

NO. 19(858)CF/ISS/92  
**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**(Enforcement & Monitoring Division)**  
NIC Building, Jinnah Avenue,  
Islamabad

Sub: **ORDER UNDER SECTION 236(2)(a) AND 492 OF THE COMPANIES ORDINANCE, 1984 IN THE MATTER OF M/S. KOHINOOR RAIWIND MILLS LIMITED**

M/s. Kohinoor Raiwind Mills Limited (hereinafter referred to as the Company) is a listed company having a paid up capital of Rs. 140 million. The company is in production since 1994 and is engaged in weaving and sale of cloth. Half-yearly accounts of the company for the period-ended 31.03.2000, revealed that the company's operating fixed assets had increased to Rs. 440.74 million from Rs. 295.31 million as compared to last year. This represented an increase of Rs. 145.435 million and addition mainly consisted of land and building. A perusal of financial statements/annual report for the year ended on 30<sup>th</sup>, June indicated that there was no disclosure about any expansion plan therein. Half-yearly accounts for the period ended on 31<sup>st</sup> March, 2000-were also found totally silent on it. Sub-section 2 (a) of Section 236 of the Companies Ordinance, 1984, requires a company to disclose material changes and commitments affecting financial position of the company which have occurred between the end of financial year to which the balance sheet relates and the date of report. Section 236(4)(a) provides for very severe penalty for default of Section 236 which in case of a listed company may extend upto imprisonment of one year and fine upto Rs.20,000/-. Accordingly, a show cause notice was issued on 30.08.2000 requiring the Chief Executive of the Company to explain as to why action as provided in sub-section (4) of Section 236 and Section 492 ibid, may not be taken and prosecution proceedings may not be initiated against the Chief Executive of the Company.

2. The company furnished its written reply through one of its directors, Mr. Usman Said. He submitted that:-

- Addition to the operating fixed assets mainly consisted of land and building acquired by the company.
- While the Company entered into agreement for purchase of the above-said property. Special inspection Team C/o Headquarters Engineers 4 Corps, Lahore cantonment, vide its directive No. 606/ SIT dated 20th November, 1999 directed the Commissioner, Lahore Division that all transfer of land property should be observed and entered in the revenue records only after clearance.
- The sale deed in respect of the property in question, therefore, could not be registered and remained withheld till the date of Board's Meeting in which the annual accounts and directors' report were approved. The sale deed was finally registered on February 29, 2000. Since the matter of registration of property was pending and the future of the transaction was uncertain, therefore, it was not mentioned in the director's report.

3. The hearing in this matter was held on September 28<sup>th</sup>, 2000 when Mr. Usman Said Director of Kohinoor Raiwind Mills Limited and Raja Muhammad Akram Advocate, appeared on behalf of the company. They explained that addition in fixed assets including land and building was effected on February 29, 2000 and, therefore, the same were disclosed in the half yearly accounts ended on 31.03.2000 as addition to fixed assets. It was further argued that there was no willful intention to hide this transaction from the shareholders as no benefit could accrue to the company from such non-disclosure. They finally prayed that lenient view be taken for the default and assured that in future company's management will be more careful in the matter of such disclosures in its published financial statements.

4. Having heard the arguments of the Counsel and the Director present of the Company, I am inclined to spare the default with a warning not to repeat non-disclosure of this nature in

future. Introspection of the conduct of the management further convinces me that the default is of a procedural nature and does not adversely affect any investors or creditors. As the lapse is neither intentional nor willful nor of any mala-fide nature, there is, therefore scope for dealing the company with leniency. Present proceedings are, therefore, dropped with a note of warning to the management for becoming reasonably careful in future so as to ensure compliance with disclosure requirements envisaged in the Fourth Schedule of the Companies Ordinance and the notified IAS's.

**(M. Zafar - ul - Haq Hijazi)**  
**Commissioner (Enforcement)**

**Announced:**  
October 5, 2000.

