

M. A. MALLIK & CO.

Chartered Accountants.

ROOM NO. 6, FIRST FLOOR,
DOST BUILDING, H. S. SURHWARDY ROAD,
CHITTAGONG.

Date The 26th Nov '84...

To
The Board of Directors,
Al-haj Textile Mills Ltd.,
Ishurdi,
Pabna.

Sub: Auditor's report on the accounts of
M/s. Alhaj Textile Mills Ltd., Ishurdi,
Pabna for the year ended 30th June, 1984.

Dear Sirs,

In pursuance of our appointment we have completed the audit and verification of the accounts of Alhaj Textile Mills Ltd. for the year ended 30th June, 1984. We enclose herewith the Balance Sheet as at 30th June, 1984 and Manufacturing, Trading and Profit and Loss and Appropriation Account for the year ended on that date. We report as under :

SCOPE OF AUDIT:

We confirm that our examination has been carried out in accordance with the generally accepted auditing standard and accordingly included such tests of accounting records audit procedures and observations as were considered necessary and found appropriate in the circumstances. However, our report has been classified in two sections ; such as :

SECTION "A" : BALANCE SHEET

SECTION "B" : GENERAL

SECTION "A" : BALANCE SHEET:

1.00. FIXED ASSETS: Tk. 1,12,18,533.43

The above amount consists of the following:

Balance as on 30-6-83 (at cost)	-	Tk. 2,26,27,636.70
Add: Addition during the year	-	Tk. 10,70,589.58
		<hr/>
		Tk. 2,36,98,226.28
Less: Adjustment during the year	-	Tk. 6,730.43
		<hr/>
		Tk. 2,36,91,495.85
Less: <u>Depreciation</u> :		
Provided upto 30-6-83	-	1,15,06,156.99
Provided during the year	-	9,66,805.43
		<hr/>
		1,24,72,962.42
Written down value as on 30-6-84		<hr/>
		1,12,18,533.43
		<hr/>

contd.....p/2.

M. A. MALLIK & CO.

Chartered Accountants.

ROOM NO. 6. FIRST FLOOR.
DOST BUILDING. H. S. SURHWARDY ROAD.
CHITTAGONG.

-:: 2 ::-

Date

The item-wise schedule of fixed assets have been shown in the Schedule No.1 and our comments on fixed assets are as follows:

1.01: Plant register has been maintained but it was not upto date since 1981.

1.02: Physical inventory of fixed assets were not taken as at 30th June, 1984 as reported by the management.

1.03: Depreciation has been charged in consistent with previous year's practice.

1.04: LAND AND LAND DEVELOPMENT:

Total area occupied by the mill is reportedly 50.41 acres. The value of the land and land development has been shown at cost.

1.05: Title deed of land was not available to us for our verification.

1.06: VEHICLE:

Following Vehicles were shown in the book of the Company. Details of which are given below:

	<u>Reg.No.</u>	<u>No.</u>
1. TOYOTA CAR - DHAKA - KA 4071		1
2. DATSUN CAR - DHAKA - GA 5009		1
3. VOLKSWAGEN CAR - 4267		1
4. MASSEY FERGUSON TRACTOR - 35x		1
5. HONDA BIKE 1969		1
6. BYCYCLE		6

We note that Honda Bike has been off the road since a long time and it is going to be scrap due to non-operation. so we suggest that it should be disposed off or may in proper use.

2.00: CONSTRUCTION WORK-IN-PROGRESS:

An amount of Tk.4,57,800.88 brought forward from previous year was transferred to fixed Assets account.

Contd...P/3.

M. A. MALLIK & CO.

Chartered Accountants.

ROOM NO. 6, FIRST FLOOR,
DOST BUILDING, H. S. SURHWARDY ROAD,
CHITTAGONG.

-:: 3 ::-

Date

3.00: INVESTMENT: Tk.30,29,812.00

Break-up of the above is given below:

As per last account	-	Tk.15,45,205.07
Add: during the year	-	Tk.14,84,606.93
		<u>Tk.30,29,812.00</u>
		=====

The above balance represents the cost of 3,24,391 shares of Tk.10/- each of ALHAJ JUTE MILLS LTD. purchased @ Tk.9.34 per share.

