Chapter 10: Accounts and Annual Return

1 Chapter Roadmap

BOOKS OF ACCOUNTS (Sec. 1) → FINANCIAL STATEMENTS annual · authentication · filing · quarterly (Sec. 2) → GROUP FINANCIAL STATEMENTS (Sec. 3) → DIRECTORS' REPORT (Sec. 4) → ANNUAL RETURN (Sec. 5)

Theme: every company keeps proper books, prepares true-and-fair financial statements, has them approved, signed, audited, sent to members and filed; listed companies also report quarterly; holding companies consolidate; directors report; and every company files an annual return.

2 Key Definitions

Books and paper [Section 2(10)]
Books of account, cost accounting records, deeds, vouchers, writings, documents, minutes and registers – on paper or in **electronic** form.

Books of account [Section 2(11)]
Records of: (a) all money **received and spent**; (b) all **sales and purchases** of goods and services; (c) all **assets and liabilities**; (d) **items of cost** in production, processing, manufacturing or mining.

Financial year [Section 2(34)]
The period for which financial statements laid before the general meeting are made up – **whether a year or not**.

Financial statements [Section 2(33)]
(a) statement of financial position; (b) statement of profit or loss and OCI (not-for-profit: **income & expenditure**); (c) changes in equity; (d) cash flows; (e) notes incl. accounting policies; (f) **comparative** information; (g) others prescribed. **CFO [2(15)]**: individual performing a CFO's customary duties.

3 Books of Accounts [Section 220]

Requirement
Keep at the **registered office** books of account, other books and papers and financial statements for every year giving a **true and fair view** (incl. branches). **Production, processing, manufacturing or mining** companies also keep specified particulars of material, **labour** and other cost inputs.

Other place
Board may keep them elsewhere **in Pakistan** – notice to registrar with the full address within **7 days** of the decision (SQL Plastics: factory in Peshawar).

Branch offices (in or outside Pakistan)
Proper books kept at the branch + **summarised returns** sent periodically to the registered office (or other place) → compliant.

Retention
Books for at least **10 financial years** immediately preceding a year, **with vouchers**. Liquidator must keep them too. EHL (inc. 2000; decision 15 Mar 2022) may dispose of books **up to FY 2011**.

Inspection by DIRECTORS
Any director, **during business hours**; copies of information kept outside Pakistan must be produced; staff must assist. A director noticing branch discrepancies may raise it with the **board** and seek details.

Members have **no absolute right** to inspect books of account. Ejaz Alam (member, Salmon Ltd) cannot inspect books at the Multan office, and the company need not give 15 years of statements – only 10 years must be kept.

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4 Annual Financial Statements [Section 223]

FIRST FS laid in AGM within **16 MONTHS** of incorporation → **SUBSEQUENT FS** at least once each **CALENDAR YEAR**, within **120 DAYS** after year end → **EXTENSION ≤ 30 DAYS** Commission (listed) / registrar (others) → **PERIOD** not more than **ONE YEAR** (except first) unless registrar permits

Audit

Audited by the company's auditor; auditor's report attached. **Exempt:** private company with paid-up capital **not exceeding Rs. 1 million** (or higher notified amount).

Dispatch – 21 days before the meeting

Audited FS + auditor's report + directors' report (+ **chairman's review report** if listed) to every member and person entitled to notice – by post or electronically. Copy kept at registered office for members.

Listed company: simultaneously send **3 copies by post + 1 electronically** to each of the **Commission, registrar and securities exchange**, and post on the **website**.

5 Approval & Signing [Section 232]

Company / situation	Approved by board and signed by
General rule	**Chief executive + at least one director**
Listed company	CEO + at least one director + **CFO**
CEO not in Pakistan	At least **two directors** (listed: plus the CFO – Raza Enterprises)
Single member company	**One director**
Private company, paid-up ≤ Rs. 1 million	Also an **affidavit** by the signatories that the FS were **approved by the board** (Aquamarine (Pvt) Ltd)

6 Filing with Registrar after AGM [Section 233]

Time limit

Listed: within **30 days** of the AGM.
Others: within **15 days**.

