



Corporate Supervision Department  
Company Law Division

Before Ms. Amina Aziz – Director (CSD)

*In the matter of*

**Annoor Textile Mills Limited**

Number and date of SCN: CSD/ARN/63/2015-2458-2464, dated January 13, 2016

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

- |   |                                     |   |                     |
|---|-------------------------------------|---|---------------------|
| 1 | Mr. Muhammad Ibrahim, Chairman      | 5 | Mr. Muhammad Arshad |
| 2 | Mr. Farooq Ibrahim, Chief Executive | 6 | Mr. Muhammad Anees  |
| 3 | Mr. Muhammad Arif                   | 7 | Mr. Muhammad Irshad |
| 4 | Mr. Abdul Qadir                     |   |                     |

The proceedings against the respondents were initiated through show cause notice (the “SCN”) dated January 13, 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 review of record revealed that the Company did not file the interim financial statements (“Quarterly Accounts”) for the following periods with the Commission, as per requirements of section 245 of the Ordinance:

Quarter Ended	Due On
31-Dec-14	28-Feb-15
31-Mar-15	30-Apr-15
30-Sep-15	31-Oct-15

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. The respondents were required to submit their reply to the SCN within fourteen days, however, they failed to respond



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3. The case was fixed for hearing on February 15, 2016 through hearing notice dated February 2, 2016. The respondents through letter dated February 9, 2016 requested for adjournment. Another hearing was fixed on February 29, 2016 as a final opportunity to the respondents to appear before the undersigned to clarify their position. It was clearly communicated that in case, the respondents fail to appear in person or through authorized representative the Commission will proceed to issue ex-parte order. In response, Mr. Farooq Ibrahim, the chief executive of the Company through letter dated February 25, 2016 confirmed that he or his representative will appear in the hearing through video conferencing facility available at the Company Registration Office of the Commission in Karachi. He further confirmed that the hearing via video link would constitute a valid opportunity of hearing as recognized by law. However, no one appeared on the appointed date and time.

4. It has been noted that respondents have neither submitted any written response to clarify their position with respect to the alleged violation of section 245 of the Ordinance for not filing the Quarterly Accounts nor have they appeared in the hearings. It is clear that they do not have any tenable arguments to justify the default in holding of the AGMs of the Company. Moreover the Company has a poor track record of holding the AGMs and filing of Quarterly Accounts. It has failed to hold the AGMs for the year 2013 through to 2015 and respective annual accounts and Quarterly Accounts have also not been filed. Previously, proceedings under section 245 for not filing the quarterly accounts for quarter ended September 30, 2013 through to September 30, 2014 have been concluded with penalties imposed on the respondents. The respondents despite their commitment to hold the overdue AGM for the year 2013, the same has not been held till date, as per record. The Company would not be able to prepare and file its respective Quarterly Accounts unless it holds its overdue AGMs and gets the annual accounts finalized and audited. It is also relevant to note that in previous proceedings under section 158, the respondents pleaded that AGM for the year 2013 was not held due to which AGMs for 2014 and 2015 could also not be held. They cited that there were issues regarding audit of annual accounts for the year 2013. In respect of issues relating to audit of financial statements of the Company for the year ended June 30, 2013, as were cited by the authorized representative during the previous proceedings, a letter was written by the Commission to Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants, who were stated to be the auditor of the Company by the representative. The stated auditor was





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requested to provide information on the impediments in finalization of audit of financial statements of the Company for the years ended June 30, 2013 and June 30, 2014 along with tentative dates of completion of respective audits. In response, the stated auditor submitted that it has not been approached so far by the Company for audit of financial statements of the Company for aforesaid periods.

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 of the Ordinance have been delegated to the Director (Corporate Supervision Department).

6. 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 that is one month from the close of first and third quarters and two months from the close of second quarter. Initially listed companies were only required to circulate annual accounts and the shareholders did not have information about the affairs of companies during the year. 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. In addition to their responsibility of overseeing and managing affairs of the Company, directors also have fiduciary duties towards the 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. In terms of the Ordinance the directors are primarily responsible for approval of accounts. In this context the respondents' cannot absolve themselves of their statutory duties regarding preparing and filing of annual and quarterly accounts

7. I have observed that the respondents, despite their earlier commitment in writing to submit an update to the Commission by February 10, 2015 regarding holding of the overdue AGMs for previous year ended June 30, 2013 did not submit the same. Non holding of AGM for 2013 is the root cause of all the subsequent defaults in holding AGMs and filing of annual and Quarterly Accounts. The respondents have also failed to provide any update regarding subsequent AGMs and quarterly accounts. In the previous proceedings, an undertaking signed by six out of seven respondents was also submitted whereof, it was stated that the overdue AGMs will be held by June 30, 2015. However, the undertaking was not backed by action as the Company did not even approach the auditor for audit of its financial statements for the years ended June 30, 2013 and June 30, 2014. This shows the lax behavior of the respondents towards their duty to ensure compliance with applicable legal provisions. Despite being given ample opportunity of hearing to clarify their position, the respondents have not appeared in hearings. Therefore, I am proceeding to issue ex-parte order based on available record.

8. In view of the above stated facts, I have concluded that the provisions of the law have been violated and the respondents are liable to fines in terms of section 245 of the Ordinance, as they failed to prepare and file the respective Quarterly Accounts of the Company. Therefore, in exercise of powers under sub-section (3) of section 245 of the Ordinance, I hereby impose an aggregate fine of Rs140,000/- (Rupees one hundred fifty thousand only) on the respondents, as per following details:





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Name of Respondents	Total
1. Mr. Muhammad Ibrahim, Chairman	Rs20,000
2. Mr. Farooq Ibrahim, Chief Executive	Rs20,000
3. Mr. Muhammad Arif, Director	Rs20,000
4. Mr. Abdul Qadir, Director	Rs20,000
5. Mr. Muhammad Arshad, Director	Rs20,000
6. Mr. Muhammad Anees, Director	Rs20,000
7. Mr. Muhammad Irshad, Director	Rs20,000
<b>TOTAL</b>	<b>Rs140,000</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 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 on the respondents in their personal capacities; therefore, they are required to pay the said amounts from personal resources.

**Amina Aziz**  
Director (CSD)

**Announced:**  
April 7, 2016  
Islamabad