



Corporate Supervision Department  
Company Law Division

Before Abid Hussain – Executive Director (CSD)

*In the matter of*

**Azgard Nine Limited**

Number and date of notice: CSD/ARN/64/2015-931-37, dated October 9, 2015  
Date of hearings: March 16, 2016  
Present: Mr. M. Ijaz Haider, Mr. M. Zahid Rafiq, authorized representatives

**ORDER**

**UNDER SECTION 492 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 (the “respondents”) of **Azgard Nine Limited** (the “Company”):

- |   |                           |
|---|---------------------------|
| 1. Mr. Aehsun M.H. Shaikh, Chairman     | 5. Mr. Farrukh Hussain    |
| 2. Mr. Ahmed H. Shaikh, Chief Executive | 6. Mr. Yasir Habib Hashmi |
| 3. Mr. Nasir Ali Khan Bhatti            | 7. Mr. Munir Alam         |
| 4. Mr. Usman Rasheed                    |                           |

The proceedings against the respondents were initiated through show cause notice (the “SCN”) dated October 9, 2015 under section 492 read with section 476 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The brief facts of the case are that the Company filed an application dated September 30, 2015 for seeking Commission’s approval for exemption from consolidation under section 237 of the Ordinance, in respect of its subsidiary Montebello S.R.L (“Montebello”) due to bankruptcy of Montebello. The Company along with the aforesaid application submitted an order of the Italian Court as evidence. Perusal of the aforesaid order revealed as under:

- The bankruptcy was filed in June 12, 2014; and
- The Court passed order on December 22, 2014 for sealing the Montebello and appointing trustee.

Perusal of the annual audited financial statements (the “Account”) of the Company for the year ended June 30, 2014 and subsequent interim accounts for the periods ended September 30, 2014, December 31, 2014 and March 31, 2015 revealed that the Company neither disclosed the



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

Continuation Sheet - I -

aforementioned material facts along with other consequences of bankruptcy of the Montebello, if any, nor did it assess the investment, goodwill and other balances disclosed in the respective accounts in respect of Montebello for impairment in the light of such facts.

3. Following balances in respect of Montebello were appearing in Company's respective accounts:

Period Ended	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	June 30, 2014
<b>Amounts in Rs.</b>				
<b>Trading transactions</b>				
Sales	30,641,588	30,641,588	30,580,299	648,263,567
Balance outstanding	384,506,721	387,704,392	988,373,277	963,354,964
<b>Past due by more than one year</b>				
				293,180,320
<b>Intangible Assets</b>				
Goodwill-Montebello	692,874,468	767,048,212	817,167,305	844,487,927
<b>Long term investments</b>				
Cost			2,625,026,047	2,625,026,049
FV Adjustment			-	-
			2,625,026,047	2,625,026,049
<b>Impairment</b>				
Opening balance			(1,164,365,312)	*(1,164,365,312)
charge for the year			(11,253,066)	** (11,253,066)
<b>Accumulated Impairment</b>			<b>(1,175,618,378)</b>	<b>(1,175,618,378)</b>
<b>Net carrying value</b>	<b>1,449,407,671</b>	<b>1,449,407,671</b>	<b>1,449,407,669</b>	<b>1,449,407,671</b>

(2013; \*1,126 million and \*\*38.768 million)

In view of the aforementioned facts, the Accounts of the Company for the year ended June 30, 2014 and its subsequent interim accounts, prima facie, omitted material information about latest status of operations of Montebello, the subsidiary. Moreover, the said accounts were, prima facie, misstated since impairment of trade debts, equity investment and goodwill was not adequately and appropriately assessed and accounted for as per requirements of International Accounting Standard ("IAS") 39 and IAS 36, keeping in view the objective evidence of impairment on the respective reporting dates due to bankruptcy filed by Montebello. Since the impact of the



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

Continuation Sheet - 2 -

aforementioned omissions and misstatements appeared to be material, therefore, the SCN was issued to the respondents advising them to explain their position as to why penal action may not be taken against them under section 492 of the Ordinance.

