

Press Release

SEC Identifies 25 Cases of Violations of Legal Requirements during June 2005

Islamabad – July 15, 2005: As a result of its effective monitoring and vigilance, the Enforcement Department of the Securities and Exchange Commission of Pakistan (SEC) identified twenty-five cases of violation of legal requirements during the month of June 2005 and took actions against the companies and their auditors as per provisions of law.

Of the twenty-five cases, penalties were imposed in nine cases while show cause proceedings were initiated in the rest. Seven companies, namely, M/s Zahur Textile Mills Limited, M/s Service Fabrics Limited, M/s Dewan Cement Limited, M/s Dewan Hattar Cement Limited, M/s Telecard Limited, M/s Pakistan PVC Limited and M/s Wali Oil Mills Limited were penalized for late/non-holding of annual general meetings and non-circulation of quarterly accounts. Furthermore, a fine was imposed on M/s Haseeb Waqas Sugar Mills Limited for payment of dividend out of capital of the company, in violation of legal provisions. The company was also directed to make good the loss of capital of Rs. 5.284 million by recovering the same from its directors as the loss occurred due to their imprudent decision. In another case, penalty was imposed on a partner of a firm of auditors for giving inaccurate and misleading audit report for the year ended September 30, 2004 in the case of M/s Al-Jadeed Textile Mills Limited.

During the month, a company intended to pass a resolution in the extra-ordinary general meeting for making investment in a company through its associated company, without disclosing necessary information in the notice of meeting. The company was advised to disclose the information, as required under Section 208 of the Companies Ordinance, 1984, to shareholders by way of addendum to the notice of meeting to enable shareholders to take an informed decision.

In addition, the SEC initiated show cause proceedings against two audit firms for non-compliance with provisions of Section 255 of the Companies Ordinance. The audit firms failed to discharge their duties and responsibilities laid down in the statute. Show cause proceedings have also been initiated against fourteen companies for making unauthorized advance/loan to associated company, non-transfer of provident fund contribution as per the requirements of law, non-circulation of quarterly accounts, non-appointment of whole time company secretary and non-submission of explanation on cost auditor's reservations made in the cost audit report within the prescribed period.

During the month, the Enforcement Department resolved 57 out of 215 investor complaints received by it. Comments on remaining 58 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-circulation of notice of meeting.

Efforts were also made to facilitate the companies and investors to promote efficiency in operations. In this regard, eight companies were allowed to place their quarterly accounts on their respective websites instead of circulating them among shareholders by post.