



Corporate Supervision Department
Company Law Division

Before Abid Hussain – Executive Director

In the matter of

Ahmed Fine Textile Mills Limited

Number and date of Notice: CSD/ARN/478/2017-3538-44 dated May 02, 2017

Date of hearings: February 28, 2017, March 19, 2018, April 12, 2018 and
April 18, 2018

Present: Mr. Naveed Amer, Company Secretary
(Authorized Representative)

ORDER

UNDER SECTION 237 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984

This Order shall dispose of the proceedings initiated against the directors (the "Respondents") of Ahmed Fine Textile Mills Limited (the "Company") through Show Cause Notice (the "SCN") dated May 02, 2017 issued under the provisions of Section 237 read with Section 476 of the Companies Ordinance 1984 (the "Ordinance").

2. Brief facts of the case are that review of annual audited financial statements (the "Accounts") of the Company for the year ended June 30, 2016 revealed that Fazal Rehman Fabrics Limited ("FRFL") is the subsidiary of the company. Note 6.1 to the accounts states that investment in subsidiary amounts to Rs.35.5 million comprising fully paid shares of Rs.10 each, representing 99.90% of FRFL share capital as at June 30, 2016. In this regards, it was observed that the Company had not attached the consolidated accounts of FRFL with the stand-alone accounts of the Company. The Company was thereby found noncompliant with the provisions of Section 237 of the Ordinance.

3. Therefore, the SCN was served upon the Respondents to show cause as to why penalty may not be imposed under Section 237 of the Ordinance for not attaching the consolidated financial statements with its accounts.

4. The SCN was responded by the Company Secretary, Mr. Naveed Amer, vide his letter dated May 06, 2017, wherein consolidated financial statements with FRFL for the year ended June 30, 2016 were submitted. He further requested to withdraw the SCN.



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5. Considering the reply of the SCN, hearing in the matter was fixed on February 28, 2017. In reply to the hearing notice, the Company Secretary vide his letter dated February 16, 2018 stated that the Company had already submitted the reply to the SCN vide letter dated May 06, 2018 wherein copy of consolidated financial statements for the year ended June 30, 2016 were also provided to the Commission. He further requested to withdraw the proceedings. Subsequently, hearing was fixed on March 19, 2018 and April 12, 2018. It was observed that no one appeared in the scheduled hearings. Thereafter, hearing was fixed on April 18, 2018 wherein a final hearing opportunity was provided to the Respondents. The hearing was attended by Mr. Naveed Amer as an Authorized Representative. He submitted that the Company filed audited consolidated financial statements for the year ended June 30, 2016 on May 06, 2017. He also submitted that said consolidated financial statement were also electronically filed with the Commission however same could not be filed on timely basis. He nonetheless conceded the noncompliance with the provisions of Section 237 of the Ordinance and requested for the lenient view with assurance for future compliance.

6. Before proceeding further, it is necessary to advert to the relevant provisions of law:

Sub-section (1) of section 237 of the Ordinance states that there shall be attached to the financial statements of a holding company having a subsidiary or subsidiaries, at the end of the financial year at which the holding company's financial statements are made out, consolidated financial statements of the group presented as those of a single enterprise and such consolidated financial statements shall comply with the disclosure requirement of the Fourth Schedule and International Accounting Standards notified under sub-section (3) of section 234.

Sub-section (9) of section 237 of the Ordinance states that if a holding company fails to comply with any requirement of this section, every officer of the holding company shall be punishable with fine which may extend to fifty thousand rupees in respect of each offense unless he shows that he took all reasonable steps for securing compliance by the holding company of such requirements and that the non-compliance or default on his part was not willful and intentional.

7. In terms of the Commission's notification S.R.O 751(I)/2017 dated August 02, 2017, the powers to adjudicate cases under Section 237 of the Ordinance have been delegated to Executive Director (Corporate Supervision Department).

8. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Ordinance, representation given by the Authorized Representative during the hearing and



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observed that the Respondents are in contravention of the provisions of Section 237 of the Ordinance. However, annual consolidated financial statement of the Company had been filed with the Commission on May 06, 2017. I have also noted that the Respondents have admitted oversight on their part and have assured future compliance. The self-realization and corrective measures taken for avoidance of future errors are also reassuring. The enforcement and regulatory function of the Commission is aimed at building a compliant corporate culture where directors have a key role in ensuring growth of this culture. As the Company has subsequently ratified the default therefore, I take a lenient view and hereby warn the Respondents to ensure meticulous compliance of law in future.

ABID HUSSAIN
Executive Director
Corporate Supervision Department

Announced:
May 29, 2018
Islamabad