4. In response to the SCN, Mr. Muhammad Ijaz Haider, the Company Secretary, through letter dated October 22, 2015 requested for extension in time for submission of reply to the SCN. The respondents were given time till November 10, 2015 for submitting the response. The written reply to the SCN was submitted by the respondents through letter dated November 10, 2015. A brief of written submissions of the respondents with reference to the contents of the SCN is given below:

- Primary activity of Montebello was to buy and sell fabrics, mostly denim. Since the acquisition of Montebello, the Company exported fabrics valuing USD54.8 million and sold it in European markets through Montebello. The local management team in Italy was kept at the minimum level to save cost. All operations, accounts and finances were looked after by the Director/CFO of Montebello along with his team. The annual, half-yearly and quarterly consolidated financial statements of the Company were prepared on the basis of the annual audited financial statements of Montebello and unaudited half-yearly and quarterly management accounts received from the MBL's management. On the basis of annual audited financial statements of Montebello for the year ended 30 June 2012, provision for impairment to the extent of Rs.1,125,597,650 was provided in the Account 2012 of the Company.
- Since the year 2012, Montebello operations witnessed downward trend due to aggravated economic recession. In view of this, the Company's management asked independent Chartered Accountants' firm to prepare projections of Montebello operations to assess fair value of Montebello investment appearing in the books of the Company. In the years 2013 and 2014 provision for impairment was adjusted in the books of the Company in line with recommendations of the firm.
- The operations of Montebello continued to show downward trend in 2014 and as per Montebello's management in Italy, it was due to the prevailing economic conditions in the Europe, and being aware of such economic situations from market sources, no immediate



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

Continuation Sheet - 3 -

follow up was considered necessary by the Company, as there were no signs of any extreme situation and the Company's management continued to rely on their feedback.

- Montebello's management in Italy advised us in late 2014 to hold exports as they were facing some issues in recoveries from customers in normal course of business, and thus, we accordingly temporarily discontinued exports to Montebello.
- They kept on updating us on the situation of recoveries but never disclosed anything about the bankruptcy proceedings. It was the month of September 2015 when we came to know through some former employees of Montebello that matters at Montebello had got worsen and not been managed properly. The Montebello's management including the director / CFO left it without any proper notice or communication. In this scenario, we immediately contacted our legal counsel and instructed them to obtain all necessary details and orders relating to bankruptcy proceedings.
- We hope the above explanation clarifies that there has been no false statement on part of the Company regarding its subsidiary, Montebello and that the Company has adequately disclosed whatever material information it possessed. Further, the Company always checked the authenticity of any information before disseminating. In view of the above submissions, we would request you to please waive the subject notice under section 492 read with section 476 of the Ordinance.

5. Subsequently, the case was fixed for hearing on November 30, 2015, December 30, 2015, January 18, 2016, however, based on the respondents repeated requests, the hearing was adjourned. Finally the hearing was held on March 16, 2016 before the undersigned and Mr. Ijaz Haider and Mr. M. Zahid Rafiq appeared on behalf of the respondents. They mainly reiterated the earlier written submissions. Upon a question regarding the investment in Montebello, the authorized representatives affirmed that the Company acquired brands by making investments in Montebello and it did not involve acquisition of physical assets. They further stated that information regarding filing of bankruptcy case against Montebello was first received by the Company in September-October 2015. Bankruptcy was caused by outstanding dues and severance of employees who filed the bankruptcy suit. When the authorized representatives asked how the



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

Continuation Sheet - 4 -

management of the Company remained unaware of all these developments despite having the entire shareholding of the Montebello, they could not provide a satisfactory answer. The undersigned allowed them two weeks' time to provide all the necessary documents and evidence including the Company's oversight mechanism for Montebello, details of bankruptcy suit, sales / receipts mechanism along with other necessary details in relation to the Montebello. Since the authorized representatives did not provide any information subsequent to the hearing, they were advised through letter dated April 6, 2016 to provide the following:

- (i) Mechanism used by the directors and management of the Company for oversight of Montebello, the subsidiary of the Company in view of huge investment made by the Company in Montebello;
- (ii) Details of bankruptcy proceedings along with copies of correspondence; and
- (iii) Mechanism for sales made to and proceeds received from Montebello by the Company.

