



Before Abid Hussain Director (Enforcement)

ORDER

In the matter of

SHAFFI CHEMICAL INDUSTRIES LIMITED

UNDER SECTION 244 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984

Number and date of notice No.EMD/233/90/02 dated February 18, 2010

Date of final hearing: March 02, 2010

Present: Mr. Zahoor Ahmad, Manager Corporate on behalf of Chief Executive, Company Secretary and Financial Controller of Shaffi Chemical Industries Limited.

This order shall dispose of the proceedings initiated through Show Cause Notice No.EMD/233/90/02 dated February 18, 2010 against the Chief Executive, Secretary and the Financial Controller of Shaffi Chemical Industries Limited (the "Company") under the provisions of Section 244 of the Companies Ordinance, 1984 (the "Ordinance").

2. The brief facts of the case are that annual financial statements for the year ended June 30, 2009 (the "Accounts"), of Shaffi Chemical Industries Limited (the "Company") submitted vide letter dated October 12, 2009 revealed that the accounts provided/circulated by the Company do not contain;

- a. The disclosure related to Fixed Assets in contravention of Part II of the Forth Schedule to the Companies Ordinance 1984.
- b. Note-7 to the accounts, as the balance sheet reflects that the Company has trade and other payables of Rs.21.234 million (Rs.22.583 million: 2008) and its detail is available at Note-7 to the accounts but the said Not-7 to the accounts is not reflected any where in the accounts.

3. In this connection, Karachi Stock Exchange (Guarantee) Limited (the "KSE") was approached to provide copy of the accounts submitted by the Company for its circulation. The two separate copies of accounts provided by KSE vide letters No.KSE/SECP-1026 dated February 10, 2010 and No.KSE/SECP-1089 dated February 12, 2010 revealed that the accounts provided/circulated



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by the Company did not contain the aforementioned disclosures. However the copies received from the concerned company registration office contained the relevant disclosures in question.

4. Consequently, a show cause notice was served upon the Chief Executive, Secretary and the Financial Controller of the Company being officer of the company to explain their position in writing as to why penalty as provided under Section 244 read with Section 476 of the Ordinance, may not be imposed on them. A period of 14 days was given to respond the aforesaid notice. It was further stated in the notice that in case the Chief Executive, Secretary and the Financial Controller of the Company intend to appear in person or through counsel to clarify the queries raised therein they may communicate the same to the Commission.

5. The show cause notice was responded by Mr. Nazir Ahmed, Company Secretary through letter dated February 24, 2010. It was submitted by the Company Secretary that Mr. Zahoor Ahmed Manger Corporate of the Company shall submit personally reply of show cause notice on Monday 01, 2010 and requested for an opportunity of hearing in the matter.

6. Hearing in the matter was finally held on March 02, 2010 in which Mr. Zahoor Ahmed Manger Corporate appeared, as an authorized representative of the Chief Executive, Secretary and Financial Controller. He admitted the default, expressed the regret for the act and assured to be more careful in future. He requested to condone the aforesaid default of omission of information in the printed accounts as it was a printing error committed neither knowingly nor willfully and was unintentional. He submitted that subsequently the default had been rectified and the Stock Exchanges were duly informed. In this regard he presented the copy of the letter to the Lahore Stock Exchange (Guarantee) Limited dated February 16, 2010.

7. Before going ahead, I feel it necessary to advert the following relevant provisions of law:

Section 244 of the Ordinance states the penalty for improper issue, circulation or publication of balance-sheet or profit and loss account. - If any copy of a balance-sheet is issued, circulated or published without there being annexed or attached thereto, as the case may be, a copy each of (i) the profit and loss account or income and expenditure account, (ii) any accounts, reports, notes or statements referred therein, (iii) the auditor's report, and (iv) the directors report, the company, and every officer of the company who is knowingly and wilfully in default shall be punishable with fine which may extend to five thousand rupees.

8. The published annual financial accounts are required to provide complete information about the state of affairs of the entity, the explanations and interpretations of the financial statements and



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any other matters which may be material for the stakeholder's attention. These accounts normally include information about the principal activities of the entity, review of business during the year, operating results, financial position and cash flows of the Company for the year under review and that of the previous year to have a comparison, the dividend for the year, substantial interests and share holding position along with future plans of the management. The accounts are intended to have been prepared in accordance of law and with International Financial Reporting Standards.

9. In order to conclude the matter, I have duly considered the submissions of the authorized representative and do appreciate his regret for the default and assurance to exercise exclusive care in future. Keeping in view the assurance to observe the compliance of law in future, I hereby strictly warn the Chief Executive, Secretary and the Financial Controller of the Company to be careful in future and comply with the provisions of law in letter and spirit.

Abid Hussain
Director (Enforcement)

Announced
March 08, 2010
Islamabad