

PRESS RELEASE

SEC Imposes Penalty Amounting to Rs.100,000 on the Directors of J.K. Spinning Mills Limited

ISLAMABAD – 3 March 2004: The Securities and Exchange Commission of Pakistan (SEC) has imposed a penalty amounting to Rs. 100,000 on the directors of M/s J. K. Spinning Mills Ltd. for making huge unauthorised investment in its associated companies.

During the financial year-ended 30 September 2003, M/s J. K. Spinning Mills Ltd. made long-term loans to M/s J. K. Sons (Pvt.) Ltd. and J. K. Fibre (Pvt.) Ltd. to the tune of Rs. 96.16 million without the approval of the shareholders in violation of provisions of Section 208 of the Companies Ordinance, 1984. The company's auditors also qualified the aforesaid annual accounts on these grounds.

During the course of proceedings, the company, while admitting the default, stated that it was an unintentional omission and submitted that they have already started recovery of these dues from the associated companies. Considering the directors' confession and efforts of the management to rectify the default, the SEC, besides imposing penalty of Rs. 25,000/- on each of the four responsible directors, has also directed the company to recover the outstanding balance amount from the associated companies by 30 June 2004.