Not adopted?

Still file – annex a **statement of the fact and reasons** if the meeting does not adopt, defers or is adjourned.

Exempt

Private company with paid-up capital **not exceeding Rs. 10 million** (or higher notified). Every public unlisted company must file.

7 Quarterly Financial Statements – Listed Companies [Section 237]

Adeel Ltd (YE 30 June)	Time limit	Due
Q1 – 30 Sep 2019	30 days	**30 Oct 2019**
Q2 / half year – 31 Dec 2019	60 days	**29 Feb 2020**
Q3 – 31 Mar 2020	30 days	**30 Apr 2020**
Annual – 30 June 2020	120 days	**28 Oct 2020**

Second quarter extras

Cumulative **half-year** figures; **limited scope review** by the statutory auditors (terms by ICAP, approved by SECP). Q1 and Q3 need no review.

Publish & transmit

Posted on the **website**; transmitted electronically to the **Commission, securities exchange and registrar** within the time limit. Physical copy to a member on request **free**. Signed like annual FS.

Extension for Q1: only if the annual FS were extended – Commission may extend Q1 filing by up to **30 days** (Relax Furniture Ltd: annual extended to 27 Nov 2019; Q1 due 30 Oct 2019 also extended). ABC Ltd's Q2 to 31 Dec 2021 → due **1 March 2022**.

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8 Worked Practice Questions – Deadlines

Red Ltd (listed) – YE 30 Nov 2021; audit ends 28 Mar 2022

Lay annual FS – 120 days after 30 Nov 2021	**30 Mar 2022**
Dispatch 21 days before → would need to send by 8 Mar 2022 – impossible → apply to the Commission for extension	—
Meeting with 30-day extension	**29 Apr 2022**
File adopted FS with registrar – 30 days after meeting	**29 May 2022**
Q1 (to 28 Feb 2022) – 30 days; ready only ~12 Apr → seek extension (allowed as annual FS extended)	Due 30 Mar → **29 Apr 2022**

Dates Ceramics Ltd (unlisted; inc. 1 Jul 2021)

- First AGM & FS within 16 months → **31 Oct 2022** (planned 22 Oct impossible after fire)
- Apply to **registrar** → up to 30 days → **30 Nov 2022**
- First directors retire at first AGM – continue till successors elected; report any impediment to election to registrar at least **45 days** before the due date
- Election meeting not delayed beyond **90 days** of due date → **29 Jan 2023**

Company incorporated 1 Aug 2022

First AGM planned 8 Dec 2023 is **late** – first FS must be laid within 16 months → by **30 Nov 2023**. Audited (unless private ≤ Rs. 1m); sent 21 days before with reports.

9 Consolidated Financial Statements [Section 228]

Requirement

A **holding company** attaches to its own FS the **consolidated FS of the group**, presented as a single enterprise, complying with the relevant Schedule and notified reporting standards. Audited and reported on by the holding company's **auditor**; signed by the same persons who sign the holding company's FS; ss. 223, 233–236 apply to the holding company. Material subsidiary-related qualifications not covered in the holding company's FS must be disclosed.

Exception

A **private company and its subsidiary** where **none** has paid-up capital exceeding **Rs. 1 million**. Commission may also relax on application. Default → **level 2**.

Interim closing

If a subsidiary's year end **precedes** the holding company's by **more than 90 days**, it makes an interim closing on the holding company's year end. (GPL, YE 31 Dec → interim FS 1 Jul 2019 – 30 Jun 2020 for RPL; Pintail YE 31 Aug → interim closing 31 Dec 2024 for Shoveler.)

Financial years to coincide [s.229]

The **holding company's board** ensures its and its subsidiaries' years coincide unless good reasons against. The Commission may extend the year of **either** company on its application, with incidental relaxations (Oregano Ltd → FFL).

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10 Holding Through Subsidiaries – Worked Practice Q (Muskmelon)

(i) Is BPL a subsidiary of DL?

