



Corporate Supervision Department
Company Law Division

Before Ms. Amina Aziz – Director (CSD)

In the matter of

Babri Cotton Mills Limited

Number and date of SCN: CSD/ARN/198/2015-395-402, dated August 24, 2015
Hearing held on: September 8, 2015
Present: Mr. Ali Waqas, Company Secretary, Authorized Representative

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 **Babri Cotton Mills Limited** (the "Company"):

| | | | |
|---|---------------------------------|---|-------------------------------|
| 1 | Mr. Raza Kuli Khan Khattak, CEO | 5 | Dr. Shaheen Kuli Khan Khattak |
| 2 | Mr. Ahmed Kuli Khan Khattak | 6 | Mr. Muhammad Ayub |
| 3 | Mrs. Zeb Gohar Ayub | 7 | Ch. Sher Muhammad |
| 4 | Mrs. Shahnaz Sajjad Ahmad | 8 | Dr. Hamid Zeb Khan |

These proceedings were initiated through show cause notice (the "SCN") dated August 28, 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 | Delay |
|---------------|-----------|-----------|---------|
| 30-Sep-13 | 31-Oct-13 | 02-Dec-13 | 32 Days |
| 31-Mar-14 | 30-Apr-14 | 19-May-14 | 19 Days |

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 delay in filing the aforesaid Quarterly Accounts. In response to



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the SCN the respondents vide letter dated August 31, 2015 submitted that the Quarterly Accounts for the aforesaid periods could not be submitted with the Commission in a timely manner and were submitted with delay due to negligence of the ex-company secretary who has now resigned and the new company secretary has been appointed in his place. The respondents gave assurance for meticulous compliance with regard to all the requirements of the Ordinance in future and requested for a lenient view.

3. The case was fixed for hearing on September 8, 2015 and the respondents were represented by Mr. Ali Waqas, the company secretary who made verbal submissions and reiterated the respondents' earlier written stance. He further stated that the Quarterly Accounts were placed on the website of the Company and were submitted to the Karachi Stock Exchange ("KSE") in a timely manner. He provided letters of dispatch of Quarterly Accounts to the KSE with receiving stamps as evidence of timely submission. He admitted the default in filing of the Quarterly Accounts with the Commission stating that it was inadvertent and may please be condoned.

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.



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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 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. It is clear from the record that the Company filed the aforesaid Quarterly Accounts with the Commission with delay. However, as per information available on the website of the Karachi Stock Exchange ("KSE"), the Company disseminated the financial results and submitted printed copies of the Quarterly Accounts to the KSE in a timely manner. Therefore, taking into account the submission made by the respondents, their assurance for future compliance and the fact that the financial results for the aforesaid quarters were disseminated to the KSE in a timely manner, instead of imposing fine, I hereby conclude the proceedings with a warning to the respondents to be careful in future and ensure meticulous compliance with provisions of section 245 of the Ordinance.

Amina Aziz
Director (CSD)

Announced:
September 29, 2015
Islamabad