



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Before Dr. Sajid Qureshi, Executive Director (Company Law)

In the matter of
M/s. Ahmad Spinning Mills Limited
(Under Sub-section (3) of Section 245 of the Companies Ordinance, 1984)

Number and date of show cause notice	EMD/Enf -II/75/2005 dated July 20, 2005
Date of hearing	November 22, 2005
Present	Mr. Zain -ul- Abideen, Company Secretary & Mr. Rehan Ahmad Khan, C.F.O.
Date of Order	November 30, 2005

Order

This Order shall dispose of the proceedings initiated against the Directors of M/s. Ahmed Spinning Mills 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 Registrar and the Commission its quarterly accounts for the 2nd quarter ended on March 31, 2005 by May 31, 2005. The Company failed to file the aforesaid accounts within the prescribed time as the same were received in the Commission on August 05, 2005 with a delay of 2 months and 4 days. The failure of the Company to comply with the aforesaid requirements necessitated action against the directors of the Company in terms of Sub-section (3) of Section 245 of the Ordinance.

3. Consequently, a show cause notice dated July 20, 2005 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



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be imposed on them. In response to the said notice, one of the directors of the Company contended vide his letter dated July 27, 2005 that due to unavoidable circumstances the accounts have been delayed for the first time in the history of the Company. He requested for condonation of delay and promised to be compliant in future.

4. The reply was not found satisfactory. In order to give an opportunity of personal hearing, the case was fixed on October 11, 2005. No one appeared on the date of hearing to plead the case. However, a written reply dated September 29, 2005 was received whereby the Company Secretary requested that being a small Company having meager resources and in order to cut the cost of travelling and other expenses, the matter may be fixed at SECP's Regional Office at Karachi. The case was accordingly fixed for hearing on November 22, 2005 at Karachi.

5. On the date of hearing, M/s. Zain-ul-Abideen, Company Secretary and Rehan Ahmad Khan, Chief Financial Officer appeared before me to argue the case. During the course of hearing, while admitting the default, they contended that the delay in submission of quarterly accounts was due to unavoidable circumstances for which they have already given under-taking to be careful in future. When asked to explain what were the unavoidable circumstances which resulted in delay in filing of accounts, they stated that these circumstances cannot be disclosed as the same are secret.

6. I have considered the written as well as verbal arguments advanced by the representatives of the directors but the same are not convincing to justify the default. It is the duty of the directors of the Company to ensure compliance with all the statutory requirements. Accordingly, the directors of the company are responsible for timely preparation and submission of quarterly accounts to its members and file the same with the Registrar and the Commission within prescribed time. Since the respondents have failed to furnish any justification for late filing of quarterly accounts, therefore, the same is considered willful and intentional. Moreover, the Company has also defaulted in submission of annual/quarterly accounts in the past but the delays were ignored by the Commission.

7. In view of the above, the default under Section 245 is established. However, due to the assurance given by the representatives of the directors for timely compliance in future, I take a lenient view 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 penalty of Rs.5,000/-



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(Rupees five thousand only) under Sub-section (3) of Section 245 read with Section 476 of the Ordinance on the Chief Executive and each of the directors of the Company. The detail of the penalties imposed is as follows: -

S. No.	Name	Penalty (Rupees)
1.	Sh. M. Saeed, Chief Executive	5,000
2.	Sh. Abdul Wahid, Director	5,000
3.	Mrs. Qaiser Begum, Director	5,000
4.	Mrs. Nasreen Wahid, Director	5,000
5.	Mrs. Abida Saeed, Director	5,000
6.	Mrs. Fouzia Begum, Director	5,000
7.	Sh. Abdul Rauf, Director	5,000
	Total	35,000

8. The Chief Executive and directors of M/s. Ahmad Spinning Mills Limited 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 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 challans to the Commission failing which proceedings for recovery of the fines as an arrears of land revenue will be initiated. It should also be noted that the said penalties are 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.

Dr. Sajid Qureshi
Executive Director (Company Law)