

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 QUALITY STEEL WORKS LIMITED**

No. and date of show cause notice	EMD/233/429/2002-1814-21 dated March 14, 2002
Date of final hearing	June 28, 2002
Present	Dr. Muhammad Azam Ch., Advocate

## Order

The facts leading to this case, briefly stated, are that M/S Quality Steel Works Limited (the “Company”) was required to prepare and transmit to its members half yearly accounts for the period ended December 31, 2001 by February 28, 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 December 31, 2001 to the members and file the same with the Commission. A notice dated March 14, 2002 was, therefore, served on the directors including the Chief Executive of the Company calling upon them to show cause 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 28, 2002. On the date of hearing, Dr. Muhammad Azam Ch., advocate, appeared before me on behalf of the directors including Chief

Executive of the Company and argued the case. He has also filed a reply to the show cause notice. In the written submission as well as verbal arguments at the time of hearing the following reasons were given for delay in circulation of half yearly accounts:

- Financial constraints
- Lay off of staff
- Law & Order situation
- Non-finalization of annual accounts for the year ended June 30, 2001.

It was also argued that delay in preparation of half yearly accounts was inadvertent and not willful and beyond control of the management of the Company and hence the provisions of Sub-section (1) of Section 245 are not attracted. It was also informed that the Company was making hectic and utmost efforts to prepare and get the annual accounts for the calendar year 2001 audited within shortest possible time and the half yearly account will be circulated within 15 days of date when the audit of annual accounts shall be completed.

3. The circulation of half yearly accounts is a requirement known to all the directors/Chief Executive and other stakeholders 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. The Company has been operating during the year 2000 and 2001 whereas the directors and the Chief Executive of the Company failed to prepare half yearly accounts. Financial constraints, lay off of staff, law and order situation are not valid reasons for delaying the preparation and filing of accounts. It is not understandable why the directors could not prepare half yearly accounts when the Company was operating. The directors, therefore, could not make out a case that the default was beyond their control. 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. 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. As the directors and the Chief Executive were supposed to be aware of the statutory

requirements and consequences of their violation therefore the default is considered deliberate and intentional, which attracts the provisions of Sub-section (3) of Section 245 of the Ordinance.

4. 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 a 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 each director of the Company including the Chief Executive 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 would make arrangements for immediate circulation of half yearly accounts.

5. The Chief Executive and directors of the Company are hereby directed to deposit the fine amounting to Rs 175,000/- (One hundred and seventy five thousand) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the date of this Order in the following manner and furnish receipted challan to this Commission:

<b>Sr. No.</b>	<b>NAME</b>	<b>Rupees</b>
1	Mr. Muhammad Ziauddin	25,000
2.	Mr. Muhammad Farooq	25,000
3.	Mr. Saeed Khan	25,000
4.	Mr. Ahsan Ahmed	25,000
5.	Mr. Mushtaq Ahmed	25,000
6.	Mr. Irshad Ahmed	25,000
7.	Mr. Muhammad Ismail Mukaddam	25,000
	<b>Total</b>	<b>175,000</b>

**RASHID SADIQ**  
*Executive Director (Enforcement & Monitoring)*

**Announced**  
**June 28, 2002**  
**ISLAMABAD**