



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

[Islamabad]

Before Ejaz Ishaq Khan, Executive Director

Order

In the matter of

M/s. Redco Textiles Limited

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

Number and date of notice	EMD/Enf-II /278/2003 dated April 09, 2004
Date of hearing	July 21, 2004
Present	Mr. Shahid Farid Authorized Representative
Date of Order	July 23, 2004

This is a case of violation of the provisions of Section 245 of the Companies Ordinance, 1984 (the “Ordinance”) by M/s. Redco Textiles Limited (the “Company”).

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 Commission its quarterly accounts for the 1st quarter ended December 31, 2003 by January 31, 2004, whereas the Company failed to file the aforesaid accounts with the Commission within the prescribed time. Consequently, a notice dated April 09, 2004 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.

3. The aforesaid notice was responded by Mr. Bilal A. Niazi, the Company Secretary, who in his written reply dated April 30, 2004 contended that the Commission



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

allowed the Company an extension of time for one month up to February 29, 2004 in holding of its Annual General Meeting (AGM) and filing of its annual accounts for the year ended on September 30, 2003. Accordingly, the delay in holding of AGM and finalization of annual accounts for the aforesaid period resulted in delay in preparation of accounts for the 1st quarter ended on December 31, 2003.

4. In order to give an opportunity of hearing the case was fixed on June 23, 2004 which was adjourned and re-fixed on July 21, 2004. On the date of hearing, Mr. Shahid Farid of M/s. Shahid Farid & Co., Chartered Accountant, appeared before me to argue the case on behalf of the Chief Executive and directors of the Company. Mr. Shahid reiterated almost same arguments as were earlier offered by the Company Secretary in his written reply and requested to drop the proceedings initiated under Section 245 of the Ordinance. He assured that the directors and the Chief Executive of the Company would ensure strict compliance of the provisions of the Ordinance in future.

5. Having considered the written as well as verbal submissions, I am of the opinion that the contentions of the respondents do not carry any merit. Late finalization of the annual accounts is not a justifiable excuse for delaying the circulation and filing of quarterly accounts which is a separate mandatory requirement under Section 245 of the Ordinance. Further, the AGM of the Company was held on February 28, 2004 for which the accounts were required to be circulated to the shareholders on February 07, 2004 i.e. 21 days before the holding of AGM. The accounts are required to be circulated after approval of the Board of Directors which requires a notice period of seven days. As such the said annual accounts should have been ready with the Company by January 31, 2004 and even if the Company had taken a same time period of one month for preparation of these accounts in terms of Section 245 of the Ordinance, the said accounts should have been circulated within one month thereafter, that is, on or about the 1st March 2004. However, these accounts were filed with the Commission on April 29, 2004 i.e. with a delay of 2 months and 29 days as per original requirement and 2 months if the date of



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

close of annual accounts is taken as January 31, 2004. The respondents have failed to offer justifiable excuse for such an inordinate delay in filing of the said quarterly accounts. I have also reviewed the track record of the Company with regard to filing of quarterly accounts, which is very disappointing. A perusal of the record reveals that the Company is submitting its quarterly accounts with significant delay since the very inception of this requirement. The record also indicates that the Commission at least at two occasions took a lenient view while adjudicating defaults in submission of quarterly accounts in the past. It appears that the lenient view taken by the Commission has not produced good results rather it made the management careless in compliance of the mandatory provisions of law. It is also pertinent to mention here that the Company has not filed the accounts for the subsequent quarter ended March 31, 2004 till date, which were required to be filed by May 31, 2004 for which a show cause notice has also been served on the Company. In the circumstances, the plea that the delay was not deliberate cannot be accepted. For the forgoing reasons, the default under Sub-section (1) of Section 245 is considered deliberate which attracts the penal provisions of Sub-section (3) of Section 245 of the Ordinance.

6. Although the default is established, yet keeping in view the financial difficulties of the Company, 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 the following fines under Sub-section (3) of Section 245 of the Ordinance on the Chief Executive and the directors of the Company:-

	Name	Penalty (Rupees)
1.	Ms. Sarah Saif-ur-Rehman Khan, Chief Executive	30,000
2.	Mr. Saif-ur-Rehman Khan, Director	10,000
3.	Mr. Mujeeb-ur-Rehman Khan, Director	10,000
4.	Mrs. Samina Asad Khan, Director	10,000
5.	Mr. Atiq-ur-Rehman Khan, Director	10,000
6.	Mrs. Taufiq Amanullah, Director	10,000
7.	Mrs. Muneza Saif-ur-Rahman Khan, Director	10,000
	Total	90,000



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

7. The Chief Executive and directors of the Company 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 within thirty days from the receipt of this order and furnish receipted challans to the Commission, failing which proceedings for recovery of the fines as arrears of land revenue will be initiated.

Ejaz Ishaq Khan
Executive Director

Announced:
July 23, 2004
ISLAMABAD