

Press Release

SEC Restrains Latif Jute Mills from Disposing Of Assets

Islamabad – 25 October 2004: The Securities and Exchange Commission of Pakistan (SEC) has restrained Latif Jute Mills Limited, a listed company, from disposing of its assets without adequate disclosure and in prejudice to the interest of shareholders.

The Company convened its annual general meeting on 22 October 2004 and published a notice of the meeting to pass a special resolution to authorize its Board of Directors to dispose of its land and building. The SEC observed that material information regarding the book value, present market value, efforts made in order to obtain best possible price, mode of sale of assets and use of funds were not disclosed to shareholders. On enquiry, the expected sales value of the assets having book value of Rs. 66.90 million was indicated to be Rs. 55 million only. Besides no valuation certificate was available from an independent valuer in order to ascertain the fair sale price. The management also failed to explain the need of the transaction and utilization of the proceeds on this account and did not have a clear vision regarding the future of the Company i.e. its revival or winding up.

The SEC believed that due to lack of availability of necessary information to shareholders and without clear vision by the management regarding the future of the Company, sale of land and building would be detrimental to the interests of the Company and its shareholders. The SEC, therefore, directed the Company not to sell any asset unless valuation report has been obtained from an independent valuer to ascertain fair value and manner of utilization of proceeds for revival of the Company's business has been determined. However, if the Company intends to dispose of these assets to pay off its liabilities and to close down business, then it should not undertake sale of assets and should instead follow the procedure for winding up, as provided in the Companies Ordinance, 1984.