



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

Hascol Petroleum Limited

Number and Date of SCN: CSD/ARN/554/2015-281 dated October 31, 2023

Hearing Dates: November 22, 2023

Present: Mr. Farhan Ahmad, Company Secretary and
Mr. Amad Uddin, CFO

ORDER

Under Section 237 of the Companies Act, 2017 and Section 479 thereof

This Order shall dispose of the proceedings initiated through Show Cause Notice dated October 31, 2023 (the SCN) issued under Section 237 of the Companies Act, 2017 (the Act) read with Section 479 thereof, to the Board of Directors including the chief executive and Chief Financial Officer (CFO) (collectively referred to as the Respondents) of Hascol Petroleum Limited (the Company).

2. Brief facts of the case are that the Company failed to electronically transmit its Quarterly Financial Statements (QFS) through e-Services of the Securities and Exchange Commission of Pakistan (the Commission) and also failed to post QFS on the website of the Company. Details are as under:

Period ended	Due date
June 30, 2023	August 29, 2023

3. The Respondents, *prima facie*, contravened the provisions of Section 237 of the Act read with the Commission's Circular Number 11 dated August 11, 2023 by failing to electronically transmit the QFS with the Commission for the period ended June 30, 2023 within the stipulated time and by not posting the same on the website of the Company. Consequently, 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.

4. In this regard, the Company vide letter dated November 14, 2023, *inter alia*, submitted that:

- The Company has already made compliance through the disclosure of financial results for the half year ended June 30, 2023 and third quarter ended September 30, 2023 after approval by the Board in its meeting held on November 10, 2023.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 1 -

- The June 2023 financial statements were subject to limited scope review by the external auditors and reason for the delay in transmission of QFS for the period ended March 31, 2023 were explained to the Commission vide letter dated August 23, 2023 and which is also applicable to June 30, 2023 accounts.

In letter dated August 23, 2023, *inter alia*, it was stated that:

- (i) The first quarterly accounts for the period ended March 31, 2023 cannot be disclosed / transmitted prior to holding of AGM for the 2022 Annual accounts. The management is hopeful to convene its Audit Committee and Board Meeting for approval of its first quarterly accounts of March 2023 in the month of September 2023 after holding its AGM on August 31, 2023.
- (ii) The Company place reliance on its earlier letter dated June 13, 2023 in terms of which it was stated that independent firm was hired to conduct an "Agreed Upon Procedures" under the applicable International Standards on Auditing to cover core areas of financial statements wherein the external auditors required in depth verification and reconciliation work done over a ten to twelve years period so that balances of accounts heads were accurately calculated and reported. This exercise was started in October 2022 and was completed in May 2023.

5. To provide opportunity of personal representation, hearing in the matter was fixed for November 22, 2023. On the date of hearing, Mr. Farhan Ahmad, Company Secretary and Mr. Amad Uddin, CFO appeared as authorized representatives of the Respondents. During the hearing, the Authorized Representatives reiterated stance as given in writing through reply dated August 23, 2023 and November 14, 2023 and it was, *inter, alia*, stated that:

- (i) In respect of annual audit of financial statements for the year ended December 31, 2022, detailed audit procedures were carried out by the auditors, pursuant to which historical issues were closed.
- (ii) The detailed audit procedures caused delay in finalization of annual audit of financial statements for the year ended December 31, 2022, resultantly QFS for the period ended June 30, 2023 were not finalized in time.
- (iii) In respect of QFS for the period ended June 30, 2023 again detailed audit procedures were carried out by the external auditors to ensure that the Company transmit correct financial information to its shareholders irrespective of the delay. The financial results for the period ended June 30, 2023 were also transmitted to Pakistan Stock Exchange on November 10, 2023.
- (iv) It is assured that in future, the Company will ensure compliance of the provisions of Section 237 of the Act in letter and spirit.

6. 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. 11 entails:



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 2 -

- 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.
- 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.

7. 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) **Whether transmission of QFS required in a timely manner:**

The timely transmission of QFS to the Commission and its posting on the website of the Company is of essence and the disclosure requirements of these QFS have been kept to a bare minimum. The provisions of Section 237 are unambiguous and explicit. The QFS 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. 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 members. 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 QFS as per requirements of the Act. In this context, Respondents cannot absolve themselves from their duties pertaining to preparation and transmission of QFS in a timely manner as stipulated under the Act.

(ii) **Whether cogent reasons provided for delay in preparation and transmission of QFS:**

The Respondent during the course of the proceedings submitted that in order to ensure that the financial statements be issued having true and fair view carried out procedures for verification and reconciliation of past transactions. Further, additional work done over ten to twelve years period mainly caused delay in finalization of the corresponding financial statements for the year ended December 31, 2022. Due to the aforesaid reason, QFS for the period ended June 30, 2023 were not finalized. In this regard, I am of the view that it is the fiduciary duty of the Respondents to ensure that the QFS of the Company present a true and fair view as per the requirements of the Act and to transmit the same within the stipulated time. There is no provision provided in the Act which entails that the QFS can be transmitted with a delay due to adoption of detailed audit procedures



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 3 -

to give true and fair view. I am, therefore, of the view that the reasons cited are not cogent.

(iii) **Who is responsible in case of default in respect of posting/transmission of QFS:**

The perusal of Company's records transpires that the auditors' review report on QFS for the period ended June 30, 2023 were issued on November 13, 2023 and subsequently QFS were transmitted to the Commission on November 15, 2023 thereby, the Company failed to electronically transmit the Company's QFS for the period ended on June 30, 2023 in a timely manner pursuant to Section 237 of the Act. As per sub-section 4 of section 237 of the Act, in case of default every director, including chief executive and CFO of the company who has by his act or omission been the cause of default shall be liable.

(iv) **Whether subsequent compliance exonerate the Respondents:**

The QFS for the period ended June 30, 2023 were transmitted to the Commission on November 15, 2023 i.e. with a delay of 77 days and are available on the website of the Company. Hence, the transmission of QFS through e-Services of the Commission within the stipulated time were not made by the Respondents. The transmission of QFS within the stipulated time is of essence and the provision of financial information through QFS enables the shareholders to make informed decisions in a timely manner. In view of foregoing, subsequent compliance with respect to transmission of QFS of the Company for the said period, does not exonerate the Respondents, from non-compliance of the Section 237 of the Act

8. 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 QFS for the period ended June 30, 2023 with the Commission, and by not posting the same on the Company's website, 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. 400,000/- (Rupees Four Hundred Thousand only)** on the Respondents as follows:

Sr. #	Name of Respondent	Amount in Rupees
1	Mr. Aqeel Ahmed Khan	50,000/-
2	Mr. James Carter Alan Duncan	50,000/-
3	Mr. Mustafa Ashraf	50,000/-
4	Mr. Zafar Iqbal Chaudhry	50,000/-
5	Mr. Farid Arshad Masood	50,000/-
6	Mr. Abdul Aziz Khalid	50,000/-
7	Mr. Mohammad Zubair	50,000/-
8	Mr. Amad Uddin	50,000/-
Total		400,000/-



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department - I
Adjudication Division

Continuation Sheet - 4 -

9. 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.

10. 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,
Adjudication Department - I

Announced:
November 29, 2023
Islamabad

