



Corporate Supervision Department
Company Law Division
Before Amina Aziz – Director

In the matter of

Karwan-e-Khair Al Wara (Pvt.) Limited

Number and date of notice: CSD/ARN/314/2016-194-96, dated July 26, 2016

Date of hearing: November 10, 2016

Presented by the respondents: Mr. Javed Akhtar Baloch, Chief Executive

ORDER

Under Sections 257 and 259 read with Section 476 Of The Companies Ordinance, 1984

This order shall dispose of show cause proceedings initiated against the Chief Executive and Directors (the "Respondents") of Karwan-e-Khair Al wara (Private) Limited ("Company") under Section 257 and 259 read with Section 476 of the Companies Ordinance, 1984 ("Ordinance") for filing of unsigned Auditors' Report (the "Report") along with annual accounts for the year ended June 30, 2015.

2. The brief facts of the case are that review of annual audited financial statements of the Company for the year ended June 30, 2015 ("Accounts") filed under section 242 of the Ordinance revealed that the Company's paid up capital is Rs7.5 million. The Accounts were audited by Mahboob Sheikh & Co., Chartered Accountants (the "Firm") and audit report dated October 12, 2015 was found unsigned and unnamed of the engagement partner of the firm.

3. A show cause notice (the "SCN") dated July 26, 2016 under sections 257 and 259 read with section 476 of the Ordinance was served to the respondents calling upon to show cause in writing within fourteen days from the date of the notice as to why penalty may not be imposed on them for contravention of the afore-referred provisions of the Ordinance. The respondents failed to submit their reply to the SCN within the prescribed period. Therefore, hearings in the matter were fixed twice for August 29, 2016, September 19, 2016 but no one appeared before the undersigned. However, after that a Company's response dated October 1, 2016 was received by the Commission on October 5, 2016 which is reproduced as under:

"We request your honor that we are engaged into Hajj tour operating activities only, due to hajj activities our Pakistan Office was not operated for some period upto 30.09.2016 and our accountant was on leave for that we have not received show cause notice as per your latest notice"

SECURITIES AND EXCHANGE
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SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 1 -

given reference of show cause notice dated 26.07.2016 yet. It is therefore, requested that your good self may kindly issue the show cause notice again for that we can comply with also give us an opportunity of being heard on the issue in this month. We assure you to comply all the conditions of the Companies Ordinance, 1984."

4. This office forwarded the SCN through email dated October 6, 2016 to the Company on its request as mentioned in foregoing paragraph. The Company vide its letter dated October 8, replied to the SCN which is reproduced as under:

"It is respectfully stated that our auditor Mahboob Sheikh & Co. has audited our annual accounts for the financial year 2015 and sent us accounts for signing by the Chief Executive / Director of our company along with the unsigned copy of the auditor's report. After signing by management the office staff (clerk) sent the copies to auditor and copies of the same to the SECP office Multan. However, we have signed copies of the same and it may also be confirmed from the auditors of the company. This unintentional mistake on the part of the clerk. Please find enclose herewith the copy of annual audited accounts along with auditor's report for further proceedings. The name of engagement partner was also written on these auditor's report. It is therefore, requested that your good self may kindly withdraw show cause notice. We will be careful in future that such clerical mistakes are not committed."

5. In order to provide an opportunity of hearing to the respondents, the matter was fixed for November 3, 2016 which was adjourned due to change of venue and was re-fixed for November 10, 2016. Mr. Javed Akhtar Balouch, Chief Executive appeared before me through video link from Company Registration Office, Lahore and reiterated the reason of filing of unsigned Report with unnamed of engagement partner lay as already submitted through letter which has been reproduced in preceding paragraph. He also assured that the Company shall be most careful in future to comply with the provisions of law. He was questioned about different dates on the Report filed with the respective Company Registration Office and filed with the reply to the SCN. He could not give a satisfactory reply to the query, however, he suggested the authenticity of the audit report can be verified from the auditors directly. The office vide its letter dated November 14, 2016 inquired from the auditors about correct date on the Report and name of the engagement partner. The auditors vide letter dated November 16, 2016 in response to this office letter informed as under:



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 2 -

"The current date is 10.10.2015 and the name of engagement partner is Mahboob Ahmad Sheikh and the copy of audit report is enclosed for your kind consideration."

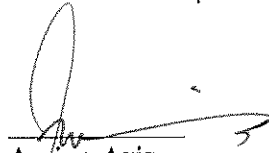
It is necessary to advert to the following relevant provisions of the Ordinance before proceeding further:

"Sub-section (1) of section 257 of the Ordinance provides that only the person appointed as auditor of the company, or where a firm is so appointed in pursuance of sub-section (2) of section 254, only a partner in the firm practising in Pakistan, shall sign the auditor's report or sign or authenticate any other documents of the company required by law to be signed or authenticated by the auditor." and

Section 259 of the Ordinance provides that if default is made by a company in complying with any of the provisions of sections 252 to 254 or 256 to 258, the company and every officer of the company who is knowingly and wilfully a party to the default shall be punishable with fine which may extend to fifty thousand rupees and in the case of continuing default to a further fine which may extend to two thousand rupees for every day after the first during which the default continues.

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 259 have been delegated to the Director (Corporate Supervision Department).

6. I have gone through the facts of the case, provisions of the Ordinance, written reply of the respondents as well as submission / pledge of the Chief Executive during the course of hearing, in view of the assurance for future compliance I hereby conclude the proceedings initiated under section 257 and 259 read with section 476 of the Ordinance with a warning to the respondents to be careful in future and ensure meticulous compliance with applicable laws.


Amina Aziz
Director (CSD)

Announced:
December 8, 2016
Islamabad