



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I

### Adjudication Division

Before

Mahboob Ahmad – Additional Director/  
Head of Listed Companies Wing

*In the Matter of*

Zahur Cotton Mills Limited

Number and Date of SCN: No.CSD/ARN/178/2015-103 dated August 9, 2023

Hearing Dates: September 26, 2023

Present: Mr. Nadeem M. Butt as Authorized Representative

### ORDER

#### Under Section 237 read with Section 479 of the Companies Act, 2017

This order shall dispose of the proceedings initiated through Show Cause Notice No. No.CSD/ARN/178/2015-103 dated August 9, 2023 (the SCN) issued under Section 237 of the Companies Act, 2017 (the Act) read with Section 479 thereof against the board of directors and chief financial officer, hereinafter collectively referred to as the Respondents, of Zahur Cotton Mills Limited (the Company).

2. Brief facts of the case are that the Company failed to electronically transmit its quarterly financial statements for the following periods with the Securities and Exchange Commission of Pakistan (the Commission) within the stipulated time pursuant to Section 237 of the Act read with Circular No. 24 of 2017 (the "Circular"):

Sr. #	Period ended	Due date latest by
1	December 31, 2022	March 1, 2023
2	March 31, 2023	April 30, 2023

3. The Respondents, *prima facie*, contravened the provisions of Section 237 of the Act read with the Circular by failing to electronically transmit the aforementioned quarterly financial statements with the Commission within the stipulated time as stated above.

4. Taking cognizance of the matter, the SCN was issued to the Respondents to show cause in writing as to why penal action may not be taken against them for non-compliance of Section 237 of the Act read with Circular. In this regard, the Chief Executive through letter dated August 17, 2023, *inter alia*, submitted that:

- We apologize for this unusual delay in complying with filing of the quarterly accounts on a timely basis. The filing and transmission of 31<sup>st</sup> December 2022 and March 31, 2023 financial statements has been completed and uploaded at website of PSX on August 17, 2023 and copy of same was transmitted to SECP.



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- The delay in submitting our report was primarily due to change in external statutory auditors. Our previous auditors Amin & Co. Chartered Accountants resigned on May 23, 2023 and were replaced with Ali Akhtar Adnan, Chartered Accountants on June 19, 2023.
- Company's Board of Directors approved second and third quarterly accounts for year ended 2022 in its meeting held on August 17, 2023. Furthermore, assured to comply with the regulatory requirements in future and requested to take a compassionate and lenient view with regards to non-transmission of quarterly accounts and withdraw SCN.

5. In order to provide the Respondents, an opportunity of personal representation, the matter was fixed for hearing on September 26, 2023. On the hearing date, Mr. Nadeem M. Butt appeared as Authorized Representative on behalf of the Respondents. He, *inter alia*, submitted during the hearing that:

- (i) The compliance of the cited defaults has already been made and quarterly financial statements for the periods ended December 31, 2022 and March 31, 2023 have already been transmitted to the Commission and to the Pakistan Stock Exchange on August 17, 2023.
- (ii) The delay was due to resignation of the auditors of the Company who resigned on May 23, 2023.
- (iii) Assured that compliance of the relevant provisions of the Act would be made and requested to take a lenient view.

6. Subsequent to the hearing, the Authorized Representative through letter dated September 26, 2023, *inter alia*, submitted that:

- The primary reason for the delay is the late resignation of statutory auditors due to their engagement in other assignments and further time consumed in hiring new statutory auditor and review of the second quarterly financials of the Company. As the second quarterly accounts was not finalized as a consequence March 31, 2023 account was not finalized and resulted in late transmission of these accounts as well.
- The accounts were finalized and have already been transmitted on August 17, 2023 to the SECP and PSX.
- We assure that this was one of the incidents and will not repeat in the future and we are fully committed to avoid such non-compliances in the future and requested to adopt a lenient approach.

7. The relevant provisions of the Act stipulate as under:

Sub-section (1) of Section 237 of the Act read with the Commission's Circular No. 24 dated October 19, 2017 entails:

- 1) Every listed company shall prepare quarterly financial statements within a period of :-
  - a) thirty days from the close of first and third quarters of its year of accounts; and
  - b) sixty days from the close of its second quarter of its year of accounts.



