



Corporate Supervision Department  
Company Law Division

Before Ali Azeem Ikram – Executive Director (Corporate Supervision Department)

*In the matter of*

**Super Al-Quresh Flour Mills (Private) Limited**

Number of the show cause notice: EMD/242/P/70/2012-415-416, dated September 13, 2013

Date of the show cause notice: September 13, 2013

**ORDER**

**UNDER SECTION 492 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against following directors including the chief executive (the “respondents”) of **Super Al-Quresh Flour Mills (Private) Limited** (the “Company”):

1.	Mr. Ahmed MashAllah Qureshi, Chief Executive
2.	Ms. Kanwal Khanum, Director

These proceedings against the respondents were initiated through show cause notice (the “SCN”) dated September 13, 2013 issued under section 492 read with section 476 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The brief facts of the case are that examination of the annual accounts (the “Accounts”) for the year ended June 30, 2011 of M/s Super Al-Quresh Flour Mills (Pvt.) Limited (the “Company”) filed under Section 242 of the Companies Ordinance, 1984 (“Ordinance”) with the Registrar revealed that the Audit Report (the “Report”) to the members attached with the Accounts was purportedly signed by Munawar Associates, Chartered Accountants (“MACA”). The aforesaid Accounts contained the statement that filed accounts for the year ended June 30, 2011 are audited. Moreover, a letter dated October 31, 2010 of consent to act as auditor submitted by the Company with Company Registration Office (“CRO”) Peshawar reflected that MACA were purportedly appointed as auditor of the Company for the year 2011 and also gave consent to this effect through the said letter. In separate proceedings held before the Commission in respect of other proceedings, the representative of MACA stated that they neither conducted the audit of Accounts of the Company for the year ended June 30, 2011 nor issued any audit report on those Accounts.



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MACA also provided copy of a public notice published in newspapers on January 22, 2012 in terms whereof general public was informed that MACA is a sole proprietorship firm owned by Mirza Munawar Hussain with its only office located on Wahdat Road, Lahore. It was also brought to the attention of the general public that some people were illegally using the MACA's name in Peshawar which was illegal and without authority.

3. In view of the aforesaid facts, it appeared that the respondent being directors of the Company, *prima facie*, misstated that the Accounts of the Company for the year ended June 30, 2011 were audited by MACA and by filing related documents containing the misstatement that MACA was appointed auditor of the Company for the year ended June 30, 2011 and gave consent to this effect. Consequently, the SCN dated September 13, 2013 issued to the respondents under section 492 of the Ordinance in terms whereof they were called upon to show cause in writing as to why penal action may not be taken against them for their alleged misstatements. The respondents were further informed that in case they wished to be heard in person or through an authorized representative, they might inform in writing within a week of the date of the notice. The respondent failed to submit any reply to the SCN, therefore, they were provided opportunities of hearings on December 18, 2013 and December 23, 2013 through hearing notices dated December 12 and December 17, 2013. However, no one appeared on the appointed dates and time. The respondents also failed to submit any response to the SCN despite elapse of considerable time after issuance of the SCN. Subsequently, the Commission through letters dated March 25 and June 24, 2015, fixed hearings on March 30, 2015, July 6, 2015 and October 21, 2015, however, the respondents neither attended the hearings nor submitted any response. The Commission through letter dated November 24, 2015 provided a final opportunity of hearing to the respondents on December 1, 2015. In addition to dispatch of the hearing notice at the registered office of the Company, it was also delivered at the other correspondence address of the respondents available on record. It was clearly communicated to the respondents that it was final opportunity of hearing provided to them and in case the respondents' failure to appear in person or through authorized representative, the Commission will proceed to issue an *ex parte* order on the basis of material available on record. The respondents again failed to make an appearance or submit reply to the SCN.





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4. Before proceeding further, it is necessary to advert to the section 492 of the Ordinance that states as under:

*“Whoever in any return, report, certificate, balance sheet, profit and loss account, income and expenditure account, prospectus, offer of shares, books of accounts, application, information or explanation required by or for the purposes of any of the provisions of this Ordinance or pursuant to an order or direction given under this Ordinance makes a statement which is false or incorrect in any material particular, or omits any material fact knowing it to be material, shall be punishable with fine not exceeding five hundred thousand rupees.”*

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 492 of the Ordinance have been delegated to the Executive Director (Corporate Supervision Department).

5. I have analyzed the facts of the case, relevant provisions of the Ordinance and the material available on record. It is clear that the respondents have misstated that the Accounts of the Company for the year ended June 30, 2011 were audited by MACA. The degree of misstatement by the respondents is further augmented by the fact that the documents filed by the Company to the ROC incorrectly portray that MACA gave its consent for appointment as auditor of the Company, was so appointed and conducted the audit of Accounts for the year ended June 30, 2011. This is clearly a misstatement on the part of the respondents owing to the fact that MACA clearly stated that it was neither appointed as the auditor of the Company nor did it conduct the audit of the Company's Accounts. By attaching a fake auditors' report to the Accounts, the respondents have deceived the Commission as they have presented the unaudited Accounts as being audited. The respondents have failed to submit any response to the allegations and also have not appeared in hearings despite being provided ample opportunities. In the absence of authentic auditor's report, credibility of financial statement becomes doubtful owing to lack of independent and credible check.

6. I deem it necessary to make some observations on the importance of the conduct of the board of directors ("BOD"). The directors of a company hold a fiduciary position. They also hold



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the trust of the shareholders who have invested in the company and have empowered the BOD to manage it. The BOD is expected to run the Company within the parameters of law, in a manner which is fair, prudent and beneficial for the company and its shareholders. The audit of financial statements is of great importance to ensure credibility of the information contained therein. The law, recognizing this situation, has provided for the appointment of auditors who shall be responsible to audit the books of account, documents and financial statements required by the law and make out a report on them. This being the only independent safeguard and check provided by law to ensure accountability of the management, provides a degree of credibility to the financial statements. For these reasons, it is of utmost importance that the statutory auditor is appointed to carry out the audit and provide his report to members on the financial statements. In this instance, the BOD has encroached upon the right to receive independently verified true financial information and have also endeavored to deceive the Commission. This action has shaken the core of relationship between the BOD and the shareholders.

7. For the foregoing reasons, I am of the view that the provisions of section 492 of the Ordinance have been violated by the respondents, who have failed to submit any response to the allegations levelled against them and also have not availed several opportunities of hearing provided to them. Considering these fact, in exercise of the powers conferred by section 492 of the Ordinance, I hereby impose an aggregate fine of Rs100,000/- (Rupees one hundred thousand only) on the respondents. The respondents are directed to deposit the fines in the following manner:

Name of Respondents	Amounts in Rupees
1. Mr. Ahmed MashAllah Qureshi, Chief Executive	50,000
2. Ms. Kanwal Khanum, Director	50,000
<b>Total</b>	<b>100,000</b>

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 furnish receipted bank vouchers to the Commission. In case of non-deposit of the penalties, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the aforesaid penalties are imposed on the respondents in



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their personal capacity; therefore, they are required to pay the said amount from personal resources.

Before parting with the order, I hereby invoke provisions of section 473 of the Ordinance and direct the present management of the Company, as under:

- To file with the registrar the duly audited annual accounts for the year ended June 30, 2011 along with auditor's reports, within thirty days from the date of this order; and
- To file the relevant forms, including Form-29 & Form-A containing, inter alia, correct information about the statutory auditors of the Company, within thirty days from the date of this order.

**ALI AZEEM IKRAM**  
Executive Director (CSD)

**Announced:**  
December 3, 2015  
Islamabad