



Corporate Supervision Department
Company Law Division

Before Amina Aziz – Director (CSD)

In the matter of

Khurshid Spinning Mills Limited

Number of SCN: No. CSD/ARN/212/2015-740-46
Date of the SCN: September 22, 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 **Khurshid Spinning Mills Limited** (the “Company”):

1	Khawaja Asem Khurshid, Chairman	5	Mr. Zeeshan Saeed
2	Khawaja Amer Khurshid, CEO	6	Mr. Muhammad Shahbaz Ali
3	Mr. Muhammad Faheem	7	Mr. Faseeh Uzaman
4	Mr. Muhammad Iqbal		

These proceedings were initiated through show cause notice (the “SCN”) dated September 22, 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
30-Sep-13	31-Oct-13	05-Sep-14	309 Days
31-Dec-13	28-Feb-14	05-Sep-14	189 Days
31-Mar-14	30-Apr-14	05-Sep-14	128 Days
30-Sep-14	31-Oct-14	Not Filed	Not Filed till date

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) of section 245 of the Ordinance for delay in filing the aforesaid Quarterly Accounts. In response to



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the SCN the respondents vide letter dated October 5, 2015 submitted that the Company failed to file the Quarterly Accounts for the aforesaid periods with the Commission within prescribed time due to late holding of its Annual General Meeting ("AGM") for the year ended June 30, 2013 which was held on June 28, 2014. The Commission initiated proceedings under section 158 of the Ordinance which were concluded through order dated September 19, 2014. As per commitment given by the Company during the proceedings under section 158, the aforesaid Quarterly Accounts, which were pending at that time due to late holding of the AGM of the Company, were submitted to the Commission on September 4, 2014. Registrar of Companies also initiated and concluded proceeding against the Company for late filing of Quarterly Accounts 30-Sep-13, 31-Dec-13 and 31-Mar-14 through order (copy enclosed). The respondents further informed that Quarterly Accounts for 30-Sep-14 were also filed with the Registrar and also submitted five copies of the same to the Commission along with the reply. They gave assurance for meticulous compliance of section 245 of the Ordinance in future and 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. 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



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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.

6. It is clear from the record that the Company filed the aforesaid Quarterly Accounts with the Commission with delay. However, keeping in view the submissions made by the respondents, previous proceedings by the Registrar for late filing of the Quarterly Account and the fact that even though with a delay, they have filed the aforesaid Quarterly Accounts with the Commission, instead of imposing fine, I hereby conclude the proceedings with a warning to the respondents to be careful in future and ensure meticulous compliance with provisions of section 245 of the Ordinance.


Amina Aziz
Director (CSD)

Announced:
December 9, 2015
Islamabad