



Corporate Supervision Department
Company Law Division

Before Ms. Amina Aziz – Director (CSD)

In the matter of

Mohammad Farooq Textile Mills Limited

Number of SCN: No. CSD/ARN/181/2015-1599-1606
Date of the SCN: 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 **Mohammad Farooq Textile Mills Limited** (the “Company”):

- | | | | |
|---|-------------------------------|---|--------------------------|
| 1 | Mr. Mohammad Farooq Sumar | 5 | Ms. Faiza Imran Ahmed |
| 2 | Ms. Sabiha Sumar | 6 | Ms. Naheed Mukhtar Sumar |
| 3 | Mr. Muhammad Mukhtar Sumar | 7 | Ms. Sadia Arif |
| 4 | Mr. M. Salman Hussain Chawala | 8 | Mr. Shahbaz Sumar |

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, prima facie, failed to file the interim financial statements (“Quarterly Accounts”) for the following periods with the Commission, as per requirements of section 245 of the Ordinance:

Quarter Ended	Due On
31-Mar-14	30-Apr-14
30-Sep-14	31-Oct-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) 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 7, 2015 stated that the aforesaid Quarterly Accounts were submitted to the Commission in a timely manner. They also provided a courier



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receipt dated December 24, 2014 in respect of dispatch of Quarterly Accounts for September 30, 2014 along with the letter and stated that the receipt in respect of Quarterly Accounts for March 30, 2014 has been lost during shifting of the Company's office. Based on the submissions the respondents requested for withdrawal of the proceedings.

4. As verified from the record of the Commission, the Company had filed the Quarterly Account for the period September 30, 2014 with the Commission on December 26, 2014, i.e. with a delay of fifty six days. The prescribed filing fee has also not been paid in respect of these Quarterly Accounts. However, as per record, the Company has not filed the Quarterly Accounts for March 31, 2014 with the Commission; even though these were filed with the Companies Registration Office on June 20, 2014 i.e. with a delay of fifty one days.

5. 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).

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



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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. It is important to note that the applicable legal framework, i.e. section 245 of the Ordinance requires 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, companies are still 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

7. It is clear from the record that the Company filed the Quarterly Accounts for September 30, 2014 with the Commission with delay and Quarterly Accounts for March 31, 2014 were not filed with the Commission. However, keeping in view the submissions made by the respondents and the fact that the Quarterly Accounts were filed with the Registrar, 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.

Before concluding the order I hereby invoke the provisions of section 473 of the Ordinance and direct the respondents to file the Quarterly Accounts for quarter ended March 31, 2014 with the Commission along with the prescribed filing fee. Moreover, the respondent are also directed to provide evidence of payment of filing fee in respect of Quarterly Accounts for quarter ended September 30, 2014.

Amina Aziz
Director (CSD)

Announced:
December 18, 2015
Islamabad