



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Company Law Division
(Enforcement Department)

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Before Tahir Mahmood, Executive Director (Enforcement)

In the matter of

Southern Networks Limited

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

No. & date of show cause notice	EMD/Enf-II/629/2007- dated July 18, 2007
Date of hearing	October 19, 2007
Present	Mr. Asif A. Mufti, CFO & Company Secretary
Date of Order	December 19, 2007

Order

This Order shall dispose of the proceedings initiated against the directors of Southern Networks 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 December 31, 2006 and 3rd quarter ended March 31, 2007 by February 28, 2007 and April 30, 2007 respectively. Failure of the Company to comply with the aforesaid mandatory requirements within the prescribed time necessitated action against the responsible directors of the Company in terms of Sub-section (3) of Section 245 of the Ordinance. Consequently, a show cause notice dated July 18, 2007 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 be imposed on them for the aforesaid contravention.



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3. In response to the show-cause notice Mr. Asif A. Mufti, CFO & Company Secretary, contended vide his letter dated July 31, 2007 on behalf of all the directors of the Company that the delay in finalization of quarterly accounts for the 2nd quarter ended December 31, 2006 and 3rd quarter ended March 31, 2007 caused due to delay in finalization of annual accounts for the year ended June 30, 2006 which were approved and adopted in the AGM held on May 25, 2007. He further submitted that due to non availability of opening balances as on July 01, 2006 the annual accounts were delayed. Mr. Asif informed that the requisite quarterly accounts have already been circulated to the members as well as filed with SECP. He filed copies of the same and requested for condonation of delay involved in submission of the accounts. He also assured that no such delay would take place in future. The reply of the Company was examined but not found satisfactory.

4. In order to provide an opportunity of personal hearing, the case was fixed for hearing on September 05, 2007, which was adjourned on the request of the Company and re-fixed for October 18, 2007. Hearing was again adjourned by the Commission and re-fixed for October 19, 2007. On the date of hearing, Mr. Asif A. Mufti, Chief Financial Officer & Company Secretary appeared on behalf of Chief Executive and Directors of the Company. During the course of hearing, Mr. Asif, while admitting the default, reiterated the same arguments as were advanced in reply to the show cause notice. He contended that the quarterly accounts for the 2nd quarter ended December 31, 2006 and 3rd quarter ended March 31, 2007 could not be prepared and filed with the Commission within prescribed time due to delay in finalization of annual accounts for the year ended June 30, 2006 which also resulted delay in preparation and circulation of quarterly accounts for the aforesaid period because the corresponding figures to be incorporated in the quarterly accounts were required to be taken from the aforesaid annual accounts. He contended that the directors of the Company have already been penalized for late finalization of previous accounts for the year ended June 30, 2006. He requested for a lenient view in the matter and assured that no such delay would take place in future.

5. I have given due consideration to the written as well as verbal submissions of the respondents and found that the arguments advanced by them do not justify late-submission of quarterly accounts for the 2nd quarter ended December 31, 2006 and 3rd quarter ended March 31, 2007 because delay in finalization of annual accounts is not a justifiable excuse for delaying the circulation and filing of



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quarterly accounts which is a separate mandatory requirement under Section 245 of the Ordinance. Moreover, the AGM of the Company was held on May 25, 2007 for which the annual accounts would have been circulated to the shareholders at least 21 days before the AGM i.e. on May 04, 2007 after approval of the Board of Directors. It means that the said annual accounts were ready in the last week of April, 2007. However, the Company delayed the submission and filing of the requisite quarterly accounts till July 31, 2007 and that were also filed after issuance of show cause notice by the Commission on July 18, 2007 i.e. with a delay of 5 months (in case of 2nd quarter accounts) and 3 months (in case of 3rd quarter accounts). It is also pertinent to mention here that the Company has also defaulted by late holding of AGM for the year ended June 30, 2006 for which a token penalty of Rs. 5,000 was imposed on each director. Despite the leniency shown by the Commission, the Company did not improve upon its compliance behavior. After careful consideration of the circumstances of this case and the arguments presented by the representative of the Directors, I am of the view that the delay in submission of quarterly accounts is deliberate and intentional which attracts the penal provisions of Sub-section (3) of Section 245 of the Ordinance. However, since the authorized representative of the Directors has assured timely compliance in future with the provisions of the law, I am, therefore, inclined to take a lenient view once again and instead of imposing 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 Sub-section (3) of Section 245 read with Section 476 of the Ordinance impose a penalty of Rs.5,000 (Rupees five thousand only) for each default on the Chief Executive and each of the Directors of the Company in the following manner:-

		Penalty for the Quarters ended		
		31.12.2006	31.03.2007	Total
S. No.	Name	Amount in Rupees		
1.	Mr. Altaf Hussain, Chief Executive	5,000	5,000	10,000
2.	Mr. Asif A. Mufti, Director	5,000	5,000	10,000
3.	Mr. Adnan-ul-Karim, Director	5,000	5,000	10,000
4.	Mr. Nasarullah Korai, Director	5,000	5,000	10,000
5.	Mrs. Saeeda Hassan Ali Effendi, Director	5,000	5,000	10,000
6.	Mr. Neivell Mehta, Director	5,000	5,000	10,000
7.	Mr. Nisar Ahmed, Director	5,000	5,000	10,000
	Total	35,000	35,000	70,000



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6. The Chief Executive and directors of Southern Networks Limited are hereby directed to deposit the aforesaid fines aggregating to Rs.70,000 (Rupees Seventy thousand only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the receipt of this Order and furnish receipted vouchers issued in the name of 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 movable and immovable property. It may also be noted that the said penalties are imposed on the Chief Executive and other directors in their personal capacity and they are required to pay the said amount from their personal resources.

Tahir Mahmood
Executive Director (Enforcement)



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