

M. A. MALLIK & CO.

Chartered Accountants.

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

Date 28th November, 1985.

To
The Board of Directors,
ALHAJ TEXTILE MILLS LTD.,
Ishurdi,
Pabna.

Sub: Auditors Report on the accounts of M/s. Alhaj
Textile Mills Ltd., Ishurdi, Pabna for the year
ended 30th June, 1985.

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, 1985. We enclose herewith the Balance Sheet as at 30th June, 1985 and Manufacturing, Trading and Profit and Loss 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 clarified in two sections such as:

SECTION "A" - BALANCE SHEET

SECTION "B" - GENERAL.

SECTION "A" : BALANCE SHEET:

1.00 FIXED ASSETS: TK: 1,13,25,521.71

The above amount consists of the following:

Balance as on 30-6-84 (at cost)

Tk. 2,36,91,495.85

Add. Addition during the year

" 12,19,191.42
Tk. 2,49,10,687.27

Less adjustment during the year

89,837.50
Tk. 2,48,20,849.77

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Less Depreciation:

Provided upto 30-6-84	Tk.	1,24,72,962.42	
Provided during the year	Tk.	10,95,112.86	
	Tk.	1,35,68,075.28	
Less Adjustment		<u>72,747.22</u>	1,34,95,328.06
Written Down Value as on 30-6-85	Tk.		<u>1,13,25,521.71</u>
			=====

The Itemwise Schedule of Fixed Assets ~~have 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 up to date since 1981.
- 1.02: Physical inventory of Fixed Assets were not taken as at 30th June, 1985 as reported by the management.
- 1.03: Depreciation has been charged in consistant with previous year's practice.
- 1.04: Land and Land Development:
Total area occupi^red by the Mill is reported by 50.41 acres. The value of Land & Development has been shown at cost.
- 1.05: Title deed of Land was not available to us for our verification.
- 1.06: VEHICLES:

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

		<u>Reg.No.</u>	<u>No.</u>
1.	DATSUN CAR DHAKA-GA	5009	1
2.	VOLKS WAGAN CAR	4267	1
3.	MASSEY FOR GUSON TRUCTOR	35X	1
4.	BICYCLE		5
5.	TOYOTA DHAKA-BHA	2219	1
6.	-do- -do-	2218	1
7.	-do- -do-	2220	1
8.	PICKUP DHAKA-NA-	6105	1

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Following Vehicles were disposed off during under review:

	<u>Reg.No.</u>	<u>No.</u>
HONDA BIKS	1969	1
BICYCLE		1
TOYOTA CAR	DHAKA-KA 4071	1

Addition of 3(Three) Cars and One Pickup as noted above under No. 5, 6, 7 & 8 was made at a total cost of Tk. 9,76,688.31. We note that Volks Wagon Car No. 4267 is out of round science^a long period.

2.00: INVESTMENT: TK: 30,29,812.00

The above balance brought forward from Last year represents the cost of 3,24,391 Shares of Tk. 10/-each of Al-Haj Textile Mills Limited purchased @Tk. 9.34 per share.

3.00: STOCK AND SPARES: TK: 6,99,59,960.95

Break up of the above is as under:

i) Raw Cotton	Tk. 1,35,68,306.08
ii) Viscose Staple Fibre	" 2,51,172.94
iii) Seed Cotton	" 8,15,329.93
iv) Work-in-process	" 74,72,793.27
v) Finished Goods	" 85,04,255.46
vi) Store & Spares	" 1,07,63,783.25
vii) Store-in-Transit	" 2,77,80,909.60
viii) Misc. Stock	" 3,95,109.67
ix) Wastage (Recovery)	" 4,08,300.75
	Tk. 6,99,59,960.95
	=====

Itemwise comment on the above is given below:

1. Raw Cotton Tk. 1,35,68,306.08

The amount of Tk. 1,35,68,306.08 represents the value of 3,64,423.07 Kg. of Closing of Stock various Types of Raw Cotton as on 30-6-1985.

