



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Before Javed K. Siddiqui, Executive Director (Company Law)

In the matter of
M/S. Zahur 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 /291/2003 dated April 01, 2005
Date of hearing	June 08, 2005
Present	Mr. Ejaz-ul-Haque Company Secretary
Date of Order	June 16, 2005

ORDER

This Order shall dispose of the proceedings initiated against the Directors of M/s.Zahur Textile Mills Limited (hereinafter referred to as the “Company”) for defaults made in complying with the requirements 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 Commission its quarterly accounts for the 1st quarter ended December 31, 2004 by January 31, 2005. The Company failed to file the aforesaid accounts with the Commission within the prescribed time period. Consequently, a show cause notice dated April 01, 2005 was served on the Chief Executive and all the Directors calling upon them to explain 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 for the aforesaid contravention. The Chief Executive and Directors of the Company failed to respond to the aforesaid notice.

3. In order to provide an opportunity of hearing, the matter was fixed for a hearing on May 18, 2005 which was adjourned and re-fixed for June 08, 2005. On the date of hearing, Mr. Ejaz-ul-Haque, Company Secretary appeared before me to plead the case on behalf of all the Directors. During the



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hearing, Mr. Ejaz, while admitting the default, contended that the Company could not prepare the annual accounts for the year ended September 30, 2004 and hold its AGM for the year 2004 till date. Consequently, quarterly accounts for the quarter ended December 31, 2004 could not be prepared. He further submitted that now they are update and there is improvement in compliance of the statutory provisions of law. He informed that the annual accounts for the aforesaid period have been finalized and AGM is scheduled to be held on June 11, 2005. He filed copy of the annual accounts and assured that soon after the holding of aforesaid AGM, the quarterly accounts for the aforesaid quarter will be prepared and filed with the Commission. Mr. Ejaz promised for future compliance and requested for a lenient view.

4. Considering the circumstances of the case and submissions of the representative of the Directors, I am of the opinion that the contentions of Mr. Ejaz-ul-Haque do not justify the default under Section 245 of the Ordinance. Preparation and circulation of quarterly accounts is one of the statutory obligations of the Directors and they are supposed to make serious efforts to ensure the compliance of the relevant provisions of law. Default on one count can not be accepted as a justification for violation of other provisions of law. The track record of the Company with regard to filing of quarterly accounts and holding of AGMs is also highly deplorable and there are continuous defaults of Sections 245 and 158 despite penal actions taken against the Directors of the Company on various occasions. The default this time must be viewed seriously. In the circumstances, the repetition of default by the Company is considered willful and deliberate, which attracts penal provisions of Sub-section (3) of Section 245 of the Ordinance.

5. In view of the above, it appears that the Directors of the Company do not assign due importance to complying with the requirements of the law. However, 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, in exercise of powers conferred upon me under Section 245 read with Section 476 of the Ordinance, impose a fine of Rs. 50,000/- (Rupees fifty thousand only) each on the Chief Executive and Directors of the Company in the following manner: -

S. #	Name	Penalty (Rupees)
		For the quarter ended 31-12-2004
1	Mr. Mohsin Zahur, Chief Executive	50,000
2	Mr. Arif Zahur, Chairman/ Director	50,000



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3	Mr. Ejaz-ul-Haque, Director	50,000
4	Mr. Haroon Zahur, Director	50,000
5	Mr. Raza Arif, Director	50,000
6	Mr. Sajid Ali, Director	50,000
7	Mr. Shaukat Ali, Director	50,000
	Total	350,000

6. The Chief Executive and Directors of the Company are hereby directed to deposit within thirty days of the date of receipt of this Order the aforesaid fine aggregating to Rs.350,000/- (Rupees three hundred and fifty thousand only) in the Commission's designated bank account No. 75010-6 maintained at Central Branch, 102/ 103, Upper Mall, Lahore or by a DD/Pay order issued in the name of Commission and send a copy of the receipted vouchers to the Commission 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. It should also be noted that the said penalty is imposed on the Chief Executive and the Directors in their personal capacity, therefore, they are required to pay the said amounts from their personal resources.

Javed K. Siddiqui
Executive Director (CL)