



# Securities and Exchange Commission of Pakistan

Adjudication Division  
Adjudication Department-I

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Abdullah Shah Ghazi Sugar Mills Limited

Dates of Hearings

October 19, 2020 and January 19, 2021

## Order-Redacted Version

Order dated February 10, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Abdullah Shah Ghazi Sugar Mills Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated September 7, 2020
2. Name of Company	Abdullah Shah Ghazi Sugar Mills Limited
3. Name of Individual*	The proceedings were initiated against the directors of the Company i.e. Abdullah Shah Ghazi Sugar Mills Limited
4. Nature of Offence	Violation under section 510 and section 479 of the Companies Act, 2017. The violation relates to not circulating directors' report in urdu language.
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have gone through the facts of the case, correspondence of the Company, given requirements of the Act, and submissions made by the Authorized Representative. In this regard, the matter is being summarized in the following manner:</p> <p>i. In terms of section 509 of the Act, savings provisions exist for the notifications/SROs issued before the repeal of the Companies Ordinance, 1984. Section 509(2)(b) of the Act in this regard provides that: (2) <i>Notwithstanding the repeal of the repealed Ordinance- (b) all rules, regulations, notification, guideline, circular, directive, order (special or general) or exemption issued, made or granted under the repealed Ordinance shall have effect as if it had been issued, made or granted under the corresponding provision of this Act unless repealed, amended or substituted under this Act.</i></p>



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Hence, I, am of the view that SRO 1041(I)/2015 dated October 21, 2015 is equally applicable after the promulgation of the Act.

ii. Section 236 of the Companies Ordinance, 1984 (the "Ordinance") provides requirements for making out directors' report as it, inter alia, provides that: "(1) The directors shall make out and attach to every balance-sheet a report with respect to the state of the company's affairs, the amount, if any, which they recommend should be paid by way of dividend and the amount, if any, which they propose to carry to the Reserve Fund, General Reserve or Reserve Account shown specifically in the balance-sheet or to a Reserve Fund, General Reserve or Reserve Account to be shown specifically in a subsequent balance-sheet".

Likewise Section 227(1) of the Act states that The directors shall make out and attach to the financial statements, a report with respect to the state of the company's affairs and a fair review of its business, the amount (if any), that the directors recommend should be paid by way of dividend and the amount (if any), they propose to carry to the Reserve Fund, General Reserve or Reserve Account

Moreover, section 227(5) of the Act provides that: "(5) The directors' report and statement of compliance must be approved by the board and signed by the chief executive and a director of the company."

The relevant legal provisions clearly emanate and provide that the directors of a listed company are primarily responsible to approve the contents of the directors' report and it has also been provided that directors' report to be attached with the Accounts. Moreover, in terms of SRO 1041(I)/2015 the directors' report is also required to be published in the Urdu language. The scheme of the afore referred legal provisions is to attach one additional Urdu language directors' report along with the Accounts and the directors are responsible to approve such report and otherwise are responsible for default.

iii. The language of the SRO 1041(I)/2015 is such that the words "to direct" and "publish" have been used through which it has been envisaged for making or attaching directors' report having contents in Urdu language along with the other reports and Accounts.

iv. The language of the SRO 1041(I)/2015 is in line with the requirements of section 506B of the Ordinance as both require that:

506B of the Ordinance: "The Commission may issue such directives, prudential requirements, codes, guidelines, circulars or notifications as are necessary to carry out the purposes of this Ordinance and the rules and regulations made under this



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	<p><b>Ordinance</b>". Also, SRO 1041(I)/2015 provides that: "Any deviation from the aforesaid direction will be treated as <b>contravention to the relevant provisions of the Ordinance and Rules made thereunder.</b>"</p> <p>In terms of the aforesaid, the rules and regulations and Ordinance have been mentioned to highlight a scheme of law and non-compliance of the given requirements to attract the violations provided in the scheme of law and the SRO 1041(I)/2015 does not mandatorily require to have separate Rules for the purpose of the SRO for directors' report in Urdu language.</p> <p>2. In view of the aforesaid, I, am of the view that relevant provisions of the Act and the SRO require to make directors' report in Urdu language along with the Accounts, which are not complied by the Respondents at the relevant time, and the same does not exonerate the Respondents for non-compliance of the given requirements of SRO and of the Act. However, I, have also noted that the Respondents made subsequent compliance by providing the copies of the directors' reports in Urdu language to the Commission which depict the intent of the Respondents to comply with the provisions of relevant regulatory framework.</p> <p>3. Keeping in view, I, am of the considered opinion that the Respondents have not complied with the requirements stipulated in terms of section 510 of the Act and SRO 1041(I)/2015 for not ensuring to attach directors' reports in Urdu language with Accounts for the year ended 2018 and 2019 respectively. I, therefore in exercise of powers delegated under section 510 of the Act, hereby, impose a penalty of Rs. 60,000/- (Rupees sixty thousand only) on the Respondents</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission or violation of the Act.</p> <p>Penalty order dated February 10, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 60,000/- (Rupees sixty thousand only) was imposed on all the respondents.
7. Current Status of Order	Penalty was deposited. No Appeal has been filed by the respondents.