



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER		
Name of Company:	M/s. Ellcot Spinning Mills Limited	
Show Cause Notice No. & Date:	SCN/LCD/Adj-I/164751-838 dated October 07, 2025	
Noticee(s):	Name(s)	Period(s)
	(i) Mr. Haroon Shahzada Ellahi Shaikh, Director/CEO	2021
	(ii) Mrs. Faaria Rehman Salahuddin, Director	2021
	(iii) Mr. Imran Motiwala, Director	2021
	(iv) Mr. Mohammad Babar Monnoo, Director	2021
	(v) Mr. Shafqat Ellahi Shaikh, Director	2018 & 2021
	(vi) Mr. Shahzada Ellahi Shaikh, Director	2018 & 2021
	(vii) Mr. Jamal Nasim, Director	2018 & 2021
	(viii) Mr. Shaukat Ellahi Shaikh, Director	2018 & 2021
	(ix) Mr. Raza Ellahi Shaikh, Director	2018 & 2021
	(x) Mr. Amin Ellahi Shaikh, Director	2018 & 2021
	(xi) Syed Moaz Mohiuddin, Director	2018
	(xii) M/s. Ellcot Spinning Mills Limited through <i>Chief Executive Officer</i>	
Date(s) of Hearing(s):	November 12, 2025	
Case represented by:	Mr. Shafiq ur Rehman, FCA Consultant <i>As the Authorized Representative on behalf of all the Noticee(s)</i>	
Provision of law involved:	Regulations 33(2), 34(2) and 41 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Regulations 32(2), 33(2) and 37 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 read with Section 512(2) of the Companies Act, 2017	
Date of Order:	November 20, 2025	

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the “Commission”) through the Show Cause Notice No. SCN/LCD/Adj-I/164751-838 dated October 07, 2025 (“SCN”) against M/s. Ellcot Spinning Mills Limited (the “Company”) and its Board of Directors (“BOD”) including Chief Executive Officer (CEO), hereinafter collectively referred to as the “Noticee(s)”, for contravention of the requirements of Regulations 33(2), 34(2) and 41 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the “CCG 2017”) and Regulations 32(2), 33(2) and 37 of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the “CCG 2019”) read with Section 512(2) of the Companies Act, 2017 (the “Act”).

2. The provisions of sub-regulation (2) of Regulation 33 of the CCG 2017 provide that no company shall appoint as external auditors, a firm of auditors which or a partner of which is non-compliant with the International Federation of Accountants’ (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).

3. Section 290.149 of ICAP Code of Ethics for Chartered Accountants, 2015 (the “COE 2015”), effective for the period starting from July 01, 2015 till June 30, 2020, provides that in respect of an audit of a public interest entity, an individual shall not be a key audit partner for more than seven (07) years unless the law prescribes a shorter period in which case the requirement of the law shall prevail for such specific entities. After such time, the individual shall not be a member of the engagement team or be a key audit partner for the client for two (02) years (i.e., the Cooling-off Period). Furthermore, Regulation 34(2) of the CCG 2017, prescribes such shorter period by requiring that all listed companies, other than those in the financial sector, shall, at a minimum, rotate the engagement partner after every five (05) years.

4. The provisions of sub-regulation (2) of Regulation 32 of the CCG 2019 provide that it is **mandatory** that no company shall appoint as external auditors, a firm of auditors which or a partner of which is non-compliant with the IFAC Guidelines on Code of Ethics, as adopted by the ICAP.

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5. Section 540.5 of the ICAP Code of Ethics for Chartered Accountants, 2019 (the “COE 2019”), effective from July 01, 2020, provides that in respect of an audit of a public interest entity, an individual shall not act in any of the following roles, or a combination thereof, for a period of more than seven (07) cumulative years unless the law prescribes a shorter period: (a) the engagement partner; (b) the individual appointed as responsible for the engagement quality control review; or (c) any other key audit partner role. After such period, the individual shall serve a “cooling-off” period in accordance with the provisions in paragraphs R540.11 to R540.19. Furthermore, Section 540.11 of the COE 2019 explains the cooling-off period by stating that if the individual acted as the engagement partner for seven (07) cumulative years, the cooling-off period shall be five (05) consecutive years. Furthermore, Regulations 33(2) of the CCG 2019, prescribing such shorter period, provides that it is **mandatory** for all listed companies, other than those in the financial sector, to rotate the engagement partner after every five (05) years.

