facts and circumstances and BAS-37, it is a possible obligation but not probable. So no provision is required at this moment.

c. Considering the above facts the obligation is not certain because Lending Bank i.e. Sonali Bank Limited has not charged on the Company and not given decision whether to pay or not.

company's claim regarding such interest expenses as contingent liability due to filing of application for waiver of interest is not also acceptable because of reasons as explained by the auditors at queries # 03, points (i), (ii) & (iii) [We also agree with the reasons shown by the auditors].

Interest expenses amounting to Tk.174.89 million accrued during the year ended on June 30, 2014 against outstanding bank loan amounting to Tk.1,722.77 million, which was not provided for/charged in the statement of comprehensive income. By not making provision/charging interest expenses amounting to Tk.174.89 million in the statement of comprehensive income for the year ended on June 30, 2014, Interest Expenses/ Financial Expense was understated and shown Net Profit of Tk. 122,674,490.00 instead of Net Loss of Tk. 52,215,510.00.

As a result, the financial statements of AIL for the year ended on June 30, 2014 did not reflect true & fair view of the company's financial position as of June 30, 2014 and the result of its operation for the year then ended.

As such, the matter may be referred to Enforcement Department for appropriate enforcement action against the company.

On examination of the aforesaid audited financial statements, Commission has some observations & Comments, among others, the following:

A) The company was

ALLTEX Fabrics Limited is a Public Limited Company established under the Company's Act 1913 vide registration No.C-14609/174 of 1985-1986 dated 11th August 1985. The main object of the ALLTEX Fabrics Limited is manufacturing of grege cloth fabrics and ALLTEX Industries Limited will consume entire production of ALLTEX Fabrics Limited under buy back contract. As such, to meet up the ALLTEX Industries Limited's grege

The company's explanation in this regard is not acceptable. The company was directed under section 11(2) of the Securities and Exchange Ordinance, 1969 to submit supporting bank statements of both Companies with regard to



বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন

জীবন বীমা টাওয়ার (১৫, ১৬, ১৭ ও ২১তম তলা), ১০ দিলকুশা বা/এ, ঢাকা-১০০০, বাংলাদেশ।

<p>comprehensive income for the year ended on June 30, 2014, Interest Expenses/ Financial Expense was understated and shown Net Profit of Tk. 122,674,490.00 instead of Net Loss of Tk. 52,215,510.00. As a result, the financial statements of AIL for the year ended on June 30, 2014 did not reflect true & fair view of the company's financial position as of June 30, 2014 and the result of its operation for the year then ended;</p>	<p>calculated and charged by the Money Lending Bank on borrower. In this case the Money Lending Bank i.e. Sonali Bank Limited has not calculated and charged financing expenses on our Company due to Legal Procedures for giving waiver of imposed and un-imposed interest in accordance with Bangladesh Bank BRPD circular No.07 dated June 20, 2013 as sick industries. In absence of definite indication to pay the financing charges there is no legal or constructive obligation created for the year ended 30th June, 2014.</p> <p>b. As per auditor qualified report, these financing expenses are probable. We strongly defend ourselves that it is absolutely possible but not probable because in this circumstance there is no scope to disregard the application by the Bangladesh Bank. Bangladesh Bank has already issued a BRPD circular-7 for giving waiver of imposed and un-imposed interest of sick industries. As per such circular concerned lending Bank is authority to give waiver of imposed and un-imposed interest not Bangladesh Bank.</p> <p>As sick industries we had applied to Sonali Bank Limited for giving waiver not to the Bangladesh Bank. So there is no question for disregarding our application by Bangladesh Bank.</p> <p>Considering our application Lending Bank i.e. Sonali Bank Limited has reviewed for giving waiver of imposed and un-imposed interest in accordance with Bangladesh Bank BRPD circular No.07 dated June 20, 2013 and decision is still pending. We have definite option to pay all principal borrowing amounts without paying imposed and un-imposed interest. The management of the Company is thinking to pay principal borrowing amount without paying imposed and un-imposed interest availing the Bangladesh Bank BRPD circular-07. We think before giving Qualified Report Auditor has not considered the actual facts and BAS-37 which has been disclosed in the notes to the accounts of Financial Statements.</p> <p>Under the above facts and circumstances and BAS-37, it is a possible obligation but not probable. So no provision is required at this moment.</p> <p>c. Considering the above facts the obligation is not certain because Lending Bank i.e. Sonali Bank Limited has not charged on the Company and not given decision whether to pay or not.</p>	<p>company's claim regarding such interest expenses as contingent liability due to filing of application for waiver of interest is not also acceptable because of reasons as explained by the auditors at queries # 03, points (i), (ii) & (iii) [We also agree with the reasons shown by the auditors].</p> <p>Interest expenses amounting to Tk.174.89 million accrued during the year ended on June 30, 2014 against outstanding bank loan amounting to Tk.1,722.77 million, which was not provided for/charged in the statement of comprehensive income. By not making provision/charging interest expenses amounting to Tk.174.89 million in the statement of comprehensive income for the year ended on June 30, 2014, Interest Expenses/ Financial Expense was understated and shown Net Profit of Tk. 122,674,490.00 instead of Net Loss of Tk. 52,215,510.00.</p> <p>As a result, the financial statements of AIL for the year ended on June 30, 2014 did not reflect true & fair view of the company's financial position as of June 30, 2014 and the result of its operation for the year then ended.</p> <p>As such, the matter may be referred to Enforcement Department for appropriate enforcement action against the company.</p>
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