

A Guide

on

Accounts and Accounting Reference Dates



**SECURITIES AND EXCHANGE
COMMISSION OF PAKISTAN**

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This booklet is a guide only and should be read in conjunction with the relevant legislation.

Introduction

This booklet is a guide to the law and rules governing public disclosure of accounts by limited companies incorporated under the Companies Ordinance, 1984 (the “Ordinance”).

The booklet covers three main topics:

1. Accounting reference dates (ARD)

The ARD is the financial year-end. It is also the date that determines when the annual and quarterly accounts of listed companies are due for delivery to the shareholders, concerned stock exchanges, the Company Registration Office (CRO) and the Securities and Exchange Commission of Pakistan (“the Commission”). Every company has an ARD and its accounts are prepared and finalized in light of the same.

2. Preparing and filing of annual and quarterly accounts

There are deadlines by which annual and quarterly accounts must be prepared and delivered to the shareholders, the concerned stock exchange, the CRO and the Commission. When you fail to meet with the requirements, penalty will be levied as provided under the Companies Ordinance. So, it is important that you, your accountants, auditors and consultants are aware of the filing/transmission deadlines.

3. Content of the annual and quarterly accounts

This booklet also provides guidance as to the contents of the annual and quarterly accounts and will also tell you as to what documents / information make up the annual and quarterly accounts.

CHAPTER 1

Accounting reference dates

1. What is a financial year?

Every company must prepare annual accounts that report on the performance and activities of the company during the year. The period reported on in the accounts is called the financial year. This starts on the day after the previous financial year ended or, in the case of a new company, on the day of incorporation.

A more precise term for a financial year is an accounting reference period.

The accounting reference period ends on the accounting reference date (ARD).

2. How is the ARD fixed?

For a new company, the ARD is set using its date of incorporation -see question 3. You can change the first accounting reference period and subsequent accounting reference periods by changing the ARD-see questions 4 and 5.

3. What period must a company's first accounts cover?

For all new companies, the first accounting reference period must be set by the Board of Directors keeping in view the requirements of tax laws. The period to which first accounts relates may exceed twelve months.

4. Can the ARD be changed?

Yes, by making an application to the Registrar under Rule 30 of the Companies (General Provisions and Forms) Rules, 1985.

5. Are there any restrictions on changing the ARD?

You may change an ARD by shortening an accounting reference period by as many months as you like. Likewise, an ARD can be changed by extending an accounting reference period, however, the accounts must be made up to a date not earlier than the date of the meeting by more than four months.

CHAPTER 2

Preparing and filing of annual and quarterly accounts

This chapter explains the basic rules on preparing and filing of annual and quarterly accounts.

1. Do all companies have to keep accounting records?

Yes. All companies must keep proper accounting records.

2. For how long the prior accounting records are required to be kept by a company?

The books of account of every company relating to a period of not less than ten years immediately preceding the current year should be preserved in good order. However, in the case of a company incorporated less than ten years before the current year, the books of account for the entire period preceding the current year must be preserved.

3. Where the accounting records of a company is to be kept?

The accounting record are to be kept at the registered office of the company.

4. Can the accounting records be kept at a place other than the registered office of the company?

Yes, all or any of the books of account can be kept at such other place in Pakistan as the directors may decide, and when the directors have so decided, the company has to file with the registrar, within seven days of the decision, a notice in writing on Form 33 of the Companies (General Provisions and Forms) Rules, 1985 (the “Rules”).

5. What period must the accounts cover?

Annual accounts

The period to which the annual accounts relate shall not exceed twelve months. This period can, however, be extended with the special permission by the registrar. For this purpose, an application is required to be made to the Registrar under Rule 30 of the Rules.

A company's first annual accounts cover the period starting on the date of incorporation, not the first day of commencement of trading or business. They end on the accounting reference date (ARD). Subsequent accounts start on the day after the previous accounts ended.

Quarterly accounts

The period to which the quarterly accounts relate shall not exceed three months.

6. When and how many copies of annual accounts are required to be sent to the Members, Commission, Stock Exchange and the Registrar?

Every company is required to send a set of annual accounts to the registered address of every member of the company at least twenty-one days before the annual general meeting at which it is to be laid before the members of the company and also keep a copy at the registered office of the company for the inspection of the members of the company during a period of at least twenty-one days before that meeting. A listed company is also required to send five copies each of such balance-sheet and profit and loss account and other documents (auditors' report, directors' report etc) to the Commission, the stock exchange and the registrar at least twenty-one days before the date of annual general meeting.

Stock exchanges also require the listed companies to submit additional copies of annual accounts for which the listing regulations of the stock exchange where the company is listed, may be referred.

