



Corporate Supervision Department  
Company Law Division

Before Amina Aziz – Director (Corporate Supervision Department)

*In the matter of*

**Matiari Sugar Mills Limited**

Reference Number of the SCN: EMD/ARN/219/2015-1154-1163

Date of the SCN: October 29, 2015

**ORDER**

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

This order shall dispose of the proceedings initiated against **Matiari Sugar Mills Limited** (the "Company") and its following directors including the chief executive (the "respondents"):

- |   |                              |
|---|------------------------------|
| 1. Syed Shafqat Ali Shah, Chief Executive | 6. Mrs. Shamim Noor Shah     |
| 2. Mr. Masood Ahmed                       | 7. Syed Muhammad Ali Shah    |
| 3. Pir Syed Noor Shah                     | 8. Syed Taimur Ali Shah      |
| 4. Mr. Feroz F. Golwala                   | 9. Syed Reza Ali Shah        |
| 5. Mr. Hameedullah Khan Paracha           | 10. Mr. Habib Hameed Paracha |

These proceedings against the respondents were initiated through show cause notice (the "SCN") dated October 2, 2015 issued under section 237 read with section 476 of the Companies Ordinance, 1984 (the "Ordinance").

2. The brief facts of the case are that examination of annual audited financial statements ("Accounts") of **Matiari Sugar Mills Limited** (the "Company") for the year ended September 30, 2014 filed with the registrar of companies pursuant to provisions of section 242 of the Companies Ordinance 1984 (the "Ordinance") revealed that Matol (Private) Limited ("MPL") is a subsidiary of the Company as the Company holds 14,473,160 ordinary shares representing 66.21% shareholding in MPL (Note 5 to the Accounts). It was observed that the Company, despite being the holding company of the MPL, did not attached to its Accounts for the year ended September 30, 2014, the consolidated financial statements of the group presented as those of a single enterprise, as required by section 237 of the Ordinance. As per record maintained at the Company Registration Office ("CRO"), Karachi, it was observed that the Company did not file the consolidated financial statements for the year ended September 30, 2014.

3. It appeared that the Company, prima facie, contravened the provisions of section 237 of the Ordinance by not attaching to its Accounts the consolidated financial statements of the group



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comprising the Company and its subsidiary, the MPL. Therefore, the SCN was issued to the respondents advising them to explain their position as to why penal action may not be taken against them for the alleged contravention of provisions of section 237 of the Ordinance. In response to the SCN the Company through letter dated November 7, 2015 whereof the consolidated financial statements of the Company with its subsidiary MPL for the year ended September 30, 2014 were submitted (*Annex-A to reply*). With reference to the contents of the SCN, following submission were also made:

- (i) The consolidated financial statements of the group for the year ended September 30, 2013 were prepared and duly filed with the SECP.
- (ii) That the consolidated financial statements of the group for the year ended September 30, 2014 though prepared and audited were not filed, since clarification regarding preparation of consolidated financial statements in line with Fourth or Fifth Schedule of the Ordinance was sought from the Commission vide letter dated January 12, 2015 (*copy of letters enclosed*). The filing of the said audited consolidated financial statements for the year ended 30th September, 2014, was deferred till clarification that was not received.
- (iii) The non-compliance for the reason cited above was limited to the requirement of filing of consolidated financial statements in terms of section 237, though these were duly prepared and audited.
- (iv) Reasonable steps were duly taken by the Company as holding company for ensuring compliance with the requirements of preparation and audit of consolidated financial statements of the group for the year ended September 30, 2014 but those were not filed only for want of clarification, as stated above. The non-filing was neither willful nor intentional.

Based on the above submissions, the respondents requested for a lenient view and to drop further proceedings in the matter.

4. Before proceeding further, it is necessary to advert to the following provisions of section 237 of the Ordinance:

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*



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*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.*

5. I have analyzed the facts of the case, relevant provisions of the Ordinance and the arguments put forth by the respondents. It is clear that in terms of section 237 of the Ordinance it is mandatory for every holding company having a subsidiary or subsidiaries to prepare and attach to its financial statements, the consolidated financial statements of the group presented as those of a single enterprise. The respondents have contravened the provisions of the law by not filing the group's consolidated financial statements. However, I take cognizance of the fact that after issuance of the SCN, the Company has submitted the consolidated financial statements with its subsidiary MPL to the Commission and it is willing to comply with the legal requirements. Considering these fact, in exercise of the powers conferred by section 237 of the Ordinance, I hereby conclude the proceedings with a warning to the respondents to be careful in future and ensure meticulous compliance with the provisions of the law.

Before parting with the order, I hereby invoke provisions of section 473 of the Ordinance and direct the respondents to file the consolidated financial statements of the Company and its subsidiary MPL with the respective CRO within thirty days from the date of this order.

AMINA AZIZ  
Director (CSD)

**Announced:**  
November 17, 2015  
Islamabad