



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before
Mahboob Ahmad – Additional Director/
Head of Listed Companies Wing

In the Matter of

Hascol Petroleum Limited

Number and Date of SCN: CSD/ARN/554/2018-299 dated May 30, 2024
Hearing Dates: July 4, 2024
Present: Mr. Farhan Ahmad, Company Secretary and
Mr. Amad Uddin, CFO as Authorized Representatives

ORDER

Under Section 237 of the Companies Act, 2017 and Section 479 thereof

This Order shall dispose of the proceedings initiated through the Show Cause Notice dated May 30, 2024 (**the SCN**) issued under Section 237 of the Companies Act, 2017 (**the Act**) read with Section 479 thereof, to the Board of Directors (**BOD**) and Chief Financial Officer (**CFO**) (collectively referred to as the **Respondents**) of Hascol Petroleum Limited (**the Company**).

2. Brief facts of the case are that the Company failed to prepare and file/transmit through e-Services with the Registrar/Commission, its Quarterly Financial Statements (**QFS**) for the following period within the stipulated time:

| Period ended | Due date | Filed/Transmitted through e-Services with Registrar/Commission |
|----------------|----------------|--|
| March 31, 2024 | April 30, 2024 | No |

3. The QFS for the aforesaid period were also not posted on the website of the Company.

4. The Respondents, *prima facie*, contravened the provisions of Section 237 of the Act read with the Commission's Circular Number 11 dated August 11, 2023 (**Circular No. 11**) by failing to prepare and file/transmit through e-Services with the Registrar/Commission, the above mentioned QFS within the stipulated time, and by not posting the same on the website of the Company. Consequently, the SCN was issued to the Respondents to show cause in writing within fourteen days from the date of the SCN as to why penal action may not be taken against them for non-compliance of Section 237 of the Act.

5. In this regard, through the letter dated June 13, 2024, the CFO and the Company Secretary, *inter alia*, submitted that:



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- the delay is regretted in issuing the financial statements for the year ended December 31, 2023. The reasons for the delay are the same as provided along with application dated March 29, 2024 of the Company for seeking extension in holding of AGM.
- The Board of Directors in its meeting held on June 12, 2024 asked the management to schedule the board meeting for approval of annual accounts for FY 2023. The management after discussion with the external auditor scheduled the board meeting for approval of the annual accounts for FY 2023 on June 28, 2024. Accordingly, the AGM of the Company would be planned during the week starting on July 22, 2024.
- The financial statements for the quarter ended March 31, 2024 shall be disseminated after the AGM.
- The Commission is requested to condone the delay in holding of AGM and allow/ permit the Company to hold the AGM on or after July 22, 2024.

6. To provide opportunity of personal representation, hearing in the matter was fixed for July 4, 2024. On the date of hearing, Mr. Farhan Ahmad, Company Secretary and Mr. Amad Uddin, CFO appeared as authorized representatives of the Respondents. As per the extract of board resolution dated June 12, 2024, both were Authorized Representatives of the Respondents in the matter of the SCN. The Authorized Representatives highlighted note 1.2 to the board's approved financial statements of the Company for the year ended December 31, 2023 (**the Accounts**), wherein the reasons for delay in holding the AGM and finalization of the Accounts have been provided and stated that the same are the reasons for delay in preparation and transmission/filing of QFS. The relevant note, inter alia, is given as below:

During the current year, the Company incurred a net loss of Rs. 17.81 billion (2022 - Rs. 14.44 billion), resulting in net shareholders deficit of Rs. 78.98 billion (2022 - Rs. 61.18 billion) as of the statement of financial position date. Further, as of that date the current liabilities of the Company exceeded its current assets by Rs. 94.08 billion (2022 - Rs. 76.65 billion) and has defaulted in majority of its outstanding loans with banks. These conditions may cast significant doubt on the Company's ability to continue as a going concern. However, in order to ensure the Company's ability to operate as a going concern, certain plans and measures have been taken to improve its liquidity and financial position which includes, but not limited to, the following:

- a) The Board of Directors (the board) have carried out a detailed review of the profitability and cashflow forecast of the company for the twelve months following the date of balance, at the date of approval of these financial statements.*
- b) The expected inflow from the IFEM pool and the assurance of supply continuity was taken into account by the board to arrive at a conclusion that the company will continue to operate as a going concern and there are no current plans to file for liquidation for at least one year (12 months) from the date of the balance sheet being authorised for issue.*



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c) Except for, where a regulatory action from government department or proceedings of liquidation from a creditor (s) are initiated, wherein, the banking accounts of the company are attached and/ or seized by the relevant action of the regulator or creditor. In such case, the company may face disruptions in its operations and may come to a halt of business operations thus challenging the going concern of the company.

7. Subsequent to the hearing, the Company through email dated July 4, 2024 furnished a copy of the Accounts and referred its note 1.2 in support of the arguments.

