



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before Amir Saleem – Joint Director/Head of Wing

In the Matter of

Mubarak Textile Mills Limited

Number and Date of SCN: CSD/ARN/376/2016-3496-3502 dated April 19, 2019

Dates of Hearings: August 27, 2020, September 11, 2020, September 30, 2020
& November 26, 2020

Present: Mr. Faisal Latif - FCA
(Authorized Representative)

ORDER

UNDER SECTION 237 READ WITH SECTION 479 OF THE COMPANIES ACT, 2017

This Order shall dispose of the proceedings initiated against the following directors including the chief executive (collectively referred to as the "Respondents") of Mubarak Textile Mills Limited (hereinafter referred to as the "Company") initiated through Show Cause Notice (the "SCN") dated April 19, 2019 issued under the provisions of Section 237 read with Section 479 of the Companies Act, 2017 (the "Act"):

S.No.	Name of Respondent
1	Mr. Zulfiqar Ali - Chief Executive
2	Ch. Naseer Ahmed - Director
3	Mr. Abdul Shakoor - Director
4	Mr. Shakeel Ahmed - Director
5	Mr. Imtiaz Hussain Qureshi - Director
6	Mr. Nadeem Abbas - Director
7	Mr. Nafees Iqbal - Director

2. Brief facts of the case are that the Company failed to electronically transmit its interim financial statements for the following periods with the Commission within the stipulated time pursuant to Section 237 of the Act:

Quarter	Period ended	Filing due on
2 nd	December 31, 2017	March 1, 2018
3 rd	March 31, 2018	April 30, 2018
1 st	September 30, 2018	October 30, 2018



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 1 -

3. The chief executive and directors of the Company, *prima facie*, contravened the provisions of Section 237 of the Act by not filing the aforementioned quarterly accounts with the Commission within the stipulated time. Consequently, the SCN was issued to Respondents to show cause in writing as to why penal action may not be taken against them for non-compliance of Section 237 of the Act.

4. Subsequently, the Company submitted a written response through its letter received by the Commission on April 30, 2019 asserting that:

"With reference to the SCN, it is submitted that with the emergent of Audit Oversight Board, our previous auditors M/s Ahmed Mushir & Co refused/resigned to be our auditors further at the very neck of time when they had to give us the reviewed accounts for the period ended 31st December, 2017. At that time we had to arrange/manage to appoint the auditors of the company and got reviewed the referred accounts. These all mandatory things ultimately taken time to stream line the things.

For the reasons narrated above, reviewed accounts for the period 31st December, 2017 could not be filed with the Honorable Commission within stipulated time. The quarterly accounts for the period ended March 31, 2018 were finalized and submitted delayed due to the late finalization and submission of accounts for the period ended 31st December, 2017. Quarterly accounts September 30, 2018 could not be filed within stipulated time due to late holding of AGM for period ended 30th June, 2018 and lay therein the accounts. Sir due to above and things beyond control, we request your good self to kindly condone the late submission of above accounts to the Commission and oblige."

5. A hearing opportunity was provided to the Respondents for August 27, 2020 though the Respondents failed to appear in person or through an authorized representative to present their case. An additional hearing opportunity was provided for September 11, 2020 and later September 30, 2020 however, it was observed that no one appeared on the hearing date. Nonetheless, in order to provide a final opportunity to Respondents to present their case, hearing was re-scheduled for November 26, 2020.

6. Hearing in the matter took place on November 26, 2020 wherein Mr. Faisal Latif, FCA appeared on behalf of the Respondents as their Authorized Representative. Over the course of the hearing, the Authorized Representative reiterated the Company's written reply quoted in Para 4 above affirming that Company failed to file its afore-referred interim financial statements due to resignation of its external auditors resulting in delay in convening of the AGM as the annual audited accounts were not finalized, which in turn led to the Company's inability to prepare and finalize subsequent interim accounts for the period ended December 31, 2017, asserting further that quarterly financial statements for the period ended March 31, 2018 were finalized with a delay due to the late finalization and submission of accounts for the period ended December 31, 2017. Moreover, he stated that the quarterly accounts for the period ended September 30, 2018 could not be filed within the statutory timeframe as a result of late convening of the AGM for the financial year ended June 30, 2018.

The Authorized Representative was apprised of the mandatory electronic transmission of the Company's financials with the Commission through the designated e-mail address pursuant to the Commission's Circular No. 24 dated October 19, 2017. The Representative was further advised to email the subject financial statements to the Commission and furnish documentary evidence of the



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 2 -

same as soon as possible ensuring compliance of the afore-referred Circular and all the provisions of Section 237 of the Act in the future.

