



Corporate Supervision Department
Company Law Division

Before Ms. Amina Aziz – Director (CSD)

In the matter of

Johnson & Phillips (Pakistan) Limited

Number and date of SCN: CSD/ARN/33/2015-4345-51 dated May 17, 2016
Date of Hearing July 26, 2016
Present for Respondent Ch. Muhammad Usman, Authorized Representative

ORDER

UNDER SUB-SECTION (3) OF SECTION 245 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984

This order shall dispose of the proceedings against directors including chief executive (together referred to as "respondents") of **Johnson & Phillips (Pakistan) Limited** (the "Company"). The proceedings against the respondents were initiated through show cause notice (the "SCN") dated May 17, 2016, issued under the provisions of sub-section (3) of section 245 read with section 476 of the Companies Ordinance, 1984 (the "Ordinance").

2. The brief facts of the case are that as per record, the Company did not file the interim financial statements ("Quarterly Accounts") for the following periods with the Commission in a timely manner, as per requirements of section 245 of the Ordinance:

Quarter Ended	Due Date	Received on	Delay (days)
31-Dec-14	28-Feb-15	27-Aug-15	180

Consequently, the SCN was issued to the respondents whereof they were called upon to show cause in writing as to why penalty may not be imposed on them under sub-section (3) of section 245 of the Ordinance for not filing the aforesaid Quarterly Accounts.

3. In response to the SCN, the respondents vide letter dated June 13, 2016 submitted that the Quarterly Accounts could not be filed in time as the company faced difficulties in appointment of new auditors. The previous auditors raised their concern over the appointment of new auditors which subsequently led to delay in filing of accounts.

4. On July 26, 2016, Ch. Muhammad Usman, Authorized Representative, appeared before the undersigned and submitted that the company did *bonafide* effort to comply with the laws and



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sought clarification from the SECP, in regard to appointment of new auditors. The SECP through letter dated 24 March 2015, approved the appointment of the new auditors but the new auditors could not function until they received NOC dated May 05, 2015 from the previous auditors.

5. I have analyzed the facts of the case, relevant provisions of the Ordinance, and submissions made by the respondents. Before deciding upon on matter I would like to highlight that the requirement to circulate interim accounts was introduced so that the shareholders could have timely access to information about the affairs of companies. Keeping in view the fact that timing of interim financial statements is of essence the disclosure and audit requirements of these accounts have been kept to a bare minimum. Interim financial statements prepared properly and in a timely manner not only provide to its users a reliable source of information regarding a company's financial position and performance but these also show the results of management's stewardship of resources entrusted to it. In order to ensure transparency, all the companies must meticulously follow the legal requirement for preparing and circulation of interim accounts. In addition to their responsibility of overseeing and managing affairs of the Company, directors also have fiduciary duties towards the Company and its shareholders. They are, therefore, liable to a higher level of accountability which requires them to be vigilant and perform their duties with care and prudence. It is directors' responsibility to oversee the functioning of the company, to keep it appropriately staffed and organized to ensure due compliance of law.

6. It is clear from the record that the Company did not file the aforesaid Quarterly Accounts in time with the Commission; however, considering the submissions of the respondents and peculiar circumstances of the case regarding appointment of new auditor, instead of imposing fine, I hereby conclude the proceedings with a warning to the respondents to be careful in future and ensure meticulous compliance with provisions of section 245 of the Ordinance.

Amina Aziz
Director (CSD)

Announced:
October 06, 2016
Islamabad