

DIRECTIVE

Whereas as per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII OF 1969) Bangladesh Dyeing & Finishing industries Ltd. is an issuer (herein after referred to as issuer); and

Whereas the Commission, in terms of power vested under rule 12, sub-rule 3, as amended, of the Securities and Exchange Rules, 1987 appointed Acnabin & Co., Chartered Accountants, to re-audit the financial statements of Bangladesh Dyeing & Finishing Industries Ltd. for the year ending on 31 December 2001 and the auditor was appointed in the public interest; and

Whereas it appears from the Commission's appointed auditor's audit report that the statutory auditor of the issuer, M/s Kahaleque & Co., Chartered Accountants, failed to report the true state of affairs of the issuer for the year ending on 31 December 2001; and

Whereas it also appears, among others, from the Commission's appointed auditor's audit report that -

- (i) The issuer did not provide the auditor with sufficient and appropriate audit evidence, resulting in disclaimer of opinion by the auditor in most cases;
- (ii) Information and documentary evidence in support of transactions were inadequate in some cases and did not exist in most cases;
- (iii) Expenditures, in some instances were supported by the documents of previous year;
- (iv) In many instances, the auditor could not verify the authenticity of transactions due to inappropriate record keeping and documentation system;
- (v) Assets and resources of the company could not be identified due to use of the same assets and resources by the sister concerns;
- (vi) Receivables from the related companies were not collected for long;
- (vii) Huge amount of fund was transferred to related companies without any contract, notes or agreement

Whereas it further appears from the Commission's appointed auditor's audit report that there exists a complete mismanagement in running the affairs of the issuer but the statutory auditor of the issuer did not report these irregularities rather gave an unqualified audit report; and

Whereas in view of the foregoing facts the Commission is of the opinion that a directive under section 20A of the Securities and Exchange Ordinance, 1969, as amended by The Securities and Exchange (Amendment) Act, 2000 should be given to the issuer.

Cont'd.P/2

P/2

SEC/Enforcement/199/2003-214

October 28, 2003

Therefore, to protect the shareholders' interest, interest of the investors and to ensure fair play in the capital market, Bangladesh Dyeing & Finishing Industries Ltd. is directed under section 20A of the Securities and Exchange Ordinance, 1969, as amended by The Securities and Exchange (Amendment) Act, 2000, to-

- (a) keep proper books of accounts required as per the Companies Act, 1994; and
- (b) preserve appropriate and documentary evidence in support of transactions; and
- (c) make good the loss suffered due to transactions with related companies and also use of company's assets and resources by the related companies; and
- (d) submit a report to the Commission within 31 December 2003 after compliance with the requirements listed at (a) through (c) above, certified by the auditor appointed by the Commission.

By Order of the Securities and Exchange Commission

Saleh Ahmed Chowdhury

Chairman (In-charge)