8. I have analyzed the facts of the case, relevant legal provisions, and the arguments put forth during the course of the hearing as well as the written correspondence made. In this regard, it is observed that:

(i) **Whether it is statutory obligation to timely file/transmit quarterly financial statements:**

The provisions of Section 237 are unambiguous and explicit. The timing of the QFS is of essence and the disclosure requirements of QFS have been kept to a bare minimum. The QFS prepared in a timely manner not only provide to its users a reliable source of information regarding the Company's financial position and performance but also shows the results of the management's stewardship of resources entrusted on to it. In order to ensure compliance, the Respondents have fiduciary duty to ensure that the Company meticulously adheres to the law for preparation and filing/transmission of the QFS in a timely manner. Moreover, the Respondents are required to upload the QFS on the website of the Company. In this context, the Respondents cannot absolve themselves from their statutory duties pertaining to preparation and filing/transmission of the QFS in a timely manner as stipulated under the Act read with the Circular No. 11.

I have observed that till date the QFS for the period ended March 31, 2024 are overdue. The Respondents have submitted that the AGM of the Company planned during the week starting from July 22, 2024 and the QFS for the period ended March 31, 2024 shall be transmitted soon thereafter. The Respondents have also placed reliance on note 1.2 to the Accounts. I am of the view that in terms of the provisions of Section 237 of the Act read with the Circular No. 11, a listed company is required to transmit/file its QFS for its first quarter within the stipulated time of thirty days. In case of the Company, a considerable delay has already been noticed in transmission/filing of the QFS for the period ended March 31, 2024 and the Respondents are still uncertain with respect to date of transmission/filing of the aforesaid QFS. Further, the reasons stated in note 1.2 to the aforementioned Accounts are also not cogent as these are not specific to the delay in transmission/filing of the QFS.



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(ii) **Whether QFS is a key source of information for the stakeholders:**

The preparation and transmission of QFS within the stipulated timeframe rests with the Respondents. In this context, perusal of Company's records transpires that they failed to prepare and file/transmit the Company's QFS for the period ended on March 31, 2024. In this regard, I am of the view that the Respondents have deprived the shareholders of their statutory right to receive QFS of the Company within the stipulated time.

With respect to time sought till July 22, 2024 to hold AGM for the year ended December 31, 2023, does not fall within the jurisdiction of the instant proceedings as it relate to preparation and transmission/filing of the QFS.

(iii) **Compliance history of violations with respect to Section 237 of the Act:**

As per the available record, the past record of the Company also reflects non-compliances of the provisions of Section 237 of the Act. Moreover, mere disclosure given in note 1.2 to the Accounts of the Company for the year ended December 31, 2023 citing for reasons of the delays in respect of holding of AGM and finalization of the Accounts does not absolve the Respondents from the afore-stated non-compliance of Section 237 of the Act which persisted till date. Therefore, I am of the view that the Respondents have failed to substantiate their case for violation of Section 237 of the Act as initiated through the instant SCN.

9. In view of above, I have come to the conclusion that the afore-said provisions of the Act have been violated and it renders the Respondents liable to penal action in terms of Section 237 of the Act as a result of failing to prepare and file/ transmit for the Company's QFS for the period ended March 31, 2024 within the stipulated timeframe and by not posting the same on the Company's website Therefore, in exercise of powers conferred under sub-section (4) of Section 237 of the Act, I hereby impose an aggregate penalty of **Rs. 900,000/- (Rupees Nine Hundred Thousand only)** on the Respondents, for the aforesaid default, as follows:

| Sr. # | Name of Respondent | Amount in Rupees |
|--------------|---|------------------|
| 1 | Sir James Carter Alan Duncan, Chairman | 100,000/- |
| 2 | Mr. Aqeel Ahmed Khan, Chief Executive | 100,000/- |
| 3 | Mr. Mustafa Ashraf, Director | 100,000/- |
| 4 | Ms. Naheed Memon, Director | 100,000/- |
| 5 | Syed Muhammad Mujtaba Jafarey, Director | 100,000/- |
| 6 | Mr. Farid Arshad Masood, Director | 100,000/- |
| 7 | Mr. Abdul Aziz Khalid, Director | 100,000/- |
| 8 | Mr. Aamir Amin, Director | 100,000/- |
| 9 | Mr. Amad Uddin, CFO | 100,000/- |
| Total | | 900,000/- |



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10. The aforementioned penalties must be deposited in the designated bank account maintained with MCB Bank Limited or United Bank Limited in the name of the *Securities and Exchange Commission of Pakistan* within thirty (30) days from the receipt of this Order, and duly deposited bank challan shall be furnished to the Commission. In case of non-deposit of the penalties, proceedings for recovery under Section 485 of the Act as arrears of land revenue will be initiated. It may also be noted that the penalty has been imposed on the Respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

11. Nothing in this Order may be deemed to prejudice the operation of any provisions of the Act providing for imposition of penalties on Respondents in respect of any default, omission or violation thereof.

Mahboob Ahmad
Additional Director/ Head of Wing
Listed Companies Wing,
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Announced:
July 23, 2024
Islamabad

