Before Tahir Mahmood, Executive Director

In the matter of

Taj Textile Mills Limited

Number and date of show cause notice	EMD/233/286/2002 dated November 22, 2002
Date of hearing	May 08, 2007
Present in the hearing:	1. Mr. Fakhar Mahmud Chanda, Advocate, representing: a) Mr. Alamgir Elahi and b) Mr. Umer Elahi 2. Mr. Shahid Aziz, representing Mr. Muhammad Asif, Nominee Director NIT

ORDER

UNDER Sub-Section (1) of Section 208, Clause (C) of Sub-Section (1) of Section 195, Sub-Clause (ii) of Clause (C) of Sub-Section (1) of Section 188 and Section 189 of the Companies Ordinance, 1984

This order will dispose of the proceedings pertaining to contravention of the provisions of Sub-Section (1) of Section 208, Clause (C) of Sub-Section (1) of Section 195 read with Sub-Clause (ii) of Clause (C) of Sub-Section (1) of Section 188 and Section 189 of the Companies Ordinance, 1984 (hereafter referred to as "the Ordinance") which have arisen out of the show cause notice No.EMD/233/286/2002 dated November 22, 2002 served on all the directors including the Chief Executive and Company Secretary of Taj Textile Mills Limited (hereafter referred to as "Taj Textile")

2. Taj Textile is a public company limited by shares incorporated on March 24, 1986 having authorized capital of Rs.500 million divided into 50.00 million shares of Rs.10 each and paid up capital of Rs.334.420 million divided into 33.442 million shares of Rs.10 each as per its audited financial statements for the year ended June 30, 2006. Taj Textile is listed on all the three Stock Exchanges in Pakistan and is engaged in the business of textile manufacturing (spinning and weaving) and sale of yarn and cloth. Mr. Humayun Nabi Jan, is the Company Secretary and the Board of

Directors of Taj Textile in the period for which the show cause notice pertains, comprises of the following:

i). Mr. Jahangir Elahi, Chief Executive
ii). Mr. Alamgir Elahi, Director
iii). Mr. Tanvir Elahi, Director
iv). Mr. Amir Jahangir, Director
v). Mr. Shahrukh Elahi, Director
vi). Mr. Sh. Muhammad Ashraf, Director
vii). Mr. Tariq Latif, Director
viii). Mr. Muhammad Asif, Nominee Director (NIT)
ix). Mr. Ahmed Jahangir, Director
x). Mr. Umer Elahi, Director
xi). Mr. Akhlaq Ali Khan, Director
xii). Mr. Nadir Ali Awan, Director

3. The facts leading to this case are that the annual accounts for the year ended September 30, 2001 of Taj Textile received at the Commission under Section 233 of the Ordinance were examined and it was noticed from Note 7.3 to the aforesaid accounts that short term borrowings of Rs. 246.853 million had been transferred to Taj Textile from Elahi Enterprises (Pvt.) Limited ("Elahi Enterprises"). For ease of reference, the aforesaid Note 7.3 is reproduced hereunder:

> "The short term borrowings included bank credit facilities amounting to Rs. 246.853 million <u>conveyed</u> from M/S Elahi Enterprises (Private) Limited."

In order to know the true nature of this amount the matter was taken up with Taj Textile vide letter dated July 17, 2002 which in response vide letter dated August 16, 2002 explained as follows:

- Elahi Enterprises is a large trading house, but does not have fixed assets to support their loans.
- Elahi Enterprises faced financial problems and was not able to pay back its loans.
- The same were shifted to Taj Textile and the corresponding quota entitlement and foreign buyer contacts were transferred to Taj Textile.

