

### **SEC Takes Action against 25 Companies in July 2005**

**Islamabad – August 22, 2005:** The Enforcement Department of the Securities and Exchange Commission of Pakistan (SEC), during the month of July 2005, took action against twenty five companies and two audit firms for violations of legal requirements.

Out of these twenty-five companies, a company, M/s Mehr Dastgir Textile Mills Limited was penalized for non-filing of quarterly accounts while its audit firm was penalized for giving inaccurate and misleading audit report for the year ended September 30, 2004. Both were penalized an aggregate fine of Rs. 120,000. Similarly, legal proceedings were initiated against another audit firm for failure to comply with the provisions of law.

Legal proceedings were initiated against twenty-two companies for non-compliance with statutory provisions, including unauthorized investments associated undertaking; lack of information and explanation in directors' report regarding observations contained in the audit report; failure to hold election of directors in accordance with laid down procedure; failure to issue shares within the prescribed period; investing funds of employees' provident fund in unauthorized listed securities; underwriting of the right issue by an ineligible person; non-maintenance of register of members; non-filing of quarterly accounts within prescribed period; and not appointing whole time company secretary.

Besides, two companies were directed to provide material information to the shareholders to enable them to make prudent and well informed decisions in general meetings.

During July 2005, the Enforcement Department resolved 224 out of 290 complaints of various shareholders, whereas comments on remaining 66 complaints have been sought from the concerned companies. The complaints mainly related to non-receipt of dividend warrants, non-encashment of dividend warrants, delay/non-transfer of shares and issue of duplicate shares, non-receipt of annual and interim accounts, wrongful deduction of Zakat, and non-holding of AGM.

In order to facilitate companies and to promote efficiency in operations, eight companies were allowed to place their quarterly accounts on their respective websites instead of circulating them among shareholders by post.