

**October 23, 2000 SECP imposes a penalty of Rupees seven million on the Chief Executive and Directors of the M/s Nafees Cotton Mills Limited for violating the provisions of section 208 of the Companies Ordinance, 1984.**

The Commissioner (Enf.) through an order dated October 19, 2000 has imposed a total penalty of Rs. 7,000,000/- (Rupees seven million) on the Chief Executive and six other directors of the Nafees Cotton Mills Limited @ Rs. 1,000,000 (Rupees one million) each for violating the provisions of section 208 of the Companies Ordinance, 1984. The brief facts of the case are that company advanced a short term loan of Rs. 38 million to its associated company namely Legler Nafees Mills Limited during the year 1998-99 on the basis of an invalid resolution passed seven years ago. This glaring violation was also qualified by the auditors of the company in their report dated 08/03/2000 pertaining to the year ended 30/09/2000. The order further says that if the directors of the company fail to protect the investment in the company or convert the loan into shares having negligible value of Rs. 0.09 per share of the investee company, they may, in addition to above penalty be made liable to reimburse to the company any consequential losses on the said transaction.