



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

[Islamabad]

*Before Rashid Sadiq, Executive Director*

*In the matter of*  
**M/S BEEMA PAKISTAN LIMITED**

Number and date of notice	EMD/233/290/2002 dated June 12, 2002
Date of final hearing	October 08, 2002
Present	Mr. M. Shahnawaz Agha Chairman and Chief Executive
Date of Order	January 21, 2003

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***ORDER UNDER SECTION 265 OF  
THE COMPANIES ORDINANCE, 1984***

The case before me pertains to the proceedings initiated in terms of show cause notice issued to M/S Beema Pakistan Limited, formerly Heritage Insurance Limited (the “Company”) under Section 265 of the Companies Ordinance, 1984 (the “Ordinance”) which deals with investigations into affairs of companies.



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

2. In order to dispose of the aforesaid matter, it is necessary to go into the background facts leading to issue of show cause notice to the Company by the Enforcement and Monitoring Division of this Commission. The Company was incorporated in 1960 under the Companies Act, 1913 (now the Companies Ordinance, 1984). Its shares are listed on Stock Exchanges in Pakistan. The main object of the Company, as per its Memorandum of Association, is to carry on all kinds of insurance and guarantee indemnity business. The registered office of the Company is situated in Karachi in the province of Sind.

3. The financial statements of the Company for the year ended December 31, 2000 received at the Commission in terms of Sub-section (5) of Section 233 of the Ordinance were examined and it was found that the allotment of shares of the Company made to Mr. Hameed Ullah, ex-chief executive of the Company, under the fifth right issue, was rescinded by the Board of Directors. The said shares were subsequently reissued and allotted to Mr. Shahnawaz Agha, the present chief executive. The consideration for the said allotment amounting to Rs. 15.773 million and that for advance against issue of right shares amounting to Rs. 45.077 million was made in form of property which were not mutated and transferred in the name of the Company as at the date of signing the accounts i.e. June 08, 2001. It was further observed that Rs. 60.800 million appeared as advance against property being amount under capitalization in accordance with the decision of Honourable High Court Sindh, Karachi. Mindful of the above facts and the various unfulfilled disclosure requirements, as provided in the Fourth Schedule of the Ordinance and the International Accounting Standards, the Company was advised vide letter dated October 31, 2001 to provide amongst other things the following documents:



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

- Copy of valuation certificate of the land against which shares were issued to the chief executive.
- Copy of the court order regarding capitalization of property amounting to Rs. 60.800 million.

4. The Company responded to the aforesaid letter of the Commission vide its letter dated November 21, 2001. The contents of the letter and the information/documents appended thereto were examined and it transpired that property, in consideration of which shares amounting Rs. 15.772 million were allotted and Rs. 45.077 million booked as advance against issue of right shares both to the chief executive, has not been transferred in the name of the Company. Furthermore, the Company failed to provide the order of High Court of Sind for capitalization of amount of Rs. 60.800 million booked as advance against properties.

5. In another development the Company, vide its letter dated February 07, 2002, addressed to the Karachi Stock Exchange with a copy to the Commission, informed that the Board of Directors of the Company have resolved to issue 6% ex-gratia bonus shares in lieu of dividend. In its letter dated March 14, 2002, it was further disclosed that the dividend has been declared under Sub-section (1) Section 235 of the Ordinance as a consequence of capital gain on revaluation of fixed assets. However, Section 235 of the Ordinance pertains with revaluation reserve does not envisage payment of dividend out of the said reserve. It was also noted that except for this invalid declaration of dividend, the Company had not paid any dividend since 1996.



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

6. It was also noticed that the Company, after promulgation of Insurance Ordinance, 2000, had failed to obtain the certificate of registration from the Commission as required under Sub-section (1) Section 6 of the Insurance Ordinance 2000 and is, therefore, not authorized to carry on the business of insurance.

7. Furthermore, it had also come to knowledge of the Commission that the non-listed shares of the Company were being offered and perhaps being traded on the Karachi Stock Exchange.

8. The aforesaid state of affairs of the Company gave rise to the apprehensions that the Company had made allotment of shares without any consideration, the persons concerned with the management of the company have been guilty of misconduct towards the company its members and that the affairs of the Company are not being managed in accordance with sound business principles and prudent commercial practices as a consequence of which the business of the Company is being conducted in a manner oppressive to its members, who been deprived of a reasonable return on their investments.

9. In view of the aforesaid situation, a notice dated June 12, 2002 was issued to the Chief Executive of the Company calling upon him as to why inspector, under Clause (b) of Section 265 of the Ordinance may not be appointed to investigate into the affairs of the Company.

10. The Chief Executive of the Company responded to the aforesaid show cause notice vide its letter dated July 04, 2002. The submissions made against



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

each of the issues while resisting the show cause notice, are briefly being reproduced (issues in bold italic font) hereunder:

***(i) The Company is not authorized to carry on insurance business, as it has not acquired the certificate of registration from the Commission as required under Section 6 (1) of the Insurance Ordinance 2000.***

The assumption is denied, as explicit orders to all ‘foot soldiers’ (insurance agents), branches is on record, by me to indulge in no business, conventional or non-conventional. We have our own restructured ‘operational; flow chart and our own restructured engineered products. These remain to come into effect post capitalization process, which is pending ratification by SECP. I may add here that our audited books are a clear reflection of this position. Revenue you see on the books is the residual fall out of previous obtained business.

