



Before Abid Hussain – Executive Director

In the matter of

Mubarak Textile Mills Limited

Number and date of Show Cause Notice: CSD/ARN/376/2016-3708-14 dated May 17, 2017

Dates of Hearing: June 5, 2017, August 17, 2017, September 14, 2017, September 25, 2017, October 11, 2017, November 1, 2017, December 4, 2017 and December 21, 2017

Authorized Representative: Faisal Latif & Company, Chartered Accountants
("Authorized Representative")

ORDER

Under Clause (b) of Section 309 read with Clause (c) and (f) of Section 305 of the Companies Ordinance, 1984

This Order shall dispose of proceedings initiated in the matter of Show Cause Notice ("SCN") dated May 17, 2017 under Section 309 read with Section 305 of the Companies Ordinance, 1984 ("Ordinance") issued to board of directors of Mubarak Textile Mills Limited ("Company") through Company Secretary (collectively referred as "Respondents") of the Company.

2. The facts leading to this case, briefly stated are that Ahmed Mushir & Company, Chartered Accountants, the auditor of the Company (the "Auditors") in their Audit Report dated October 3, 2016 on Annual Audited Accounts for the period ended June 30, 2016 (the "Accounts") reported that:

- a) Direct balance confirmations were not received from the parties including debtors amounting to Rs. 9.210 million, creditors amounting to Rs. 28.392 million and advance payment amounting to Rs. 1.150 million. The Company has also not performed age analysis of debtors in terms of requirements of IFRS-7;
- b) No provision for gratuity payable was made as on June 30, 2016. Further, actuarial valuation of gratuity payable has not been carried out since 2011. Had the Company provided for the same, the liability would have been Rs. 0.889 million and increase in loss by the same amount;

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- c) The Company has ceased its operations since 2011 and it would not be able to realize its assets or discharge its liabilities in the normal course of business. The Company suffered net loss of Rs. 0.754 million during the current year and its current liabilities exceeds its current assets by Rs. 50.028 million. Hence, the Company's going concern assumption seems inappropriate;
- d) The Company's short-term running finance facility obtained from Faysal Bank Ltd. of Rs. 28.8 million has not been renewed since January 2015;
- e) The Company has not carried out revaluation of its property since 2003.

3. Based on the above stated observations, the Auditors opined that the financial statements do not give true and fair view of the financial position of the Company and its financial performance and of the loss, its cash flow and statement of changes in equity together with the Notes forming part thereof for the year ended June 30, 2016.

4. Furthermore, the Company had already disposed of its entire plant & machinery and major portion of its fixed assets consist of land and building on freehold land. The Company's business has been suspended for more than a year i.e. since year 2011. Based on the said circumstances of the Company, the Additional Registrar of Companies, Company Registration Office, Lahore approached Commission for grant of sanction in terms of clause (b) of section 309 read with clause (c) and clause (f) of Section 305 of the Ordinance to present a petition before the Honorable High Court for winding up of the Company.

5. In view of the aforesaid, SCN dated May 17, 2017 under Clause (b) of Section 309 read with Clause (c) and (f) of Section 305 of the Ordinance was issued to the Respondents to show cause as to why a petition for winding up of the Company may not be presented by the Registrar of Companies before the Competent Court on the grounds that:

- a. the Company had suspended its business for a whole year and
- b. the Company is:
 - i. conducting its business in a manner oppressive to any of its members or persons concerned with the formation or promotion of the company or the minority shareholders (Ref: Sub Clause iii)
 - ii. run and managed by persons who fail to maintain proper and true accounts, or commit fraud, misfeasance or malfeasance in relation to the company (Ref: Sub Clause iv).

6. Hearing in respect of said Notice was fixed on June 5, 2017. Said hearing notice was responded by M/s Faisal Latif & Company, Chartered Accountants, on behalf of the Respondents



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(the "Authorized Representative"). Authorized Representative requested to adjourn the hearing up to June 17, 2017. Based on the request of the Respondents, hearing was re-fixed on August 17, 2017. Authorized Representative however vide letter dated August 16, 2017 requested for further adjournment up to August 31, 2017. The request of the Authorized Representative was acceded to and the hearing was again fixed on September 14, 2017. The said hearing was attended by Mr. Faisal Latif. Authorized Representative sought further adjournment during the hearing proceedings. Subsequent to that, hearings were fixed on September 25, 2017, October 11, 2017, November 1, 2017, and December 4, 2017. The Authorized Representative vide reply letters dated September 25, 2017, October 11, 2017, November 1, 2017 and December 4, 2017 requested for adjournments. To conclude the proceedings, hearing was finally fixed on December 21, 2017. It was stated in the hearing notice that no adjournment request will be entertained and the matter will be accordingly proceeded ex-parte in case of nonappearance of respondents or their authorized representative, on the basis of material available with the Commission. No one appeared on the date of hearing.

