



Corporate Supervision Department  
Company Law Division

Before Amina Aziz – Director

*In the matter of*  
**Karandaaz Pakistan**

Number and date of notice:	No. CSD/ARN/461/2016 dated October 4, 2016
Date of hearing:	October 28, 2016
Present:	Mr. Adeeb Ali Mirza, Financial Controller (Authorized Representative)

**ORDER**

**UNDER SECTION 227 READ WITH SECTION 229 & 476 OF THE COMPANIES ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against the Directors (*the "respondents"*) of Karandaaz Pakistan (*the "Company"*) through show cause notice ("SCN") dated October 4, 2016 issued under the provisions of Section 227 read with Section 476 of the Companies Ordinance 1984 (*the "Ordinance"*).

2. Brief facts of the case are that the annual audited financial statements for the year ended June 30, 2015 (*"Accounts"*) of the Company filed with the registrar of companies and the statutory auditor's letter addressed to the board of directors (BOD) revealed that the total annual contribution of the Company (employee & employer) to the employee provident fund, in the amount of Rs. 1,172,877 was not deposited in a special account, to be opened by the company for the purpose in a scheduled bank or in the National Saving Schemes.

Section 227 (1) of the Ordinance requires that *all moneys or securities deposited with a company by its employees in pursuance of their contracts of service with the company shall be kept or deposited by the company within fifteen days from the date of deposit in a special account to be opened by the company for the purpose in a scheduled bank or in the National Saving Schemes, and no portion thereof shall be utilized by the company except for the breach of the contract of service on the part of the employee as provided in the contract and after notice to the employee concerned.*

3. The Company, *prima facie*, was in contravention with the provisions of Section 227 of the Ordinance, hence a SCN was served upon the respondents to show cause as to why penalty may not be imposed under Section 227 of the Ordinance for failure to ensure timely payment of contribution of the fund.



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4. Mr. Adeb Ali Mirza, Financial Controller of the Company and the authorized representative of the respondents appeared in the hearing held on October 28, 2016 and submitted that the Company subsequently opened a special bank account for the provident fund and also has established a provident fund trust on January 1, 2016. They further request for taking a lenient view in the matter.

5. Before proceeding further, it is necessary to advert to the relevant provisions of law: Sub-section (2) of Section 227 of the Companies Ordinance, 1984 ("Ordinance") provides that *where a provident fund has been constituted by a company for its employees or any class of its employees, all moneys contributed to such funds, whether by the company or by the employees, or received or accruing by way of interest, profit or otherwise from the date of contribution, receipt or accrual, as the case may be, shall either—*

- (a) *be deposited—*
  - (i) *in a National Savings Scheme;*
  - (ii) *in a special account to be opened by the company for the purpose in a scheduled bank; or*
  - (iii) *where the company itself is a scheduled bank, in a special account to be opened by the company for the purpose either in itself or in any other scheduled bank; or*
- (b) *be invested in Government securities; or*
- (c) *in bonds, redeemable capital, debt securities or instruments issued by Pakistan Water and Power Development Commission and in listed securities subject to the conditions as may be prescribed by the Commission).*

Sub-section 3 of Section 227 of the Ordinance provides that *where a trust has been created by a company with respect to any provident fund referred to in sub-section (2), the company shall be bound to collect the contributions of the employees concerned and pay such contributions as well as its own contributions, if any, to the trustees within fifteen days from the date of collection, and thereupon, the obligations laid on the company by that sub-section shall devolve on the trustees and shall be discharged by them instead of the company.*

Section 229 of the Ordinance provides that whoever contravenes or authorizes or permits the contravention of any of the provisions of section 227 shall be punished with a fine which may extend to five thousand rupees and shall also liable to pay the loss suffered by the employee on account of such contravention.

6. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Ordinance, representations submitted by the respondents in response to the contents of the SCN during hearing, and observed that the respondents are in contravention of the provisions of Section 227 of the Ordinance. However, I have also noted that the respondents admitted oversight on their part and have taken corrective measure. The Company opened a special bank account for provident fund as well as established a provident fund trust. The self-realization and corrective measures taken for avoidance of future errors are reassuring as the enforcement and



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regulatory function of the Commission is aimed at building a compliant corporate culture. In view of the above facts, I hereby conclude the proceedings against the respondents without any adverse order.

Amina Aziz

Director (Corporate Supervision Department)

*Announced:*

*November 10, 2016*

*Islamabad*