EL: DL holds 30,000 ÷ 50,000 = 60% → EL is DL's subsidiary	
AL: DL 35% + EL 35% = 70% → AL is DL's subsidiary	
BPL – DL itself 3,800 ÷ 20,000	19%
BPL – through EL 4,000 ÷ 20,000	20%
BPL – through AL 10,200 ÷ 20,000	51%
Controlled by DL	**90%**

(ii) Is AL a subsidiary of CPL?

DL: CPL holds 288,000 ÷ 400,000 = 72% → subsidiary; EL is DL's subsidiary → CPL's too

AL – CPL itself 3,000 ÷ 10,000	30%
AL – through DL 3,500 ÷ 10,000	35%
AL – through EL 3,500 ÷ 10,000	35%
Controlled by CPL	**100%**

AL, CPL and DL – as holding companies – must prepare consolidated FS.

Nickel Motors buys 70% of Copper Tyres Ltd (public unlisted, 3 members/directors): members fall to 2 → transfer a share to an NML nominee (allowed as holding company); directors fall to 1 → nominate at least 2 natural persons (qualification shares in their names), each not a director in more than seven companies; record nominee shares in NML's register; align financial years. Kamran (son of an NML director) can be CTL's CEO though not a member.

11 Directors' Report [Sections 226 & 227]

Who prepares

The **board**, every year – **except** a private company, not a subsidiary of a public company, with paid-up capital **not exceeding Rs. 3 million**. Approved by the board and signed by the **chief executive and a director**.

Minimum contents (all)

① state of the company's affairs and a fair review of its business; ② amount recommended as **dividend**; ③ amount proposed for **reserves**.

Additional contents – public company / private subsidiary of a public company

- names of all directors during the year
- principal activities, development & performance
- principal **risks and uncertainties**
- changes in nature of business (company, subsidiaries, investees)
- explanation of any **modification in the auditor's report**
- **pattern of shareholding**
- name & country of a **foreign holding company**
- **earnings per share**
- reasons for **loss** and future prospects
- **defaults** in paying debts and reasons
- adequacy of **internal financial controls**
- material changes / commitments between year end and report date (e.g. a joint venture on 3 Sep, report dated 1 Oct)
- **remuneration** of each director and the CEO
- other specified information

Business review – listed company: main trends and factors affecting the future · **environmental** impact · **CSR** activities · directors' responsibility for internal financial controls · legitimate reasons for **not declaring dividend** despite profits, and future dividend prospects.

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12 Annual Return [Section 130]

What it is

A snapshot as on a specific date of the company's CEO, directors, CFO, secretary, legal adviser, auditors, registered office, **members** and **share capital**. **Form A** – company with share capital; **Form B** – without share capital. Particulars must already be entered in the company's registers.

DATE OF RETURN date of the **AGM**; if no AGM held (or not concluded) – **31 DECEMBER** → **FILE** within **30 DAYS** of that date → **EXTENSION** listed company – registrar may extend by up to **15 DAYS**

Case	Return dated	File by
ABC Ltd – AGM 24 Oct 2025	24 Oct 2025	**23 Nov 2025**
DEF Ltd – no AGM held for YE 30 June 2025	31 Dec 2025	**30 Jan 2026**
XYZ Ltd – AGM planned 28 Oct 2019, not held	31 Dec 2019	**30 Jan 2020**
Lanvin Ltd – AGM for YE 30 June 2022 held only on 25 Jan 2023	31 Dec 2022	**30 Jan 2023**
Bluefish Ltd (listed) – AGM adjourned, not concluded by 31 Dec 2024	31 Dec 2024	**30 Jan 2025** (+15 → **14 Feb 2025**)

No change since last return

SMC and **private company with paid-up ≤ Rs. 3 million** → need **not file anything**. All other companies → inform the registrar on **Form C** (within the same 30 days – ABC Ltd by 23 Nov 2025).

Penalty: listed – **level 2**; other companies – **level 1**. Not holding the AGM is one contravention; not filing the return is **another**.

