



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Company Law Division
(Enforcement Department)

Before Abdul Rehman Oureshi, Commissioner

IN THE MATTER OF

M/s ASHFAQ TEXTILE MILLS LIMITED

No. and date of Show Cause Notice	EMD/233/214/2002 September 03, 2004
Date of hearing	November 23, 2004
Present	<i>On Behalf of the Company:</i> Mr. Ashfaq Ahmed, Chief Executive

ORDER

SHOW CAUSE NOTICE UNDER SECTION 235, SUB-SECTIONS (2) AND (3) OF SECTION 234 READ WITH SUB-SECTION (7) OF SECTION 230 OF THE COMPANIES ORDINANCE, 1984

This order shall dispose of the show cause notice under Section 235, Sub-sections (2) and (3) of Section 234 read with Sub-section (7) of Section 230 of the Companies Ordinance, 1984 dated September 03, 2004 served on all the directors including the Chief Executive of M/s Ashfaq Textile Mills Limited (the "Company").

2. Brief facts of the case are that examination of audited accounts of the Company for the year ended June 30, 2003 revealed that the Company has not complied with the provisions of Section 235 of the Ordinance read with S.R.O. 45(I)/2003 dated January 13, 2003, read further with Section 234, by failing to transfer an amount of incremental depreciation from the surplus on revaluation of fixed assets account to un-appropriated profit / accumulated loss account through statement of changes in equity. The Company has also not complied with the provisions of Sub-section (2) of Section 218 of the Ordinance as remuneration of Chief Executive of the Company was changed during the year however statement required under the aforesaid provisions of the Ordinance was not been provided to the shareholders. Further the Company did not meet various disclosure requirements of the Fourth Schedule of the Ordinance and International Accounting Standards ("IAS") which were required to be met under the provisions of Sub-sections (1), (2) and (3) of Section 234 of the Ordinance.

3. A show cause notice under Section 235, Sub-sections (2) and (3) of Section 234 read with Sub-section (7) of Section 230 of the Ordinance was therefore issued to all the directors including the Chief Executive of the Company calling upon them to show cause, in writing, within fourteen days of the date of the notice as to why penalties for default of the provisions of the Ordinance may not be imposed and why a complaint may not be filed against them in a Court of Session for contraventions of the provisions of Section 234 of the Ordinance.

4. The Chief Executive, on behalf of all the directors of the Company, submitted reply vide letter dated October 06, 2004 stating that non-compliance of the provisions of Ordinance was not intentional and that the notice of the Commission may be treated as guidance to the Company due to which the Company has incorporated all the disclosure requirements in the latest financial statement for the year ended June 30, 2004 and therefore the default may be condoned. The Chief Executive of the Company also requested for an opportunity of hearing in the matter. The case was therefore fixed on November 23, 2004 in which the Chief Executive of the Company appeared on behalf of all the directors of the Company and again requested to condone the default as the same was neither willful nor intentional.

5. I have gone through the facts of the case and have observed that the Company has met with the requirements of Section 235 read with S.R.O. 45(I)/2003 dated January 13, 2003 in the subsequent accounts for the year ended on June 30, 2004. Change in the remuneration of the Chief Executive for the year 2003 was made through a special resolution in annual general meeting for the year ended on June 30, 2002 held on November 30, 2002 in which all the relevant facts were disclosed in the notice of the meeting and the statements of the material facts under Clause (b) of Sub-section (1) of Section 160 of the Ordinance. The Company has also made necessary disclosures as required under Fourth Schedule of the Ordinance and relevant IAS in the subsequent account for the year ended June 30, 2004. In view of the subsequent observance of the requirements of the law, I take a lenient view and hereby warn all the directors of the Company to be careful in complying with the requirements of law in future.

(Abdul Rehman Qureshi)
Commissioner (CL)

Announced
November 30, 2004
ISLAMABAD