We are told that Closing Stock was physically varified by Mills Management as on 30-6-1985, Valuation was made at average cost.

2. Viscose Staple Fibre: Tk. 2,51,172.94

Break up of the above is given below:

<u>Name:</u>	<u>Quantity:</u>	<u>Amount:</u>
Polyster Viscose	1221.77 Kg.	Tk. 45,978.07
Viscose(Cream)	1800.00 Kg.	" 97,643.97
K.R.C. Rayon	2288.00 Kg.	" 1,07,550.90
	5309.77 Kg.	Tk. 2,51,172.94
	=====	=====

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Physical Inventory was taken by the Management as at 30th June, 1985.

3. SEED COTTON:

Tk. 8,15,329.93

It is comprised of:

<u>Particulars:</u>	<u>Quantity</u>	<u>Value</u>
i) Seed Cotton Grade "C"	59.768 Kg.	Tk. 8,15,329.93

4. Work-in-process: Tk. 74,72,793.27

The above amount represents the value of Work-in-process at different process & Section of the Mills as at 30th June, 1985.

Departmentwise break up is given below:

<u>Department</u>	<u>Quantity</u>	<u>Tk.</u>
a) Spinning	40,746.61 Kgs.	20,96,547.16
b) Weaving Yarn cloth	12,676.78 "	12,16,339.75
Cloth	12,251.64 Metre	23,05,657.29
c) Dyeing Cloth	102694.47 "	18,54,249.07
		<u>74,72,793.27</u>
		=====

Work-in-process has been valued at materials cost plus 10% thereof as conversion cost. Physical Inventory was taken by the Management on 30-6-85.

5. Finished Goods: TK: 85,04,255.46

Value of Finished Goods as on 30-6-85 was Tk. 85,04,255.46

Finished Goods were valued at cost. Physical Inventory was taken on 30-6-1985 by the Management Details of Finished are as under:

<u>Particulars:</u>	<u>Quantity</u>	<u>Value</u>
Yarn	65,278.26 Kgs.	60,53,042.62
Cloth(Fresh)	1,35,256.67 Metre	23,91,212.84
Cut-piece	3,657.56	60,000.00
		<u>85,04,255.46</u>
		=====

6. STORES AND SPARES: Tk. 1,07,63,783.25

Itemwise break up of the above balance was furnished to us.

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7. Stock-in-Transit: TK: 2,77,80,909.60

The above amount represents various consignment of Raw Cotton & Spare Parts in Transit. Detailed list was made available to us and observed that a sum of Tk. 68,769.00 was shown in the list as local store purchase.

8. Misc. Stock: TK: 3,95,109.67

This is made up as follows:

1. Stock at Spinning Section	Tk.	27,129.61
1. Stock at Electric Section	"	65,813.30
2. Stock at Workshop	"	6,696.58
3. Stock at Dying Department (Chem)	"	19,851.02
4. Stock at Dying Deptt. (Dyes)	"	2,75,619.16
	Tk.	3,95,109.67
		=====

It is noted that Stock at Workshop amounting to Tk. 6,696.58 was as per last account.

9. WASTAGE (RECOVERY): TK: 4,08,300.75

This is made up as follows:

1. Waste Cotton	Tk.	3,58,180.51
2. Waste Cotton	"	13,240.70
3. Waste Yarn	"	36,879.54
	Tk.	4,08,300.75
		=====

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

4.00: BOOK DEBTS:

In consists of

a) Trade Debtors	Tk.	1,50,864.02
b) Sundry Debtors	"	16,28,582.95
	Tk.	17,79,446.97
		=====

a) Trade Debtors: TK: 1,50,864.02

1. B.M. International, Dhaka.	Tk.	65,954.92
2. Dhaka Cotton Mills, Dhaka.	"	3,937.10
3. Carpeting Jute Mills Ltd. Khulna	"	78,773.00
4. Karnafully Paper Mills Ltd. Ctg.	"	2,199.00
	Tk.	1,50,864.02
		=====

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Trade Debtors amounting to TK: 1,50,864.02 as noted above have been brought forward from previous year. There is a movement in the accounts confirmation of balance was also not available to us.

