



Corporate Supervision Department
Company Law Division

Before Amina Aziz – Director (CSD)

In the matter of

Azmat Textile Mills Limited

Number of SCN: No. CSD/ARN/164/2015-1962 dated June 25, 2015
Hearing held on: November 2, 2015
Present: Mr. Asghar Imam Khalid and Mr. Riaz Haider, representatives

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

- | | | | |
|---|-------------------------|---|--------------------|
| 1 | Mr. Hafeez Azmat Shaikh | 5 | Mrs. Yasmeen Ishaq |
| 2 | Mr. Khalid Azmat Shaikh | 6 | Mrs. Arifa Awan |
| 3 | Mr. Tariq Azmat Shaikh | 7 | Mrs. Rehana Hafeez |
| 4 | Mr. Hamid Azmat Shaikh | | |

These proceedings were initiated through show cause notice (the “SCN”) dated June 25, 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 did not file the interim financial statements (“Quarterly Accounts”) for the following periods with the Commission, in a timely manner as per requirements of section 245 of the Ordinance:

Quarter Ended	Due On	Filed On
31-Mar-14	31-May-14	Not Filed
30-Jun-14	31-Jul-14	Not Filed
31-Dec-14	31-Jan-15	Not Filed
31-Mar-15	31-May-15	Not Filed

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)



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of section 245 of the Ordinance for delay in filing the aforesaid Quarterly Accounts. In response to the SCN, Mr. Ashgar Imam Khalid, submitted reply through his letter dated July 7, 2015, on behalf of the respondents. He stated that the Company has been dormant and no commercial business activity was being undertaken by it. He further requested to fix the case for hearing. Subsequently, through letter dated September 17, 2015, the case was fixed for hearing on October 2, 2015, however, the representative of the respondents requested for extension of fifteen days for submission of reply. The case was again fixed for hearing on October 19, 2015, however, the representative could not produce power of attorney from all the respondents, therefore, hearing was adjourned. Finally, the hearing was held on November 2, 2015 and Mr. Asghar Imam Khalid and Mr. Riaz Haider, appeared before the undersigned on behalf of the respondents. With reference to the contents of the SCN, following submissions were made in writing and verbally:

- The Company shall comply with the requirements regarding filing of Quarterly Accounts;
- Despite being a dormant company, requirements of filing of Form A and Form 29 have been complied with;
- Annual return for the year 2015 will be filed in due time;
- There is no commercial production or activity in the Company since April 1993 and the main reason for keeping the Company is one pending case in High Court of Sindh for recovery. Once the case is decided, the Company will be wound up;
- The Company has started process of delisting from Karachi Stock Exchange;
- Last quoted price of Company's share was Rs.9.7 per share;
- There is no professional staff currently employed by the Company.

Subsequently, in line with the instructions of the undersigned, Mr. Asghar Imam Khalid through letter dated November 4, 2015, following schedule of filing of Quarterly Accounts and holding of the AGM was communicated:

Period Ended	To be filed by
31-Mar-14	12-Nov-15
30-Jun-14	19-Nov-15
31-Dec-14	26-Nov-15
31-Mar-15	03-Dec-15
30-Jun-15	10-Dec-15

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4. As confirmed from the record of the CRO, Karachi, the Company the status of filing of Quarterly Accounts is as under:

Period Ended	Filed on
31-Mar-14	17-Nov-15
30-Jun-14	17-Nov-15
31-Dec-14	Not filed
31-Mar-15	Not filed
30-Jun-15	18-Jan-16

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. 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.

7. 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



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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 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.

8. As per record, the Company has filed Quarterly Accounts for quarters ended March 31, 2014 and June 30, 2014 with the CRO, Karachi. However, Quarterly Accounts for December 31, 2014 and March 31, 2015 have not been filed with the CRO. It is also clear from the record that the Company has not filed any of the aforesaid Quarterly Accounts with the Commission till date and therefore, the respondents are liable for penalties prescribed by sub-section (3) of section 245 of the Ordinance. However, I take into account the submissions made by the respondents and the fact that, the Company has been trying to comply with the requirements of the Ordinance regarding statutory filings. Therefore, instead of imposing maximum prescribed fines, I hereby take a lenient view and impose an aggregate fine of Rs35,000/- (thirty five thousand only) on the respondents as under:

Name of Respondents	Amounts in Rupees
Mr. Hafeez Azmat Shaikh	5,000
Mr. Khalid Azmat Shaikh	5,000
Mr. Tariq Azmat Shaikh	5,000
Mr. Hamid Azmat Shaikh	5,000
Mrs. Yasmeen Ishaq	5,000
Mrs. Arifa Awan	5,000
Mrs. Rehana Hafeez	5,000
Total	35,000

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 receipted bank vouchers must be furnished to the Commission. In case of failure of the respondents to deposit of the fines, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the aforesaid fines are imposed

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on the respondents in personal capacities; therefore, they are required to pay the said amounts from personal resources.

Before parting with the order, I hereby invoke the provisions of section 473 of the Ordinance and direct the respondents to file physical copies of the Quarterly Accounts with the Commission along with requisite filing fee within thirty days from the date of receipt of this order.

Amina Aziz
Director (CSD)

Announced:
March 10, 2016
Islamabad