



Securities and Exchange Commission of Pakistan

Adjudication Division Adjudication Department

Before

Amir M. Khan Afridi, Director/HOD (Adjudication-I) In the matter of Show Cause Notice issued to Hascol Petroleum Limited

Date of Hearing

May 16, 2022

Order-Redacted Version

Order dated June 24, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Hascol Petroleum Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 8, 2022
2. Name of Company	Hascol Petroleum Limited
3. Name of Individual*	The proceedings were initiated against Hascol Petroleum Limited.
4. Nature of Offence	Under Section 492 of the Companies Ordinance, 1984 read with Section 476 thereof
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have gone through the facts of the case, replies furnished in writing and the arguments made by the Representative during the hearing and state that:</p> <p>(i) the Company in Note 37.4 to the Accounts 2019 has disclosed an impact of Rs. 1,040 million on account of demurrage expenses payable to M/s Vitol Bahrain E.C. It was disclosed in the relevant Note that:</p> <p><i>“37.4: This represents unaccounted liability related to shipping cost on import contracts of the Company. These transactions pertain to M/s Vitol Bahrain E.C which is a related party. During internal management review of the liabilities of the Company, it was identified that in the previous years’ the effect of shipping cost related to import transactions have not been accounted for. However, during the year the required correction has been made and the effect of import components related to import transactions have been accounted for retrospectively in accordance with the International Accounting Standard (IAS) 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’. The effect of retrospective restatement is tabulated below. Increase in trade and other payables as of January 1, 2018: Rs. 1,040,801”.</i></p>



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Through the aforesaid disclosure, the Respondent has admitted that unaccounted for liability amounting to Rs.1,040 million existed on account of demurrage expenses. Moreover, I am of the view that the Respondent has neither denied nor submitted any evidence in its support that there did not exist demurrage expenses pertaining to financial years 2015: PKR 36,070,334 (USD: 326,428) and 2016: PKR 429,283,378 (USD: 3,884,923), and the same were not disclosed or accounted for in relevant financial years as stated. Hence, I am of the view that the Company's audited accounts for the years 2015 and 2016 omitted material and significant information about demurrage expenses by not disclosing the aforesaid amounts therein. Hence, violation/ contravention of Section 492 of the Ordinance is committed;

It would not be out of place to mention here that the admission of Respondent that the effect of shipping cost related to import transactions have not been accounted for and it has been corrected/accounted for retrospectively which attracts contravention of Section 492 of the Ordinance.

(ii) the Respondent is of the view that the SCN is not maintainable under the law as it has admittedly been issued on the basis of the Investigation Report which itself states that further investigation is required. In this regard, I am of the view that the Respondent has not provided any order issued by any Court of law which restrains the instant proceedings initiated through the SCN. Further, I am of the considered view that the instant proceedings initiated through the SCN are separate from the forensic investigation referred to in the Investigation Report. The said forensic investigation is in addition to the instant proceedings. Hence, the aforesaid contention of the Respondent is not tenable. It is pertinent to mention here investigation under Section 257 of the Act has been concluded and current SCN has been issued on the basis of said investigation. Whereas further investigation under Section 258 of the Act is completely independent from the previous investigation.

(iii) the Respondent's stance is that corrective steps were taken by the current management. In this regard, I am of the view that subsequent corrective measures do not exonerate the Respondent from the aforesaid



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	<p>misstatement and omissions made in financial statements for the years 2015 and 2016. Moreover, the Respondent's stance regarding the issuance of SCN in six year old case is not tenable.</p> <p>Keeping in view, I am of the considered view that provisions of Section 492 of the Ordinance are contravened, which attract the applicability of the penal provision thereof. I, therefore, in terms of powers conferred under Section 492 of the Ordinance, hereby impose the penalty of Rs. 300,000/- (Rupees Three Hundred Thousand only) on the ***.</p> <p>The Respondent Company is, hereby, directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited within thirty (30) days of the date of this Order and furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the said penalty, the proceedings under Section 485 of the Companies Act, 2017 / as per relevant requirements will be initiated for recovery of the fines as arrears of land revenue.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Ordinance providing for the imposition of penalties in respect of any default, omission, or violation of the Ordinance.</p>
6. Penalty Imposed	A penalty of 300,000/- (Three Hundred Thousand only) was imposed.
7. Current Status of Order	No appeal has been filed by the respondents.