6. The representative, through letter dated April 15, 2016 provided the information. A brief of additional information and submissions provided is produced below:

- The Montebello's management used to send quarterly, half yearly and annual audited financial statements to the Company and directors of the Company in their quarterly meetings used to discuss those. The management used to follow up for recovery of receivables from Montebello.
- The bankruptcy order dated December 12, 2014 is enclosed for ready reference. In this regard, the Company has already filed its claim of Euro 4,296,076.93 with the Court of Vicenza (copy enclosed).
- Montebello's management primarily comprised of European technical and marketing staff who were in close contact with the Company's relevant team and marketing staff. Terms of sale were normally 150 days on DA basis and Montebello was buying at better prices compared to other customers. The Company's team used to coordinate with Montebello's management to ship orders and follow up for recoveries. The sales proceeds were remitted to the Company through banking channels. Telephonic interactions were done



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

Continuation Sheet - 5 -

on need basis with main focus on receivables after dispatches. The Company used to make sales to Montebello directly without involving any agency.

- The sole purpose of acquiring Montebello was to market the Company's products in Europe using foreign brands and existing market presence, providing onsite customer support, technical expertise and liaison and achieving growth through existing customer base. Below is the breakup of annual exports to Montebello:

Year	Annual Exports (Rs.)	Annual Export USD
2008	1,283,393,965	16,956,700
2009	959,245,359	12,673,922
2010-11	1,172,900,745	13,881,725
2011-12	480,576,672	5,687,807
2012-13	295,894,009	3,018,116
2013-14	648,263,568	6,482,982
2014-15	30,658,456	309,203

Subsequently, through letter dated and April 18, 2016, the authorized representative further submitted that Mr. Nasir Ali Khan Bhatti, Mr. Farrukh Hussain, Mr. Usman Rasheed and Mr. Aehsun M. H. Shaikh are non-executive directors and are not involved in day to day affairs of the Company, therefore, they may be excluded from the proceedings. He further reiterated that matters highlighted in the SCN and during the hearing were unintentional and beyond the control of the Company's management and its board of directors. The representative stated that the Company is passing through a crucial phase of financial restructuring and has achieved a capacity level of 70% in three years. The restructuring which involved more than eighty investors will materialize in due course of time through extraordinary efforts of the directors and management. At this critical time any unfavorable decision will adversely affect confidence of lenders and shareholders. The Company has the right to appeal in case of any adverse order, however, it is requested that in such a case, the adverse order may not be published.



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

Continuation Sheet - 6 -

7. Before proceeding further, it is necessary to advert to the following relevant provisions of Ordinance, IASs:

Section 492 of the Ordinance, states as under:

*“Whoever in any return, report, certificate, balance sheet, profit and loss account, income and expenditure account, prospectus, offer of shares, books of accounts, application, information or explanation required by or for the purposes of any of the provisions of this Ordinance or pursuant to an order or direction given under this Ordinance makes a statement which is false or incorrect in any material particular, or omits any material fact knowing it to be material, shall be punishable with fine not exceeding five hundred thousand rupees.”*

IAS 36 – Impairment of Assets has the following provisions:

9. An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

10. Irrespective of whether there is any indication of impairment, an entity shall also:

(a) test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognized during the current annual period, that intangible asset shall be tested for impairment before the end of the current annual period.

(b) test goodwill acquired in a business combination for impairment annually in accordance with paragraphs 80–99.



