



Corporate Supervision Department
Company Law Division

Before Amina Aziz – Director (CSD)

In the matter of

Yousaf Weaving Mills Limited

Number and date of SCN: CSD/ARN/156/2015-2418-25, dated January 13, 2016
Hearing held on: March 9, 2016
Present: Mr. Nadeem Anwar, CFO and 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 the chief executive officer (together referred to as “respondents”) of **Yousaf Weaving Mills Limited** (the “Company”):

- | | | | |
|---|----------------------------------|---|-----------------------------|
| 1 | Mr. Khawaja Mohammad Nadeem, CEO | 5 | Mr. Khawaja Mohammad Kaleem |
| 2 | Mr. Khawaja Mohammad Jawed | 6 | Mr. Mohammad Naveed |
| 3 | Mr. Khawaja Mohammad Jahangir | 7 | Mr. Danish Tanveer |
| 4 | Mr. Khawaja Mohammad Tanveer | 8 | Mr. Mohammad Tariq Sufi |

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 as per record, the Company failed to 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-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 delay in filing the aforesaid Quarterly Accounts.



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3. In response to the SCN, the chief executive submitted reply vide letter dated January 18, 2016 and stated as under:

- Audit of Accounts for the year ended June 30, 2015 has not been completed despite elapse of extended time of November 30, 2015, allowed by the Commission.
- The Company is taking up the issue with the Commission for obtaining directions under section 170 of the Ordinance to hold the AGM for 2015 and as soon as the audit of Annual Accounts for 2015 is completed and direction under section 170 is obtained, the Quarterly Accounts will be prepared and filed accordingly.
- In view of the above, the proceedings may be withheld.

4. The case was fixed for hearing on March 9, 2016 and Mr. Nadeem Anwar, the company secretary appeared on behalf of the respondents before the undersigned at the appointed date. He made the following submissions in writing through letter dated March 9, 2016:

- Audit of Annual Accounts and holding of AGM was delayed as the external auditor Aslam Malik & Co., Chartered Accountants, who was appointed in the AGM held on October 31, 2104, was QCR rated at the time of appointment but was later removed from the list of QCR rated auditors issued by Institute of Chartered Accountants of Pakistan, as on June 30, 2015. The above situation created ambiguity regarding qualification of the aforesaid auditor to audit the Company which is a listed company. Therefore, extension of thirty days was obtained from the Commission for holding the AGM by November 30, 2015. Relaxation from requirement of the Code of Corporate Governance regarding QCR rating of statutory auditor was also obtained vide Commission's letter dated September 22, 2015.
- Another reason for delay in finalization of audit of Accounts and holding the AGM was shifting of the entire office premises from previous location in Gulberg, Lahore to Bhai Pheru on Multan Road. Due to shifting, the problems with the data server also contributed to the delay in holding the AGM.
- The delay was neither willful nor intentional and was due to unavoidable circumstances beyond the management's control. The Company is applying for seeking the Commission's direction under section 170 of the Ordinance for holding the AGM on



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April 13, 2016. The Company has plans to approve the Quarterly and Half Yearly Accounts as per following schedule:

- a) Quarterly Accounts for period ended 30-Sep-15 on 21-Apr-16
- b) Half Yearly Accounts for period ended 31-Dec-15 on 28-Apr-16

The respondents also provided a copy of letter dated March 4, 2016 from the statutory auditor wherein it was stated that the audit of Accounts 2015 of the Company would be completed by March 22, 2016. Based on the above submissions, the respondents requested to withdraw the proceedings.

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 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



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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. 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.

7. The Company has not been able to prepare and file the Quarterly Accounts in a timely manner due to delay in finalization of audit of Annual Accounts 2015. QCR rating of the statutory auditor has been cited as one of the reason for delay in finalization of Annual Accounts. As stated by the respondents, the Commission through letter dated September 22, 2015 accorded approval for relaxation from requirements of the Code of Corporate Governance regarding appointment of QCR rated auditor for the year ended June 30, 2015. The Company has not been able to get its Accounts audited and hold the AGM even after elapse of almost six months after that approval. Another reason for delay has been stated to be shifting of Company's office and consequent problems with the data server. It is worth mentioning that it is entirely the responsibility of the management of the Company to keep its data and record safe with appropriate back up. However, I also take into account the previous track record of the Company with regard to filing of Quarterly Accounts, which appears to be satisfactory. Moreover, the respondents have also submitted an application for seeking direction of the Commission under section 170 of the Ordinance to hold the overdue AGM of the Company after finalization of audit of Annual Accounts and have submitted the definite timeline for filing of Quarterly Accounts.

8. In view of the above stated facts, I have concluded that the provisions of the law have been violated as the respondents have not filed the Quarterly Accounts with the Commission in a



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timely manner. However, taking cognizance of satisfactory track record of the Company regarding filing of Quarterly Accounts and submissions made by the respondents, instead of imposing fines, I hereby concluded the proceedings with a warning to the respondents to be careful in future and ensure meticulous compliance with applicable provisions of the law.

Amina Aziz
Director (CSD)

Announced:
March 15, 2016
Islamabad