

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

In the matter of

M/s. Kashmir Polytex Limited

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

Number and date of Show cause notice	EMD/Enf-II/307/2005- Dated January 27, 2005
Date of hearing	March 11, 2005
Present	Mr. M. Tanvir Ahmad Authorized Representative
Date of Order	March 15, 2005

ORDER

This Order shall dispose off the proceedings initiated against the directors of M/s. Kashmir Polytex Limited (hereinafter referred to as the “Company”) for default made in complying with the provisions 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 on September 30, 2004 within a period of one month of the close of the said quarter i.e. by October 31, 2004. The Company, however, failed to file the requisite accounts with the Commission within the prescribed time period. Failure of the directors to comply with the aforesaid requirement necessitated action against them as provided under the law. A notice dated January 27, 2005 was, therefore, 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, the Chief Executive Officer of the Company submitted, on behalf of all the directors, vide his letter dated February 07, 2005 that the

said accounts were transmitted to the members, stock exchanges and the Registrar Joint Stock Companies, Azad Jammu & Kashmir within prescribed time vide letter dated October 30, 2004. However, the submission of these accounts to the Commission escaped the attention of the Company inadvertently and upon becoming aware of non-transmission of accounts to the Commission through show cause notice, they delivered the said accounts to the Commission on February 03, 2005. It was further added that the inadvertent delay also happened due to sudden health problem of their Company Secretary/CFO who remained on sick leave from last week of October till the end of November, 2004. It was also stated that due to weak financial position of the Company, it does not have other supporting / surplus staff. He requested to condone the delay in filing of the accounts with the Commission.

4. The reply of the Company was not found satisfactory. In order to provide an opportunity of personal hearing, the matter was fixed on March 11, 2005. On the date of hearing, Mr. Tanveer Ahmed, the authorized representative, appeared before me to argue the case on behalf of all the directors of the Company. During the course of hearing, Mr. Tanveer admitted the default and contended that there is no excuse with him which could be offered for the default/delay. He reiterated almost the same arguments as were earlier furnished by the Chief Executive Officer in his written reply dated February 07, 2005. He further informed that the crises faced by the Company were almost over and now the Company is exporting its goods to various countries. He prayed for a lenient view in the matter to support the revival of the Company. He also assured that no such delay in submission of accounts would occur in future.

5. I have given due consideration to the written submissions as well as arguments advanced at the time of hearing but none of them justify the delay in filing of quarterly accounts, because filing of accounts with the Commission is mandatory requirement under Section 245 of the Ordinance. It is, therefore, the duty of the directors to ensure timely compliance of the statutory requirements. Accordingly, the directors of the Company are responsible for submission of quarterly accounts within prescribed time. The track record of the Company shows that the Company had often filed accounts with minor delays in the past, which were ignored by the Commission. The Company,

therefore, failed to show any improvement in complying with the statutory provisions of law and this time the accounts have been filed with a considerable delay of more than three months. For the foregoing reasons, the default under Sub-section (1) of Section 245 of the Ordinance stands established and an action is necessitated against the directors of the Company for late filing of quarterly accounts with the Commission.

6. However, in view of the assurance given by the respondents for timely compliance in future and improving financial results, I am inclined to take a lenient view in the matter and, 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 a fine of Rs. 5,000/- (Rupees five thousand only) on the Chief Executive of the Company for the aforesaid default under Sub-section (3) of Section 245 of the Ordinance. Other directors of the Company are reprimanded to be careful in future.

7. The Chief Executive of M/s. Kashmir Polytex Limited is hereby directed to deposit the aforesaid fine imposed on him amounting to Rs.5,000/- (Rupees five thousand only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited, Islamabad 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 documentary evidence to the Commission.

Javed K. Siddiqui

Executive Director (Company Law)

Announced:

March 15, 2005

ISLAMABAD