To probe further in the matter Taj Textile was asked vide letters dated September 3, 2002, September 10, 2002 and October 3, 2002 to provide documents related to the transaction. Taj Textile provided the requisite documents vide its letter dated September 17, 2002 and through the CFO of Taj Textile namely Mr. Naeem in the hearing held on October 7, 2002. Scrutiny of the documents revealed the following facts:

i. Elahi Enterprises is an associated undertaking of Taj Textile by virtue of having four common directors;
ii. Taj Textile has short term borrowings amounting to Rs.246.853 million from Elahi Enterprises and booked corresponding amount payable by Elahi Enterprises to its various banks because of the sole reason that the said associated company and its directors, mostly common between the two companies, were unable to repay the said huge loans, as receivable from Elahi Enterprises;
iii. This loan was payable by Elahi Enterprises to its various banks were transferred to Taj Textile because the said associated Company and its directors were unable to repay the loans;
iv. These transactions were stated to have been recorded in the books of Taj Textile from 1998 onwards;
v. This loan was secured against the assets of Taj Textile Mills Limited;
vi. This transaction has been done without the authority of special resolution and no return is recovered / charged on this amount whereas mark up paid by Taj Textile on the aforesaid transferred loans to the bankers of Elahi Enterprises and charged as financial expenses of Taj Textile

4. In view of the above findings, a show cause notice reference No.EMD/233/286/2002 dated November 22, 2002 under the provisions of Sub-Section (1) of Section 208, Clause (C) of Sub-Section (1) of Section 195, Sub-Clause (ii) of Clause (C) of Sub-Section (1) of Section 188 and Section 189 of the Companies Ordinance, 1984 was issued to all the directors of Taj Textile and the Company Secretary advising them to explain within 14 days of the date of the notice as to why:

a. Penalty as provided under Section 189 and Sub-section (5) of Section 208 of the Ordinance may not be imposed;
b. Why the loss sustained by the Taj Textile in consequence of an investment may not be reimbursed, which was made without complying the requirements of Section 208 of the Ordinance;
c. Why a complaint may not be filed in the Court of Session for contravention of Section 195 of the Ordinance;
d. Why Taj Textile may not be liable for repayment of the aforesaid loans and financial charges paid by the Taj Textile from 1998 onwards on the loans of the Elahi Enterprises; and
e. Why direction may not be issued for vacation of charges created on the Taj Textile’s assets to secure the loans of Elahi Enterprises.

5. M/s Cornelius, Lane & Mufti, Advocates and Solicitors, provided a ‘Wakalat Nama’ stating that they have been appointed as Counsel by the following persons to present their case before the Executive Director of the Commission:

1) Mr. Jahangir Elahi, Chief Executive
2) Mr. Tanvir Elahi, Director
3) Mr. Amir Jahangir, Director

4) Mr. Shahrukh Elahi, Director
5) Mr. Sh. Muhammad Ashraf, Director
6) Mr. Tariq Latif, Director
7) Mr. Ahmed Jahangir, Director
8) Mr. Akhlaq Ali Khan, Director
9) Mr. Nadir Ali Awan, Director
10) Mr. Humayun Nabi Jan, Company Secretary

6. The Counsel submitted its reply dated December 23, 2002 and presented the following arguments:

1) The main sponsors, namely, Jehangir Elahi, Tanvir Elahi, and Alamgir Elahi (the "Sponsors"), jointly in the early 1970's ventured into establishing their business. In this connection the Sponsors incorporated a company now called Elahi Enterprise (Pvt.) Limited.
2) Sponsors also incorporated and undertook various other businesses through various companies/firms etc. (the "Elahi Group of Companies"). The sponsors also incorporated Taj Textile Mills Limited for the purposes of undertaking the business of manufacture and sale of textile products. Initially, Taj Textile was helped enormously by Elahi Enterprises by various means and Taj Textile primarily entered into the market both within and outside Pakistan on account of goodwill of Elahi Enterprises. Thereby Taj Textile availed substantial benefit with respect to its profitability and earning capacity, on account of Elahi Enterprises.
3) On account of various reasons, Elahi Enterprises suffered a severe set back with respect to its business venture, particularly on account of the fact that the long term buyer of the products exported by Elahi Enterprises in France went bankrupt, and caused a severe liquidity crunch for Elahi Enterprises. In view whereof, the financial institutions on one pretext or the other, directly or indirectly, started modulating mechanisms for limiting their exposures from Elahi Enterprises. In order to accommodate the demands of the financial institutions that they intend to limit their exposure to Elahi Enterprises and are ready and willing to undertake financing with the Elahi Group of Companies and the business needs of Taj Textile, loans amounting to Rs. 246.853 million were transferred from the account of Elahi Enterprises to Taj Textile (the "Conveyance") for the valuable consideration, inter alia, including:

i. Quota for exports of textile products amounting to a sum of Rs. 60 million,

ii. Margin on trading business transfer amounting to a sum of Rs. 50 million,

iii. Goodwill and

iv. Low rates of interest on Refinance Scheme availed by Taj Textile on account of Quota already transferred by Elahi to Taj Textile.

4) It is pertinent to note that in respect of the Conveyance, although the consideration was duly made by Elahi Enterprises to Taj Textile, however, in good faith the securities already created with respect to such facilities were kept intact, primarily, including the personal securities provided by the Sponsors. Thus, the Conveyance did not cause any additional burden on the assets of Taj Textile with respect to securitization of the Conveyance.

5) In addition thereto, it is submitted that it is not justifiable to treat the Conveyance as a separate transaction. Rather the same should be looked in the context of the benefits derived by Elahi Enterprises and Taj Textile vis-à-vis each other both in terms of finance as well as in terms of other benefits, including entitlement of quotas, goodwill and trade connection. In this context, Taj Textile availed substantial benefits from Elahi Enterprises, both in terms of goodwill quota entitlement and trade connections. Pursuant to the aforesaid transactions, colossal amounts/profits were generated by Taj Textile.

6) Therefore, it is evident that the aforesaid transactions were undertaken for the mutual benefits of the aforesaid companies bona fide and the same did not cause any additional burden on the assets or properties of Taj Textile. Rather, the aforesaid transactions resulted in substantial gain to the shareholders, including the public. It is clear from the above facts that the Conveyance was for valuable consideration, which was duly received by Taj Textile from Elahi Enterprises. In fact, the continuation of securities provided by Elahi Enterprises and its sponsors demonstrate the bonafides of Elahi Enterprises and the Sponsors, i.e. despite the fact that the consideration has passed from Elahi Enterprises to Taj Textile the said persons have continued supporting to the Taj Textile.

The Counsel gave their interpretation of the provisions of the Ordinance as follows:

<u>Section 195 of the Ordinance</u>

In the show cause notice it was alleged that the Conveyance contravened Section 195 (1) (c) of the Ordinance, It was submitted that the said section is applicable provided the transaction envisaged in Section 195 (1) (c) of the Ordinance is undertaken with a private limited company.

It was specifically pointed out that the agreement with respect to the Conveyance was executed between Taj Textile and Elahi Enterprises on April 22, 1998 (the "Agreement"). The said transaction, as is evident from the facts stated above, was not of a nature that would attract Section 195 of the Ordinance. Without prejudice to the above it was submitted that on the said date, Elahi Enterprises was not a private limited company. As Elahi Enterprises was converted into a public limited company on August 23, 1995 and thereafter it was converted back into a private limited company from a public limited company on August 23, 2000. Thus, at the time of the Agreement and thereafter, till August 23, 2000, Elahi Enterprises was a public limited company.

Section 208 of the Ordinance

In the show cause notice it was stated that the Conveyance contravened Section 208 (1) of the Ordinance. In this respect it was submitted that the Conveyance was for a valuable consideration duly made by Elahi Enterprises and received by Taj Textile. Therefore, the contravention of Section 208 of the Ordinance does not occur. However, without prejudice to the above and without admitting any liability or contravention, even it is assumed for the sake of argument that the amount of the Conveyance of loan of Rs. 246.853 million from Elahi Enterprises to Taj Textile Mills was 'investment' (as is envisaged in Section 208 of the Ordinance) by Taj Textile in Elahi Enterprises, it is submitted that in case the shareholders of Taj Textile approve the making of the investment by requisite majority, then any such investment may be made by a company, as per the terms of the said section of the Ordinance. In this respect it is pointed out that in the annual accounts of Taj Textile for the year ended September 30, 2001, the Conveyance as well as the aspects of the same were duly discussed and deliberated by the shareholders of Taj Textile. In this respect, the attendance sheet with respect to the shareholders of Taj Textile present at the said meeting was attached. It was specifically pointed out that not a single shareholder of Taj Textile objected to the Conveyance, which was approved and ratified by all the shareholders of Taj Textile present and voting. Therefore, it is submitted that the purpose of the law that such transaction must be with the approval of the shareholders of Taj Textile concerned was met vide the aforesaid resolution where the shareholders present, approved and ratified the Conveyance.

