

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

In the matter of  
**M/s. Al-Qaim 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/83/2005 dated, July 21, 2005
Date of hearing	November 15, 2005
Present	Mr. Zaheer Ahmad Akmal, Manager, Tax/Accounts
Date of Order	December 8, 2005

## **Order**

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This Order shall dispose of the proceedings initiated against the Directors of M/s. Al-Qaim 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 2<sup>nd</sup> 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 14, 2005 i.e. with a delay of 14 days. Consequently, a show cause notice dated July 21, 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 Mr. Muhammad Ali Awan, Chief Executive and other directors of the Company vide their letters dated August 04, 2005 which were examined, however, the reply was not found satisfactory.



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3. In order to give an opportunity of personal hearing, the case was fixed on October 26, 2005. No one appeared to attend the hearing, instead, a written reply was received from the Company Secretary vide letter dated October 25, 2005, whereby request was made to adjourn the hearing and re-fix after the holy month of Ramazan. The matter was, therefore, re-fixed for November 15, 2005. On the date of hearing, Mr. Zaheer Ahmad Akmal, Manager, Tax/Accounts/the authorized representative appeared on behalf of the directors of the Company. During the course of hearing, while admitting the default, Mr. Zaheer contended that the company had changed its head office from Chakwal to Islamabad and called quotations for printing of accounts at lowest cost. He submitted that the quarterly accounts were received from the auditors on May 31, 2005 and after approval by the BOD, the same were handed over for printing. He added that the person who was given order to print the accounts was inexperienced and the printed accounts contained a lot of mistakes, therefore, the same were sent for re-printing which were received back on June 13, 2005 and were immediately dispatched to the Registrar and the Commission. He assured to be compliant in future and requested to condone the delay in filing of accounts.

4. I have given due consideration to the arguments advanced by the directors and their representative verbally as well as in writing for failure to file the quarterly accounts within the mandatory time period but none of them justify the default. The management of the Company should have made necessary arrangements to provide financial information in time to the shareholders and file the same with the Registrar and the Commission. However, as stated by the representative of the directors, the quarterly accounts were approved by the BOD on May 31, 2005 (the due date for filing of the accounts with the Commission) after which these were sent for printing which caused further delay of 14 days in submission of the accounts to the Commission. Therefore, the reasons furnished for the delay are not cogent to justify the default. Filing of quarterly accounts is mandatory requirement of law. It is, therefore, the duty of the directors to ensure compliance with all the statutory requirements within prescribed time. However, the directors have shown negligence in complying with the requirement of law. A perusal of the record reveals that in the past also, the management had committed default by late filing of annual, half yearly and quarterly accounts but the delays were ignored by the Commission. The repetition of default shows that the management of the Company does not take the provisions of law seriously. Accordingly, the default under Section 245 of the Ordinance is established, which attracts the penal provisions of sub section (3) of Section 245 of the Ordinance.



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5. In view of the above, 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. Muhammad Ali Awan, Chief Executive	30,000/-
2	Haji Ghulam Hussain, Director	20,000/-
3	Mr. Shaukat Mehmood Awan, Director	20,000/-
4	Mr. Naseem Mustafa, Director	20,000/-
5	Mr. Hassan Ali Awan, Director	20,000/-
6	Mst. Naseem Begum, Director	20,000/-
7	Mst. Anayat Begum, Director	20,000/-
8	Mst. Bagh Bhari, Director	20,000/-
	<b>Total</b>	<b>170,000/-</b>

6. The Chief Executive and other directors of M/s. Al-Qaim 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)