4.00: STOCK AND STORES: Tk.6,93,03,037.63

The above balance has been arrived at as follows:

i) Raw Cotton	-	Tk. 1,10,48,847.94
ii) Viscose staple fibre	-	Tk. 6,85,989.21
iii) Seed Cotton	-	Tk. 20,52,216.07
iv) Jute Yarn	-	Tk. 1,23,027.00
v) Work-in-process	-	Tk. 48,06,566.12
vi) Finished goods	-	Tk. 89,33,591.67
vii) Store & Spares	-	Tk. 1,07,17,908.29
viii) Store-in-transit	-	Tk. 2,99,17,198.88
ix) Miscellaneous Stock	-	Tk. 3,45,437.81
x) Wastage recovered	-	Tk. 6,72,254.64
		<u>Tk.6,93,03,037.63</u>
		=====

Item-wise comment on the above are given below:

Contd....P/4.

M. A. MALLIK & CO.

Chartered Accountants.

ROOM NO. 6. FIRST FLOOR.
DOST BUILDING, H. S. SURHWARDY ROAD,
CHITTAGONG.

-:: 4 ::-

Date

1) RAW COTTON: Tk.1,10,48,847.94

This is consists of the following:

Sl.No.	Name	Qty. in Bale	Amount
1.	U.S.A. 1-1/16"	40	4,86,866.01
2.	U.S.A. 1-1/32"	158	18,22,336.10
3.	INDIAN 1 1/4"	265	21,47,599.75
4.	SODANISE 1-7-16"	481	57,75,254.23
5.	LINT COTTON "B"	1122	51,431.17
6.	LINT COTTON "C"	2996	1,75,560.31
7.	USEABLE WASTE	xxxxx 39910.84	5,89,800.37
			<u>1,10,48,847.94</u>

Closing stock of the Raw Cotton was physically verified by Mill Management as on 30-6-84. Valuation was made at average cost.

11) VISCOSE STAPLE FIBRE: Tk.6,85,989.21

Break up of the above are given below:

Sl.No.	Name	Qty. in Bale	Amount
1.	RAYON(V) Japan 1.25x38 mm	4	45,978.07
2.	VISCOSE(Japan)32 m.m.	58	5,42,367.17
3.	VISCOSE CREAM COLOUR	9	97,643.97
		<u>71</u>	<u>Tk. 6,85,989.21</u>

Physical inventory was taken by the management as at 30th June, 1984.

111) SEED COTTON: Tk.20,52,216.07

It is comprised of :

P A R T I C U L A R S		Q U A N T I T Y
1.	Seed Cotton grade "B"	5,399 Kg.
2.	Seed Cotton Grade "C"	1,33,581 "
		<u>1,38,980 Kg.</u>

Contd...P/5.

M. A. MALLIK & CO.

Chartered Accountants.

ROOM NO. 6, FIRST FLOOR,
POST BUILDING, H. S. SURHWARDY ROAD,
CHITTAGONG.

-:: 5 ::-

Date

iv) JUTE YARN: Tk.1,23,027.00

It was physically verified by the management as on 30-6-84. We noted that these jute yarns was procured for starting a new project under the name of "NOVOCELL" about two years ago. But ultimately the project was given up and the jute yarns are lying in the store without of any use since a long time. It is also notable that, due to nonmovement of this stock for a long time goods are deteriorating day by day in quality. So we suggest to dispose off the above jute yarn as early as possible.

v) WORK-IN-PROCESS: Tk.48,06,566.12

The above amount represents the value of work-in-process at different process and section of the mill as at 30th June, 1984. Departmentwise break-up are given below:

DEPARTMENT	AMOUNT
a) Spinning	14,24,590.10
b) Weaving	22,53,816.30
c) Dyeing	11,28,159.72
	<hr/> Tk. 48,06,566.12

Work-in-process has been valued at material cost plus 10% thereof as conversion cost. Physical inventory was taken by the management as on 30-6-84.

vi) FINISHED GOODS: Tk.89,33,591.67

The above balance represents the value of Finished Goods as on 30th June, 1984. Item wise break-up of the finished goods are given below:

PARTICULARS	QUANTITY	TAKA.
YARN	41,916.23 lb.	42,33,151.32
GREY CLOTH		8,51,481.43
CLOTH (FRESH)		34,67,333.83
CUT PIECE		3,81,625.09
		<hr/> Tk. 89,33,591.67

Contd...P/6.