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- 2) *The quarterly financial statements shall be posted on the company's website for the information of its members and also be transmitted electronically to the Commission, securities exchange and with the registrar within the period specified under sub-section (1).*

Sub-section (4) of Section 237 read with Section 479 of the Act stipulates that:

*If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer of the company who has by his act or omission been the cause of such default shall be liable to a penalty of level 2 on the standard scale.*

8. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, and the arguments put forth during the course of the hearing as well as the written correspondence made. In this regard, it is observed that:

- (i) The provisions of Section 237 are unambiguous and explicit. The timing of quarterly financial statements is of essence and the disclosure requirements of these quarterly financial statements have been kept to a bare minimum. Quarterly financial statements prepared accurately 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 also shows the results of the management's stewardship of resources entrusted on to it. In order to ensure transparency, the Respondents have fiduciary duty to ensure that the Company must meticulously adhere to the law for preparation and transmission of quarterly financial statements. Moreover, the Respondents in addition to their responsibilities of overseeing and managing the affairs of the Company, also have fiduciary duties towards the Company and its shareholders. It is the responsibility of the Respondents to oversee the functioning of the Company, to keep it appropriately organized to ensure due compliance of the law. In this context, Respondents cannot absolve themselves from their duties pertaining to preparation and transmission of quarterly financial statements in a timely manner as stipulated under the Act.
- (ii) The preparation and transmission of quarterly financial statements within the statutory timeframes rest with the Respondents. In this context, perusal of Company records transpires that the Respondents failed to electronically transmit the Company's quarterly financial statements for the periods ended on December 31, 2022 and March 31, 2023 respectively pursuant to Section 237 of the Act read with the Circular. The aforesaid financial statements were transmitted on August 17, 2023 i.e. with delay from the due dates i.e. March 1, 2023 and April 30, 2023 respectively for the mentioned periods. The delay in this regard of 168 days was noticed for the financial statements for the period ended December 31, 2022 and delay of 108 days was noticed for the quarterly financial statements for the period ended March 31, 2023 respectively.
- (iii) It was submitted that outgoing auditor resigned on May 23, 2023 which caused delay in auditor's review of second quarterly financial statements for the period ended December 31, 2022. The said stance is, however, not acceptable as the date of resignation of the auditor was after the due date of transmission of quarterly financial statements for the period ended December 31, 2022. Moreover, I am of the view that subsequent compliance does not exonerate the Respondents, as transmission of quarterly financial statements within the stipulated time is of essence and provision of



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financial information through quarterly financial statements enables the shareholders to make informed decisions in a timely manner. Hence, the arguments are not cogent and the default under the provisions of Section 237 of the Act is attracted.

9. In view of above, I have come to the conclusion that the afore-said provisions of the Act have been violated and it renders the Respondents liable to penal action in terms of Section 237 of the Act as a result of failing to electronically transmit the Company's quarterly financial statements for the periods ended December 31, 2022 and March 31, 2023 respectively with the Commission within the stipulated timeframe. Therefore, in exercise of powers conferred under sub-section (4) of Section 237 of the Act, I hereby impose an aggregate penalty of Rs. 165,000/- (Rupees one hundred sixty five thousand only) on the Respondents for the aforementioned defaults as follows:

Sr. #	Name of Respondent	Amount in Rupees
1	Mr. Javed Zahur	15,000/-
2	Ms. Rabia Zahur	15,000/-
3	Mr. Khan Muhammad	15,000/-
4	Mr. Tanveer Ahmad	15,000/-
5	Ms. Mahreen Gul Hassan	15,000/-
6	Ms. Izza Ali Zahur	15,000/-
7	Mr. Nazir Akhtar	15,000/-
8	Mr. Imran Zaid	15,000/-
9	Ms. Javeria Malik	15,000/-
10	Ms. Sana Malik	15,000/-
11	Mr. Abdul Qadeer	15,000/-
<b>TOTAL</b>		<b>165,000/-</b>

10. The aforementioned penalties must be deposited in the designated bank account maintained with MCB Bank Limited or United Bank Limited in the name of the *Securities and Exchange Commission of Pakistan* within thirty (30) days from the receipt of this Order, and duly deposited bank challan shall be furnished to the Commission. In case of non-deposit of the penalties, proceedings for recovery under Section 485 of the Act as arrears of land revenue will be initiated. It may also be noted that the penalty has been imposed on the Respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

11. Nothing in this Order may be deemed to prejudice the operation of any provisions of the Act providing for imposition of penalties on Respondents in respect of any default, omission or violation thereof.

  
**Mahboob Ahmad**  
Additional Director/ Head of Wing  
Listed Companies Wing,  
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**Announced:**  
October 5, 2023, Islamabad