

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad, the 16th January, 2012

NOTIFICATION

S.R.O. 23 (I)/2012. In exercise of the powers conferred by sub-section (3) of section 234 of the Companies Ordinance, 1984 (XLVII of 1984) (the "Ordinance") and in supersession of its Notification No. S.R.O. 860(1)/2007 dated August 21, 2007, the Securities and Exchange Commission of Pakistan (the "Commission") is pleased to direct that the Accounting and Financial Reporting Standards (AFRS) for Medium Sized Entities (MSEs) and Small Sized Entities (SSEs) approved by the Council of the Institute of Chartered Accountants of Pakistan (ICAP) in its meeting held on July 28, 2006 shall, without any modification or alteration unless such modification or alteration is approved by the Commission, be followed in regard to the preparation of financial statements of non-listed companies.

2. For the purpose of this notification, Medium-Sized Company and Small Sized Company shall mean as follows:

(A) Medium-Sized company shall be a company that:

- (a) is not a listed company or a subsidiary of a listed company;
- (b) has not filed, or is not in the process of filing, its financial statements with the Commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market;
- (c) does not hold assets in a fiduciary capacity for a broad group of outsiders, such as a bank, insurance company, securities broker/dealer, pension fund, mutual fund or investment banking entity;
- (d) is not a public utility or similar company that provides an essential public service;

(e) is not economically significant on the basis of criteria as defined below:

Provided that an entity is considered to be economically significant if it has:

- (i) turnover in excess of Rs. 1 billion, excluding other income;
- (ii) number of employees in excess of 750;
- (iii) total borrowings (excluding trade creditors and accrued liabilities) in excess of Rs. 500 million,;

Provided further that in order to be treated as economically significant any two of the criterion mentioned in (i), (ii) and (iii) above have to be met and that the criteria followed shall be based on the previous year's audited financial statements. Companies can be excluded from this category where they do not fall under the aforementioned criteria for two consecutive years:

(f) is not a Small-Sized company

(B) A Small-Sized company shall be a company that:

- (i) has paid up capital plus undistributed reserves (total equity after taking into account any dividend proposed for the year) not exceeding Rs. 25 million;
- (ii) has employees not exceeding two hundred and fifty at any time during the year, and
- (iii) has annual turnover not exceeding Rs.200 million, excluding other income.

3. Non-listed companies that are not Medium-Sized companies or Small-Sized companies shall follow the International Financial Reporting Standards notified by the Commission for the listed companies or any such standards as notified by this Commission from time to time.

4. The Commission also appreciates the Medium-Sized companies and Small-Sized companies, which are following the approved International Financial Reporting Standards (IFRS) as applicable in Pakistan, in regard to the preparation of financial statements which are otherwise required to follow the AFRS for MSEs and SSEs issued by ICAP.

5. Similarly, the Small-Sized companies are also encouraged to follow AFRS for MSEs that are otherwise required to follow the AFRS for SSEs issued by ICAP.


(Abdul Rehman Qureshi)
Advisor/Secretary