7. It is observed with concern that numerous hearing opportunities were provided to the respondents, however adjournments were requested citing one reason or another. This shows that the Respondents are not willing to attend the proceedings. Therefore, I am constrained to conclude the proceedings based on the record available with the Commission.

8. Before proceeding further, it is necessary to advert to the following relevant provisions of Section 305 and 309 of the Ordinance, which state as under:

- Section 305 of the Ordinance states that
A company may be wound up by the Court-
 - (c) if the company does not commence its business within a year from its incorporation, or suspends its business for a whole year;
 - (f) if the company is-
 - (iii) conducting its business in a manner oppressive to any of its members or persons concerned with the formation or promotion of the company or the minority shareholders;
 - (iv) run and managed by persons who fail to maintain proper and true accounts, or commit fraud, misfeasance or malfeasance in relation to the company;
- of Section 309 of the Ordinance, states that:
"An application to the Court for the winding up of a company shall be by petition presented, subject to the provisions of this section, either by the company, or by any creditor or creditors (including any contingent or prospective creditor or creditors), or by any contributory or



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contributories, or by all or any of the aforesaid parties, together or separately, or by the registrar, or by the Commission or by a person authorized by the Commission in that behalf.

9. At the outset, I feel deeply concerned with the behavior of the Authorized Representative as well as of the Respondents, who employed delaying tactics during the course of the proceedings. The Authorized representative kept on requesting for adjournment of the hearing without any cogent reasons and also failed to submit any response to the SCN in writing. This depicted lack of willingness to appear before me or to reply the Notice. Moreover, during said period, the Respondents are found non-interested to communicate with the Commission. In this context I am of the opinion that this attitude of the Authorized Representative and Respondent does not absolve them from their legal and fiduciary responsibilities. Nevertheless, I have analyzed the facts of the case and the record available with the Commission. I observed that:

- Auditors of the Company in their Audit Report on Accounts 2016 gave adverse opinion to the members of the Company. I also reviewed the Audit Report on the Annual Audited Accounts for the year ended June 30, 2017. The Auditors once again have given an adverse opinion and reported that the financial statements do not give a true and fair view of the financial position of the company and of its financial performance and of the loss, its cash flows and statement of changes in equity together with notes forming part thereof for the year ended June 30, 2017. This shows that the board of directors of the Company are unable to prepare and maintain the books of accounts which give true and fair view and which could act as a basis for worthy investment decisions by the user of the financial statements.

Auditor's report is considered as an essential tool when reporting financial information to users, particularly the investors. Many third-party users prefer, or even require financial information to be certified by an independent external auditor, many auditees rely on auditor reports to certify their information in order to attract investors, obtain loans, and improve public appearance. An adverse opinion is a red flag for investors and can have major negative effects on stock prices. So such type of the Accounts does not in any way provide the sound basis for effective investment decisions of the user of financial statements.

- Annual Audited Accounts of the Company for the year ended June 30, 2017 reveal that operations of the Company remained suspended during the year. The Company has suspended its business since 2011 and suffered a loss of Rs 1.569 million and total comprehensive loss of Rs 0.226 million during the year whereas the accumulated losses as at June 30, 2017 were Rs. 96.083 million. As of June 30, 2017, the company's current liabilities exceeded its current assets by Rs. 49.456 million. These factors raise substantial doubts that company will be able to continue as a



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going concern and therefore may be unable to realize its assets or discharge its liabilities in the normal course of business. To date the management of the Company has not been come up with any revival plan. This reveals that no serious effort is under consideration to revive the operations of the Company.

10. In terms of notification S.R.O 1003(I)/2015 dated October 15, 2015 the power to adjudicated cases under Section 309 of the Ordinance has been delegated to Executive Director (Corporate Supervision Department).

11. I would like to reiterate that there is no change in the operational status of the Company and the Company has not submitted any viable revival plan. The operations of the Company are suspended since the year 2011. Further, the auditors' opinion on Accounts 2017 remain adverse. The Respondents have been given due hearing opportunities; however, they failed to respond the same. In view of above, I am of the considered view that the provisions stated above in Para 8 have been attracted and the Company is liable to be wound up. I, therefore, in exercise of the powers conferred on me under Section 309 of the Ordinance, hereby authorize the Additional Registrar, Company Registration Office Lahore to present a petition for winding up of the Company.

ABID HUSSAIN

Executive Director

Corporate Supervision Department

Announced:

February 06, 2018

Islamabad