After the balance-sheet and profit and loss account or the income and expenditure account, have been laid before the company at the annual general meeting, every listed company is required to file with the Registrar at least three copies duly signed by the chief executive, directors, chairman of directors or the auditors of the company, as the case may be along with the reports and other documents whereas in case of a public company, which is not a listed company at least two copies, within thirty days from the date of such meeting.

If the general meeting before which a balance-sheet is laid, does not adopt the balance-sheet and profit and loss account or the income and expenditure account or defers its consideration or is adjourned, a statement of that fact and of the reasons thereof are required to be annexed to the aforesaid documents and also to the copies thereof required to be filed with the Registrar.

7. When must I deliver my quarterly accounts to the shareholders, stock exchange and the Commission?

Every listed company is required to prepare and circulate its quarterly accounts within one month of the close of first and third quarter of its year of account, to the members and the stock exchange in which the shares of the company are listed a profit and loss account and a balance-sheet as at the end of that quarter, whether audited or otherwise. For the second quarter, the period within which the quarterly accounts shall be submitted with limited scope review is two months. Moreover, three copies of the quarterly accounts are also required to be transmitted to the Stock exchanges, the Registrar and the Commission within the aforesaid period. Stock exchanges also require the listed companies to submit additional copies of quarterly accounts for which the listing regulations of the stock exchange where the company is listed, may be referred.

8. Can the time allowed for laying accounts be extended?

Annual accounts

Yes, the period for delivering accounts can be extended by a maximum period of two months. For this purpose, an application is required to be made to the Commission to extend the time for laying and delivering annual accounts if there is a special reason for doing so. For example, if there has been an unforeseen event which was outside the control of the company and its auditors. The application must be made under Rule 14 and 30 of the Rules to the Commission in the case of a listed company and to the Registrar in the case of other companies not less than thirty days before the last date on which the annual accounts are to be laid before the annual general meetings.

However, in the case of a listed company, the Commission, and in any

other case, the registrar, may, for any special reason, extend the period for delivering accounts for a term not exceeding two months from the due date of holding of annual general meeting and presentation of accounts therein.

Quarterly accounts

In the case of quarterly accounts, the period cannot be extended.

9. What if the accounts are delivered late?

Annual Accounts

If a company fails to deliver accounts on time then every director, including chief executive and chief accountant of the company who has knowingly by his act or omission, caused such default shall be liable for punishment in respect of a listed company, with imprisonment for a term which may extend to one year and with fine which would not be less than twenty thousand rupees nor more than fifty thousand rupees, and with a further fine which may extend to five thousand rupees for every day after the first during which the default continues; and in respect of any other company, be punishable with imprisonment for a term which may extend to six months and with fine which may extend to ten thousand rupees.

Quarterly Accounts

Similarly, if a company fails to deliver its quarterly accounts on time then every director, including chief executive and chief accountant of the company who has knowingly by his act or omission caused such default would be liable to a fine not exceeding one hundred thousand rupees and to a further fine of one thousand rupees for every day during which the default continues.

10. Who can approve and sign the annual and quarterly accounts?

The annual and quarterly accounts are required to be approved by the directors and signed by the chief executive and at least one director. Where the chief executive is for the time being not present in Pakistan, then the balance-sheet and profit and loss account or income and

expenditure account of the company should be signed by at least two directors present for the time being in Pakistan however, in such a case there shall be subjoined to the balance-sheet and profit and loss account or income and expenditure account a statement signed by such directors explaining the reasons for non-compliance with the aforesaid procedure.

11. Who can sign the consolidated financial statements?

Consolidated financial statements are to be signed by the same persons by whom the individual balance sheet and the profit and loss account or income and expenditure account of the holding company are required to be signed.

12. Are there any penalties for improper issue, circulation or publication of Accounts?

Yes, if any copy of a balance-sheet is issued, circulated or published without there being annexed thereto a copy each of (i) the profit and loss account or income and expenditure account, (ii) any accounts, reports, notes or statements referred therein, (iii) the auditor's report, and (iv) the directors report, the company and every officer of the company who is knowingly and willfully in default is to be punished with fine which may extend to five thousand rupees.

13. Do the companies have to present their accounts in Annual General Meeting?

Yes, the directors of every company have to lay the annual accounts within eighteen months after the incorporation of the company and subsequently once at least in every calendar year, before the company in annual general meeting in the case of the first account for the period since the incorporation of the company and in any other case since the preceding account, made up to a date not earlier than the date of the meeting by more than four months.

CHAPTER 3

Contents of annual and quarterly accounts

1. What does an annual report include?

Generally, annual report must include:

- Balance Sheet;
- Profit and loss account or income and expenditure account;
- Notes to the accounts;
- Auditors' report;
- Directors' report; and
- Consolidated accounts and directors' report (if applicable).

