



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## *Enforcement Department*

**Before Ashfaq Ahmad Khan, Director (Enforcement)**

*In the matter of*

**M/s. Accord Textile Mills Limited**

(Under Sub-section (4) of Section 158 of the Companies Ordinance, 1984)

No. and date of show cause notice	EMD/Enf-II/71/2004 Dated March 25, 2005
Date of hearing	May 16, 2005
Present	Mr. Naseem Qadir, Consultant
Date of Order	May 18, 2005

### **Order**

This Order shall dispose off the proceedings initiated against M/s. Accord Textile Mills Limited (hereinafter referred to as the "Company") and its Directors for default made in complying with the provisions of Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (the "Ordinance").

2. The facts leading to this case, briefly stated, are that in terms of the provisions of Sub-section (1) of Section 158 of the Ordinance, the Company was required to hold its Annual General Meeting (the "AGM") for the year ended September 30, 2004 on or before February 28, 2005 i.e. within the extended period of one month. The failure of the Company to comply with the aforesaid mandatory requirements necessitated action against the Company and its Directors in terms of Sub-section (4) of Section 158 of the Ordinance. Consequently, a show cause notice dated March 25, 2005 was served on the Company and its Directors including the Chief Executive calling upon them to show cause as to why penal action may not be taken against them under Sub-section (4) of Section 158 read with Section 476 of the Ordinance for the aforesaid contravention.

3. In response to the show cause notice, the Chief Executive of the Company requested vide his letter dated April 01, 2005 for an opportunity of hearing. The matter was, therefore, fixed for hearing on April 28, 2005. No one appeared on the given date and time. To afford another opportunity, the



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hearing was fixed on May 09, 2005, which was again adjourned on the request of the Company till May 12, 2005 and thereafter to May 16, 2005. On the date of hearing Mr. Naseem Qadir, Consultant, appeared before me to argue the case on behalf of the Company and its Directors. Mr. Qadir while admitting the default contended that three officers of the Company who were dealing with the accounts left the Company in December 2004. The finalization and audit of accounts was, therefore, delayed which also resulted delay in the holding of AGM. He further added that the Company applied for an extension of time for two months in the holding of AGM but the Commission granted an extension of time for one month only. The Company again applied for further extension of one month but their request was turned down. Due to shortage of time they could not manage timely finalization and audit of accounts resulting delay in the holding of AGM. He requested for a lenient view in the matter and assured timely compliance of the statutory provisions of law in future.

4. I have given due consideration to the arguments advanced by the representative of the Company and its Directors for failure to hold the AGM and to circulate annual accounts within the mandatory time period but, none of them justify the default in the holding of AGM. The resignation of staff dealing with the accounts department is not a special reason for grant of extension and late holding of AGM. Yet, an extension of time for one month i.e. up to February 28, 2005 was allowed. The request for grant of further extension of time was not acceded to as no fresh reason was furnished for the same. The Persons/staff dealing with the accounts of the Company left the service after two and half months of the close of the financial year ending September 30, 2004 and therefore, reasons of their resignation do not justify the default. The Company should have made necessary arrangements to provide financial information in time to the shareholders. A perusal of the record also reveals that in the past also, the management of the Company had committed defaults for which penalty was imposed on the Chief Executive 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 158 is considered willful and deliberate, which attracts the penal provisions of Sub-section (4) of Section 158 of the Ordinance.

5. However, in view of the assurance given by the representative of the Directors for timely compliance in future, instead of imposing the maximum fine of Rs. 50,000/- on the Company and each Director and a further fine of Rs. 2,000/- per day for the continuous default, I, impose a fine of Rs. 25,000/- (Rupees twenty five thousand only) on the Chief Executive of the Company under Sub-section (4) of Section 158 read with Section 476 of the Ordinance.



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6. The Chief Executive of M/s. Accord Textile Mills Limited is hereby directed to deposit the aforesaid fine of Rs. 25,000/- (Rupees Twenty five thousand only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited 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 receipted vouchers to the Commission failing which proceedings for recovery of the fine under the Land Revenue Act, 1967 would be initiated. It should also be noted that the said penalty is imposed on the Chief Executive in his personal capacity, therefore, he is required to pay the said amount from his personal resources.

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**Ashfaq Ahmad Khan**  
*Director (Enforcement)*