

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

MEDIGLASS LIMITED

Number and date of notice	19(603)CF/ISS/90-2001 dated April 03, 2001 and 19(603)CF/ISS/2001 dated February 08, 2002
Date of final hearing	June 03, 2002
Present	None

ORDER

This order will dispose of the proceedings initiated against M/S Mediglass Limited (hereinafter called the “Company”), its directors and Chief Executive for non-compliance with the mandatory provisions of the Companies Ordinance, 1984 (the “Ordinance”) pertaining to holding of Annual General Meetings, presentation of balance sheet and profit and loss account before the Company in Annual General Meetings and preparation, transmission and filing of half yearly accounts.

2. The facts leading to this case, briefly stated, are that the Company was required to hold its Annual General Meetings for the calendar years 2000 and 2001 and to lay therein its balance sheets and profit and loss accounts for the years ended June 30, 2000 and June 30, 2001 on or before December 31, 2000 and December 31, 2001 respectively as required under Sub-section (1) of Section 158 and Sub-section (1) of Section 233 of the Ordinance. The Company was also required to prepare and transmit to its members and the relevant stock exchanges, a profit and loss account and the balance sheet (the “half yearly accounts”) as at December 31, 2000 under Clause (a) of Sub-Section (1) of Section 245 of 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.

3. The Company failed to hold its Annual General Meetings for the calendar years 2000 and 2001 and to lay therein its balance sheet and profit and loss account for the years ended June 30, 2000 and 2001 respectively. The Company also failed to prepare, transmit and file its half yearly

accounts for the periods ended December 31, 2000 within the prescribed time provided in the Ordinance. The aforesaid non-compliance of the mandatory provisions of the Ordinance called for action against the Company, its directors and Chief Executive.

4. Consequently, two notices dated April 03, 2001 and February 08, 2002 were issued to the Company, its directors and Chief Executive calling upon them to show cause as to why penalties as provided under Clause (a) of Sub-section (4) of Section 158 and Sub-section (3) of Section 245 read with Section 476 of the Ordinance may not be imposed and prosecution proceedings may not be initiated under Sub-section (6) of Section 233 read with Sub-section (7) of Section 230 of the Ordinance.

5. The aforesaid show cause notices were received back with remarks of postal authority “the office is closed or does not exist.” This office also tried to deliver these notices at the registered office as well as residential addresses of the directors and Chief Executive of the Company through special messenger, however, security guard of the Company refused to receive these notices. In order to provide an opportunity of personal hearing, the case was fixed several times and the last date being June 03, 2002. However, no one appeared before me on these hearings. This leads me to believe that the Company, its directors and Chief Executive have nothing in their defence, and they are deliberately avoiding appearance before me. Therefore, I proceed to adjudicate this case on its merits.

6. Before proceeding to decide this case, I consider it necessary to highlight the importance of the strict observance of the aforesaid mandatory provisions by the Companies. The protection of the investors/shareholders is one of the primary objectives of the Ordinance. It is the investors/shareholders who provide seed for capital formation. If the interest of the investors is protected they will save and invest more. Their interest is protected by transmission of timely, adequate and meaningful information to them. It is the annual and half yearly accounts, which provide information to the investors about the affairs of the companies. Annual General Meeting is a forum where the investors can freely discuss, speak and vote on important matters concerning approval of accounts, appointment of auditors, election of directors etc. It has unfortunately been noted that some companies are not observing these compulsory requirements of law.

7. From the aforesaid discussion, it is clear that the directors and Chief Executive have avoided appearance before me and have refused to receive the show cause notices and subsequent correspondence. The default, therefore, is considered willful and deliberate. In the circumstances, it can be legitimately inferred that the Company, its Chief Executive and directors have failed to protect the interest of the investors/shareholders.

8. The aforesaid state of affairs is a cause of great concern for the Commission. The shareholders of the Company are not aware of the affairs of the Company for the last two years due to non- holding of Annual General Meetings, non-presentation of accounts therein and non-circulation of half yearly accounts. These irregularities are of serious nature. Non-holding of AGM alone could lead to winding up of the Company in terms of Section 305 of the Ordinance.

9. For the foregoing, the defaults under Sub-section (1) of Section 158 and Clause (a) of Sub-section (1) of Section 245 of the Ordinance are established and the Company, its directors and Chief Executive have made themselves liable under Clause (a) of Sub-section (4) of Section 158

and Sub-section (3) of Section 245 of the Ordinance. I, therefore, impose the following fine on the Company and its directors/Chief Executive for default in complying with the provisions of Sub-section (1) of Section 158 of the Ordinance for the years ended June 30, 2000 and June 30, 2001 and for the continuous default, taking a lenient view, no further fine is imposed on the Company, its Chief Executive and directors, which is prescribed @ Rs. 2,000/- per day. For the default under Sub-section (1) of Section 245 of the Ordinance for period ended December 31, 2000, I also take a lenient view and instead of imposing a maximum fine of Rs. 100,000 on each of the directors and Chief Executive, impose a fine of Rs. 25,000 (Rupees twenty five thousand) on each of the director including Chief Executive of the Company.

Sr. No.	NAME	AMOUNT OF FINE		
		U/S 158 Rupees	U/S 245 Rupees	TOTAL Rupees
1.	M/S Mediglass Limited	40,000	-	40,000
2.	Mr. Raza Yousaf	40,000	25,000	65,000
3.	Mr. Yousaf	40,000	25,000	65,000
4.	Mr. Rafiullah Khan	40,000	25,000	65,000
5.	Mr. Habibullah Khan	40,000	25,000	65,000
6.	Mr. Sardar Khan Niazi	40,000	25,000	65,000
7.	Mr. Mohammad Shahzad	20,000	25,000	45,000
8.	Mrs. Raja Javed	20,000	25,000	45,000
TOTAL		280,000	175,000	455,000

10 I give an opportunity to the Company, its Chief Executive and directors to rectify the irregularity by holding overdue Annual General Meetings immediately and hope that they would react honestly and reasonably. In case the Company, its Chief Executive and directors do not respond positively to the aforesaid leniency and failed to observe the requirements of law, they will find themselves in difficulty in getting any lenient view in future.

11. The Company and its aforementioned directors/Chief Executive are hereby directed to deposit the fine aggregating Rs. 455,000 within 30 days of the receipt of this order in the following head of account:

Account No. 75010-6
Habib Bank Limited,
Central Branch 102-103, Upper Mall,
Shahrah-e-Quaid-i-Azam,
LAHORE

12. The Commission has already filed a complaint in the Court of Session, Lahore for prosecution of directors for non- presentation of balance sheets and profit and loss accounts for the years ended June 30 2000 before the Company in its Annual General Meetings for the calendar year 2000. As the Company has also failed to lay its balance sheet and profit and loss account for the year ended June 30, 2001 before the Company in its Annual General Meeting for the calendar

year 2001, therefore, the Directors including the Chief Executive of the Company have made themselves liable under Sub-section (6) of Section 233 read with Sub-section (7) of Section 230 of the Ordinance. I, therefore, direct my office to take necessary steps to bring the default for the calendar year 2001 to the notice of the Court of Session where a similar complaint for the year 2000 is already pending.

RASHID SADIQ

Executive Director (Enforcement and Monitoring)

Announced
June 28, 2002
ISLAMABAD