---: 6 :---

Date

Finished goods were valued at cost. Physical inventory was taken as on 30-6-84 which was reported by the management.

vii) STORES AND SPARES: Tk.1,07,17,908.29

Item wise break-up of the above balance was furnished to us. We observe that there is a net difference of Tk.9,98,587.86 between financial ledger balance and store ledger balance. No re-conciliation was done between store ledger and financial ledger. However, during our audit period step was taken to reconcile it and an amount of Tk.63,079.01 has been traced out and adjusted. We also noted that in some cases store materials were issued without value and also huge items of store material are lying in the ledger without value. However, a separate list of these materials (value less) was made and requested to the concerned deptt. to give us the present market value of these goods. But it was not furnished to us till to date.

In course of our scrutiny we find that a huge items of stores and spares were remained in constant position without any movement since long time, such as from 1977 (maximum item) 1978, 1979 etc. A list of these slow-moving and absolute items were furnished to us, which was amounted to Tk.27,46,742.29. We suggest that step should be taken about these slow-moving and absolute items which may help in strengthening the liquidity position of the company. It is also notable that, an amount of Tk.4,95,000.00 were lying against "DOBBY MACHINE" which was purchased from Khulna Textile Mills Ltd. during BTMC period. But these machines remain in packing position since its arrival in this mill. We also informed that now there is no probability of setting this machine in this mill. Hence, it may also be wise to despose-off this machines as early as possible.

We suggest that adequate provision should be made in the accounts against absolute items for the purpose of reflecting a fair picture in the accounts.

viii) STORE IN TRANSIT: Tk.2,99,30,511.88

The above amount represents various consignment of raw Cotton and spare parts in transit. Out of which an amount of Tk.81,007.18 are lying against three consignment of spare parts (case No. CT No.11, CT No.12; CT No.9).

Contd....P/7.

M. A. MALLIK & CO.

Chartered Accountants.

ROOM NO. 6. FIRST FLOOR.
DOST BUILDING. H. S. SURHWARDY ROAD.
CHITTAGONG.

-: 7 :-

Date

ix) MISCELLANEOUS STOCK: Tk. 3,45,437.81

This is made up as follows:

1. Stock at Electric Section	- Tk. 41,961.53
2. Stock at Workshop	- Tk. 6,696.58
3. Stock at dyeing deptt(Chemical)	- Tk. 16,548.82
4. Stock at dyeing deptt.Dyes	- Tk. 2,80,230.88
	<hr/>
	Tk. 3,45,437.81
	<hr/>

x) WASTAGE(RECOVERED): Tk. 6,72,254.64

This is made up as follows:

1. Waste Cotton	- Tk. 5,88,404.46
2. Waste Cloth	- Tk. 75,119.04
3. Waste Yarn	- Tk. 8,731.14
	<hr/>
	Tk. 6,72,254.64
	<hr/>

Wastage were valued as per last tender price of sale of Wastage.

5.00: BOOK DEBTS: Tk. 23,29,680.38

It consists of:

a) Trade debtors	- Tk. 2,28,447.12
b) Sundry debtors	- Tk. 21,01,233.26
	<hr/>
	Tk. 23,29,680.38
	<hr/>

Contd.....P/8.

M. A. MALLIK & CO.

Chartered Accountants.

ROOM NO. 6. FIRST FLOOR.
POST BUILDING. H.S. SURHWARDY ROAD.
CHITTAGONG.