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

Continuation Sheet - 7 -

12. In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

### *External sources of information*

(a) during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

(b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

(c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(d) the carrying amount of the net assets of the entity is more than its market capitalisation.

### *Internal sources of information*

(e) evidence is available of obsolescence or physical damage of an asset.

(f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.\*

(g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 492 of the Ordinance have been delegated to the Executive Director (Corporate Supervision Department).



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

Continuation Sheet - 8 -

8. I have analyzed the facts of the case, relevant provisions of the Ordinance and the arguments put forth by the respondents and my observations are as under:

- a) Presently, the Montebello is a direct wholly owned subsidiary of the Company acquired in 2008 through investment in Farital AB ("FAB"), another wholly owned subsidiary incorporated in Sweden. The Company in its annual audited accounts for the year ended December 31, 2008 recorded the fair value of investment at Rs2,625 million. Subsequently, the FAB was dissolved in the year 2013 and the Montebello became direct wholly owned subsidiary. Being the wholly owned subsidiary of the Company, it is highly unlikely that the Company's management was unaware of the circumstance of the Montebello.
  
- b) Being a wholly owned subsidiary, Montebello's management must have been appointed and guided by the Company's management and board of directors. Directors of the Company owe fiduciary duties towards the Company and it is one of their primary responsibilities that they must exercise care in discharge of their responsibilities to oversee the performance of all the investments of the Company and to safeguard all its assets. The statement by the respondents that they were so ignorant of the performance of its wholly owned subsidiary, in which the Company had substantial investments, that they did not have any information or knowledge about filing of bankruptcy on June 12, 2014 and appointment of trustees for Montebello on December 22, 2014. The plea that the management and directors of the Company came to know about the aforesaid proceedings against Montebello in September 2015 i.e. after fifteen months of filing these proceedings in the court, is not tenable. The company's investment in Montebello was an equity investment and not in the nature of a loan of advance whose recovery was dependent on the performance Montebello. The company by virtue of being in the ownership of entire shareholding of the Montebello was in control of its affairs through a board of directors which were the nominee of the Company's management. The contention that the sole owner and controller of Montebello, was unaware of the proceedings initiated for its legal demise is totally baseless and beyond comprehension. In all likelihood, they must have the knowledge of affairs of the Montebello, however, they



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

*Continuation Sheet - 9 -*

failed to disclose and appropriately reflect the impact in the financial statements of the Company.

- c) The respondents have stated that all operations, accounts and finances were looked after by the director/CFO of Montebello along with his team and the Company's management was totally reliant on the annual, half-yearly and quarterly reporting by the Montebello for consolidation of the financial statements of the Company. They have tried to imply that except for the aforesaid annual and interim reporting by the Montebello, the Company's management did not have any other mechanism to independently evaluate and assess the performance of Montebello. This intended implication in itself is irrational and unjustified. The respondents' contention about the complete independence of director / CFO, who was nominee / appointee of the Company, and affairs of the Montebello without there being any effective oversight mechanism defy all logic and principals of corporate governance. Such an independence of a wholly owned subsidiary and its management whereby there was not even any compulsion to inform the controlling parent company's management on the matters as critical as filing of proceedings for winding up of Montebello is beyond comprehension. Therefore the plea is not tenable.
- d) As the respondents have themselves stated, the Montebello's operations witnessed downward trend since the year 2012, and the Company's management after having evaluated the value of investment in Montebello by an independent firm, recorded impairment in the value of investment in its Accounts. They have admitted that the downward trend continued in the year 2014 and still the Company's management continued its reliance on the Montebello's management in Italy and did not take it as something extraordinary leading to any extreme situation. On the standard of reason, it just does not appear acceptable that the Company's management did not strive for obtaining the information regarding actual situation in respect of Montebello despite Company's huge investments and stake. The stance depicting the casual attitude with which a substantial investment of the Company was being handled, to the extent that even when the investment was being impaired the BOD of the Company failed to take appropriate measures or require a through deliberation is not acceptable and is at best a



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

*Continuation Sheet - 10 -*

cover up. Even if this plea is accepted, the directors' have acted ruthlessly without care in respect of their responsibilities to oversee the performance of the wholly owned subsidiary Montebello.

