

Press Release

SEC Issues Necessary Clarification to Remove Difficulties of Listed Companies

ISLAMABAD – January 19, 2005: The Securities and Exchange Commission of Pakistan (SEC) has issued necessary clarification vide Circular No 1 dated January 19, 2005 in order to remove practical difficulties of listed companies and their subsidiaries upon revision of the Fourth Schedule to the Companies Ordinance, 1984 w.e.f. July 5, 2004.

In this regard, Circular 1 clarifies that listed companies and their subsidiaries, which were carrying deferred costs in their financial statements as on July 5, 2004, are allowed to continue to treat such costs according to the requirements of the substituted Fourth Schedule. However, subsequent to July 5, 2004, such companies are not allowed to include any further deferred cost in their financial statements.

Regarding capitalization of exchange gain or loss, listed companies and their subsidiaries - which had a policy of capitalizing such exchange fluctuations and had outstanding liabilities for foreign currency loans as on July 5, 2004 - are allowed to capitalize gains/losses from exchange fluctuations up to September 30, 2007, notwithstanding that any foreign exchange loan remains outstanding after such date. However, in the case of any foreign currency loan contracted on or after July 5, 2004, the aforesaid accounting treatment would not be permissible.