We observed that TK: 51,507.73 are lying against Chat Mohar, Paksey and Ishurdi Sales & display centre which are coming for a long time. The amounts seems to be doubtful of realisation as these centres were closed three years ago.

b) Sundry Debtors: Tk. 16,28,582.95

This is made up as follows:

i) B.T.M.C. Sales & Display Centre	Tk. 15,75,919.48
ii) Other Insurance Claim	" 29,255.54
iii) Advance given for purchase of Seed Cotton C.D.B. Dhaka.	" 23,407.93
	Tk. 16,28,582.95
	=====

Itemwise comment on the above is given below:

i) B.T.M.C. - Sales & Display Centre: Tk. 15,75,919.48

The above balance represents money receivable from various Sales & Display Centres of BTMC. A List of these centres was furnished for our verification. We observed that a total amount of Tk. 17,19,867.34 is lying Credit balance against some centres.

We further observed that Pabna Sales Centres now under the centre of the Company, but balance against this centre has not been confirmed. Moreover the account of this centre has not been made since 12-12-1982. It is suggested that the account of this Centre be immediately prepared.

ii) Other Insurance Claim: Tk. 29,255.54

Break up of the account is as under:

a) 34 Bales of Pakistani Raw Cotton per S.S. Bengal Sower-11	Tk. 18,985.19
b) Fire on 3-1-84	" 10,270.35
	Tk. 29,255.54
	=====

The above amount was brought forward from last year.

iii) Advance Given for Seed Cotton Purchase: Tk. 23,407.93

It consists of following

1. Cotton Development Board, Dhaka. Tk. 23,407.93

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This is as per last account. If the amount is not realiseable, the same be written off in the account.

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5.00 ADVANCE, DEPOSITS & PRE-PAYMENTS:

Tk. 69,56,791.68

This is made up as follows:

- a) Advance & Prepayments
- b) Deposits

Tk. 57,50,494.08
" 12,06,297.60
Tk. 69,56,791.68
=====

a) Advance & Prepayments:

Break up of the amounts as under:

i) Advance against Salary & Wages	Tk. 18,22,992.12
ii) Advance against TA/DA	" 8,998.06
iii) Advance against purchase	" 1,20,603.41
iv) Advance against Income Tax	" 32,48,731.38
v) Prepaid Insurance	" 1,02,427.24
vi) Other Advance	" 4,46,741.87
	Tk. 57,50,494.08
	=====

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

i) Advance against Salary & Wages

Tk. 18,22,992.12

The balance of the last year under this head was Tk. 9,59,565.96 Balance of as on 30-6-85 stands at Tk. 18,22,992.12 No Schedule were produced to us inspite of our repeated request. We were unable to scrutinise the balance in absence of any advance ledger. It is suggested to prepare the Schedule of advance against Salary & Wages at an early date.

We observed that a sum of Tk. 9,19,070.68 was paid on 25-9-84 and 26-9-84 against D.A. on House Rent from the period from as per demand made by collective bargaining Agent.

ii) Advance against TA/DA.

Tk. 8,998.06

A Schedule was produced to us. We are observed that there is a Credit balance of Tk. 937.64

iii) Advance against Purchase:

Tk. 1,20,603.41

Namewise Schedule was made available to us. There is a Credit Balance of Tk. 6,674.65 which needs proper adjustment.

iv) Advance against Income Tax:

Tk. 32,48,731.38

This is made up as follows:

As per Last Account

-do- (Bonus Salary)

Add: Paid during the year

Tk. 27,40,422.38
" 5,90,165.00
" 25,00,000.00
Tk. 58,30,587.38

Less: Adjustment made

" 25,81,856.00
Tk. 32,48,731.38
=====

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v) Prepaid Insurance:

Tk. 1,02,427.24

It is as per control ledger balance. Details of the amount made available against cover note No. ISD/F/P/143/11/83 & ISD/F/P/-145/11/83.

vi) Other Advance:

Tk. 4,46,741.87

It is observed that there is a Credit Balance of Tk. 17,491.15 Advance Schedule shows that advance given to purchase Assistant Ration Dealer, Accounts Officer and cultivation advance etc. some advances are lying against the names of ex-staff and Officers. Subsequent realisation position was not made available to us.

b) Deposits:

Tk. 12,06,297.60

This is made up as follows:

i) Custom Deposits	Tk. 17,128.72
ii) Security Deposits	" 1,02,154.88
iii) Earnest Money Deposits	
Setabgonj Sugar Mills.	" 39,014.00
iv) Deposits to B.S.B. Dhaka.	" 10,48,000.00
	Tk. 12,06,297.60
	=====

i) Custom Deposits:

Tk. 17,128.72

The amount was lying with Sonali Bank, Ishurdi for payment of Excise Duty for Cotton Yarn & Cloth.

ii) Security Deposits:

Tk. 1,02,154.88

The amount represents the Security Deposit given for Oxygen Cylinder, Telephone, Telex Machine and Office premises for Head Office.

iii) Earnest Money Deposit:

Tk. 39,014.00

We observed that Tk. 39,014.00 coming from pre-liberation which was paid as Earnest Money to the Setabgonj Mills Limited. Provision should be made in the account as the amount seems to the doubtful of recovery.

iv) Deposits to B.S.B. DHAKA:

Tk. 10,48,000.00

This amount was kept with B.S.B. Dhaka as Fixed Deposits for B. H. R. (Balancing Moderatisation and Replacement).

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6.00 CASH AND BANK BALANCE: Tk. 1,01,171.89

Break up of the amount is as under

a) Cash at Bank	Tk. 71,074.63
b) Cash in Hand	" 30,097.26
	Tk. 1,01,171.89
	=====

a) Cash at Bank: Tk. 71,074.63

It consists of

<u>BANK</u>	<u>ACCOUNTS NO.</u>	<u>TK.</u>
1. Pubali Bank, Ishurdi	520	23,504.56
2. Agrani Bank, Ishurdi	1085	45,260.32
3. Agrani Bank, Ishurdi	7739	1,309.75
4. Sonali Bank, Pabna	1193	1,000.00
		TK: 71,074.63
		=====

We checked the Bank Account with Book and Statement submitted by the respective Banks. Bank confirmation certificate was furnished to us for our reconsiliation.

b) Cash in Hand: Tk. 30,097.26

It consists of

i) Cash in Hand (Mill Office)	Tk. 20,300.00
ii) Cash in Hand (Head Office)	" 9,797.26
	Tk. 30,097.26
	=====

Cash Balance was as per Cash Bank. Cash balance certificate was obtained.

CAPITAL AND LIABILITIES:

8.00 Issued, Subscribed & Paid up Capital: Tk. 98,36,080.00

Paid up Capital as per last accounts was Tk. 59,01,650.00 During the year under review 3,93,443 Bonus Shares of Tk.10/-amounting to Tk. 39,34,430.00 were issued and allotted. Therefore the total Paid up Capital stands at Tk. 98,36,080.00 as on 30-6-1985 including Bonus Share.

9.00 CAPITAL RESERVE: Tk. 3,926.00

This is as per Last Account

10.00 RESERVE & SURPLUS: Tk. 54,01,248.94

This is as per last account and comprised of following:

General Reserve	Tk. 13,95,080.00
Special Development Reserve u/s	" 40,06,168.94
14A of the I.T. Act.	Tk. 54,01,248.94
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CHARTERED ACCOUNTANTS
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NAME AL-HAJ TEXTILE MILLS LIMITED.,

ADDRESS ISHURDI, PABNA.

REPORT AND ACCOUNTS

FOR YEAR/PERIOD ENDED. 30th June, 1985.