

Press Release

SEC Starts Action against 34 Companies during March 2005

Islamabad – April 15, 2005: As a result of its monitoring and vigilance drive to ensure compliance of rules and regulations, the Enforcement department of the Securities and Exchange Commission of Pakistan (SEC) found 34 companies violating the relevant rules during the month of March 2005 and took action against them accordingly.

Out of these 34, eight companies were fined an aggregate amount of Rs. 3,35,000. Penalties amounting to Rs. 145,000 were imposed on four companies namely M/s Latif Jute Mills Limited, M/s Service Industries Textiles Limited, M/s Kashmir Polytex Limited and M/s Service Fabrics Limited for non/late circulation of quarterly accounts. A penalty of Rs. 130,000 was imposed on M/s Frontier Ceramics Limited for non-transfer of shares within prescribed period. M/s Saitex Spinning Mills Limited was fined Rs. 20,000 for late holding of election of directors. An investigation has been ordered into the affairs of M/s Latif Jute Mills Limited.

A penalty of Rs. 20,000 each was imposed on two firms of auditors for giving inaccurate and misleading audit reports in the cases of M/s Kausar Paints Limited and M/s Mubarak Dairies Limited. Show cause notices have been issued to three audit firms for failure to discharge duties and responsibilities according to relevant law.

Seven companies have been issued show cause notices for leasing out project to another company without approval of shareholders, having CEO on more than one listed company of similar business, unauthorized interest-free advances to associated undertakings and non-transfer of provident fund contribution as per the requirements of law. One company, M/s Quice Food Industries Limited, has been issued directives to convene its overdue annual general meetings for the calendar years 2001, 2002 & 2003 and to present therein the audited accounts before the shareholders. Another company was directed to repay entire outstanding amount of Employees Provident Fund Trust unlawfully utilized by it.

Moreover, show cause proceedings have been initiated against eight companies for non/late holding of annual general meetings (AGMs), deficiencies in the statement of material facts in the notice of AGM and non-inclusion of special business in the notice of AGM, and four companies for late submission of cost audit reports.

During the month, the SEC resolved 182 out of 225 complaints of various shareholders, whereas comments on remaining 43 complaints have been sought from the concerned companies. The complaints were mainly relating 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 and wrongful deduction of Zakat, other miscellaneous complaints relating to the non-holding of AGM, non-circulation of notice of meeting etc.

Efforts were also made to facilitate the companies and prospective investors to promote efficiency in operations and further investments. In this regard, twenty-four companies were allowed to place their quarterly accounts on their respective websites instead of circulating

among shareholders by post. Technical clarifications were provided on several issues to various companies/persons during the month.