



Corporate Supervision Department
Company Law Division

Before Abid Hussain – Executive Director

In the matter of

Pattoki Sugar Mills Limited

Number and date of Notice:	CSD/ARN/492/2017-3735-41 dated May 17, 2017
Date of hearing:	August 21, 2017 & February 7, 2018
Present:	Mr. Muhammad Ibrahim (GM Finance) Mr. Adnan Zulifqar (DGM – Finance) Mr. Hussain Adam, Consultant (Authorized Representatives)

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 Pattoki Sugar Mills 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 September 30, 2015 (*the "Accounts"*) revealed that Baba Farid Sugar Mills Limited (*"BFSML"*) is the subsidiary company of the Company. The Company's investment in BFSML represented 81.44% of share capital as at September 30, 2015. In this regard, it was observed that consolidated accounts were not found attached along with the stand-alone accounts of the Company. In view of this, the SCN was served upon the Respondents to show cause as to why penalty may not be imposed under Section 237 of the Ordinance for not attaching the consolidated financial statements, with its Accounts,.

3. Following the SCN, a hearing in the matter was held on August 21, 2017. Mr. Muhammad Ibrahim, GM Finance appeared on behalf of the respondents. Mr. Ibrahim submitted that the consolidated accounts had been prepared and the copy of it will be provided as evidence of compliance of Section 237 of the Ordinance. Subsequent to this, copy of annual consolidated



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accounts of the Company for the year ended September 30, 2015 and September 30, 2016 had been provided to this office. Further to this, another hearing was held on February 7, 2018 which was attended by Mr. Hussain Adam, Mr. Ibrahim Raza and Mr. Adnan Zulifqar as Authorized Representatives. During the hearing proceeding, the Authorized Representativea submitted that consolidated accounts were duly and timely prepared but submission of same with the Commission was overlooked on the part of staff of the Company.

4. 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.*

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

6. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Ordinance, representation given by the Authorized Representatives during the hearing and observed that the Respondents are in contravention of the provisions of Section 237 of the Ordinance as the consolidated accounts were not filed in time. However, I have observed that annual consolidated financial statement of the Company for the year ended September 30, 2015 submitted by the Company had been prepared and approved by the directors on December 31, 2015 and the Auditors also have issued Auditors' Report there upon on December 31, 2015. I have also noted that the Respondents have admitted the oversight on their part and assured future



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compliance of law. The self-realization and corrective measures taken for avoidance of future errors are reassuring. The enforcement and regulatory function of the Commission is aimed at building a compliant corporate culture, directors have a key role in ensuring that seed of this culture grows and is well nurtured. Therefore, I take a lenient view and hereby warn the Respondents to ensure meticulous compliance of law in future.

ABID HUSSAIN
Executive Director
Corporate Supervision Department

Announced:
March 2, 2018
Islamabad

