

February 11, 2002 **(SEC) has filed prosecution proceedings against five directors of M/s Pak Fibre Industries Limited.**

The Securities and Exchange Commission of Pakistan (SEC) has filed prosecution proceedings against five directors of M/s Pak Fibre Industries Limited, a listed company operating from Hub Industrial Estate, Lasbella, for mismanagement of funds received from the public and portraying a misleading and untrue picture of the future prospects of the company in its prospectus.

In 1994, M/s Pak Fibre Industries Limited issued its prospectus to the general public to solicit funds from them. It was wrongly claimed in the prospectus that the company's performance was excellent in the past, and on this basis the sponsors of the company made a public offer of five million shares of Rs.10 each at a premium of Rs.15 per share i.e. Rs. 25 per share, to the general public. However, after listing, the company failed to pay any return to its shareholders, as it suffered consistent losses from 1995 – 1998, to the extent that the total capital of the company was wiped off in just four years.

An examination of the affairs of the company revealed that the company had not revealed its true and fair position; contrarily it had presented a completely misleading and rosy picture of the business venture in its prospectus. In fact, the company had suffered a loss of Rs. 7- 8 million up to the date of the publication of the prospectus. It was also observed that the funds, received from the public, were not utilized in the manner in which it was undertaken in the prospectus.

The Commission was therefore led to the conclusion that the directors of the company have jointly, severally and in connivance with each other, committed such acts which constitute offenses under Sections 60 and 66 of the Companies Ordinance 1984; thus they are punishable under Section 492 of the Ordinance for which proceedings have been filed against the directors of the company in the Court of law at Quetta.