



Corporate Supervision Department
Company Law Division

Before Amina Aziz – Director (CSD)

In the matter of

Sally Textile Mills Limited

Number of SCN: No. CSD/ARN/2015-3316-22 dated February 19, 2015
Hearing held on: November 2, 2015
Present: Mr. Syed Abid Raza Zaidi, Company Secretary

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 **Sally Textile Mills Limited** (the “Company”):

- | | | | |
|---|----------------------------------|---|----------------------------------|
| 1 | Main Iqbal Salahuddin, CEO | 5 | Main Sohail Salahuddin, Director |
| 2 | Mst. Munira Salahuddin, Director | 6 | Sheikh Abdul Salam, Director |
| 3 | Main Yousaf Salahuddin, Director | 7 | Syed Abid Raza Zaidi, Director |
| 4 | Main Asad Salahuddin, Director | | |

The proceedings were initiated through show cause notice (the “SCN”) dated February 19, 2016 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 period ended September 30, 2013, which were required to be filed by October 31, 2013. 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 not filing the aforesaid Quarterly Accounts. In response to the SCN, Syed Abid Raza Zaidi, the Company Secretary, submitted reply through his letter dated February 24, 2016 and stated that it came as a surprise for the respondents that the Quarterly Account were not filed. The Quarterly Accounts along with filing fee was also submitted along with the reply. A hearing in the matter was held on March 8, 2016 and the Company Secretary appeared on behalf of the respondents and stated that non-filing of the aforesaid Quarterly Accounts was only an unintentional oversight and as soon as it came to



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knowledge of the respondents, the same were filed with the Commission along with filing fee. He further stated that the Company has been compliant in respect of filing in the past.

3. Before proceeding further it is necessary to refer to the following provisions of the Ordinance:

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).

4. In connection with this 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, listed companies are also 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.

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 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



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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. As per record, the Company did not file the Quarterly Accounts for period ended September 30, 2013 with the Commission in a timely manner, as per requirements of section 245 of the Ordinance. However, I take into account the fact that subsequent to issuance of the SCN, the Quarterly Accounts were immediately filed along with the filing fee. Moreover, the overall compliance history of the Company with regard to filing of Quarterly Accounts is satisfactory. Therefore, keeping in view these facts, I hereby conclude the proceedings with a warning to the respondents to be careful in future with regard to applicable legal provisions.


Amina Aziz
Director (CSD)

Announced:
March 10, 2016
Islamabad