



Corporate Supervision Department  
Company Law Division

Before Abid Hussain – Executive Director

*In the matter of*

**MCD Pakistan Limited**

Number and date of Notice: CSD/ARN/491/2017-3731-33 dated May 17, 2017  
Date of hearing: February 1, 2018  
Present: Mr. Usman Ahmad Khan (Authorized Representative)  
Mr. Hasan Attique, Company Secretary

**ORDER**

**UNDER SECTION 237 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984**

This Order shall dispose of the proceedings initiated against the Directors (*the "Respondents"*) of MCD Pakistan Limited (*the "Company"*) through Show Cause Notice (*the "SCN"*) dated May 17, 2017 issued under the provisions of Section 237 read with Section 476 of the Companies Ordinance 1984 (*the "Ordinance"*).

2. Brief facts of the case are that review of annual audited financial statements of the Company for the year ended June 30, 2016 (*the "Accounts"*) filed with the Registrar of Companies revealed that Switch Securities (Pvt.) Limited (*"SSPL"*) is the subsidiary of the Company. Note-5 to the Accounts states that the Company holds 11,995,575 shares representing 99% of SSPL share capital as on June 30, 2016. It was observed that consolidated accounts were not found attached along with the stand-alone Accounts of the Company.

3. In view of the above mentioned, *prima facie* the Company was did not comply with the provisions of Section 237 of the Ordinance. Therefore, SCN dated May 17, 2017 was issued to the Respondents to show cause as to why penalty may not be imposed under Section 237 of the Ordinance for the above said noncompliance.

4. The Company vide its letter dated June 1, 2017, in reply requested for extension of 15 days to submit the response to the SCN. Thereafter, the Company vide its letter dated August 21, 2017 submitted that compliance with the provisions of Section 237 of the Ordinance was oversight by



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

## Corporate Supervision Department Company Law Division

Continuation Sheet - 1 -

the concerned staff. The Company submitted the consolidated financial statement of the Company along with said reply. The Company requested for lenient view and assured future compliance.

5. Subsequent to the reply of the Company, a hearing in the matter was fixed on February 1, 2018. Mr. Usman Amjad Khan ("Authorized Representative") and Mr. Hassan Attique, Company Secretary, attended the hearing. The Authorized Representative submitted that the Company is not operational and reiterated the viewpoint as was earlier submitted in written submission in response to the Commission's SCN. The Authorized Representative conceded the noncompliance with the provisions of Section 237 of the Ordinance. He further requested for the lenient view and gave assurance for future compliance of law.

6. Before proceeding further, it is necessary to advert to the relevant provisions of law:

- Sub-section (1) of section 237 of the Ordinance states that *there shall be attached to the financial statements of a holding company having a subsidiary or subsidiaries, at the end of the financial year at which the holding company's financial statements are made out, consolidated financial statements of the group presented as those of a single enterprise and such consolidated financial statements shall comply with the disclosure requirement of the Fourth Schedule and International Accounting Standards notified under sub-section (3) of section 234.*
- Sub-section (9) of section 237 of the Ordinance states that *if a holding company fails to comply with any requirement of this section, every officer of the holding company shall be punishable with fine which may extend to fifty thousand rupees in respect of each offense unless he shows that he took all reasonable steps for securing compliance by the holding company of such requirements and that the non-compliance or default on his part was not willful and intentional.*

7. In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under Section 237 of the Ordinance have been delegated to Executive Director (Corporate Supervision Department).

8. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Ordinance, representation given by the Authorized Representative during the hearing. I am of



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN  
Corporate Supervision Department  
Company Law Division

Continuation Sheet - 2 -

the view that the Respondents have contravened the provisions of Section 237 of the Ordinance. However, annual consolidated financial statement of the Company had been filed with Registrar of the Companies on August 22, 2017. The enforcement and regulatory function of the Commission is aimed at building a compliant corporate culture, directors have a key role in this regard. I have noted that the Respondents have admitted oversight on their part and assured compliance of law in future. The self-realization and corrective measures taken for avoidance of future errors are also reassuring. Therefore, while taking a lenient view, I hereby warn the Respondents to ensure meticulous compliance of law in future.

ABID HUSSAIN

Executive Director

Corporate Supervision Department

**Announced:**

February 19, 2018

Islamabad

