

Press Release

SEC Imposes Fine on Ahmad Hassan Textile Mills

Islamabad – 4 November 2004: The Securities and Exchange Commission of Pakistan (SEC) has imposed a penalty of Rs 2000 on the Chief Executive of M/s Ahmad Hassan Textile Mills Limited for furnishing an auditors certificate at a belated stage and indicating an incorrect position in relation to issue of its right shares to the members.

M/s Ahmad Hassan Textile Mills Limited announced 10 percent right issue at 100 percent premium in violation of Sub-Rule (iv) of Rule 5 of Companies (Issue of Capital) Rules, 1996 which provides that a company may charge premium on the right shares up to its free reserves per share, duly certified by the company's auditors. Moreover, the company also failed to provide its certificate of free reserves to the SEC within the time specified in the law under the rules.

The company represented its free reserves at an artificially high level by not deducting contingencies and commitments from its un-appropriated profits. Since the right shares had already been issued and the company was paying regular dividends to its shareholders, a lenient view of the default was taken and a token penalty has been imposed only on the Chief Executive of the company.