-:: 8 ::-

Date

a) TRADE DEBTORS: Tk.2,28,447.12

1. S & D Pabna	4,491.90	
2. M/s.B.M International,Dhaka	65,954.92	
3. " Gazi Wire Ltd., "	2,898.44	
4. " Dhaka Cotton Mills,Dhaka	3,937.10	
5. Chemical Industries of Bangladesh, Chittagong	8,643.35	
6. Carpeting Jute Mills Ltd.,Khulna	78,773.00	
7. Karnafully Paper Mills Ltd.,Ctg.	2,199.00	
8. N.S. Electric Store, Dhaka	1,635.18	1,68,532.89

FINANCE FOR SALES & DISPLAY CENTRE:

a) Chatmohar	4,197.82	
b) Paksey	21,038.48	
c) Ishurdi	26,271.43	
d) Pabna	8,406.50	59,914.23
		2,28,447.12
		=====

We observed that Tk.51,507.73 are lying against Chatmohar,Paksey and Ishurdi sales and display centre which are coming for a long time. But it was reported that these three sales and display centre were closed about two years ago; and balance of which remain constant till to date without any adjustment. In our opinion steps should be taken to realise the amount and also a through scrutiny should be made to detect the old and doubtful balances and provision should be made in the accounts accordingly to ascertain the present status of the debt.

b) SUNDRY DEBTORS: Tk.21,01,233.26

This is made up as follows:

i) BTMC Sales and Display centre	- Tk.15,26,066.66
ii) Other insurance claim	- Tk. 1,90,936.39
iii) Other Advance	- Tk. 3,32,515.53
iv) Advance given to cotton growers	- Tk. 28,306.75
v) Advance given for purchase of seed cotton	- Tk. 23,407.93
	Tk.21,01,233.26
	=====

Item wise comment on the above are given below:

Contd...P/9.

M. A. MALLIK & CO.

Chartered Accountants.

ROOM NO. 6, FIRST FLOOR,
DOST BUILDING, H. S. SURHWARDY ROAD,
CHITTAGONG.

-:: 9 ::-

Date

1) BTMC SALES & DISPLAY CENTRES: Tk. 15,26,066.66

The above balance represents money receivable from various Sales and display centres of BTMC. A list of these centers was furnished to us for our verification. We observed that a total amount of Tk.18,64,700.59 are lying as credit balance against some centres. Beside these we also noted that amount receivable from some of these sales & display centres are doubtful of recovery as they were, closed in the meantime. In our opinion step should be taken to realise the same otherwise should be adjusted through BTMC current account.

1i) OTHER INSURANCE CLAIM: Tk. 1,90,936.39

It is comprised of followings;

1. Fire on 7-2-80(simplex Machine No.9 of Mill No.2	Tk.1,08,168.83
2. 134 Bales of Pakistani Raw Cotton per S.S.Bengal Tower CT-II	Tk. 18,985.19
3. Fire on 3-1-84	Tk. 10,270.35
4. " " 8-2-84	Tk. 98.00
5. " " 26-2-84	Tk. 3,579.96
6. " " 12-3-84	Tk. 22,368.80
7. " " 5-1-84	Tk. 8,980.40
8. " " 31-12-83 simplex Machine No.8 Mill No.2	Tk. 18,484.86
	<hr/>
	Tk.1,90,936.39
	<hr/>

Claim against fire on 7-2-80(simplex machine No.9 of Mill No.2) for the amount of Tk.1,08,168.83 is considered by us as irrecoverable being Fire Brigade report was not submitted to the SBC inspite of their Fire Company was given a date line for submission of the fire report, but which was expired on 20th September without any response.

Other claims are under process as reported.

1ii) OTHER ADVANCE: Tk.3,32,515.53

The represents advance payment of Bonus(From 1-7-84 to 31-12-84).

Contd...P/10.

M. A. MALLIK & CO.

Chartered Accountants.

ROOM NO. 6, FIRST FLOOR,
DOST BUILDING, H. S. SURHWARDY ROAD,
CHITTAGONG.

