



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

[Islamabad]

Before Ejaz Ishaq Khan, Executive Director

Order

In the matter of

Sunshine Cotton Mills Limited

(Under Sub-section (3) of Section 245 of the Companies Ordinance, 1984.)

Number and date of notice	EMD/Enf-II /201/2003 dated July 05, 2004
Date of hearing	July 28, 2004
Present	Ghulam Murtaza Authorized Representative
Date of Order	August 09, 2004

This is a case of violation of the provisions of Section 245 of the Companies Ordinance, 1984 (the “Ordinance”) by Sunshine Cotton Mills Limited (the “Company”).

2. The facts leading to this case, briefly stated, are that in terms of the provisions of Section 245 of the Ordinance read with Circular No.9 of 2003, the Company was required to prepare and transmit to the members and simultaneously file with the Commission its quarterly accounts for the 2nd quarter ended March 31, 2004 by May 31, 2004, whereas the Company failed to file the aforesaid accounts with the Commission within the prescribed time. Consequently, a notice dated July 05, 2004 was 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.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

3. The aforesaid notice was responded by Mr. Saleem Zia, Company Secretary vide his letter dated July 23, 2004. He submitted that the accounts were printed well in time but the same could not be sent to the Commission although the said accounts were circulated to the shareholders. He requested for condonation of the default. Mr. Ghulam Murtaza, the Authorized Representative appeared before me on July 28, 2004 to plead the case on behalf of the four directors namely Mian Aftab A. Sheikh, Mrs. Nasreen Aftab, Mr. Hassan Aftab, and Ms. Aliya Aftab. No one appeared on behalf of Mr. Muhammad Saleem Zia. During the course of hearing, Mr. Murtaza furnished a copy of the accounts for the quarter ended March 31, 2004 and contended that poor financial health of the Company has caused the delay in preparation and submission of aforesaid quarterly accounts in time. He stated that due to lack of working capital the Company has discontinued its operations since August 2002. The employees of the Company have resigned and at present the Company is conducting no activity except settling its liabilities with Habib Bank Limited. He argued that the directors of the Company are not in a position to pay penalties; therefore, the delay in submission of quarterly accounts may be condoned.

4. Having considered the submissions of the authorized representative I am of the opinion that the reasons furnished by him are not tenable. The preparation and circulation of quarterly accounts is one of the statutory obligations of all the directors of a Company for which they are required to ensure that the accounts are prepared and circulated to the shareholders and transmitted to the Stock Exchange, Registrar and the Commission within the time period prescribed in the Ordinance. The directors of the Company have failed to take necessary steps to ensure compliance with this mandatory provision of the Ordinance. The plea that the accounts could not be prepared due to closure of business or weak financial position of the Company can not be accepted because accounts should have been prepared and circulated within the prescribed time irrespective of whether the Company is in operation or otherwise or whether it is financially sound or poor. In fact,



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

in the circumstances through which the Company is passing, the need for timely provision of financial or other information to the shareholders becomes more important. I, therefore, find no merit with regard to the reasons furnished by the authorized representative for late-submission of quarterly accounts. I have also reviewed the track record of the Company with regard to filing of quarterly accounts and disappointed to see that the Company is committing similar defaults since December 2002, for which penalties were imposed on its Chief Executive and directors. Further, the accounts for the quarter ended March 31, 2004 furnished at the time of hearing were not reviewed by the auditors as required by Circular No. 16 of 2002 and hence do not fulfill the requirement of Section 245 of the Ordinance.

5. Although the default is established, yet keeping in view the financial difficulties of the Company, 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 fines under Sub-section (3) of Section 245 of the Ordinance on the Chief Executive and the directors of Company as per details hereunder:-

	Name	Penalty (Rupees)
1.	Mian Aftab A. Sheikh, Chief Executive	5,000
2.	Mrs. Nasreen Aftab, Director	5,000
3.	Mr. Hassan Aftab, Director	5,000
4.	Miss Aliya Aftab, Director	5,000
5.	Mr. Muhammad Saleem Zia, Director	5,000
	Total	25,000/-

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



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the receipt of this order and furnish receipted challans to the Commission, failing which proceedings for recovery of the fines as arrears of land revenue will be initiated. It should also be noted that the said penalties are imposed on the Chief Executive and directors in their personal capacity and they are required to pay the said amounts from their personal resources.

Ejaz Ishaq Khan
Executive Director

Announced:
August 09, 2004
ISLAMABAD