6. Review of the Annual Audited Financial Statements of the Company from the year ended June 30, 2012 to June 30, 2022 revealed that the Company appointed M/s. Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants (the “Audit Firm”), who conducted the statutory audits of the Company for the periods mentioned in the table below; where Mr. Zubair Irfan Malik, who served as the Engagement Partner in respect of the audit of the accounts of the Company for the years from June 30, 2012 to June 30, 2016 i.e., period of five (05) years, and resumed the role of the Engagement Partner for the audit of the accounts of the Company for the year ended June 30, 2018, i.e. after a gap of only one (01) year, without adhering to the mandatory requirement of two-year Cooling-off Period; thereby contravening the requirements of Section 290.149 of the COE 2015 read with Regulation 34(2) of the CCG 2017. By such appointment, the Company contravened the requirements of Regulation 33(2) of the CCG 2017. The details of appointments are tabulated below for ready reference:

Year ended	Auditor	Engagement Partner
June 30, 2012	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2013	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2014	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2015	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2016	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2017	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Irfan Rehman Malik
June 30, 2018	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2019	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2020	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2021	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik
June 30, 2022	Rahman Sarfaraz Rahim Iqbal Rafiq, CAs	Mr. Zubair Irfan Malik

7. Furthermore, Mr. Zubair Irfan Malik continued to serve as the Engagement Partner of the Company for the audits of the years ended June 30, 2019; June 30, 2020; June 30, 2021; and June 30, 2022, where the COE 2019 had come into effect from July 01, 2020, which prescribed under Section 540.5 of the COE 2019 read with Regulation 33(2) of the CCG 2019 a maximum permissible period of five (05) cumulative years for an engagement partner of a public interest entity, followed by a mandatory five (05) consecutive years cooling-off period. Accordingly, his continued appointment by the Company for financial years 2021 and 2022 resulted in exceeding the allowable cumulative five (05) year limit; thereby, contravening the requirements of Section 540.5 of the COE 2019 read with Regulation 33(2) of the CCG 2019. By making such appointment, the Company contravened the requirements of Regulation 32(2) of the CCG 2019, as it appointed the Engagement Partner i.e., Mr. Zubair Irfan Malik, who was non-compliant with the applicable provisions of both the COE 2015 and COE 2019 during the relevant periods respectively.

8. In order to probe the matter, the Commission sought an explanation from the Company vide letter dated August 11, 2025. In response, the Company vide letter dated August 25, 2025, *inter alia*, submitted that:

Mr. Irfan Rehman Malik had acted as the Engagement Partner for the year ended June 30, 2017 and that the Audit Firm had consented for Mr. Irfan Rehman Malik to act as Engagement Partner for the year ended June 30, 2018. However, following the demise of Mr. Irfan Rahman Malik, Mr. Zubair Irfan Malik signed the audit report for the year ended June 30, 2018, and thereafter continued as Engagement Partner for the subsequent years, i.e., from 2019 to 2022.

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9. In view of above, the Company and its BOD including the CEO, *prima facie*, contravened the requirements of Section 290.149 of the COE 2015 read with Regulation 34(2) and Regulation 33(2) of the CCG 2017; and the requirements of Section 540.5 of the COE 2019 read with Regulations 33(2) and 32(2) of the CCG 2019, which attract penal provisions in terms of Regulation 41 of the CCG 2017 and Regulation 37 of the CCG 2019 read with Section 512(2) of the Act. The relevant provisions of the Act are reproduced for ready reference as under:

Regulation 41 of the CCG 2017:

"41. Penalty for contravention of Regulations: Whoever fails or refused to comply with, or contravenes any requirements of the Regulations, knowingly or willfully authorizes or permits such failure, refusal or contravention, in addition to any other liability under the Act, be punishable with penalty and in case of continuing failure, to a further penalty as provided under sub-section (2) of section 512 of the Act."

Regulation 37 of the CCG 2019:

"37. Penalty.- Whoever fails or refused to comply with, or contravenes regulation 3, 6, 7, 8, 27, 32, 33 and 36 of these Regulations, shall be punishable with penalty as provided under sub-section (2) of section 512 of the Act."

Section 512(2) of the Act:

"(2) Any regulation made under sub-section (1) may provide that a contravention thereof shall be punishable with a penalty which may extend to five million rupees and, where the contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues."

10. Taking cognizance of the alleged violation of law, a SCN was served upon the Noticee(s) to show the cause in writing as to why a penal action may not be taken against them for non-compliance of aforesaid requirements of the CCGs and Act. In response, the Company Secretary vide letter dated October 13, 2025 requested an extension for submitting the reply to SCN, which was duly granted. Subsequently, Mr. Shafiq ur Rehman-FCA Consultant, as the **"Authorized Representative"** on behalf of all the Noticee(s), vide letter dated November 05, 2025, *inter alia*, submitted as under:

The Company did follow rotation requirements of Engagement Partner since 2009, in line with requirements of CCG and COE of ICAP regarding rotation of audit partners.