***(ii) The amount of Rs. 60.800 million shown as advance against properties through “capitalization of properties” which have not been mutated and registered in the name of the Company.***

Capitalization of properties worth Rs 60.50 million were undertaken under section 86 (1) of the Companies Ordinance, 1984 plus Companies (Issue of Capital) Rules 1996, and under the umbrella of the High Court of Sindh ruling in J. Misc 8/2002. Evaluation certificates were provided to SECP. These properties were acquired on Power of Attorney basis and mutation is no prerequisite to Capitalization in line with the Legal opinion sought by our auditors in this regard. It is further declared that these properties stand sold by



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

Company in part exchange of 1737 acres of land vide board resolution passed in AGM held on June 29, 2002.

***(iii) Shares on account of fifth right issue amounting to Rs. 15.722 million rescinded and subsequently issued and allotted to Mr. M Shah Nawaz Agha, the present chairman and chief executive of the Company, in contravention of the provisions of the Ordinance.***

This subject and action both have been dueled upon right up to the level of the chairman SECP as early as 1999 when the undersigned took office. Moreover, the action was not arbitrary it was legitimized by a court, ruling in our application, J. Misc 8/2002 in full knowledge of SECP. In fact this Company has directed the Company solicitors to sue the previous chief executive (on instructions of SECP) for issue of shares to himself without consideration. This charge is therefore denied.

***(iv) the allotment of the 5<sup>th</sup> right issue has been made from ‘capital credit of Rs.60.80 million’ made in” kind” by Mr. M. Shah Nawaz Agha which prima-facie indicates the allotment of shares without any consideration.***

The responses No.2 and 3 above, serve as a basis to deny the assertion.

***(v) Amount of Rs. 45.077 million has been shown in the Balance Sheet as at December 31, 2000 as an advance against “issue of right shares” to Mr. Shah Nawaz Agha “pending process of capitalization” and “mutation of Property”; which transaction has not been explained by the Company.***



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

The authorized capital of the company being Rs. 50 million only and the consideration in kind being Rs. 60.80 million the extent of capitalization in the year 2000 was resolved to be limited to the rescinded volume, retaining book keeping harmony. Rs. 8,750,000, the remaining difference between paid up and authorized capital was capitalized in the year 2001. In the current AGM (29.6.02) we have increased the capital to Rs. 100 million and will take the same to Rs. 500 million by the end of the current fiscal year.

***(vi) The Company has issued 6% ex-gratia bonus shares out of the revaluation reserve in contravention of the provisions of section 235 of the Companies Ordinance, 1984 and Rule 6 of the Companies (Issue of Capital) Rules, 1996.***

The 6 % bonus shares and /or dividend was proposed by the management to meet with the listing requirements of the K.S.E. This was over ruled by the auditors and the Board

***(vii) Non-listed shares are being offered and perhaps traded on the Stock Exchange.***

The Company had prepared share certificates (Blank) for purpose of allotment to such sellers of property as would be interested to sell at half the price of the valuation. Real estate prices in the country being extremely low the exercise was and remains in aid of capitalization process. One Mr. Shafique Ahmed Khan was commissioned for the job of acquisition under a Memo. The said man against whom the Company is actively pursuing the case for “criminal breach of trust”, tried to acquire shares for himself beyond the commission set for him.



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

He also removed the common seal and the share register from the Company's premises. These were subsequently retrieved. The notice to the Karachi Stock Exchange was a preventive measure and has served well in the interest of the Company saving the people treating allotted shares as subscribed instruments and the Company from major disaster.

***(viii) The Company has been suffering losses and has not paid any dividend to its shareholders since 1996.***

Losses in the Company are as a consequence of re-structuring. I took reigns of the Company in June 1999 when the Company was for all practical purposes not solvent and the customer base had eroded altogether. The present restructured profile enjoys the confidence of the investors and foreign peers just as much. The plan was rated the best in the "first ever CEO summit of Asian Insurers" in Singapore in March 2001.

11. The Chief Executive made further submission vide his letter dated August 19, 2002 wherein he blamed the previous management for all irregularities and poor financial position of the Company. He also pleaded for a pro-active role by the Commission terming the initiation of investigation a regressive exercise which was irrelevant to actions taken legally and remain pending towards ratification with the Commission.

12. The hearing was re-fixed for August 20, 2002, which was again adjourned on the request of the Company. Thereafter, the final hearing of the case was held on October 08, 2002, wherein Mr. M. Shahnawaz Agha, chief





Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

executive, appeared and repeated the contentions made earlier in his written replies. He further stressed that the Company has applied for registration under the Insurance Ordinance, 2000. He also added that issue of share capital was made in consultation with M/s A. F. Ferguson & Co., Chartered Accountants, however, no evidence of such a consultation was provided.

