



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
COMPANY LAW DIVISION
(Enforcement Department)

Before Javed K. Siddiqui, Executive Director (CL)

In the matter of

M/s. Redco Textiles Limited

Number and date of notices	EMD/Enf-II/278/2003- Dated July 06, 2004 & September 21, 2004
Date of hearing	March 22, 2005
Present	On Behalf of the Directors of the Company: Mr. Shahid Farid Khan, FCA & Bilal A. Niazi, Company Secretary

Order

Under Section 245 of the Companies Ordinance, 1984

This Order shall dispose of the proceedings initiated against the directors of M/s. Redco Textiles Limited (hereinafter referred to as the "Company"), for default made in complying with the provisions of Sub-section (1) of Section 245 of the Companies Ordinance, 1984 (the "Ordinance").

2. The facts leading to this case, briefly stated, are that in terms of the provisions of Section 245 of the Ordinance, the Company was required to prepare and transmit to its members and simultaneously file with the Registrar and the Commission its quarterly accounts for the 2nd quarter ended March 31, 2004 and 3^d quarter ended June 30, 2004 by May 31, 2004 and July 31, 2004 respectively. The Company failed to file the aforesaid accounts with the Commission within the prescribed time. Consequently, two show cause notices dated July 06, 2004 and September 21, 2004 were served on all the directors including the Chief Executive of the Company, calling upon them to show cause as to why penalties as provided under Sub-section (3) of Section 245 read with Section 476 of the Ordinance may not be imposed on them. No reply was received to the aforesaid notices. However, the Company filed the requisite accounts, which were received in the Commission on



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August 24, 2004 and October 26, 2004 i.e. with a delay of 2 months & 24 days and 2 months & 26 days respectively.

3. In order to provide an opportunity of personal hearing, the matter was fixed on October 28, 2004 which was adjourned several times either on the request of the Company or by the Commission and finally fixed on March 22, 2005. On the date of hearing, Mr. Shahid Farid Khan of M/s. Shahid Tariq & Co., Chartered Accountants, and Mr. Bilal A. Niazi, the Company Secretary appeared before me to argue the case on behalf of the directors of the Company. They admitted the default and contended that the delay in submission of quarterly accounts was not deliberate but due to the closure of the Company's business. They further stated that the offices of the Company were taken over and closed by the government, computers and records were destroyed and the directors were arrested. However, they again tried and prepared new records. They assured strict compliance of the provisions of law in future and prayed for a lenient view in the matter.

4. I have given due consideration to the submissions of the respondents, advanced for late filing of quarterly accounts. However, the circumstances and facts placed before me do not justify the delay in preparation and circulation of the quarterly accounts. The plea of practical problems like closure of Company's office by the Government is not a convincing reason. Offices of the Company were closed /taken over by NAB in the year 1999/2000 for a period of nine months as mentioned by the representatives and the Company had a sufficient time for taking remedial measures and preparation of periodical accounts for subsequent periods which they have done as the accounts for the quarter ended December 31, 2003 were also prepared and filed with the Commission though late. The track record of the Company with regard to filing of quarterly accounts is also very poor. The Company is committing defaults in filing of quarterly accounts since 2001 for which the directors were penalized earlier also. It has been noticed that the directors have also failed to deposit the penalties of Rs. 90,000/- imposed for the previous defaults. This led me to believe that the directors have no respect for law and they have again deprived the shareholders of their statutory right to receive the quarterly accounts of the Company within the prescribed time limit. Had there been serious efforts on the part of the directors to manage the timely finalization of accounts, there would



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have been no delay in preparation/circulation of the aforesaid accounts. The responsibility for preparation and circulation of accounts rests with the directors of the Company and in case they do not take appropriate action at appropriate time the default is considered willful.

5. Although the default is established, yet keeping in view the assurance given by the respondents for timely compliance in future, I am inclined to take a lenient view in the matter and, instead of imposing the maximum fine of Rs. 100,000 on every director and a further fine of Rs. 1,000 per day for the continuous default, I impose the following fines under Sub-section (3) of Section 245 of the Ordinance on the Chief Executive and directors of the Company:-

		2nd quarter ended 31.3.2004	3rd quarter ended 30.6.2004	Total
S. No.	Name	Penalty (Rupees)	Penalty (Rupees)	
1.	Ms. Sarah Saif-ur- Rehman, Chief Executive	45,000	45,000	90,000
2.	Mr. Saif-ur- Rehman Khan, Director	15,000	15,000	30,000
3.	Mr. Mujeeb-ur- Rehman Khan, Director	15,000	15,000	30,000
4.	Mrs. Samina Asad Khan, Director	15,000	15,000	30,000
5.	Mr. Atiq-ur- Rehman Khan, Director	15,000	15,000	30,000
6.	Mrs. Taufeeqa Amanullah Khan, Director	15,000	15,000	30,000
7.	Mrs. Muneza Saif-ur- Rehman Khan, Director	15,000	15,000	30,000
	Total	135,000	135,000	270,000

6. The Chief Executive and directors of the Company are hereby directed to deposit the aforesaid fines in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited or pay through a demand draft in the name of Securities and Exchange Commission of Pakistan within thirty days from the receipt of this order and furnish receipted vouchers to the Commission failing which proceedings for recovery of the fines as an arrear



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of land revenue will be initiated. It should also be noted that the said penalty is imposed on the Chief Executive and the directors in their personal capacity, therefore, they are required to pay the said amounts from their personal resources.

Javed K. Siddiqui

Executive Director (Company Law)

Announced

April 14, 2005

ISLAMABAD.