



Corporate Supervision Department  
Company Law Division

Before Amina Aziz – Director (CSD)

*In the matter of*

**Fateh Textile Mills Limited**

Number and date of SCN: CSD/ARN/141/2015-3557-63 dated March 8, 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 Fateh Textile Mills Limited (the “Company”):

- |   |                           |   |                        |
|---|---------------------------|---|------------------------|
| 1 | Mr. Gohar Ullah, Chairman | 2 | Mr. Muhammad Ayub      |
| 3 | Mr. Muhammad Saleem, CEO  | 4 | Mr. Soofi Taj Muhammad |
| 5 | Mr. Humayun Barkat        | 6 | Mr. Hasinuddin         |
| 7 | Mr. Maqsood Ahmed Khan    |   |                        |

These proceedings were initiated through show cause notice (the “SCN”) dated March 8, 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 following periods with the Commission, as per requirements of section 245 of the Ordinance:

Quarter Ended	Due On	Remarks
30-Sep-13	31-Oct-13	Not Filed
31-Dec-14	28-Feb-15	Not Filed
31-Mar-15	30-Apr-15	Not Filed
30-Sep-15	31-Oct-15	Not Filed

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 terms of the law.

The respondent was also provided an opportunity of hearing in person or through authorized



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representative on March 25, 2016 to clarify their position with regard to the aforesaid alleged violation of the law.

3. In response to the SCN, the Company through letter dated March 24, 2016 requested for extension of fifteen days in time for submission of reply. The case was again fixed for hearing on April 26, 2016 and May 9, 2016, but the Company requested for adjournment each time. By way of providing a final opportunity to the respondents, another hearing was fixed on and May 24, 2016 through hearing notice dated May 5, 2016. The respondents were advised to make arrangements to attend the hearing in person or through authorized representative. It was explicitly mentioned in the hearing notice that in case the respondents fail to appear in person or through a representative, the Commission will proceed to pass an ex parte order on the basis of material available on record. The respondents again failed to make appearance on the appointed date and time.

4. 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 154 (I)/2015 dated February 19, 2015, the powers to adjudicate cases under section 245 (3) 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. 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. 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



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but these also show the results of management's stewardship of resources entrusted to it. 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. 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. 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. It is mandatory for the directors of a listed company to have knowledge of provisions of applicable laws and in terms of the Ordinance the directors are primarily responsible for approval of accounts. I have noted that the respondents despite being given ample opportunity have neither submitted any written response to clarify their position with reference to the allegations level in the SCN, nor have they appeared for hearings. Therefore, I am constrained to issue an ex parte order against them. It is also pertinent to mention that the Company had failed to file its quarterly accounts regularly since December 31, 2012 for which the proceedings under section 245 were previously concluded through order dated October 6, 2015 with a penalty of Rs140,000 imposed on the directors. It reflects that the Company has a history of non-compliance with the legal provisions regarding filing of quarterly accounts.

6. 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 Rs240,000/- (Rupees two hundred forty thousand only) on the respondents, as per following details:

Name of Respondents	Total
1. Mr. Gohar Ullah, Chairman	Rs40,000
2. Mr. Muhammad Saleem, CEO	Rs40,000
3. Mr. Humayun Barkat	Rs40,000
4. Mr. Maqsood Ahmed Khan	Rs40,000
5. Mr. Muhammad Ayub	Rs40,000
6. Mr. Soofi Taj Muhammad	Rs40,000
<b>TOTAL</b>	<b>Rs240,000</b>



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As informed by Mr. Hasinuddin, he resigned as director of the Company with effect from October 2014, therefore, proceedings against him are concluded with a stern warning with regard to non-filing of quarterly accounts for the quarter ended September 30, 2013 only.

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.

**Amna Aziz**  
Director (CSD)

**Announced:**  
May 30, 2016  
Islamabad