-:: 10 ::-

Date

iv) ADVANCE GIVEN TO COTTON GROWERS: Tk.28,306.75

A Schedule was produced to us. It was reported to us that advance were given to various cotton growers during BTMC period. But this amount still unrealised from that period.

v) ADVANCE GIVEN TO SEED COTTON PURCHASE: Tk. 23,407.93

It consists of followings :

1. Cotton development Board, Dhaka - Tk. 23,407.93

Tk. 23,407.93
=====

It was reported that advance were given to the CDB Dhaka for seed Cotton and this balance are part of that advance after adjustment of purchase value Cotton supplied.

6.00: ADVANCE, DEPOSITS & PREPAYMENTS: Tk. 45,10,331.23

This is made up as follows:

a) Advance	-	Tk. 43,18,711.57
b) Deposits	-	Tk. 1,91,619.66
		<u>Tk. 45,10,331.23</u>
		=====

Item wise comments are given below :

a) ADVANCE AND PREPAYMENTS: Tk. 43,18,711.57

Break-up of the above are given below:

i) Advance against Salary & Wages	-	Tk. 9,59,565.96
ii) Advance against TA/DA	-	Tk. 3,280.88
iii) Advance against Purchase	-	Tk. 15,947.60
iv) Advance against Income Tax	-	Tk. 27,40,422.38
v) Prepaid Insurance	-	Tk. 1,10,978.55
vi) Other advance	-	Tk. 4,88,516.20

Tk. 43,18,711.57
=====

Contd...P/11.

- : (11) : -

Date.....

Our comments in respect of the above balance are given below:

i) ADVANCE AGAINST SALARY & WAGES: Tk. 9,59,565.96

No Schedule were produced to us inspite of our repeated request. We were also unable to scrutinise the balances in absence of any advance ledger: which was also not produced to us. It was notable that there was a alarming difference between financial ledger and advance ledger which was reported in our previous report.

ii) ADVANCE AGAINST TA/DA : Tk.3,280.88

A schedule was produced to us. We observe that there is a credit balance of Tk.478.48.

iii) ADVANCE AGAINST PURCHASE: Tk.15,947.60

Name wise schedule was produced to us. Most of the balances are current and recovery position is satisfactory.

iv) ADVANCE AGAINST INCOME TAX : Tk.

This is made up as follows:

As per last account Tk. 17,40,422.38

Add: Paid during the year " 10,00,000.00

Tk. 27,40,422.38
=====

We noted that Tk.10,00,000.00 were paid during the year,details of which was not made available to us.

v) PREPAID INSURANCE : Tk.1,10,978.55

It is as per control ledger balance details of which was not supplied to us.

Cont'd.....P/12.

M. A. MALLIK & CO.

Chartered Accountants.

ROOM NO. 6, FIRST FLOOR,
DOST BUILDING, H. S. SURHWARDY ROAD,
CHITTAGONG.

- : (12) : -

Date.....

Vi) OTHER ADVANCE: Tk.4,88,516.20

We observed that, there is a credit balance of Tk.3,186.05 included in above balance.

b) DEPOSITS : Tk.1,91,619.66

This is made up as follows:

i) Custom deposits	Tk. 1,980.70
ii) Security deposits	" 1,50,624.96
iii) Earnest money deposits (Setabganj Sugar Mills)	" 39,014.00
	<hr/>
	Tk. 1,91,619.66
	=====

It is notable that Tk.39,014.00 coming from pre-liberation which was shown as earnest money given to the Setabganj Sugar Mills Limited. We does not know whether any step was taken or not to realise this amount.

In our opinion provision should be made in the account against above three balances as those are doubtful of recovery.

7.00 : CASH AND BANK BALANCE : Tk.31,35,474.14

Break-up of the above balance are given below:

(a) Cash at Bank	Tk.31,39,716.16
(b) Cash in hand	" 53,070.98
	<hr/>
	Tk.31,92,787.14
	=====

Our comments in respect of above are as follows:

Cont'd.....P/13.

NAME M/S. AL-HAJ TEXTILE MILLS LTD.

ADDRESS ISHURDI, PABNA.



A. MALLIK & CO.
CHARTERED ACCOUNTANTS

DOST BUILDING
CHITTAGONG.

PHONE : 203331

REPORT AND ACCOUNTS

FOR YEAR/PERIOD ENDED. 30TH JUNE 1984.