

No.19 (556) CF/ISS/89-2001-I
Securities and Exchange Commission of Pakistan
Enforcement and Monitoring Division
NIC Building, Jinnah Avenue, Islamabad

Order

IN THE MATTER OF M/S UNITED DISIRIBUTORS LIMITED
(IN RESPECT OF SHOW CAUSE NOTICE UNDER SUB-SECTION (1) OF SECTION 158 OF THE COMPANIES
ORDINANCE 1984.

No. and date of show cause notice	19(566)CF/ISS/89-2001-I dated April 25, 2001
Date of hearing	May 23, 2001
Present	Mr. Abdul Rahman Memon of Rahman Associates
Date of Order	June 27, 2001

The facts of this case are that M/s United Distributors Limited (the "Company") was required to hold its annual general meeting (AGM) for the year ended June 30, 2000 latest by December 31, 2000 under Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (the 'Ordinance'). The Company has applied for extension in the period for holding of the said AGM, which was granted up to January 31, 2001. The Company, its Chief Executive and directors, however, failed to hold the said AGM even within the extended time and a Show Cause Notice dated April 25, 2001 was served on all the directors including the Chief Executive of the Company for violation of Sub-section (1) of Section 158 of the Ordinance

2. The aforesaid show cause notice was responded by Mr. Abdul Rahman Memon through his letter dated May 11, 2001 on behalf of the directors including the Chief Executive of the Company. The following reasons were stated for not holding AGM of the Company:

- a) Due to certain delays in audit of annual accounts our client was unable to hold the 18th Annual General Meeting of the company for the year ended June 30, 2000 within the extended period upto January 31, 2001 due to non-availability of audited accounts as the audit of accounts was under progress.
- b) That now the auditors of the company has promised to complete the audit and deliver the audited accounts for consideration of the Board of Directors' within a week time
- c) That we have already requested the Registrar of Companies (H.Q) to issue the direction to the company to hold the 18th overdue Annual General Meeting of the Company as required by Section 170 of the Companies Ordinance, 1984.

He admitted the default and assured that the company will be careful in future in compliance of the statutory requirements. It was also requested to condone the extra-ordinary delay in holding of AGM for the year ended June 30, 2000.

3. As the reasons for non-holding of AGM were not found satisfactory, a hearing was fixed for May 23, 2001 on which date Mr. Abdul Rahman Memon appeared and repeated the same reasons for non holding of AGM as were submitted in the written reply to the show cause notice. He also informed that the audit could not be finalized due to resolution of certain issues including purchase of shares of D.E. United (Private) Limited by the Company It was stated that auditors took extra ordinary time in forming their opinion regarding their concerns. It was informed that the company will hold the AGM before second week of July 2001 for which an application has been made to the Registrar (H.Q) for necessary direction under Section 170 of the Ordinance.

4. The arguments for non-holding of AGM were given careful consideration and were found without any force. It is responsibility of the directors to timely hold the AGM and present therein the annual accounts for the consideration of shareholders. The directors cannot escape the performance of their statutory duties on the mere ground that they could not hold the AGM due to non-finalization of audit. They should have made serious attempt to comply with the requirements of Sub-section (1) of Section 158 of the Ordinance.

5. The upshot of the above discussion is that the directors including Chief Executive have failed to prove that the delay in the holding of AGM was beyond their control. The default under Sub-section (1) of Section 158 is, therefore, established and is considered willful. The Chief Executive and directors have, therefore, made themselves liable under Clause (a) of Sub-section (4) of Section 158 of the Ordinance. However, on the assurance that the company will timely hold AGMs in future and in view of the past satisfactory record for timely holding of AGMs, I take a lenient view of the default and impose a fine of Rs.20,000/- (Rupees twenty thousand only) on each of the following directors including Chief Executive of the Company.

Mr. Rashid Abdullah, Chief Executive
Mr. Arshad Abdullah, Director
Mr. Khalid Malik, Director
Mr. Tariq Ismail, Director
Mr. Muhammad Rafi Bhatti, Director
Mr. Haroon Rashid Guari, Director

6. The above named directors including Chief Executive of the Company are directed to deposit the fine in the designated bank account of Securities and Exchange Commission of Pakistan maintained with Habib Bank Limited within 30 days of the date of this Order and furnish a receipted challan to the Securities and Exchange of Pakistan.

RASHID SADIQ
(Executive Director)

Announced
June 27, 2001
ISLAMABAD

