



Corporate Supervision Department
Company Law Division

Before Amina Aziz –Director

In the matter of

Sargodha Spinning Mills Limited

Number and date of notice: CSD/ARN/259/2015-2605-11 dated January 18, 2016
Date of hearing: February 12, 2016, March 28, 2016
Present: Mr. Furqan Naveed Advocate
Mr. Tariq Aleem

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 following directors including chief executive (together referred to as “respondents”) of **Sargodha Spinning Mills Limited** (the “Company”) through show cause notice (the “SCN”) dated January 18, 2016, issued under section 245 read with section 476 of the Companies Ordinance, 1984 (the “Ordinance”).

S.#	Names of Directors
1	Mr. Main Farrukh Naseem, Director
2	Mr. Mian Aamir Naseem, Director
3	Mr. Saad Naseem, Director
4	Mr. Main Shahazad Aslam, Director
5	Mr. Sajjad Aslam, Director
6	Mr. Ahmad Ali Tariq, Director
7	Mr. Muhammad Mudassar, Director

2. The brief facts of the case are that as per record, the Company failed to file following interim financial statements (“Quarterly Accounts”) for the following period with the Commission within stipulated time, as per requirements of section 245 of the Ordinance:

Quarter Ended	Due Date
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 in a timely manner as stipulated by the law.

SECURITIES AND EXCHANGE
COMMISSION OF PAKISTAN
NIC Building, 63 Jinnah Avenue,
Islamabad, Pakistan



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 1 -

3. The respondent 4-7 replied vide letter dated February 9, 2016 submitting that they had been excluded access/involvement in the company affairs by the minority directors due to their physical control of the Company and its projects. Therefore, challenged the unlawful actions of the minority directors by filing a petition under Section 290 read with other applicable provisions of the Ordinance before Lahore High Court. The case is still pending adjudication therefore, quarterly accounts could not be approved and the AGM could not be held as provided in the Ordinance.

4. In order to provide opportunity of personal hearing the case was fixed before the undersigned on February 12, 2016 Mr. Furqan Naveed Advocate appeared before the undersigned on behalf of respondent 1-3 and submitted that board of directors are in dispute and the case is pending adjudication. Another hearing in this regard, held on March 28, 2016 which was attended by Mr. Tariq Aleem of Tariq Aleem & Company Chartered Accountants, authorized representative of respondent No. 1, Chief Executive and Director, and submitted that petitions in the High Court are disposed of in term of the settlement agreements between board of directors and provided copies of the Order.

5. The chief executive of the Company vide letter dated April 5, 2016 submitted that they filed an application under Section 170 of the Ordinance for holding AGM of the Company for the year ended June 30, 2015 and further submitted that the accounts has been finalized and board meetings and AGM will be called soon.

6. 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 Director (Corporate Supervision Department).

7. Before proceeding to decide this case, I consider it necessary to highlight the importance of the strict observance of the mandatory requirements of law. The protection of the investors/shareholders is one of the primary objectives of the Ordinance. The shareholders provide seed money for the capital formation of the Company. It is their lawful right to receive timely, adequate and meaningful information. It is the annual and interim accounts, which provide information to the investors about the affairs of the company. It has unfortunately been noted that



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 2 -

the directors of the Company have failed to comply the requirements of law and have not circulated the quarterly accounts to the shareholders nor filed with the Commission within the prescribed time.

8. It is clear from the record that the respondents have violated the provisions of section 245 of the Ordinance by not filing the Quarterly Accounts in the manner required by the law. However, keeping in view submissions of the respondent and good compliance history of filing of accounts with the Commission, 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.

9. Moreover, the Respondents are hereby directed under the provision of Section 473 of the Ordinance to prepare overdue quarterly accounts for the period ended March 31, 2015 and September 30, 2015 and transmit to the members and simultaneously file with the Registrar and the Commission with in thirty days of this Order.

Amina Aziz
Director

Announced:
May 30, 2016
Islamabad