

Before Dr. Sajid Qureshi, Executive Director (Company Law)

In the matter of
M/s. Annoor Textile Mills Limited
(Under Sub-section (3) of Section 245 of the Companies Ordinance, 1984)

Number and date of show cause notice	EMD/Enf-II/84/2005 dated July 19, 2005
Date of hearing	November 22, 2005
Present	Mr. Jahangir Adam, Advisor Finance & Accounts
Date of Order	December 16, 2005

Order

This Order shall dispose of the proceedings initiated against the Directors of M/s. Annoor Textile Mills 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, 2005 by May 31, 2005. The Company failed to file the aforesaid accounts with the Commission within prescribed time and the same were actually received on June 22, 2005 i.e. with a delay of 22 days. Consequently, a show cause notice dated July 19, 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. The said notice was responded by all the directors of the Company vide their letter dated July 22, 2005 which was examined, however, the reply was not found satisfactory.

3. In order to provide an opportunity of personal hearing, the case was fixed for August 23, 2005 and September 13, 2005, but no one appeared on both the occasions. However a written reply dated August 17, 2005 was received wherein the same arguments were repeated as were submitted in reply to the show cause notice. Hearing was again fixed for October 10, 2005, on which date Mr. Farooq Ibrahim, Chief Executive of the Company came up for hearing. However, the hearing could not be



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conducted due to the situation created by earthquake on October 08, 2005. To facilitate the directors the hearing was adjourned and re-fixed at Karachi for November 22, 2005. On the date of hearing, Mr. Jahangir Adam, Advisor Finance/Accounts appeared on behalf of all the directors. During the course of hearing, Mr. Jahangir, while admitting the default, contended that the accounts could not be filed in time due to law and order situation in Karachi as a result of bomb blast near KFC, Gulshan-e-Iqbal on May 30, 2005. He added that the Company had also requested to the Commission vide its letter dated May 31, 2005 for grant of an extension in filing of quarterly accounts but no response was received to the said letter. It was also stated that the Company remained closed for the last many years and there was no staff for preparation of accounts. Mr. Jahangir promised to be compliant in future and requested for a lenient view in the matter.

4. The arguments advanced by the representative of the directors have been examined but none of them justify the default. As regards the law and order situation in Karachi created as a result of bomb blast, the Company could have filed these accounts with the Commission within the next week, whereas, the same were delayed till June 22, 2005 involving a delay of 22 days. As regards Company's request for grant of an extension in filing of quarterly accounts, the same is also not justified because no extension is allowed under Section 245 of the Ordinance in filing of quarterly accounts. The plea of the representative that the Company remained closed is also not a cogent reason to defend the default. It was all the more easy for the directors, when the Company was not functioning, to have prepared and transmitted the quarterly accounts to the Commission within the prescribed time. Moreover, filing of quarterly accounts is mandatory requirement of law. It is the duty of the directors of the Company to ensure compliance with all the statutory requirements within prescribed time. Accordingly, the directors of the Company are responsible for timely preparation and submission of accounts to its members and file the same with the Registrar and the Commission within prescribed time period. Since the directors have failed to furnish any cogent reason to justify the default, therefore, the default is established. The track record of the Company with regard to filing of annual, half yearly and quarterly accounts is also not satisfactory. The Company has defaulted in the past also but the delays were ignored by the Commission. This led me to believe that the directors have no respect for law and they have deprived the shareholders of the Company of their statutory right to receive the quarterly accounts in time. Had there been serious efforts on the part of the directors to manage the timely finalization of accounts, there would have been no delay in preparation and circulation of the requisite 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.



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5. Although the default is established, yet keeping in view the fact that the Company has filed the aforesaid quarterly accounts though with delay, I am inclined to take a lenient view in the matter and instead of imposing 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 a fine of Rs. 30,000/- (Rupees thirty thousand only) on the Chief Executive and Rs. 20,000/- (Rupees twenty thousand only) on each of the directors of the Company under Sub-section (3) of Section 245 of the Ordinance in the following manner:-

S. No	Name of Director	Penalty (in Rs.)
1	Mr. Farooq Ibrahim, Chief Executive	30,000/
2	Mr. Muhammad Ibrahim, Director	20,000/
3	Mrs. Hamida Ibrahim, Director	20,000/
4	Mr. Muhammad Arif, Director	20,000/
5	Mr. Abdul Qadir, Director	20,000/
6	Mr. Muhammad Arshad, Director	20,000/
7	Mr. Muhammad Anees, Director	20,000/
	Total	150,000/

6. The Chief Executive and other directors of M/s. Annoor Textile Mills Limited 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 of land revenue will be initiated. It should also be noted that the said penalty is imposed on the Chief Executive and directors of the company in their personal capacity, therefore, they are required to pay the said amounts from their personal resources.

Dr. Sajid Qureshi

Executive Director (Company Law)