The Company duly complied with these requirements as regular practice for all the listed companies of the group. For the Company, we continued with this practice in 2017 as well, and replaced Mr. Zubair Irfan Malik with Mr. Irfan Rehman Malik as an Engagement Partner. Mr. Irfan Rehman Malik conducted audit for the year ended June 30, 2017 and half yearly review for the period ended December 31, 2018.

However, unfortunately towards end of financial year 2018, Mr. Irfan Rehman Malik suddenly died on April 14, 2018. The firm decided to delegate audit and issuing of audit report to the Lahore based surviving partner Mr. Zubair Irfan Malik, as their internal matter.

The Company assures adherence with CCG including those pertaining to rotation of engagement partner after completion of 5 years.

In our opinion the compliance with IFAC Guidelines on Code of Ethics (COE), as adopted by the ICAP primarily rests with external auditor. However, we acknowledge that the Company cannot absolve itself of the accountability on such grounds.

It is worth noting that in comparable cases adjudicated by the Honourable Authority in the recent past, a consistently lenient stance has been adopted where instances of non-compliance were duly rectified prior to the issuance of the Show Cause Notice.

The present matter is therefore consistent with the precedent established in those earlier decisions, wherein prompt rectification and the bona fide conduct of the company were regarded as sufficient grounds for a compassionate and considerate approach.

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The BOD reaffirms its commitment to exercising greater vigilance in the future and to undertaking comprehensive due diligence in the appointment of statutory auditors and selection of the engagement partner.

11. In order to provide an opportunity for personal representation and to meet the ends of justice, a hearing in the matter was fixed for November 12, 2025 which was attended by the Authorized Representative. During the hearing, the Authorized Representative reiterated the submissions made in the written response and admitted the default. The Authorized Representative further submitted that the Company reappointed Mr. Zubair Irfan Malik as the Engagement Partner for the financial year 2018 due to non-availability of any other engagement partner. However, the Authorized Representative assured that due compliance with the provisions of the CCG, COE and the Act will be ensured in the future and requested leniency in the instant matter.

12. I have gone through the relevant provisions of Regulations 33(2) and 34(2) of the CCG 2017 and Section 290.149 of the COE 2015 and Regulations 32(2) and 33(2) of the CCG 2019 and Section 540.5 of the COE 2019 and considered the facts of the case, as well as the written and the verbal submissions made by the Noticee(s) through their Authorized Representative. I have also perused provisions of Regulation 41 of the CCG 2017, Regulation 37 of the CCG 2019 and Section 512(2) of the Act which stipulate penal action for contravention of the afore-referred requirements. It is pertinent to observe that Regulation 33(2) of the CCG 2017 explicitly prohibits the appointment of any audit firm or partner that is non-compliant with the IFAC Code of Ethics as adopted by ICAP, While Regulation 34(2) of the CCG 2017 mandates a rotation of the engagement partner after every five (05) years to mitigate familiarity threats and preserve professional skepticism, Section 290.149 of the COE 2015 further reinforces this requirement by stipulating that a key audit partner may serve a public interest entity for a maximum period of five (05) years, after which a mandatory two-year Cooling-off Period must be observed. These provisions are fundamental to ensuring that audit opinions remain independent, free from undue influence, and reflective of the true and fair view of a company's financial position. Non-adherence to these requirements undermines the credibility of financial reporting and the confidence of shareholders and investors.

13. Similarly, Regulations 32(2) and 33(2) of the CCG 2019, retained and reinforced the core principle that no company shall appoint an external auditor or engagement partner who is non-compliant with IFAC's ethical guidelines and rotate the engagement partner after every five (05) years. Furthermore, Section 540.5 of the COE 2019 introduced enhanced safeguards and clarified the concept of cumulative service periods, limiting the tenure of an engagement partner for a public interest entity to a maximum of five (05) cumulative years, followed by a mandatory five (05) consecutive years cooling-off period. The intent behind this more stringent limitation was to mitigate long association risks and ensure periodic refresh of independent audit judgment. Compliance with these rotation and cooling-off requirements is not merely procedural, rather it is a substantive measure to uphold audit independence and protect stakeholders' trust in the audit process.

14. The Authorized Representative's argument that the sudden death of the engagement partner i.e., Mr. Irfan Rehman Malik, justifies the subsequent continuation of audit work by the same Engagement Partner, Mr. Zubair Irfan Malik, cannot absolve the Noticee(s) of their statutory obligations. Rotation requirements are mandatory regulatory provisions intended to safeguard auditor independence and objectivity, and they cannot be circumvented due to unforeseen internal contingencies within the Audit Firm. Assigning audit responsibilities to a former Engagement Partner does not satisfy the rotation requirements under the CCGs and the COEs, as the very purpose of rotation is to prevent familiarity threats and ensure an impartial and independent audit process.

