

Before Asif Iqbal, Director/ Head of Department (Adjudication-I)

In the matter of Show Cause Notice issued to First National Equities Limited

Date(s) of Hearing

November 29, 2022

Order-Redacted Version

Order dated December 15, 2022 was passed by Director/ Head of Department (Adjudication-I) in the matter of First National Equities Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated June 20, 2022.
2. Name of Respondent	First National Equities Limited (the Company and/ or the Respondent).
3. Nature of Offence	Alleged contraventions of para 9 and 10 of Special Order of the Commission dated September 24, 2021 read with Section 238 of the Companies Act, 2017 thereof.
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have reviewed the facts of the case and considered both the written and verbal submissions made by the Respondent, in light of the relevant provisions of the law, and observe that:</p> <p>a. Respondent has engaged an independent audit firm. The Order containing TORs was also shared with the Audit Firm and is clearly referred to by the audit firm in the scope of work while confirming its independence to conduct valuation of KDPL in its engagement letter. The material available on record does not indicate any conflict of interest or pecuniary relation with the Respondent.</p> <p>b. TORs of the Audit were set in light of the Order passed by the Commission. In this regard the engagement letter dated October 06, 2021 also mentions that <i>“the valuation will be performed based on the valuation methods that we find most appropriate in accordance with the principles set out in IFRS 13 Fair Value Measurement for measuring the fair value of individual unquoted equity instruments that constitute non-controlling interest in a private limited company (KBD) within scope of IFRS 9 Financial instruments”</i>. Accordingly, DCF method was adopted for valuation and the justification has also been provided in the audit report dated November 12, 2021.</p>

	<p>c. The Audi- Report has been duly signed on each page and the complete signatures are provided on Pg. 3 of 27 of the Audit reports while all other pages are signed with initials.</p> <p>In view of the above, contravention of provisions of para 9 and 10 of the Order is not established against the Respondent. Therefore, I, in terms of the powers conferred under Section 238 of the Act, conclude the proceedings without imposition of any monetary penalty or issuance of adverse order</p>
5. Penalty Imposed	
6. Current Status of Order (As of the uploading date)	