



Corporate Supervision Department
Company Law Division

Before Abid Hussain – Executive Director

In the matter of

Safa Textiles Limited

ORDER

Number and date of notice: CSD/ARN/148/2015-1956-62 dated December 22, 2016
Date of hearing: April 17, 2017
Present: Mr. Muhammad Fahad Sheikh and Mr. Taha Farooq Khan
("authorized representative")

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

This order shall dispose of the proceeding initiated against directors and chief executive ("respondents") of Safa Textile Limited (the "Company") through show cause notice (the "SCN") dated December 22, 2016 under the provisions of Section 492 read with Section 476 of the Companies Ordinance 1984 (the "Ordinance").

2. The facts leading to this case, briefly stated, are that, review of annual audited accounts ("Accounts") of the Company for the year ended June 30, 2015 revealed following observations:

- a) The Company has failed to disclose in accordance with clause 4(iii) c part of the fourth schedules to the Companies Ordinance, 1984 (the "Ordinance") that the investment out of the provident fund have been made in accordance with the provisions of section 227 of the Ordinance and rules formulated for this purpose;
- b) The Company has failed to disclose breakup of investments by the provident fund in categories as required by clause 4 (iii) b of part III of the fourth schedules to the Ordinance;
- c) The Company has misstated the size of the provident fund in note 29 to the accounts as follows:

As at	Size of the fund as per Accounts (note 29)	Size of the fund as per provident fund accounts
June 30, 2015	1,110,074	725,998
June 30, 2014	1,049,766	737,161

- d) The Company has also misstated in note 29 to the accounts, cost of investment made, percentage of investment made and fair value of investment made as nil;



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- e) The Company has misstated/failed to disclose the contribution by the Company to the provident fund during the year in accordance with International Accounting Standard (the "IAS") 24 related parties:
- f) The Company has stated in note 17.1 that:
"..... and the contributions were made to the trust in accordance with the requirements of Section 227 of the Ordinance."
- g) Review of the financial statements of the fund for the year ended June 30, 2015 shows a total contribution of Rs. 75,776 made by the Company including the employees contribution. However, the record shows that the only payment credited to the provident fund bank account during the year was Rs. 13,344 on January 13, 2015.

3. In view of the above, it *prima facie* appeared that Accounts for the year ended June 30, 2015 were misstated. Therefore, SCN was issued to the respondent under the provisions of Section 492 of the Ordinance. The respondents failed to submit reply in writing.

4. Hearing in the matter was held on April 17, 2017 and the authorized representatives Mr. Muhammad Fahad Sheikh and Mr. Taha Farooq Khan appeared on behalf of respondents and submitted the following:

- The financial statements of the provident fund were unaudited.
- The Company failed to disclose breakup of investment by provident fund in categories as required by clause (iii) b part of iii of the fourth schedule to the Ordinance.
- The size of the fund was Rs. 554,917 in 2015 and Rs. 567,579 in 2016.
- Funds were utilized by the Company and fair value of the investment was Rs. 567,759.

5. Before proceeding further, it is necessary to advert to the following relevant provisions of Section 492 of the Ordinance, which 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



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in any material particular, or omits any material fact knowing it to be material, shall be punishable with a fine not exceeding five hundred thousand rupees."

6. 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).

7. I have analyzed the facts of the case, relevant provisions of the Ordinance, arguments put forth by the authorized representative during the hearing and observed the following:

- Major discrepancies has been observed regarding size of the provident fund as follows:

As at	Size of the fund as per Accounts (note 29)	Size of the fund as per provident fund accounts
June 30, 2015	1,110,074	725,998
June 30, 2014	1,049,766	737,161

- The Company has disclosed size of the provident fund in the Accounts-2016 as follows:

	2016	2015
Size of the fund	547,579	554,917

- The Company has restated the size of the provident fund for the year 2015 in Accounts-2016 from Rs. 1,110,074 to Rs. 554,917 without providing any justifications. The auditor of the Company has given adverse opinion regarding the financial statements of 2016.

8. For the foregoing reasons, I have reasonable grounds to believe that the Company has misstated regarding size of the provident fund, contribution made to the fund and also failed to provide disclosures of the fund as required by clause 4 (iii) of part III of the fourth schedules to the Ordinance, consequently, the respondents have made themselves liable under the provision of Section 492 of the Ordinance. Therefore, in exercise of the powers conferred by the aforesaid provision of the Ordinance, I hereby impose a fine of Rs.35,000/- (Rupees thirty five thousand only) in aggregate on respondents in term of Section 492 of the Ordinance. The respondents are directed to deposit the fine in the following manner:

S.#	Names of Respondents	Amounts in Rs.
1	Mr. Adnan Iqbal	5,000
2	Mr. Syed Iqbal Hussain	5,000



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3	Mr. Syed Tarique Hussain	5,000
4	Mrs. Farhat Iqbal	5,000
5	Mrs. Seema Adnan	5,000
6	Mrs. Sabeen Tarique	5,000
7	Mr. Syed Marib Hussain	5,000

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 said fines are imposed on respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

Further, in terms of Section 473 of the Ordinance, the Chief Executive is hereby directed to provide audited financial statements of provident fund for the financial year 2014, 2015 and 2016 within 60 days of this order failing which necessary proceedings shall be initiated under the provisions of section 495 of the Ordinance.

Abid Hussain
Executive Director

Announced:
April 24, 2017
Islamabad