



Before Ms. Amina Aziz – Director (CSD)

In the matter of

Shadman Cotton Mills Limited

Number and date of SCN: No. CSD/ARN/266/2016, dated May 09, 2017
Date of hearing: May 30, 2017
Authorized Representative: Mr. Shahid Mahmood, Chief Financial Officer

ORDER

UNDER SECTION 245 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984

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

- | | | | |
|---|----------------------|---|------------------|
| 1 | Mr. Shahid Mazhar | 6 | Mr. Abdul Razzaq |
| 2 | Mr. Ahmed Bin Shahid | 7 | Mr. Fida Hussain |
| 3 | Mrs Ghazala Shahid | | |
| 4 | Mrs. Naureen Rehan | | |
| 5 | Mr. Muhammad Akhtar | | |

The proceedings against the respondents were initiated through show cause notice (the “SCN”) dated May 09, 2017 under the provisions of section 245 read with section 476 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The brief facts of the case are that the Company did not file the interim financial statements (“Quarterly Accounts”) were filed with the Commission with delay.

Quarter Ended	Due On	E-Filed On
30-Sep-15	31-Oct-15	-----

SECURITIES AND EXCHANGE
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31-Dec-15	29-Feb-16	27-May-16
31-Mar-16	30-Apr-16	27-May-16
30-Sep-16	31-Oct-16	-----

Consequently, the SCN was issued to the respondents whereof they were called upon to show cause in writing within fourteen days as to why penal action may not be taken against them under sub-section (3) of section 245 of the Ordinance for not filing the aforesaid Quarterly Accounts with the Commission in a timely manner, as per requirements of the law.

3. Hearing in the matter was held on May 30, 2017 Mr. Shahid Mahmood appeared on behalf of the Company before the undersigned and stated that the Company is in losses and the shortage in funds resulted staff shortage due to which the statutory requirements could not be fulfilled judiciously. However, the accounts were sent to Pakistan Stock Exchange on time. Lastly, the representative requested for a lenient view.

4. Before proceeding further, it is necessary to advert to the following relevant provisions of the Ordinance. In terms of sub-section (1) of section 245 of the Ordinance read with Commission's circular no. 9 dated March 19, 2003, all listed companies are, inter alia, required to file their quarterly accounts with the Commission within stipulated time i.e. one month from the close of first and third quarters and two months from the close of second quarter.

Sub-section (3) of section 245, inter alia, provides as under:

(3) 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.

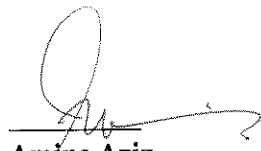
In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 245 have been delegated to the Director (Corporate Supervision Department).

5. I have analyzed the facts of the case, relevant provisions of the Ordinance, and submissions made by the respondents. Before deciding upon on matter, 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. In addition to their responsibility of overseeing and managing affairs of the Company, directors also have fiduciary duties towards the Company and its shareholders. I would like to highlight that 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 Company and its shareholders. They are, therefore, liable to a higher level of accountability, which requires them to be vigilant and perform their duties with care and prudence. 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 aforesaid Quarterly Accounts have been filed with the Commission with delay, however, these timely transmitted to the stock exchange. Keeping in view the assurance for strict abidance instead of imposing fine, I hereby conclude the proceedings with a strict warning and direct the respondents to be careful in future and ensure meticulous compliance with applicable laws and directions of the Commission.



Amina Aziz
Director (CSD)

Announced:
August 28, 2017
Islamabad

