



Corporate Supervision Department
Company Law Division

Before Amina Aziz – Director (Corporate Supervision Department)

In the matter of

Sheikhoo Sugar Mills Limited

Reference Number of the SCN: EMD/ARN/246/2015-2428-2431

Date of the SCN: January 13, 2016

ORDER

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

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

- | | |
|------------------------------------|-----------------------|
| 1. Mr. Anis Ahmad, Chief Executive | 3. Mrs. Samina Idrees |
| 2. Mr. Idrees Ahmad | 4. Mrs. Seema Anis |

These proceedings against the respondents were initiated through show cause notice (the "SCN") dated January 13, 2016 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 (the "Accounts") of 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 during the year, the Company acquired entire shareholding comprising 500,000 shares of Rs100 each of Southern Steel Mills (Private) Limited ("SSMPL"), a wholly owned subsidiary, against sale of its steel re-rolling and melting division to the SSMPL through sale deed dated December 1, 2013. It was observed that the Company, despite being the holding company of the SSMPL, 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. In response to the Commission's queries in this regard, the Company through letter dated October 12, 2015 stated that it had not prepared consolidated financial statements based on the understanding that as per substance of section 237 and IAS-27, the consolidation of a wholly owned subsidiary of non-listed company was not required.

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, SSMPL. 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 January 26, 2016 requested for extension in time for submission of reply and the Company was allowed to submit reply to the SCN by February 8, 2016. Subsequently, the Company through letter dated February 8, 2016 made the following submissions with reference to the contents of the SCN:

- i. As per our understanding, preparation of consolidated financial statements was not required, as the Company is not a listed company.
- ii. Duly audited standalone financial statements of both the companies were filed with the Companies Registration Office ("CRO"), Lahore on due dates. The preparation of consolidated financial statements was not avoided on purpose, as consolidation was a simple process as no internal profits or minority interest, etc. were involved therein. Therefore the non-compliance was not deliberate, willful or intentional and no damage has been caused to anyone.
- iii. For the year ended September 30, 2015, the consolidated financial statements of both the companies have been prepared, got audited and would be filed with the CRO Lahore on the due date. Such consolidated financial statements do have the corresponding figures for the year ended September 30, 2014. Omission of filing the consolidated financial statements for the year ended September 30, 2014 may kindly be condoned. In future due compliance will be ensured.
- iv. Despite the above, if the Commission considers preparation and filing of consolidated accounts for prior periods necessary, the requirement shall be met.

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*



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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.

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 as of September 30, 2014. However, I take cognizance of the fact that after issuance of the SCN, the respondents have admitted the default and have given commitment to prepare and file the consolidated audited financial statement of the Company with its subsidiary for the year ended September 30, 2015. 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.

AMINA AZIZ
Director (CSD)

Announced:
March 3, 2016
Islamabad