

July 13, 1999 INVESTIGATION INTO THE AFFAIRS OF M/S. KAISER ART & KRAFT LIMITED.

1. Securities & Exchange Commission of Pakistan has ordered an investigation into the affairs of M/s. Kaiser Arts & Krafts Limited under Section 265 of the Companies Ordinance, 1984 vide its orders dated July 3, 1999 and in this regard has appointed M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants, Karachi to act as Inspector to investigate into the affairs of the company.

2. M/s. Kaiser Art & Kraft Limited which made public offer of its shares on 31st August, 1994 at par value, was listed on the K. S. E. in the year 1995. The company before its listing took over the assets and liabilities of M/s. Kaiser Arts & Krafts (a group partnership concern) at book value. The company at the time of its listing, in its Prospectus, disclosed the working results of the partnership firm for the years 1990 to 1994 which showed consistent excellent profits. The prospectus also mentioned that the Chief Executive of the company who had won the FPCCI Export Trophy Award for the years 1992 to 1993, is in the export business for the last two decades and the company expected good performance. However, Company's performance after listing deteriorated sharply and in a short span of four year, the entire capital of the company, due to heavy losses, has been eroded. Further , there are alarming inconsistencies in the working results especially relating to sales and gross profit margin.

3. Before passing the final order for investigation, the Chief Executive of the company was provided a number of opportunities to clarify position but he failed to appear. The Inspector, appointed in this case, has been asked to furnish his report within two months on all the operational aspects of the company especially the question as to how a successful enterprise before listing has totally collapsed in a short period of four year after its listing.