15. Furthermore, the assertion of the Authorized Representative that compliance with the IFAC Guidelines on the Code of Ethics primarily rests with the external auditor is misconceived. While auditors have a professional duty to comply with the COEs, the responsibility for ensuring that only compliant auditors are appointed squarely rests with the Company's BOD, as required under Regulation 33(2) of the CCG 2017 and Regulation 32(2) of the CCG 2019. In addition, Section 246(2) of the Act explicitly provides that auditors shall be appointed in the annual general meeting on the recommendation of the BOD, after obtaining the auditors' consent, and that notice of such appointment shall be circulated to members accordingly. Therefore, the BOD is duty-bound to perform due diligence prior to making such recommendations and cannot shift or absolve itself of this statutory responsibility to the auditors under any circumstances, as the BOD is and must be fully aware of its obligations and bears ultimate responsibility for compliance.

16. The reliance of the Authorized Representative on past lenient decisions of the Commission is untenable, as each case is decided on its own facts and circumstances. Such decisions cannot be applied to subsequent cases.

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and do not create any binding precedent in the matter at hand. Every matter is adjudicated independently, taking into account its specific facts, the duration and extent of the default, and the degree of oversight exercised by the BOD.

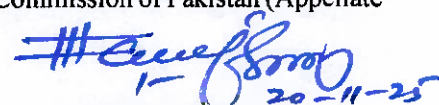
17. In light of the foregoing, I am of the considered view that the contravention of the requirements of Regulations 34(2) and 33(2) of the CCG 2017 read with Section 290.149 of the COE 2015 and Regulations 33(2) and 32(2) of the CCG 2019 read with Section 540.5 of the COE 2019 have been established beyond doubt. Nevertheless, taking into consideration that the Noticee(s), through their Authorized Representative, have admitted the default and undertaken to ensure strict compliance with the applicable provisions of the law in future by exercising greater vigilance in adhering to legal and regulatory requirement, I, in exercise of the powers conferred upon me under Regulation 41 of the CCG 2017 and Regulation 37 of the CCG 2019 read with Section 512(2) of the Act, S.R.O. 1545(1)/2019 dated December 06, 2019 and S.R.O. 1910(1)/2022 dated October 13, 2022, hereby conclude the instant proceedings by imposing an aggregate penalty of **Rs. 85,000/- (Pak Rupees Eighty-Five Thousand Only)** on Noticee(s) No. (i) to (xi) in the following manner and by **Warning** the Noticee No. (xii) i.e., the Company:

S. No.	Name of Noticee(s)	Period(s)	Violation w.r.t COE 2015 read with CCG 2017	Violation w.r.t COE 2019 read with CCG 2019
1	Mr. Haroon Shahzada Ellahi Shaikh	2021	-	5,000/-
2	Mrs. Faaria Rehman Salahuddin	2021	-	5,000/-
3	Mr. Imran Motiwala	2021	-	5,000/-
4	Mr. Mohammad Babar Monnoo	2021	-	5,000/-
5	Mr. Shafqat Ellahi Shaikh	2018 & 2021	5,000/-	5,000/-
6	Mr. Shahzada Ellahi Shaikh	2018 & 2021	5,000/-	5,000/-
7	Mr. Jamal Nasim	2018 & 2021	5,000/-	5,000/-
8	Mr. Shaukat Ellahi Shaikh	2018 & 2021	5,000/-	5,000/-
9	Mr. Raza Ellahi Shaikh	2018 & 2021	5,000/-	5,000/-
10	Mr. Amin Ellahi Shaikh	2018 & 2021	5,000/-	5,000/-
11	Syed Moaz Mohiuddin	2018	5,000/-	-
Total			35,000/-	50,000/-

The Noticee(s) are further advised to ensure meticulous compliance with the applicable legal and regulatory framework in the future.

18. The Noticee(s) are, hereby, directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and to furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under Section 485 of the Act will be initiated for recovery of the fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997 ("SECP Act").

19. Without prejudice to the above, in case the Noticee(s) are aggrieved by this Order may, within thirty (30) days of the Order, may prefer to file review application in terms of Section 32B of the SECP Act or may file an appeal to Appellate Bench of the Commission in terms of Section 33 of the SECP Act in accordance with the procedure for filing an appeal as laid down under the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003.



Sohail Qadri
Director/ HOD
Adjudication Department-I

Announced:
Dated: November 20, 2025
Islamabad

