

Directive

Whereas, as per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII OF 1969) Sreepur Textile Mills Limited is an issuer (herein after referred to as “issuer”);

Whereas, Haque Salam Mansur & Co., Chartered Accountants, as a statutory auditor of Sreepur Textile Mills Limited, issued qualified audit report on the financial statements for the year ended on December 31, 2005;

Whereas, rule 12(3) of the Securities and Exchange Rules, 1987 requires that the financial statements of an issuer of a listed security shall be audited in accordance with the International Standards of Auditing applicable in Bangladesh and the report of the Auditors shall be in Form “B” annexed to the schedule;

Whereas, it appeared from the said audit report that the auditors have made, among others, the following qualified opinion on the financial statements concerned:

“**1. Inventory:** Valuation of inventories amounting to Tk. 54,068,709 has not been done in accordance with BAS-2, Paragraph-6. The above inventories include Tk. 5,331,600 (total 97,000Ibs.) as cost of imported raw cotton lying in the bank godown since 1998-99. On the other hand stores & spares, packing materials & FOL amounting to Tk. 48,737,109 which is carried forward since long.

2. Financial Expenses: BSB and IFIC already started legal proceedings against the company due to non- payment of overdue liabilities. The management of the company is negotiated with IPDC, BSB and IFIC for restructuring and waiver of interest. As such interest & Taka devaluation effect on ID loan has not been accounted for.”;

Whereas, as a result of above, the financial statements of Sreepur Textile Mills Limited for the period ended on December 31, 2005 do not reflect true and fair view of the state of affairs of the issuer which appeared deliberate and clear contravention of the provisions of section 18 of the Securities and Exchange Ordinance, 1969;

Whereas, based on the above, a show cause cum hearing notice No. SEC/Enforcement/535/2006/1190 dated December 6, 2006, was issued to the issuer to explain the said contraventions and also to provide an opportunity of being heard, and that the hearing was conducted on February 19, 2007;

Whereas, the Commission, considering the submissions made by the issuer during the aforesaid hearing vide its letter dated February 18, 2007, issued further show cause cum hearing notice No. SEC/Enforcement/535/2006/339 dated April 2, 2007, and that the subsequent hearing was conducted on May 6, 2007;

Whereas, in course of hearing held on May 6, 2007, the issuer submitted written explanations vide letters dated May 6, 2007, stating, among others, that they would take necessary measures to rectify the above defaults as well as to incorporate the same in the statement of accounts for the next financial year;

No. SEC/Enforcement/535/2006/725

Dated: July 02, 2006

Whereas, protection of investors in securities as well as development of the capital market and the securities markets are, among others, the objectives of the Commission for which the Securities and Exchange Commission has been set up under the Securities and Exchange Commission Act, 1993 (Act No. XV of 1993); and

Whereas, in view of the all above, the Commission deems it to be expedient that, in the interest of the investors in securities and the capital market as well, a direction to the above said issuer should be given for taking necessary measures to rectify the aforesaid defaults as well as to include the same in the financial statements for the year ended on June 30, 2007;

Now, therefore, the Securities and Exchange Commission, in exercise of its power conferred in it by section 20A of the Securities and Exchange Ordinance, 1969 (XVII of 1969), hereby directs Sreepur Textile Mills Limited to rectify the aforesaid defaults in respect of 'inventory' and 'financial expenses' and to include the same in the financial statements for the year ended on June 30, 2007, within sixty days from the date of this directive.

By Order of the Securities and Exchange Commission

Md. Mizanur Rahman
Director

Distribution:
Sreepur Textile Mills Limited (Issuer)