

Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*  
7th Floor, NIC Building, Jinnah Avenue, blue Area, Islamabad

*Before Rashid Sadiq, Executive Director*

*In the matter of*

**M/S ZAHUR TEXTILE MILLS LIMITED**

No. and date of show cause notice	EMD/233/291/2002 dated June 07, 2002
Date of hearing	June 14, 2002
Present	Mr. Ejaz-ul-Haque, Director Sh. Naseem Qadir, Financial Consultant

**Order**

The facts leading to this case, briefly stated, are that M/S Zahur Textile Mills Limited (the “Company”) was required to prepare and transmit to its members half yearly accounts for the period ended March 31, 2002 by May 31, 2002 as required under Clause (a) of Sub-Section (1) of Section 245 of the Companies Ordinance (the “Ordinance”). The Company was also required to file with the Registrar and the Commission three copies of such half yearly accounts simultaneously with the transmission to its members under Clause (b) of Sub-section (1) of Section 245 of the Ordinance.

2. The Company failed to transmit the half yearly accounts for the period ended March 31, 2002 to the members and file the same with the Commission. A notice dated June 07, 2002 was, therefore, served on the directors including the Chief Executive of the Company calling upon them as to why penalty as provided in Sub-section (3) of Section 245 of the Ordinance may not be imposed upon them for the aforesaid contravention. In order to provide an opportunity of personal hearing, the case was fixed on June 14, 2002. Mr. Ejaz-ul-Haque, Director along with the financial consultant of the Company, Sh. Naseem Qadir attended the hearing.

3. At the time of hearing, it was averred that high turnover of accounting staff resulted delay in finalization of the audit of accounts of the Company for the year ended September 30, 2001 and resultantly the half yearly accounts could not be prepared and transmitted to shareholders within stipulated time. It was undertaken that the half yearly accounts of the Company would be prepared and circulated by July 15, 2002.

4. There is no denying the fact that circulation of half yearly accounts is a requirement known to all the directors/Chief Executive and other stake holders of a listed company. The delay in finalization of the annual accounts is not a justifiable excuse for delaying the circulation and filing of half yearly accounts, which is a separate mandatory requirement under Section 245 of the Ordinance. There is also no requirement that half yearly accounts should be audited. Thus, there could be no justification for delaying the preparation and circulation of half yearly un-audited accounts, which in my view, could be prepared soon after the close of first half of the year of accounts of the Company. Any delay in preparation of half yearly accounts also cast doubt about maintenance of proper books of accounts. The companies, therefore, must organize themselves in such a way that the half yearly un-audited accounts are presented soon after the close of first half of their year of accounts. Under the circumstances, I do not find any merit in the contentions of the Company for delaying the preparation and circulation of half-yearly accounts. The default, therefore, is considered deliberate and intentional, which attracts the provisions of Sub-section (3) of Section 245 of the Ordinance.

5. For the foregoing reasons, the Chief executive and directors of the Company have made themselves liable for the penalties provided under Sub-section (3) of Section 245 of the Ordinance. I am, however, giving them another chance as they have undertaken that they will ensure strict compliance of Section 245 in future. I, therefore, take a lenient view of the default and, instead of imposing a maximum fine of Rs.100,000 on every director including the Chief Executive of the Company, hereby impose a fine of Rs. 25,000 (Rupees twenty five thousand) on the Chief Executive only under Sub-section (3) of Section 245 of the Ordinance read with Section 476 of the Ordinance. I hope that the Chief Executive and the directors would react positively and ensure the compliance of law in future.

6. The Chief Executive of the Company is hereby directed to deposit the fine amounting to Rs 25,000/- in the bank account of the Commission within 30 days of the receipt of this Order and submit a copy of the receipted challan to the Commission.

***RASHID SADIQ***

*Executive Director (Enforcement & Monitoring)*

**Announced**  
**June 19, 2002**  
**ISLAMABAD**