

Before Abid Hussain, Director (Enforcement)

In the matter of

Frontier Ceramics Limited

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

Number and date of Show cause notices	EMD/Enf-II/584/2006 Dated May 03, 2006 & May 16, 2006
Date of hearing	January 11, 2007
Present	Mr. Waqar Ali, CFO; and Muhammad Noor Khan, Officer
Date of Order	February 06, 2007

Order

This Order shall dispose of the proceedings initiated against the directors of Frontier Ceramics Limited (hereinafter referred to as the “Company”) for defaults 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 2nd quarter ended on December 31, 2005 and 3rd quarter ended on March 31, 2006 by February 28, 2006 and April 30, 2006 respectively. The Company failed to circulate and file the aforesaid accounts with the Commission within the prescribed time. The failure of the Company to comply with the aforementioned provisions of the Ordinance necessitated action against the directors of the Company in terms of Sub-section (3) of Section 245 of the Ordinance. Consequently, show cause notices dated May 03, 2006 and May 16, 2006 were 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.

3. In response to both the show cause notices, the Company furnished written explanation vide letter dated May 19, 2006 stating that the Company was lying closed since November, 2003 and all the



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staff including accounts staff were laid off. Resultantly the Company could not finalize annual accounts for the year ended June 30, 2005 in time as well as half yearly and quarterly accounts because paramount requirements for preparation of the quarterly accounts required opening balances. Now the new management has taken over the factory and has finalized the annual accounts for the year ended June 30, 2005 and has also given notice of AGM in the Daily Dawn dated May 18, 2006. Further that the Company is now able to finalize its quarterly accounts for the period ended December 31, 2005 and March 31, 2006. In order to give an opportunity of personal hearing, the matter was fixed for December 21, 2006. In response to the hearing notice, the Company Secretary requested vide his letter dated December 16, 2006 for adjournment of hearing till January 11, 2007 as directors of the Company were out of country on business tour and to perform Hajj. The hearing was, therefore, adjourned and refixed for January 11, 2007.

4 On the date of hearing, Mr. Waqar Ali, Chief Finance Officer & Mr. Muhammad Noor Khan, an officer of the Company, appeared before me, as authorized representative, to argue the case on behalf of directors of the Company. During the course of hearing, Mr. Waqar, while admitting the default reiterated the same arguments as were given in the written reply. He added that the new management has taken over the control of the Company and improvement in compliance of the statutory provisions can be observed from the record of the Company. The Company has held its overdue AGM for the year ended June 30, 2005 whereas AGM for the year ended June 30, 2006 has been held in time. He assured future compliance and requested for lenient view in the matter.

5. I have gone through the record of the Company and have given due consideration to the written and verbal submissions by the authorized representative. However, I believe that closure of mill of the Company is not a cogent reason for non submission of quarterly accounts to the shareholders. It was even easier for the directors to finalize and circulate the accounts when the Company was not in operations as less effort is required for data compilation. It is the duty of the directors to ensure compliance with all the statutory requirements whereas they have failed to file the aforesaid accounts with the Commission in time and the same were received with a delay of 5 months & 16 days and 4 months & 25 days respectively. The Directors have deprived the shareholders of their statutory right to receive the quarterly accounts in time. I am, therefore, constrained to believe that the Company and its directors including the Chief Executive have willfully and deliberately committed the defaults in preparation, circulation and filing of aforesaid quarterly accounts, which is established from the record.



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6. In view of the above, the defaults under Sub-section (3) of Section 245 are considered willful and deliberate. However, keeping in view the fact that the Company has provided the quarterly accounts and has also assured future compliance, I am inclined to take a lenient view and 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 a penalty of Rs.2,000 (Rupees two thousand only) for each default under Sub-section (3) of Section 245 read with Section 476 of the Ordinance on the Ex. Chief Executive and each of the directors of the Company who were responsible for the defaults. On the other hand no penalty is imposed on Mr. Hukam Khan Badshah who had resigned before the due date of the said accounts. The details of the penalties imposed are as follows: -

S #	Name	Amount in Rs.		Total
		2 nd quarter ended December 31, 2005	3 rd quarter ended March 31, 2006	
1	Mr. Hafeez Akhtar Randhawa, Ex-Chief Executive	2,000	2,000	4,000
2	Mr. Shams-ul-Hassan, Ex-Director	2,000	2,000	4,000
3	Mr. Noman Ghani, Ex-Director	2,000	2,000	4,000
4	Mr. Iftikhar Ahmed Khan, Ex-Director	2,000	2,000	4,000
5	Mr. Muhammad Fayyaz Khan, Ex-Director	2,000	2,000	4,000
6	Mr. Muhammad Iqbal, Ex-Director	2,000	2,000	4,000
	Total	12,000	12,000	24,000

7. The Ex-Chief Executive and directors of the Company are hereby directed to deposit the aforesaid fine aggregating to Rs.24,000/- (Rupees twenty four 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 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 their movable and immovable property.

Abid Hussain
Director (Enforcement)