7. Two of the directors Mr. Alamgir Elahi and Mr. Umer Elahi, through their letter dated January 31, 2003 and various subsequent letters intimated to the Commission that they did not have access to the records of the Taj Textile and were unable to file the reply in writing to the Commission against the show cause notice. This matter was referred to Taj Textile and the Counsel in response vide letter dated January 31, 2003, addressed to the Commission, stated that the matter regarding the access to the record of the Taj Textile was amicably settled with Mr. Alamgir Elahi and Mr. Umer Elahi. Further that since the said persons were neither the shareholders nor the directors of Taj Textile, so Taj Textile was not obliged to provide them the information they sought. A Power of Attorney dated April 03, 2004 in favor of Mr. Asim Nazir, Advocate was received from both the directors authorizing him as their Counsel before the Commission.

8. The nominee director of National Investment Trust (NIT) submitted his own independent reply, bearing reference number NIT/Alfal-03/84 dated January 15, 2003 to the show cause notice emphasizing that having no beneficial ownership and being nominee he was not directly involved violating the provisions of the Ordinance under the show cause notice of the Commission.

9. Various hearings in the matter were fixed by the Commission but adjourned on the request of the Counsel. The Commission on the request of the counsel re-fixed the hearing date on March 28, 2003 which was attended by the Counsel of director and Chief Financial Officer of Taj Textile. The Counsel of Taj Textile reiterated the same arguments which were submitted through their written reply. They further contended that the show cause notice was only on the basis of the balance sheet and no complaint from shareholders is on record. Both the Companies entered into agreement on April 22, 1998 and modified on September 21, 1998. During the course of hearing Taj Textile was asked to submit the detail of debtors of Taj Textile along with transfer deed of the quota of Elahi to the Taj Textile and current account of Elahi Enterprises maintained in the books of the Taj Textile. The hearing was then adjourned.

10. Mr. Asim Nazir, however appeared before the Executive Director on behalf of Mr. Umer Elahi and Mr. Alamgir Elahi on April 1, 2003 submitting the same argument as was contended earlier that

his clients have not been provided access to the record for preparation of the reply to the show cause notice. He further requested for further time up to April 15, 2003 for submitting the reply.

11. The Department vide its letter dated May 8, 2003 advised the Counsel to provide the requisite information, as was discussed during the hearing held on March 28, 2003, without further delay and to appear before the Executive Director on May 21, 2003. However the respondent did not submit any satisfactory reply in the said matter.

12. Next hearing in the matter was held on December 29, 2003, in which the Counsel appeared before the Executive Director and argued that the matter relating to conveyance of loan have been presented to the shareholders in the general meeting and not a single shareholder objected to the transaction. Further, the conveyance in question was not a loan, but a sale transaction between the two companies and payment has been made in the shape of transfer of export quota and goodwill. They further added that the goodwill can be sold and purchased and is a property and finally that even no creditors raised any objection.

13. The matter remained pending for several years on account of various related aspects of the case. The matter was again taken up and following hearing opportunities have been provided to all the directors of Taj Textile:

a) Hearing notice dated February 6, 2007 for fixing hearing on February 21, 2007;
b) Hearing notice dated March 01, 2007 for fixing hearing on March 14, 2007;
c) Hearing notice dated March 15, 2007 for fixing hearing on April 24, 2007; and
d) Hearing notice dated April 25, 2007 for fixing hearing on May 08, 2007.