- e) In view of the aforesaid and based on balance of probability, it is beyond justification to state that the directors of the Company became aware of the bankruptcy proceedings against the Montebello, the wholly owned subsidiary, after fifteen months of filing of such proceedings in the court. It appears that they deliberately, avoided disclosure with regard to the aforesaid proceedings against the Montebello in the Italian court in the Accounts 2014 and subsequent interim accounts of the Company. Moreover, they failed to appropriately assess and account for the impairment of trade debts, equity investment and goodwill as per requirements of IAS-39 and IAS 36, keeping in view the objective evidence of impairment on the respective reporting dates due to bankruptcy filed by Montebello. It is also clear that the impact of the resultant misstatements and omissions was material.
- f) The ultimate responsibility of preparing the financial statements in accordance with the Ordinance and International Financial Reporting Standards including the IASs rests with directors who are charged with governance of the Company. The Ordinance and IFRS require that financial statements should present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses. This necessitates adequate disclosure and full compliance with all applicable IFRSs.
- g) In terms of the Code of Corporate Governance, 2012 ("Code") applicable to all listed companies, it is mandatory for the board of directors to establish a system of sound internal control, which is effectively implemented and maintained at all levels within the company. In order to strengthen and formalize corporate decision-making process, the Code requires all significant issues to be placed for the information, consideration and



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

*Continuation Sheet - 11 -*

decision of the board of directors of listed companies and/or its committees. Moreover, financial statements of a listed company cannot be circulated unless the CEO and the CFO present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors.

- h) One of the main objectives and intent of section 492 of the Ordinance is to protect the users, which may include investors, shareholders, creditors, bankers, customers etc., of financial statements against misstatements so that reliable financial information which is vital for making a well informed decision is available to them. Accurate and reliable financial reporting is the bedrock upon which our markets are based. False financial information or inadequate information with material omission shudders the investors' confidence and erodes the integrity of the markets. For our capital markets to thrive, investors must be able to receive an unvarnished assessment of a company's financial condition. Financial statements must provide transparency for investors, and must not obscure the truth, even if that truth is inconvenient.
- i) Accepting the respondents' plea that being completely reliant upon the information disseminated to them by the management of the Montebello, they were unaware of the circumstance of the Montebello and proceeding filed against it in Italian court and hence could not be held liable for not giving disclosure in the Company's financial statements, would tantamount to acceptance of the fact the BOD is not responsible to run and manage through employing persons of integrity in the management to carry out the day to day affairs of the Company and establishing a control mechanism which ensures that the BOD is kept informed and abreast about the affairs of the Company. If this stance is accepted then the board of directors would become a rubber stamp used to accept and release to stakeholders including the shareholders, investors, financiers, vendors, regulators etc. whatever is presented to them without verification rather than the ultimate controlling body in the corporate governance structure. This would mean that the whole corporate structure, which has been evolved over centuries, would shatter. I am of the firm view that the board of directors has the authority to enquire and confirm the information presented to them and it is their responsibility to ensure that true, fair and correct information is provided to stakeholders. Directors have the ultimate responsibility to oversee and



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

Continuation Sheet - 12 -

manage affairs of the Company. Therefore they have to be vigilant while performing their duties and exercise due care and prudence. They must ensure that appropriate staff is employed by the Company at all levels and effective and sound systems of internal controls are in place to ensure due legal compliance. Therefore directors are responsible to ensure that financial statements approved by them given adequate and accurate disclosure in line with the applicable IFRS and that there is no omission of material facts.

