



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

Before Abdul Rehman Qureshi, Commissioner (CLD)

In the matter of
M/s. Redco Textiles Limited

Date of hearing

October 10, 2003

Present

Mr. Muhammad Farid Khan
Manager Income Tax

ORDER

This Order shall dispose of the proceedings initiated against M/s. Redco Textiles Limited (hereinafter referred to as the “Company”), and its directors for default made in complying with the provisions of Sub-section (1) of Section 245 and Sub-section (1) of section 246 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The brief facts of the case are that the Company was required to prepare and transmit to its members and simultaneously file with the Commission its half yearly accounts for the period ended March 31, 2002 and quarterly accounts for the quarters ended June 30, 2002, December 31, 2002, March 31, 2003 and June 30, 2003 on or before May 31, 2002, July 31, 2002, Jan 31, 2003, May 31, 2003 and July 31, 2003 respectively. The aforesaid accounts were however, received in the Commission with a delay of 2 months & 20 days, one month & 10 days, 2 months & 8 days, 2 months & 21 days and one month & 4 days respectively. Therefore, show cause notices dated August 26, 2002, September 01, 2003 and September 15, 2003 were issued to the Company and its directors, calling upon them to show cause as to why penalties as provided under Sub-section (3) of Section 245 and Sub-section (2) of Section 246 read with Section 476 of the Ordinance may not be imposed for the aforesaid defaults.

3. In reply to the show cause notices dated August 26,2002, Mr. Bilal Ahmad Khan Niazi, Company Secretary contended on behalf of all the respondents, vide his letter dated nil received in the Commission on September 04, 2002, that the delay in submission of accounts for the quarter ended June 30,2002 was not deliberate but due to some practical problems which were faced by the Company and their consequential effects which were expaliend by the Company while applying for extension of time in holding of AGM for the year ended September 30, 2001. He further submitted that the accounts for the quarter ended June 30, 2002 were under process and were to be submitted to the Commission within a couple of days. He further informed that the crises faced by the Company since last three years were almost over and now the management of the Company was concentrating on the affairs of the Company. He also assured that, in future, the financial statements of the Company would be submitted well in time and requested to drop the proceedings initiated against the Company. In another letter dated November 28, 2002 Mr. Muhammad Farid Khan, the authorized representative of the Company stated that the default in submission of the quarterly accounts for the period ended June 30, 2002 was not willful and intentional but was due to the closure of the Company's business and registered office by the government authority. In response to the show cause notice dated September 01, 2003 under Section 245 for non-submission of quarterly accounts for the period ended June 30, 2003, the Company Secretary requested to fix the case for hearing. No reply was received from the Company with regard to the show cause notice dated September 15, 2003 pertaining to the default committed under Section 245 for the period ended December 31, 2002, and March 31, 2003.

4. The replies of the Company to the show cause notices dated August 26, 2003 were not found satisfactory because the Company has been holding its AGMs regularly for the last four years, so the timely preparation and submission of quarterly and half yearly accounts was not difficult for the Company. In order to provide the Company and its directors an opportunity of hearing, the cases were fixed for hearing a number of times, finally on October 10, 2003. On the said date, Mr. Muhammad Farid Khan, Manager, Income tax of the Company appeared and he reiterated the same arguments as were mentioned in the written

reply to the Show Cause Notices dated August 26, 2002. He however, requested to condone the defaults and assured that in future the management of the Company will be careful in compliance of the provision's of the Ordinance.

5. I have given due consideration to the written submissions as well as arguments advanced at the time of hearing for late submission of quarterly and half yearly accounts. However, none of the grounds 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 because the Company has been holding its AGMs regularly during the past four years. After taking into account all the relevant facts and circumstances of this case, I feel that the default under Sections 245 and 246 of the Ordinance are willful and intentional and therefore, I impose a fine of Rs. 20,000/- on the chief executive of the Company for each default under Section 245 of the Ordinance for the period ended March 31, 2002, December 31, 2002 and March 31, 2003. However, taking a lenient view the defaults for the period ended 30-06-2002 and 30-06-2003 where the delay in submission of accounts is minor are condoned. The other directors of the Company are reprimanded to be compliant of the provisions of the Law.

6. The chief executive of the Company is directed to deposit the fine imposed on him aggregating to Rs 60,000/- (Rupees sixty thousands 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 the receipted challan to the Commission.

(Abdul Rehman Qureshi)
Commissioner (CLD)

December 12, 2003

ISLAMABAD