14. In the last three hearings mentioned above, Mr. Fakkahr Mahmud Chanda, Advocate appeared on behalf of Mr. Alamgir Elahi and Mr. Umer Elahi, two directors of Taj Textile and submitted the same stance, which was given earlier by the directors, that they do not have access to the record and therefore they are unable to clarify their position in the matter. In above mentioned hearings Mr. Shahid Aziz, appeared on behalf of Mr. Muhammad Asif, Nominee Director NIT and referred to their written response submitted on January 15, 2003 and stated that being nominee he was not directly involved in the charges alleviated by the Commission.

However, remaining directors and their Counsel paid no heed to the Commission's letters/notices and avoided representation in all the hearings despite the fact that it was clearly mentioned in each of the letter that it was the final opportunity and in case of non-appearance the matter would be decided on the basis of the record available to the Commission. In response of every notice their Counsel requested for adjournment and asked for a new date of hearing on one pretext or another. I therefore believe that they have nothing more to say beyond to what has already been said and submitted through written replies and therefore I have decided to conclude the proceedings on the basis of the record available with the Commission.

15. In order to sum up the case, it is important to gather the facts of the case obtained from various sources and the record of the Taj Textile maintained with the Commission and provided by the directors and their Counsel. The same are as follows:

1. An agreement was executed between Taj Textile and Elahi Enterprises for the transfer of loans of Rs. 246.853 million and payment of financial charges thereon by Taj Textile;
2. Taj Textile and Elahi Enterprises were associated undertakings at the time of execution of the transaction (at the time of agreement and during the conveyance of loans) by virtue of common directors;
3. Loans of Rs. 246.853 million payable by Elahi Enterprises to its various bankers were transferred to Taj Textile during the years 1998 to 2001.
4. The transfer of loans was made under the pressure of the bankers of Elahi Enterprises who felt they were not secured because of no asset base of Elahi Enterprises;
5. Taj Textile has been making payment of financial charges on above loans since 1998 and according to the Chief Financial Officer of Taj Textile, financial charges of Rs. 53.086 million have been paid by Taj Textile during 1998 to 2001 relating to loans transferred from Elahi Enterprises;
6. The Taj Textile was not paid any return on the Conveyance of the said liability instead the Taj Textile made a payment of financial charges on above loans (Conveyance) since 1998 and according to the Chief Financial Officer of the Taj Textile, financial charges of Rs 53.086 million have been paid by the Taj Textile during 1998 to 2001 relating to loans transferred from Elahi Enterprises.
7. The loans payable to financial institutions of Elahi Enterprises and receivable from Elahi Enterprises were incorporated in the books of Taj Textile, however, these transactions

appearing as assets and liabilities were off set in the annual accounts of Taj Textile for the years 1998 to 2001.

8. The transactions relating to transfer of loans were not disclosed in the annual accounts of Taj Textile during the years ended September 1998 to 2001. However in the annual accounts for the year ended September 30, 2001 at note 7.3 providing details of "short term borrowings" it was stated that the short term borrowings included bank credit facilities amounting to Rs. 246.853 million conveyed from M/S Elahi Enterprises (Private) Limited.
9. Taj Textile paid interest on this Conveyed loan and its financial charges increased to 166% in the year 2001 as compared to the previous year which caused the its profits to plummet.
10. The aforesaid loans taken by Elahi Enterprises from the financial institutions were also secured by personal guarantees of its directors, who were also directors of Taj Textile.
11. The copies of agreements provided by the Counsel are on the letterhead of the Taj Textile and not on stamp papers;
12. As per the agreements provided by the Counsel both the companies agreed the conveyance of loan against "Export Quota", "Good Will" and "Business Customers" in the year 1998 however these "assets" were never disclosed in the balance sheet till the year 2002;
13. Following transaction was disclosed in the annual accounts for the year ended September 30, 2002:

	Rupees in million
Deferred Costs (Note 14.1)	60.207
Intangible Assets (Note 12.2)	186.646
Long term loans	246.853

The disclosure contained in note 14.1 and 12.2 pertaining to deferred costs and intangible assets, being important and relevant, is reproduced as follows:

Note 14.1 Deferred Costs This represents the value of quota already in use in the Taj Textile transferred from Elahi Enterprises (Pvt.) Limited under an agreement. The value is determined on the basis of best estimate of the management against consideration agreed between Elahi enterprises (Pvt.) Limited and Taj Textile Mills Limited.

