



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

[Islamabad]

Before Tahir Mahmood, Executive Director (Enforcement)

Order

In the matter of

Annoor Textile Mills Limited

Under Section 204-A read with Section 498 Of Companies Ordinance, 1984

Number and date of notice:	EMD/233/84/2002-534 Dated September 11, 2008
Date of hearing:	July 9, 2009
Present:	Mr. Jahangir Adam Advisor Finance and Accounts Mr. Farhan Siddiqui Consultant
Date of Order:	August 18, 2009

The case before me pertains to the proceedings initiated against the Chief Executive of Annoor Textile Mills Limited ("Company") under Section 204-A of the Companies Ordinance, 1984 (the "Ordinance").

2. In order to dispose of the aforesaid matter, it is necessary to go into the background facts leading to the issue of the Show Cause Notice ("SCN") by the Enforcement Department of the Commission. It was noticed from examination of Annual Report of the Company for the years ended June 30, 2007 and June 30, 2008 that the Company has not appointed any person as Company Secretary. It was observed that the Company was *prima facie* in contravention of provisions of Section 204-A and therefore a SCN to this effect was issued to the Chief Executive of the Company in order to explain the position. The reply to the SCN was received from the Chief Executive vides his letter dated December 6, 2008. It was stated therein that the Company already had a full time Company Secretary since many years and in support of this contention following documents were submitted:

- Copy of Form 29 for the year 2003.
- Copy of Form-A for the year 2006.
- Copy of Form-A for the year 2007.
- Copy of Form 29 for the year 2008.



3. It was noted in the above documents that the Chief Executive was also performing the duty of Company Secretary and above referred documents were signed by him in the capacity of Company Secretary. Conversely to this, on examination of the Annual Report of the Company for the years ended June 30, 2007 and June 30, 2008, it was revealed that the 'Statement of Compliance with the best practices of Code of Corporate Governance' duly signed by the Chief Executive states as follows:

Para - 8

*"Due to discontinued business operations the Board has yet to appoint CFO, Company Secretary and Head of IA, including their remuneration and conditions of employment, which shall be determined by CEO."*

Para - 17

*"We confirm that all other material principles contained in the Code have been complied with except for the following, implementation of the same has been deferred as the future recommencement of the business is yet to be decided:*

*(iii) Appointment and finalizing term of CFO, Company Secretary and Head of Internal Auditor."*

4. It was also noted that 'The Review Report to the members on Statement of Compliance with the Best Practices of Code of Corporate Governance' signed by Khalid Majid Rahman Sarfaraz Rehim Iqbal Rafiq & Company and Gardezi & Company, joint auditors of the Company for the year ended June 30, 2007, while pointing towards the above non-compliance, states that the statement of compliance reflects limited compliance by the Company with the best practices contained in the Code of Corporate Governance. It may also be stated that in the Annual Report for the year ended June 30, 2008, same observation has been raised by the auditors in their Review Report on statement of compliance with Code of Corporate Governance in the year ended June 30, 2008 as well.

5. In view of the above facts, the reply to the SCN received from the Company was not found satisfactory and a hearing was initially fixed for December 17, 2008 which was adjourned for December 30, 2008 on Company's request and later on fixed for July 9, 2009 at Karachi again on the request of the Company.

6. The hearing was held on July 9, 2009 which was attended by Mr. Jahangir Adam, Advisor Finance & Accounts and Mr. Farhan Siddiqui, Consultant on behalf of the Chief Executive. They presented same arguments as earlier given in the written submissions.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Enforcement Department

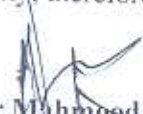
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7. Before proceeding further, it is necessary to refer to the provision of law, which has been violated by the Company. Section 204-A of the Ordinance requires that:

(1) A listed company shall have a whole time secretary and a single member company shall have a secretary possessing such qualification as may be prescribed.

8. The aforesaid provisions of law are clear and explicit. The objective of this provision is to improve corporate culture and bring good corporate governance by ensuring quality secretarial services for the corporate sector. The law requires that a listed Company shall have a whole time Company Secretary. In the present case, the facts stated at Paragraph 3 and 4 above clearly show that the Board has yet to appoint a Company Secretary and the Company is in obvious violation of the provisions of Section 204- A of the Ordinance. I have considered the facts of the case presented before me. The law is unambiguous and clear. The Chief Executive of the Company has not acted in accordance with the provisions of the law and is therefore responsible for non-compliance of aforesaid provisions of the law. It appears that the Chief Executive does not assign due importance to complying with the requirements of the law. The default in the case is established and is considered willful and deliberate. This attracts the provisions of Section 498 of the Ordinance. I, in exercise of powers conferred upon me under Section 498 of the Ordinance, impose a fine of Rs.15,000. (Rupees fifteen thousand only) on Mr. Farooq Ibrahim, Chief Executive of the Company.

9. The Chief Executive of the Company is hereby directed to deposit within thirty days of the date of the receipt of this Order the aforesaid fine of Rs.15,000. (Rupees fifteen thousand only) in the designated bank account maintained in the name of Securities & Exchange Commission of Pakistan with MCB Bank Limited and furnish a receipted challan to the Commission. In case of non-deposit of the penalty, proceedings under the Land Revenue Act, 1967 will be initiated for recovery of the fines as an arrear of land revenue. It may also be noted that said penalty is imposed on Mr. Farooq Ibrahim, Chief Executive in his personal capacity; therefore, he is required to pay the said amount from his personal resources.

  
Tahir Mahmood  
Executive Director (Enforcement)

**Announced**

August 18, 2009  
Islamabad