



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
*Enforcement Department*

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

*In the matter of*  
**M/s. TeleCard Limited**

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

Number and date of show cause notice	EMD/ENF-II/477/04 Dated April 01, 2005
Date of hearing	June 07, 2005
Present	Mr. Haroon Iqbal, Company Secretary
Date of Order	June 17, 2005

**Order**

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This Order shall dispose of the proceedings initiated against the Directors of M/s. TeleCard Limited (hereinafter referred to as the "Company") for default 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 2<sup>nd</sup> quarter ended December 31, 2004 by February 28, 2005. The Company failed to file the aforesaid accounts with the Commission within the prescribed time and the same were received on March 21, 2005 i.e. with a delay of 21 days. Consequently, a show cause notice dated April 01, 2005 was served on the Chief Executive and Directors of the Company 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.

3. In response to the show cause notice, Mr. Haroon Iqbal, Company Secretary contended vide his letter dated April 18, 2005 that the half yearly accounts (2<sup>nd</sup> quarter accounts) were approved by the Board of Directors in their meeting held on February 28, 2005 and financial results were faxed to



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SECP on the same date. He further stated that these accounts were also available on their website on February 28, 2005. He further submitted that as these accounts were hoisted on the website, therefore, due to misunderstanding the same were filed late with the SECP. He requested to condone the delay and promised that accounts will be submitted in time in future. As the reply was not found satisfactory, therefore, in order to provide an opportunity of personal hearing, the matter was fixed for May 17, 2005 which was adjourned and finally re-fixed for June 07, 2005.

4. On the date of hearing, Mr. Haroon Iqbal, Company Secretary appeared before me to argue the case on behalf of all the Directors. During the course of hearing, Mr. Haroon while admitting the default urged that the same was not deliberate/ intentional. He reiterated almost the same arguments as were advanced in his written reply dated April 18, 2005 to the show cause notice. He further contended that the delay in submission of accounts was due to the mistake on the part of one of their employees. He also regretted for the delay and requested for a lenient view and assured strict compliance of the provisions of the Ordinance in time in future.

5. Considering the circumstances of the case and written as well as verbal submissions of the representative of the Directors, I am of the view that the arguments advanced for the default do not carry any merit because filing of quarterly accounts is a mandatory requirement of law. Not understanding the law, or ignorance thereof or mistake on part of employee cannot be taken as a valid reason for the violation. It is the responsibility of the Directors to ensure proper compliance of legal requirements. The "financials" sent to SECP on March 01, 2005 do not constitute 2<sup>nd</sup> quarterly accounts. Documents sent to SECP were the balance sheet and profit and loss account only, whereas 2<sup>nd</sup> quarterly accounts are also to be reviewed by the auditors and their review report is to accompany the full set of financial statements alongwith notes to the accounts. A perusal of the track record reveals that in the past too the management had committed similar defaults for which penalties were imposed on the Chief Executive and Directors of the Company. The repetition of default shows that the management of the Company does not take the provisions of law seriously. Accordingly, the default under Section 245 is considered willful and deliberate, which attracts the provisions of Sub-section (3) of Section 245 of the Ordinance.

6. Though the willful default is established, yet in view of the fact that the Company has filed the quarterly accounts, though with delay, and respondent's assurance for future compliance, I am inclined to take a lenient view in the matter and instead of imposing the maximum fine of Rs. 100,000/- on



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every Director and a further fine of Rs. 1,000/- per day for continuous default, impose the fines under Sub-section (3) of Section 245 of the Ordinance on the Chief Executive and responsible Directors of the Company as per details given hereunder:-

S. #	Name	Penalty (Rupees)
		<b>For the quarter ended 31-12-2004</b>
1	Mr. Fazal Hussain, Chief Executive	20,000
2	Mr. Sultan-ul-Arfeen, Director	20,000
3	Mr. Khalid Firoz, Director	20,000
4	Mr. Shahid Firoz, Director	20,000
5	Mr. Javaid Firoz, Director	20,000
6	Mr. Aamir Niazi, Director	20,000
	<b>Total</b>	<b>120,000</b>

7. 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 fines aggregating to Rs.120,000/- (Rupees one hundred and twenty thousand only) in the Commission's designated bank account No. 10464-6 maintained at Central Branch, 2-Habib Bank Plaza, I.I. Chundrigar Road, Karachi 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)