- j) Directors of a listed company while filing their consents to act as directors, inter alia, give an undertaking that they are aware of their duties under the Ordinance and that they have read the relevant provisions contained therein. It is mandatory for the directors of a listed company to have knowledge of provisions of the applicable laws. Therefore, it is directors' own responsibility to determine and fulfil their obligations under the provisions of the applicable laws. They cannot escape responsibility by citing that they did not have knowledge about the circumstance of the Montebello, therefore, disclosure of vital information with regard to affairs of Montebello was omitted. As a matter of fact, disclosure material information was omitted from the Accounts of the Company for the year ended June 30, 2014 and its subsequent interim accounts which were misstated impairment of trade debts, equity investment and goodwill was not adequately and appropriately assessed and accounted for as per requirements of IASs.
- k) The respondents filed its claim in the court for recovery of their receivables from Montebello on February 29, 2016 i.e. after almost four months of initiation of the subject proceedings. This delay in filing of the claims only shows lax behavior and lack of prudence on the part of the directors of the Company and appears to be a move to appease the regulator rather than genuine effort to recover substantial fund of the company.
- l) The stated non-executive directors namely Mr. Nasir Ali Khan Bhatti, Mr. Farrukh Hussain, Mr. Usman Rasheed and Mr. Aehsun M. H. Shaikh may not be involved in day to day affairs but being members of the board of directors they share the responsibility for overall oversight of the affairs of the Company. Therefore, they cannot be excluded from the subject proceedings.



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

Continuation Sheet - 13 -

9. I deem it necessary to make some observations on the importance of compliance with requirements of the IFRS and the Ordinance in preparation of financial statements, adequacy and accuracy of disclosures made therein and directors' duties and responsibilities in this regard. The financial statements are the most important source of reliable information for the shareholders who make their investment decision based on such information. The financial statements not only show the financial position and performance of the company but also show the results of management's stewardship of resources entrusted to it. Therefore, adequate and correct disclosures in the financial statements in line with applicable financial reporting framework are of utmost importance. The IFRS provide basis for preparation and presentation of financial statements to ensure understandability, reliability, relevance and comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. The IFRS also set out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. Therefore, it is of utmost importance that all the applicable requirements of IFRS are complied with in letter and spirit. It is the duty of the company and its directors to see that the disclosures made in the financial statements are adequate and correct and there is no misstatement or omission of material facts. In addition to their responsibilities of overseeing and managing affairs of the Company, directors also have fiduciary duties towards the Company. 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 this context the respondents cannot absolve themselves of their statutory duties regarding misstatements in the financial statements.

10. For the foregoing reasons, I am of the view that the respondents have made themselves liable for action under the provisions of section 492 of the Ordinance. Therefore, in exercise of the powers conferred by section 492 of the Ordinance, I hereby impose a fine of Rs.1,300,000/- (Rupees million three hundred thousand only) in aggregate on the respondents. The respondents are directed to deposit the fines in the following manner:



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department  
Company Law Division

Continuation Sheet - 14 -

Name of Respondents	Amount in Rupees
Mr. Ahmed H. Shaikh, Chief Executive	300,000
Mr. Yasir Habib Hashmi	300,000
Mr. Munir Alam	300,000
Mr. Aehsun M.H. Shaikh, Chairman	100,000
Mr. Nasir Ali Khan Bhatti	100,000
Mr. Usman Rasheed	100,000
Mr. Farrukh Hussain	100,000
<b>Total</b>	<b>Rs1,300,000</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 furnish receipted bank vouchers to the Commission. In case of non-deposit of the penalties, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the aforesaid penalties are imposed on the respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

The aforesaid proceeding and penalty imposed pertain to the reporting aspect of the Company's investment in Montebello and is without prejudice to any action the Commission may initiate to probe/adjudge the act of the making the investment by the Company and its related impacts on the Company's financial position.

**Abid Hussain**  
Executive Director (CSD)

**Announced:**  
May 11, 2016  
Islamabad