



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 Hearing

October 19, 2020 and January 19, 2021

Order-Redacted Version

Order dated January 28, 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 192, section 193 and section 479 of the Companies Act, 2017. The violation relates to non-circulation of chairman's review report.
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. At the outset, it is important to highlight that every financial statement circulated in terms of section 223 of the Act is required to contain a review report by the chairman on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.</p> <p>Section 223(6) of the Act provides that: <i>"Every company shall send in the form and manner specified audited financial statements together with the auditors' report, directors' report and in the case of a listed company the chairman's review report to every member of the company and every person who is entitled to receive notice</i></p>



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of general meeting, either by post or electronically at least twenty-one days before the date of meeting at which it is to be laid before the members of the company, and shall keep a copy at the registered office of the company for the inspection of the members.”.

ii. Moreover, in terms of section 192 of the Act, chairman’s review report, has also been made part of financial statements. Provision of Section 192 of the Act stipulates that the financial statements circulated under Section 223 of the Act shall contain the review report by the chairman on performance of board and effectiveness of the role played in achieving the objective of the company. This clearly envisages that chairman’s review report is integral part of the financial statement and required to be circulated along with the financial statement in the manner specified. Beside this, it is also brought to the attention that the definition of financial statements, as given in terms of section 2(1)(33) of the Act, is not exhaustive and the use of word “includes” gives the impression that the defined statements are not given in entirety and there may be other such statements or reports which may be made part thereof. In terms of section 192 of the Act, chairman’s review report, in case of a listed company, has been expressly provided to be contained with the financial statements.

iii. In view of the aforesaid, I, am of the view that relevant provisions of the Act clearly requires that chairman’s review report to be contained with the financial statements and financial statements are required to be approved by the board of directors of the Company.

iv. It is expressly stated in terms of the Section 193 of the Act that “and may also be debarred by the authority which imposes the penalty from becoming a director or chief executive of a company for a period not exceeding five years”. The expression of the given provision is to highlight that the directors are the persons who are responsible for the default and penalties as provided and such penalties may be imposed on them. In view of given provisions, directors including chairman are responsible for default with the requirements of section 192 of the Act, for not making chairman’s review reports, contained with the financial statements. Hence, the Respondents, being directors, including chairman, are liable for not ensuring to contain in the financial statements, relevant chairman’s review report, as circulated, for financial years 2018 and 2019 respectively.



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	<p>v. Moreover, I, am of the view that subsequent compliance made through correspondence with the Commission in this regard, does not exonerate the Respondents for non-compliance of the given requirements of section 192 of the Act at the relevant time of circulation of financial statements for the years 2018 and 2019 respectively.</p> <p>2. Keeping in view, I, am of the considered opinion that the Respondents have not complied with the requirements stipulated in terms of section 192 of the Act for not ensuring to contain chairman's review report with financial statements for the year ended 2018 and 2019 respectively. I, therefore in exercise of powers delegated under section 193 of the Act, hereby, impose a penalty of Rs. 35,000/- only (Rupees thirty five thousand) on ***, chairman of the Company.</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 January 28, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 35,000/- only (Rupees thirty five thousand) was impose on chairman of the Company.
7. Current Status of Order	Penalty was deposited. No Appeal has been filed by the respondents.