

Securities and Exchange Commission of Pakistan
Enforcement and Monitoring Division
NIC Building, Jinnah Avenue, Islamabad

IN THE MATTER OF
M/S SHAHPUR TEXTILE MILLS LIMITED

No. and date of show cause notice	No.19 (674) CF/ISS/2001 dated May 16, 2001
Date of hearing	September 10, 2001
Present	Mr. Irfan Rehman Malik, FCA and Mr.Faisal Bukhari

ORDER
Under Section 235 of the Companies Ordinance, 1984

The facts leading to this case, briefly stated are that the examination of the audited accounts of M/S. Shahpur Textile Mills Limited (the “Company”) for the year ended September 30, 2000 revealed that the Company has revalued its certain assets, however, the depreciation on the assets so revalued was not provided with reference to the value so assigned to the said assets on revaluation. As the Company has *prima facie* contravened the provisions of Sub-section (4) of Section 235 of the Companies Ordinance, 1984 (the “Ordinance”) a show cause notice dated May 16, 2001 was, therefore, served on the directors including Chief Executive of the Company calling upon them to show-cause in writing within seven days of the receipt of this notice “as to why the penalties provided for in Sub-section (5) of Section 235 of the Ordinance, may not be imposed on you.”

2. In response to the aforesaid show-cause notice, the Company Secretary on behalf of the directors and Chief Executive of the Company vide his letter dated July 30, 2001 stated that due to further revaluation of fixed assets on September 30, 2000, the fixed assets on that date have been stated at present depreciated values as reported in the note 3.3 to the financial statements.

This automatically accounted for any depreciation over or under provided in earlier years, including the non-provision of depreciation on incremental value, the subject of audit qualification previously. It was also proposed to provide depreciation on the incremental value from October 01, 2000, taking into consideration the remaining life of the assets in accordance with Section 235 of the Ordinance. It was also requested that since the matter has already being rectified and resolved, therefore, default under Section 235 of the Ordinance might be condoned.

3. In order to give an opportunity of being heard, the case was fixed for hearing on September 10, 2001 on which date Mr. Irfan Rehman Malik, FCA and Mr. Faisal Bukhari of M/S. M. Yousaf Adil Saleem & Co., Chartered Accountants appeared on behalf of the directors including the Chief Executive of the Company and argued the case. They admitted the default and requested for a lenient view. The provisions of Sub-section 4 of Section 235 requires that depreciation on assets so revalued shall be provided with reference to the value assigned to such assets on revaluation. The Company having not charged any depreciation on the revalued portion of the assets has contravened the aforesaid provision of law.

4. In view of the above discussion, the default is considered willful, which attracts the provisions of Sub-section (5) of Section 235 of the Ordinance. As the Company has submitted an undertaking to rectify the default in the annual accounts for the year ending September 30, 2001, therefore, I take a lenient view and impose a fine of **Rs. 10,000** (Rupees ten thousand) on the Chief Executive of the Company under Sub-section (5) of Section 235 of the Ordinance.

5. The Chief Executive of the Company is directed to deposit the fine in the designated bank account of Securities and Exchange Commission of Pakistan, maintained with Habib Bank Limited within 30 days of the date of this Order and furnish a receipted challan to the Securities and Exchange Commission of Pakistan.

RASHID SADIQ
Executive Director (Enforcement & Monitoring)

Announced
January 31, 2002
ISLAMABAD.