Note 12.2 Intangible – Goodwill It represents the value of foreign contracts and contracts (already in use of the Taj Textile) acquired from Elahi Enterprises (Pvt.) Limited under an agreement as in management's opinion it is probable that future economic benefits that are associated with this goodwill flow to the Taj Textile. Moreover, its cost is measured as agreed between management of Elahi Enterprises (Pvt.) Limited and Taj Textile Mills Limited.

However, the Auditors of the Taj Textile have qualified their report to the members stating that note 12.2 and 14.1 where valuation of goodwill and quota could not be confirmed respectively.

16. I have gone through the facts of the case, record of the Taj Textile, relevant provisions of the Ordinance, arguments by the directors and their counsels in the hearings and written submissions given in response to the show cause notice. I feel it appropriate to quote here the relevant provisions of the Ordinance. Sub-section (1) of Section 208 of the Ordinance provides that:

> *(1) A company shall not make any investment in any of its associated companies or associated undertakings except under the authority of a special resolution which shall indicate the nature, period and amount of investment and terms and conditions attached thereto.*
>
> *Provided that the return on investment in the form of loan shall not be less than the borrowing cost of investing company.*
>
> ***Explanation:*** *The expression 'investment' shall include loans, advances, equity, by whatever name called, or any amount, which is not in the nature of normal trade credit.*

The aforesaid provision of law is very clear and explanation of it defines the term investment for the purposes of the law. It clearly provides that "any amount which is not in the nature of normal trade credit" falls within the ambit of investment. Generally normal trade credit is defined as a credit given in normal course of business and such credit extended should be a current liability for the receiver. Open ended credit without specific purpose cannot be termed as "normal trade credit". In the instant case the conveyance of amount Rs. 246.853 million took place as Elahi Enterprises wanted to swap its short term bank borrowings with some long term funds which were available from the associated company, so it can not be assessed as the conveyance of the amount for normal trade credit. Hence, the same falls either under 'loan' or 'investment' due to the objective, tenure and mode of the transaction. Taj Textile was therefore required to obtain prior approval of the shareholders through special resolution. The argument of the Counsel that it is a sale transaction between the two parties does not stand on merit as for a valid sale transaction there must be identified buyer and seller who agree to transact on an identified price through a mutual contract for delivery at a specified time. Whereas in the instant case the agreement entered into on September 21, 1998 price of the assets transferred to Taj Textile was not determined. Further, according to the then applicable IAS-22-Business Combinations (now IFRS-3), goodwill can only be accounted for in the accounts as a result of an acquisition or merger and not otherwise. Taj Textile has not acquired Elahi Enterprises and has not even merged with it. The creation of the head of goodwill is thus not allowed by virtue of IAS-22. Moreover, para 21 of IAS 38 clearly provides that intangible asset shall be recognized only if the cost of the asset can be measured reliably whereas in this case the auditor is qualifying his report regarding the measurement of the deferred cost recognized by Taj Textile in its financial statements for the year ended on September 30, 2002 and onwards. Therefore conveyance of the loan was not a sale transaction but an investment in associated undertaking.

As regards argument of the Counsel that not a single shareholder of the Taj Textile objected to the Conveyance, which was approved and ratified by all the shareholders of the Taj Textile at the meeting of the members held on May 31, 2002, can not be assessed as the authority under special resolution of the members for the approval of the investment as per Sub-section (1) of Section 208 of the Ordinance, as it is mandatory to comply with the provision of clause (b) of Sub-section (1) of Section 160 in case of special business. Notice of the Annual General Meeting ("AGM") reflected that the conveyance of loan was not the agenda item to be considered in the meeting. Further minutes of the AGMs held for the years 1998 onward provided by Taj Textile do not reflect that the matter of conveyance of loan was discussed with the shareholders.

