



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Before Javed K. Siddiqui, Executive Director (Company Law)

In the matter of

M/s. Johnson & Phillips (Pakistan) Limited

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

No. & date of show cause notice	EMD/Enf-II/461/2005 dated June 02, 2005
Date of hearing	July 29, 2005
Present	Mr. Yasser Yaqub, Bar-at-Law
Date of Order	August 18, 2005

Order

This Order shall dispose off the proceedings initiated against the Directors of Johnson & Phillips (Pakistan) 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 the members and simultaneously file with the Registrar and the Commission its quarterly accounts for the 3rd quarter ended March 31, 2005 by April 30, 2005. Failure of the Company to comply with the aforesaid mandatory requirement necessitated action against the Directors of the Company in terms of Sub-section (3) of Section 245 of the Ordinance. Consequently, a show cause notice dated June 02, 2005 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 for the aforesaid contravention.

3. In order to provide an opportunity of personal hearing the matter was also fixed for hearing on June 13, 2005. No one appeared on the date of hearing. However, a written reply dated June 11, 2005 was received wherein Mr. Shehryar Saeed, Managing Director contended that they were



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet - 1 -

unable to file the quarterly accounts for the aforesaid quarters because the annual accounts of the Company for the year ended June 30, 2004 have not been finalized and as a result the carry forward balances for the year ended June 30, 2004 were not available, therefore, it was not possible to finalize 3rd quarter accounts. It was further stated that the previous AGMs were held late due to various difficulties with their auditors, which also delayed the finalization of annual accounts. It was also contended that the provisions of Section 245 (3) do not apply to the Directors of the Company because default is not willful. The hearing was adjourned on the request of the Company and re-fixed for July 29, 2005.

4. On the date of hearing, Mr. Yasser Yaqub, Bar-at-Law appeared before me to argue the case on behalf of all the Directors. He admitted the default and repeated almost the same arguments as were given earlier by the Managing Director through his written reply dated June 11, 2005. He further stated that the position regarding non-submission of quarterly accounts is acceptable and he has accordingly spoken to the Directors of the Company. He further stated that the quarterly accounts could not be finalized due to delay in audit of the annual accounts. He contended that he cannot give vague commitments. However, the Company has resolved the dispute with the auditors for payment of their fee. Mr. Yasser also requested to take a lenient view in the matter and promised to get an undertaking from the Directors of the Company regarding filing of all the missing accounts which was accepted and he was advised to furnish the said undertaking within a week's time.

5. In spite of lapse of 12 days the Directors of the Company or their representative have failed to furnish the requisite undertaking for filing of all the missing accounts. In view of the foregoing, I have given due consideration to the submissions of the representative of the Directors advanced for non-filing of quarterly accounts at the time of hearing, however, the circumstances and facts placed before me do not prove that the default was beyond the control of the management. As informed by the representative of the Directors, the dispute between the auditors and the Company was resolved in the year 2003, therefore, they could have streamlined the matters and filed all the missing accounts by now. The track record of the Company with regard to holding of AGMs and filing of annual and interim accounts is also not satisfactory. The Company is committing defaults in holding of AGMs and filing of annual as well as half yearly and quarterly accounts since June 30, 2000 for which the Directors were penalized earlier also. This led me to believe that the Directors have no respect for the law and they have deprived the shareholders of their statutory right to receive the quarterly accounts of the Company within the prescribed time limit. The responsibility for



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet -2-

preparation/circulation of quarterly accounts rests with the Directors of the Company and they have to take appropriate action at appropriate time. For the foregoing reasons, the default under Sub-section (1) of Section 245 of the Ordinance regarding non-submission of quarterly accounts for the quarters ended on March 31, 2005 stands established.

5. However, 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 penalties on the Chief Executive and the Directors of the Company under Sub-section (3) of Section 245 of the Ordinance:-

S. No	Name	Penalty Rs.
1.	Mr. Shehryar Saeed, Chief Executive	10,000
2.	Mr. Nadeem S. Qureshi, Director	10,000
3.	Sardar Muhammad Muzaffar Sukhera, Director	10,000
4.	Mr. Abdul Rafiq, Director	10,000
5.	Mr. U. U. Khawaja, Director	10,000
6.	Mr. Burair Haider Naqvi, Director	10,000
7.	Ms. Rehan Sadiq, Director	10,000
	Total	70,000

6. The Chief Executive and Directors of M/s. Johnson & Phillips (Pakistan) Limited are hereby directed to deposit the aforesaid fines totalling to Rs. 70,000/- (Rupees Seventy thousand only) 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 receipt of this Order and furnish receipted vouchers or pay by a DD/pay order issued in the name of Commission for information and record, failing which proceedings under the Land Revenue Act,1967 will be initiated which may result in the attachment and sale of movable and immovable property. It may also be noted that the said penalties are imposed on the Chief Executive and other Directors in their personal capacity who are required to pay the said amount from their personal resources.

Javed K. Siddiqui
Executive Director (CL)



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet - 1 -