

**Securities and Exchange Commission of Pakistan
Enforcement and Monitoring Division
7th Floor, NIC Building, Jinnah Avenue, Blue Area, Islamabad.**

Jul 31, 2001

**Before Rashid Sadiq, Executive Director
In the matter of**

M/S Service Industries Textiles Limited

Number and date of show cause notice No.19(9 1)CF/ISS/84-2001

dated
June 07, 2001

Date of hearings
July 16, 2001

Present:

Mr. Mustafa Ramday, advocate

**ORDER UNDER Sub-section (1) of Section 158 read with Section 476 of the
Companies Ordinance, 1984**

The facts of this case are that M/S Service Industries Textiles Limited (the “Company”) was required to hold its annual general meeting (AGM) for the year ended September 30, 2000 latest by March 31, 2001 under Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (The ‘Ordinance’). The Company has applied for an extension in the period for holding the aforesaid AGM, which was granted up to April 30, 2001. The Company, its Chief Executive and directors, however, failed to hold the said AGM even within the extended period. A show cause notice dated. June 07, 2001, therefore, was served on the directors including Chief Executive of the Company for the violation of Sub-section (1) of Section 158 of the Ordinance.

2. In response to the aforesaid show cause notice, the Company vide its letter dated July 03, 2001 stated that due non-receipt of confirmation from banks and creditors, the audit could not be completed within the extended period. It was also contended that there

was no intention whatsoever on the part of the management to cause delay in holding the AGM. It was further argued that AGM could not be held within the extended time due to delay in finalization of audited accounts. A request was made by the company to condone the delay. It was undertaken that the company will strictly ensure the compliance of the relevant provisions of the Ordinance in future.

3. In order to give an opportunity of being heard, the case was fixed for hearing on July 09, 2001, which at the request of the company was adjourned to July 16, 2001. On, the date of hearing, Mr. Mustafa Ramday, advocate appeared and argued the case. He reiterated the same reasons for delay in holding AGM as were submitted by the company in its reply to the 'show cause notice. He contended that the default was not willful and the delay in holding of AGM was beyond the control of the management. It was undertaken that in future, the management will make sure that AGMs are held within the prescribed time limit.

4. The directors of the Company are responsible for the timely holding of AGM and they should make serious attempt to ensure the compliance of the relevant provisions of the Ordinance. The argument that the management was unable to hold the AGM due to non-finalization of audit is not a justifiable reason for delaying the holding of AGM. There was sufficient time available to the directors after the close of financial year to get confirmation from banks and creditors. Had there been serious efforts on their part to manage the timely finalization of audited accounts, there could have been no delay in the holding of AGM. The circumstances and facts placed before me could not prove that the delay in holding of the AGM was beyond the control of the directors.

5. In view of the above discussion and after careful consideration of the arguments given by the company's counsel, the default is considered willful which attracts the provisions of Clause (a) of Sub-section (4) of Section 158 of the Ordinance. I however, on the assurance that the company will ensure timely holding of AGM in future, I take a lenient view of the default and, instead of imposing the fine on every director of the Company, impose a fine of Rs. 20,000/= (Rupees twenty thousand) only on the Chief Executive of the company for the default under Sub Section (1) of Section 158 read with Section 476 of the Ordinance.

6. Mr. Mohammad Hameed, Chief Executive of the Company is directed to deposit the fine amounting to Rs.20,000 (Rupees twenty thousand) in the designated bank account of Securities and Exchange Commission of Pakistan, maintained with Habib Bank Limited within 30 days of the date of this Order and furnish a receipted challan to the Securities and Exchange Commission of Pakistan.

RASHID SADIQ
(Executive Director (Enforcement and Monitoring))

Announced
July 31, 2001
ISLAMABAD