17. It is clear from the evaluation of the transaction that Taj Textile has indirectly given loan to its associated company by paying to the banks on her behalf and showing this amount as receivable from Elahi Enterprises. This has been done without the approval of the shareholders and also no return on this amount is being charged from Elahi Enterprises. Taj Textile therefore violated the provisions of Section 208 of the Ordinance.

18. From the above discussion, facts of the case and arguments put forward by the Counsel, I am of a considered view that the provisions of Section 208 of the Ordinance have been violated and directors are liable for the penalties as defined in Sub-section (3) of the aforesaid provisions of the Ordinance. Sub-section (3) of Section 208 of the Ordinance provides that if default is made in

complying with the requirements of this Section, every director of the company who is knowingly and willfully in default shall be liable to fine which may extend to one million rupees and in addition the directors shall jointly and severally reimburse to the company any loss sustained by it in this respect. The directors entered into the transaction freely, by their own choice, uncompelled, unforced, knowingly and willfully therefore I feel no sympathy for the directors who involved themselves in such an illegitimate transaction and therefore impose a penalty of Rs.500,000/- each on Mr. Jahangir Elahi, Mr. Alamgir Elahi, Mr. Tanvir Elahi, Mr. Ahmed Jahangir, Mr. Akhlaq Ali Khan and Mr. Nadir Ali Awan who were directly involved in the transaction, evident from the minutes of the Board of Directors meetings held on April 20, 1998 and June 26, 1999. Penalty of Rs.100,000/- each is imposed on the directors namely Mr. Umer Elahi, Mr. Amir Jahangir, Mr. Shahrukh Elahi, Sh. Muhammad Ashraf and Mr. Tariq Latif as they remained on the Board of Directors of Taj Textile however never objected this illegal transaction.

Mr. Muhammad Asif, nominee director of NIT is hereby strictly warned to be vigilant in playing his role as independent non-executive director as I expect that the independent directors are the main element of transparency in the decisions of the Board of Directors of a Company. Mr. Humayun Nabi Jan, Company Secretary of Taj Textile is also hereby warned for not ensuring the compliance of good governance.

19. Further, in terms of the provisions of Section 473 of the Ordinance, I hereby direct the directors of Taj Textile to arrange for reversal of the transaction and Elahi Enterprises should pay its own loan to the Banks. Taj Textile should also recover the amount paid on behalf of Elahi Enterprises including financial charges paid by it on behalf Elahi Enterprises. This process should be completed within 30 days of the date of this order and a compliance report certified by its auditors shall be submitted with the Commission.

20. I am not imposing any further penalty as provided under the provisions of Section 189 of the Ordinance and also not advising my office to refer the case to the Court of Sessions for imposition or penalty on the directors under the provisions of Section 195 of the Ordinance.

21. The Chief Executive and directors of the Taj Textile are hereby directed to deposit the aforesaid fine 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 bank vouchers to the Commission in a following manner:

S #	Name of Directors	Amount of Penalty
1	Mr. Jahangir Elahi, Chief Executive	500,000
2	Mr. Alamgir Elahi, Director	500,000
3	Mr. Tanvir Elahi, Director	500,000
4	Mr. Ahmed Jahangir, Director	500,000
5	Mr. Akhlaq Ali Khan, Director	500,000
6	Mr. Nadir Ali Awan, Director	500,000
7	Mr. Umer Elahi, Director	100,000
8	Mr. Amir Jahangir, Director	100,000
9	Mr. Shahrukh Elahi, Director	100,000
10	Sh. Muhammad Ashraf, Director	100,000
11	Mr. Tariq Latif, Director	100,000
	Total	**3,500,000**

22. In case of non-deposit of the penalty proceedings for recovery of the fines as an arrear of land revenue will be initiated. It may also be noted that the said penalties are imposed on the directors in their personal capacity; therefore, they are required to pay the said amount from their personal resources.

Tahir Mahmood
Executive Director

Announced
September 03, 2007
Islamabad