



Corporate Supervision Department  
Company Law Division

Before Amina Aziz – Director (CSD)

*In the matter of*

**Karim Cotton Mills Limited**

Number of SCN:  
Date of the SCN

No. CSD/ARN/228/2015-1591-97  
November 24, 2015

**ORDER**

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

This order shall dispose of the proceedings initiated against the following directors including chief executive (together referred to as “respondents”) of **Karim Cotton Mills Limited** (the “Company”):

- |   |                                      |   |                                   |
|---|--------------------------------------|---|-----------------------------------|
| 1 | Mr. Muhammad Idree Haji Ebrahim, CEO | 5 | Mr. Zain ul Abedin Muhammad Yunus |
| 2 | Mr. Saeed Uddin Hameed Uddin         | 6 | Mr. Adnan Muhammad Ahmed          |
| 3 | Mr. Muhammad Arif Abdullah           | 7 | Mr. Abdul Wahid Umer              |
| 4 | Mr. Abu Talib Muhammad Yunus         |   |                                   |

These proceedings were initiated through show cause notice (the “SCN”) dated November 24, 2015, 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 On	Filed On	Delay (Days)
31-Dec-13	28-Feb-14	09-Jun-14	101
31-Mar-14	30-Apr-14	09-Jun-14	40
31-Dec-14	28-Feb-15	31-Mar-15	31
31-Mar-15	30-Apr-15	14-May-15	14

3. Consequently, the SCN was issued to the respondents whereof they were called upon to show cause in writing as to why penal action may not be taken against them under sub-section (3)



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

Continuation Sheet - 1 -

of section 245 of the Ordinance for delay in filing the aforesaid Quarterly Accounts. In response to the SCN the respondents vide letter dated December 15, 2015 submitted, as under:

- The operations of the Company have been closed since 1995 and it was not carrying on any business;
- The respondents have been continually trying to revive the Company to safeguard the interest of minority shareholders and resultantly the merger petition with Agro Allianz (Private) Limited, which belongs to a sound business group, is lying with the High Court of Sindh and is at final stages of order;
- Presently, the Company has no staff and transfer and trading in shares of the Company has been suspended by the Commission till Company's revival.
- The delay in submission of Quarterly Accounts is regretted with assurance for future compliance.

Based on the above submissions, the respondents requested for a lenient view.

4. Before proceeding further, it is important to mention that in terms of Sub-section (1) of section 245 of the Ordinance all listed companies are, inter alia, required to file their quarterly accounts with the Commission within stipulated time.

Sub-section (3) of section 245 of the Ordinance provides as under:

*"If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief accountant of the company who has knowingly by his act or omission been the cause of such default shall be liable to a fine of not exceeding one hundred thousand rupees and to a further fine of one thousand rupees for every day during which the default continues."*

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 245 (3) have been delegated to the Director (Corporate Supervision Department).

5. Subsequently, a hearing in the matter was held on January 6, 2016 and Mr. M. Idrees H. Ebrahim, the chief executive of the Company appeared before the undersigned. He mainly reiterated the earlier stance as per written submissions and while accepting the default, he requested for a lenient view and gave assurance for future compliance. In connection with this it is important to note that the applicable legal framework, i.e. section 245 of the Ordinance requires



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

*Continuation Sheet - 2 -*

separate filing of Quarterly Accounts with the Commission and the Registrar of Companies. In respect of filing of Quarterly Accounts with the Registrar, e-filing mode has been adopted; however, it does not currently cater for filing of accounts with the Commission. As such, listed companies are also required to file their quarterly and annual accounts in physical form at the Commission's head office. This fact has been amply clarified by the Commission through a press release dated January 2, 2014.

6. I have analyzed the facts of the case, relevant provisions of the Ordinance, and submissions made by the respondents. The aforesaid provisions of the law are clear and explicit. A listed company is required to file its quarterly accounts within the stipulated time, which is one month from the close of first and third quarters and two months from the close of second quarter. 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. It is directors' responsibility to oversee the functioning of the company, to keep it appropriately staffed and organized to ensure due compliance of law.

7. It is clear from the record that the Company filed the aforesaid Quarterly Accounts with the Commission with considerable delays. Therefore, provisions of the Ordinance have been contravened and the respondents are liable for penalties prescribed by sub-section (3) of section 245. However, I take into account the submissions made by the respondents and the fact that albeit with delays, the Company has ultimately filed the Quarterly Accounts with the Commission. Therefore, instead of imposing maximum prescribed fines on all the respondents, I hereby take a lenient view and impose an aggregate fine of Rs40,000/- i.e. Rs10,000 for delay in filing of Quarterly Accounts for each quarter, only on the chief executive.



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

*Continuation Sheet - 3 -*

The aforesaid 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 failure of the respondent to deposit of the fines, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the aforesaid fines are imposed on the respondent in his personal capacities; therefore, he is required to pay the said amounts from personal resources.

**Amina Aziz**  
Director (CSD)

**Announced:**  
March 10, 2016  
Islamabad