

Before Abid Hussain, Director (Enforcement)

In the matter of

Noor Silk Mills Limited

(Under Sub-section (4) of Section 158 of the Companies Ordinance, 1984)

Number and date of Show cause notice	EMD/Enf-II/312/2006 Dated December 06, 2006
Date of hearing	January 16, 2007
Present	Mr. Muhammad Amin Noor Muhammad, Chief Executive
Date of Order	February 12, 2007

Order

This Order shall dispose of the proceedings initiated against Noor Silk Mills Limited (hereinafter referred to as the “Company”) and its Directors for default made in complying with the provisions of Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The facts leading to this case, briefly stated, are that in terms of the provisions of Sub-section (1) of Section 158 of the Ordinance, the Company was required to hold its Annual General Meeting (the “AGM”) for the year ended June 30, 2006 on or before October 31, 2006. The failure of the Company to comply with the aforementioned provisions of the Ordinance necessitated action against the Company and its Directors in terms of Sub-section (4) of Section 158 of the Ordinance. Consequently, a show cause notice dated December 06, 2006 was served on the Company and its Directors including the Chief Executive calling upon them to show cause as to why penalties as provided under Sub-section (4) of Section 158 read with Section 476 of the Ordinance may not be imposed on them.

3. In response to the show cause notice, the Company furnished written explanation vide letter dated December 11, 2006 stating that the Company was facing some unavoidable circumstances as the Chief Executive was seriously ill and the Directors were not available to resume factory matters. It was further stated that the annual accounts for the year ended June 30, 2006 could not be finalized and presented for audit hence holding of AGM was delayed. It was further informed that the management



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has now completed the accounts and has finalized the program for holding the AGM. In order to give an opportunity of personal hearing, the matter was fixed for January 16, 2007. In response to the hearing notice, Mr. M. Amin H. Noor Muhammad, Chief Executive of the Company informed that the audit of accounts has been completed and notice of AGM has been published in the newspapers in compliance with the provisions of law. On the date of hearing, Mr. Amin, Chief Executive of the Company appeared on behalf of Directors of the Company. During the course of hearing he while admitting the default reiterated the same arguments as were given in the written replies. He added that their accountant had left the job and the new accountant was not fully aware of the facts therefore finalization of accounts was delayed. He informed that the Company is holding AGM on February 01, 2007 and requested for a lenient view and assured timely compliance of the provisions of law in future.

4. I have gone through the record of the Company and have given due consideration to the written and verbal submissions by Mr. Amin causing delay in holding of AGM and to circulate annual accounts within the mandatory time period, however, none of them justify the default. The resignation of accountant is not a cogent reason to justify the default. The Directors of the Company were responsible for timely holding of AGM, therefore, they should have made necessary arrangements to prepare accounts and complete rest of the formalities accordingly.

5. Before proceeding to decide this case, I consider it necessary to highlight the importance of the mandatory provisions of the law. The protection of the investors / shareholders is one of the primary objectives of the Ordinance. It is investors / shareholders who provide seed for capital formation. If their interest is protected, they will invest more to save the Company, therefore the Company must ensure transmission of timely, adequate and meaningful information to them. It is the annual and interim accounts, which provide information to the shareholders about the affairs of the company and Annual General Meeting is a forum where they can freely speak, discuss and vote on important matters concerning approval of accounts, appointment of auditors, election of directors etc. It has unfortunately been noted that the directors of the Company failed to observe the compulsory requirement of law with regards to timely holding of AGM and circulation of annual accounts for the year ended June 30, 2006.

6. In view of the above, the default under Section 158 is considered willful and deliberate, which attracts the penal provisions of Sub-section (4) of Section 158 of the Ordinance. However, keeping in



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view the fact that the company has held its AGM on February 01, 2007 and management has assured future compliance, I am inclined to take a lenient view and instead of imposing the maximum fine of Rs. 50,000/- on the Company and every Director and a further fine of Rs. 2,000/- per day for the continuous default, I impose a token penalty of Rs. 5,000/- (Rupees five thousand only) under Sub-section (4) of Section 158 read with Section 476 of the Ordinance on the Chief Executive and each of the directors of the Company. However, no penalty is imposed on the Company. The details of the penalties imposed are as follows : -

S. No	Name	Penalty (in Rs.)
1.	Mr. M. Amin H.Noor Muhammad, Chief Executive	5,000
2.	Haji Noor Muhammad Haji A Ghani, Director	5,000
3.	Mrs. Farida Ashraf , Director	5,000
4.	Mr. Abdul Rauf Muhammad, Director	5,000
5.	Mr. Ashraf H. Muhammad, Director	5,000
6.	Mr. Younus A. Aziz, Director	5,000
7.	Mrs. Jamila Ilyas, Director	5,000
	Total	35,000

7. The Chief Executive and Directors of Noor Silk Mills Limited are hereby directed to deposit the aforesaid fine of Rs. 35,000/- (Rupees thirty five thousand only) 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 fine under the Land Revenue Act, 1967 would 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 amount from their personal resources.

Abid Hussain
Director (Enforcement)