In conclusion, the Authorized Representative gave a firm commitment on behalf of Respondents of future adherence to law in letter and spirit, requesting the Commission to condone the proceedings by withdrawing the Notice and taking a lenient view of the matter.

It was, however, observed that the Respondents were unable to provide the afore-referred documentary evidence, i.e., electronic transmission of the subject interim financial statements with the Commission through the designated email address pursuant to Circular No. 24 dated October 19, 2017 read with Section 237 of the Act.

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

Sub-section (1) of Section 237 of the Act read with the Commission's Circular No. 24 dated October 19, 2017 entails:

- 1) *Every listed company shall prepare quarterly financial statements within a period of :-*
 - a) *thirty days from the close of first and third quarters of its year of accounts; and*
 - b) *sixty days from the close of its second quarter of its year of accounts.*
- 2) *The quarterly financial statements shall be posted on the company's website for the information of its members and also be transmitted electronically to the Commission, securities exchange and with the registrar within the period specified under sub-section (1).*

Sub-section (4) of Section 237 read with Section 479 of the Act stipulates that:

If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer of the company who has by his act or omission been the cause of such default shall be liable to a penalty of level 2 on the standard scale.

8. In terms of the Commission's Notification S.R.O. 1545(I)/2019 dated December 06, 2019, the powers to adjudicate cases under Section 237 of the Act have been delegated to the undersigned as Head of Wing (Listed Companies, Adjudication Department - I).

9. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, and the arguments set forth by the Company's written response to the SCN. The aforementioned provisions of the law are unambiguous and explicit. The fact that timing of interim financial statements is of essence, the disclosure requirements of these accounts have been kept to a bare minimum. Interim financial statements prepared accurately and in a timely manner provide to its users a reliable source of information regarding a Company's financial position and performance, besides illustrating the results of the management's stewardship of resources entrusted on to it.

In order to ensure transparency, all companies must meticulously adhere to the law for preparation and circulation of interim financial statements. Moreover, directors have fiduciary duties towards the Company and its shareholders while providing information to various stakeholders concerning their performance as to how diligently and ethically they are discharging their fiduciary duties and responsibilities. Directors are obliged to ensure that such mechanisms are in place, and appropriate



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 3 -

actions be taken, whereby financial and operational reporting of the company is timely achieved, whilst ensuring due compliance of the law.

10. It is pertinent to note that Respondents have deprived the shareholders of their statutory right to receive the interim financial statements of the Company within the statutory timeframe. The preparation and circulation of quarterly accounts rests with the directors of the Company who are required to take appropriate action within the time stipulated under the law. Perusal of Company records reveals that the Respondents failed to electronically transmit the Company's interim financial statements for the afore-mentioned default periods pursuant to Circular No. 24 of 2017.

11. In view of the preceding facts, I have observed that the Respondents did not electronically transmit the Company's interim financial statements for the periods ended December 31, 2017, March 31, 2018 and September 30, 2018 through the designated email address of the Commission within the statutory timeframes, hence, I conclude that the pertinent provisions of the statute have been violated, and Respondents are liable to penal action in terms of Section 237 of the Act as a result of failing to electronically transmit the Company's interim financial statements for the afore-referred periods with the Commission as stipulated under the law. Hence, the Respondents liable to penal action in terms of Section 237 of the Act. Therefore, in exercise of powers conferred under subsection (4) of Section 237 of the Act, I hereby impose a fine of Rs. 10,000/- (Rupees ten thousand only) for each of the afore-mentioned default periods on each Respondent, as per the following particulars:

S.No.	Name of Respondent	Amount in Rupees
1	Mr. Zulfiqar Ali - Chief Executive	30,000
2	Ch. Naseer Ahmed - Director	30,000
3	Mr. Abdul Shakoor - Director	30,000
4	Mr. Shakeel Ahmed - Director	30,000
5	Mr. Imtiaz Hussain Qureshi - Director	30,000
6	Mr. Nadeem Abbas - Director	30,000
7	Mr. Nafees Iqbal - Director	30,000
TOTAL		210,000

The aforementioned fines must be deposited in the designated bank account maintained with MCB Bank Limited in the name of the *Securities and Exchange Commission of Pakistan* within thirty days from the receipt of this Order, and receipted bank vouchers must be furnished to the Commission. In case of non-deposit of fine, proceedings for recovery of the same as arrears of land revenue will be initiated. It may also be noted that fines have been imposed on Respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 4 -

Nothing in this Order may be deemed to prejudice the operation of any provisions of the Act providing for imposition of penalties on Respondents in respect of any default, omission or violation thereof.

AMIR SALEEM

Joint Director / Head of Wing

Listed Companies, Adjudication Department – I

Announced:

December 17, 2020

Islamabad