13 Paid-up Capital Thresholds – Don't Mix Them Up!

Relief	Who gets it	Threshold
No audit of financial statements	Private company	**≤ Rs. 1m**
Affidavit of board approval with FS	Private company	**≤ Rs. 1m**
No consolidated FS	Private co. & subsidiary – none above	**Rs. 1m**
No directors' report	Private co. not subsidiary of public	**≤ Rs. 3m**
No annual return / Form C if nothing changed	SMC; private company	**≤ Rs. 3m**
No filing of FS with registrar	Private company	**≤ Rs. 10m**

14 Time Limits & Numbers – Master Table

Requirement	Limit	Section
Notice to registrar – books kept elsewhere	**7 days**	220
Keep books of account and vouchers	**10 years**	220
First FS / subsequent FS	**16 months / 120 days**	223
Extension for AGM / FS	**≤ 30 days**	223
Send audited FS and reports to members	**21 days** before	223
File FS with registrar after AGM – listed / others	**30 / 15 days**	233
Quarterly FS – Q1 & Q3 / Q2	**30 / 60 days**	237
Extension for Q1 (if annual extended)	**≤ 30 days**	237
Subsidiary interim closing if year end earlier by more than	**90 days**	228
Annual return filing / listed extension	**30 days / +15 days**	130

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15 Exam Question Patterns & MCQ Quick Clues

"Books may be kept away from the registered office by decision of..."	→	**The directors**
"Who may inspect the books of account?"	→	**Directors, during business hours**
"Who must keep particulars of labour utilisation?"	→	**Processing or mining companies (etc.)**
"Directors' report is signed by..."	→	**Chief executive and a director**
"Who ensures holding & subsidiary years coincide?"	→	**Holding company's board (not subsidiary's)**
"Q3 FS of a listed company (YE 30 June) – to registrar by..."	→	**30 April**
"Private company with Rs. 2m capital, nothing changed"	→	**Need not file annual return or Form C**
"Filing difference: public unlisted vs private"	→	**Public unlisted must file audited FS**

⚠ CHAPTER 10 EXAM TRAPS

Trap: Members (even 10% holders) cannot inspect **books of account**; they inspect the **financial statements** kept at the registered office.

Trap: CEO abroad → **two directors** sign (listed: plus CFO); SMC → **one director**.

Trap: FS filing after AGM: listed **30** days, others **15** days – even if members did not adopt them.

Trap: Annual return date = AGM date, or **31 December** if the AGM isn't held / concluded in that calendar year.

Trap: Rs. 1m / 3m / 10m thresholds belong to different reliefs – see Section 13.

CAF-04 – CHAPTER 10 IN 60 SECONDS

- **Books:** registered office (or elsewhere in Pakistan – notify in 7 days) · cost records for production / mining · branches send summaries · 10 years · directors inspect.
- **Annual FS:** first in 16 months · then 120 days and yearly · +30 days · audited (except private ≤ Rs. 1m) · sent 21 days before AGM · listed: SECP, registrar, PSX, website.
- **Signing:** CEO + director (+ CFO listed) · two directors if CEO abroad · SMC one director · affidavit for private ≤ Rs. 1m.
- **Filing:** listed 30 days · others 15 days · exempt private ≤ Rs. 10m.
- **Quarterly:** listed · 30 / 60 / 30 days · half-year limited review · Q1 extension only with annual extension.
- **Group:** consolidated FS · interim closing if > 90 days apart · years to coincide · level 2.
- **Directors' report:** all except small private (≤ Rs. 3m) · 3 minimum items · long list for public · listed business review.
- **Annual return:** AGM date / 31 Dec · 30 days (+15 listed) · Form A / B / C · SMC & private ≤ Rs. 3m skip if no change.

16 Chapter Memory Map

Books of Account | Cost Records | Branch Returns | 10-Year Retention | Directors Inspect | Financial Statements

16 Months / 120 Days | Audit Exemption | 21-Day Dispatch | Signing Rules | Filing 30 / 15 Days | Quarterly Accounts

Consolidation | Coinciding Years | Directors' Report | Business Review | Annual Return | Capital Thresholds