

SEC/Enforcement/148/2002/394

April 17, 2007

Bangladesh Shipping Corporation
BSC Bhaban, Saltgola Road
Chittagong.

Sub: Alleged non-compliance of securities laws in connection with delayed submission of half yearly financial statements for the half year ended on December 31, 2005:-Disposal.

As per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII of 1969) Bangladesh Shipping Corporation is an issuer (herein after referred to as an "issuer").

This refers to the Commission's show cause cum hearing notice No.SEC/Enforcement/148/2002/743 dated July 3, 2006 regarding non-submission of half yearly financial statements for the half year ended on December 31, 2005.

In accordance with rule 13 of the Securities and Exchange Rules, 1987, as amended through the Notification No.SEC/LSD/SER-1987/149 dated 4th January 2000, gazetted on 16th February 2000, the issuer is required to submit within one month of close first half year, to transmit to the stock exchange in which its securities are listed, to the security holders and to the Commission the half yearly financial statements which shall be prepared in the same manner and form as annual financial statements, but the issuer failed to comply with it by not submitting the half yearly financial statements for the half year ended on December 31, 2005, within January 31, 2006.

The issuer's directors as well as the company secretary were called for hearing on July 13, 2006 vide notice dated July 3, 2006 to explain the default. Mr. Abdul Mannan Sheikh, Executive Director (Finance) and Mr. M.A Jabbar, Assistant General Manager appeared at the hearing. In course of hearing they submitted an explanation vide letter dated July 11, 2006 stating, among others, that BSC is not a limited company as defined in Company's Act, 1913 and adopted in Bangladesh 1994. Its 87.50% share owned by Bangladesh Government and its activities are guided as per rules and regulations laid down under President Order No.10 of 1972. As such the preparation and distribution of accounts of BSC is done the following rules and regulations:

- i) The Corporation shall submit its annual report to the Government not later than the last day of June of every year of the preceding financial year.
- ii) The report shall be drawn up in such form as will indicate (a) the conduct of the affairs of the Corporation during the preceding year, with special reference to the position of share capital, the strength and age of the fleet, the routes opened or secured, the nature and tonnage of cargo carried and staff welfare.
- iii) A statement of the accounts audited by the auditors and a report of the Board thereon shall be furnished to the Government by the Corporation as soon as possible after the end of every financial year.
- iv) The Corporation shall furnish to the Government at such time, after the end of the every financial year in such forms and in such manner as may be prescribed by rules an annual report on the conduct of its affairs for that year.

The issuer also mentioned that it is not possible to prepare periodical six monthly accounts like other commercial organizations for the following reasons:

- a) It needs minimum 8 to 10 weeks to collect vessel's disbursement and general statement of accounts from overseas agents/principals/charters from the date of sailing the vessel from the ports.
- b) 6 to 8 weeks time required to collect overseas accounts including various debit/credit advices from overseas Banks for processing and transactions in the books of accounts.

Contd.....P-2

SEC/Enforcement/148/2002/394

April 17, 2007

- c) After receiving overseas disbursement and Bank accounts from principals and agents they are checked, examined, reconciled and processed to incorporate in books and accounts for preparation of final accounts.
- d) Over and above, stock and inventory of various deck and engine stores, bunkers (fuel), lub oil etc. were maintained on board the vessels costing about Taka 40 to 45 crores. Collection of these stocks and inventories from the vessels, ascertaining their value and consumption during the period needs much time in order to prepare and finalize the annual accounts.
- e) Some of the vessels remain on charter for more than one year in international routes, it is not possible to collect process the accounts of the vessels until they are off-hired.

In course of hearing the issuer committed to submit the said financial statements by August 15, 2006 and accordingly they submitted the said financial statements on August 9, 2006 vide letter dated August 8, 2006.

However, the Commission, considering their submissions, explanations and assurance for future compliance with the securities laws, has decided to dispose of the matter.

Please note that this disposal does not absolve the issuer or any of its directors or officers concerned from their lawful responsibilities/obligations to the persons, if any, affected as result of the issuer's above said default.

For and on behalf of the Securities and Exchange Commission

Mansur Alam
Executive Director

Copy for information:

Chief Executive Officer, Dhaka Stock Exchange Ltd.
Chief Executive Officer, Chittagong Stock Exchange Ltd.
Executive Director (R&D), SEC
Executive Director (CFD), SEC
Director (MIS), SEC
Chairman's Office, SEC