

April 13, 2001 SEC imposes a penalty of Rs. 10,000 on the chief executive of M/s J.A. Textile Mills Limited.

The annual accounts of J.A. Textile Mills limited for the year ended September 30, 1999, were examined and it was observed that depreciation of Rs. 11,696,616 on the revalued portion of fixed assets has not been recognized in the financial statements. Beside, the directors' report dated March 07, 2000 did not contain any information or explanation regarding the observation made by the auditors in their report dated March 04, 2000, regarding non-provision of depreciation on revalued assets. The provision of sub-section (4) of section 235 of the companies Ordinance, 1984 provides that after revaluation of fixed assets, depreciation on the assets so revalued shall be provided with reference to the value assigned to such assets on revaluation. It is also required in clause (c) of sub-section (2) of Section 236 of Companies Ordinance, 1984 that Director's report should contain the fullest information and explanation in regard to any reservation, observation, qualification or adverse remarks contained in the auditor's report.

A show cause notice, therefore, was issued to the company on February 01, 2001 seeking clarification about the aforementioned omissions. The reply of the company was received on February 16, 2001 wherein the company contended that the said default was unknowingly committed and this default neither affected the interest of the shareholders in any way nor it caused any loss to the company. The company admitted the aforesaid defaults and assured that extreme care will be taken in future for compliance with the legal requirements in presenting the financial statements of the company.

As the company admitted the defaults, so a lenient view was taken and a penalty of Rs.10, 000/- was imposed on Mr. Zahid Anwar, the chief executive of the company.