The set of annual report of listed companies shall also include the following documents:

- Cash Flow Statement;
- Statement of Changes in Equity;
- Compliance statement on Code of Corporate Governance; and
- Auditors' Review Report on Compliance of Code of Corporate Governance

2. What does a set of interim accounts include?

General quarterly accounts must include the following?

- Condensed balance sheet;
- Condensed income statement;
- Condensed cash flow statements;
- Condensed statement of changes in equity;
- Selected explanatory notes; and
- Directors report;

Further guidance on the contents of quarterly accounts can be found in International Accounting Standard 34 (Interim Financial Reporting).

3. To which laws shall the annual accounts comply with?

The annual accounts of a listed company shall comply with the

provisions of the Ordinance including the Fourth Schedule, International Accounting Standards and the Code of Corporate Governance.

4. To which laws the quarterly accounts comply with?

The quarterly accounts shall be prepared in accordance with the provisions of Section 245 of the Ordinance, International Accounting Standard 34 and the requirements of Code of Corporate Governance.

5. Whether the listed companies are required to prepare consolidated quarterly accounts?

Yes, the listed companies are required to prepare and circulate the consolidated quarterly accounts as per requirements of Section 237.

CHAPTER 4

Filing exemption for private companies

Single member companies and other private companies are not required to file their annual and quarterly accounts with the Commission or the Registrar.

CHAPTER 5

Further information, advice and guidance

1. From where do I get forms and guidance booklets?

This is one of a series of the Commission booklets that provide a simple guide to the Companies Ordinance, 1984 in respect of accounts and accounting reference dates. For further guidance, you should seek professional advice from a legal expert.

The quickest way to get them is through our web site www.secp.gov.pk.

Various forms can be downloaded from aforesaid website and can also be obtained from the stationers, accountants, legal advisers and corporate practitioners.

2. How do I send information to the Commission/Registrar?

You may deliver documents to the Commission/Registrar by post, courier or by hand to one of the following relevant addresses.

Head Office

Securities and Exchange Commission of Pakistan
NIC Building, 63 Jinnah Avenue
Islamabad
Phone: 051-9207091-4
Fax: 051-9218592
E-mail: headquarters@secp.gov.pk

Company Law Division

Mr. Abdul Rehman Qureshi

Commissioner

11th Floor, NIC Building,
63 Jinnah Avenue Islamabad.
Phone: 051-9202692
E-mail: rehman.queshi@secp.gov.pk

Mr. Rashid Sadiq
Executive Director (Enforcement)
7th Floor, NIC Building,
63 Jinnah Avenue, Islamabad.
Phone: 051-9212084
E-mail: rashid.sadiq@secp.gov.pk

CRO Islamabad

The Joint Registrar of Companies
Company Registration Office
State Life Building, 7-Blue Area, Islamabad.
Phone: 051-9208740, Fax: 051-9208740
Email: croisb@isb.paknet.com.pk

CRO Karachi

The Additional Registrar of Companies
Company Registration Office
4th Floor, SLIC Building No.2, Karachi.
Phone: 021-2415855, 2416778, Fax: 021-2416788
Email: crokhi@khi.paknet.com.pk

CRO Lahore

The Additional Registrar of Companies
Company Registration Office
3rd & 4th Floors, Associated House,
7-Egerton Road, Lahore.
Phone: 042- 9200274, Fax 042-9202044
Email: crolhr@lhr.paknet.com.pk

CRO Multan

The Deputy Registrar of Companies
Company Registration Office
63-A, Nawa-i-Waqt Building, Abdali Road, Multan.
Phone: 061-9200920, Fax: 061-9200920
Email: cromul@mul.paknet.com.pk

CRO Faisalabad

The Joint Registrar of Companies
Company Registration Office
356-A, Al-Jamil Plaza,
1st Floor, Peoples Colony, Small D Ground,
Faisalabad.
Phone: 041-9220284 Fax: 9220284
Email: crofsb@fsd.paknet.com.pk

CRO Peshawar

The Joint Registrar of Companies
Company Registration Office
1st Floor, State Life Building, The Mall, Peshawar Cantt.
Phone: 091-9213178
Fax: 091-9213178
Email: cropsh@psh.paknet.com.pk

CRO Quetta

The Deputy Registrar of Companies
Company Registration Office
382/3, (IDBP House), Shahrah-e-Hali,
Quetta Cantt.
Phone: 081-844136
Email: croqta@qta.paknet.com.pk

CRO Sukkur

The Assistant Registrar of Companies
Company Registration Office
B-30, Sindhi Muslim Housing Society,
Airport Road, Sukkur.
Phone: 071-30517

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NIC Building, 63-Jinnah Avenue, Islamabad 44000,
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