13. During the course of the hearing, the Chief Executive was advised to provide copies of legal opinion by Mr. Hasan Inamullah, Advocate, regarding capitalization of properties, which have not been mutated and transferred in the name of the Company and the order in J. Misc. 8/2000 of the Sind High Court on the same issue. Copy of the opinion, dated June 01, 2002, given by Mr. Hasan Inamullah, Advocate, Supreme Court of Pakistan was submitted by the Chief Executive, however, the copy of the Order of the Sind High Court was not provided. The relevant extracts of the opinion given by Mr. Hasan Inamullah, Advocate, are reproduced below:

***Quote***

*“Specific to your request for this legal opinion, I advise that no constraints and or reservation may be considered by your Finance Department and your Auditors in using shares against acquired property on the basis of Registered Power of Attorney supported by a Sale Agreement.*

***Unquote***

14. I have considered the arguments advanced by the Chief Executive of the Company as dilated in the preceding paragraphs and have also examined the



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

records by myself. My views on each of the submissions made by the Chief Executive are as under:

***(i) The Company is not authorized to carry on insurance business, as it has not acquired the certificate of registration from the Commission as required under Section 6 (1) of the Insurance Ordinance, 2000.***

Insurance Ordinance 2000 was promulgated on August 28, 2000 repealing the Insurance Act, 1938. The provisions of Section 6 of the Insurance Ordinance 2000 requires all public limited companies, which are engaged or which intend to engage in the business of insurance get themselves registered with the Commission. The aforesaid provisions are reproduced hereunder for ease of reference:

***Quote***

*“No eligible person shall, after the commencement of this Ordinance, begin or, after the expiry of six months from the commencement date, continue, to carry on any insurance business in Pakistan, unless such eligible person has obtained from the Commission a certificate of registration to carry on insurance business under this Ordinance, and that registration has not been revoked”*

***Unquote***

The contentions that the Company is not transacting any business conventional or non-conventional are mitigated by disclosure in the Directors' Report



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

appended to the accounts for the year ended December 31, 2000 and December 31, 2001. The relevant extract of these reports are reproduced hereunder:

***Quote***

Year Ended December 31, 2000

*“The gross premium income for the various classes of general insurance business underwritten during the year 2000 was Rs. 2,418,143.....”*

Year Ended December 31, 2001

*“The gross premium income for the various classes of general insurance business underwritten during the year 2001 was Rs. 2,383,997.....”*

***Unquote***

The audited accounts of the Company also reflected the premium received by the Company during the aforesaid years, which demonstrate that the Company has indulged in insurance business during the said period. In view of the above discussion, it is evidently clear that the Company has carried on insurance business without obtaining certificate of registration from the Commission as required under Section 6 (1) of the Insurance Ordinance 2000. As regards Company’s application for registration the fact of the matter is that it had applied for registration under Section 6 of the Insurance Ordinance, 2000 vide its application dated January 15, 2001. However, the said application suffered from several legal infirmities, which despite communication to the Company, were not removed.



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

***(ii) The amount of Rs. 60.800 million as advance against properties through “capitalization of properties” which have not been mutated and registered in the name of the Company.***

The Company capitalized the properties without having them mutated and registered in its own name, furthermore, the copy of the order of the Honourable High Court of Sind, J. Misc 8/2002, has not been provided to the Commission despite several reminders. This has been done without complying with the mandatory requirements of Section 73 of the Ordinance.

***(iii) Shares on account of fifth right issue amounting to Rs. 15.722 million rescinded and subsequently allotted and issued to Mr. M Shah Nawaz Agha, the present chairman and chief executive of the Company, in contravention of the provisions of the Ordinance.***

Sections 86 and 87 of the Ordinance are grouped under the head “Further Issue of Capital”. Sub-section (1) of Section 86 provides that further capital can only be issued through an offer to the members to subscribe right shares in proportion of their existing shareholding with a proviso that the company may raise further capital without right issue on the basis of a special resolution but with prior approval of the Federal Government. Section 87 of the Ordinance deals with the issue of share in lieu of outstanding balance of any loans etc. The aforesaid provisions do not envisage any re-allotment of the shares. The Shares of the Company were, therefore, rescinded and re-allotted to the present chief executive, Mr. M. Shah Nawaz Agha, in violation of the aforesaid provisions of law. As mentioned earlier, the copy of the order the Honourable High Court of



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

Sind, J. Misc 8/2002, has not been provided to the Commission despite repeated requests. The Company, therefore, acted in contravention of the aforesaid mandatory provisions of the Ordinance. It has also been observed that the record of the Company at the Company Registration Office supports neither the disclosures made in the financial statements nor the contentions made in reply to the show cause notice with regard to the shares rescinded and re-allotted. The list of shareholders attached to Form A made up to June 29, 2000 indicates the shareholding of Mr. Shah Nawaz Agha as 500 shares while Form A made up to June 30, 2001 shows his shareholding as 157,761 shares, however, no transfer of shares has been indicated against the increased holding.

***(iv) The allotment of the 5<sup>th</sup> right issue has been made from ‘capital credit of Rs.60.80 million’ made in” kind” by Mr. M. Shahnawaz Agha which prima-facie indicates the allotment of shares without any consideration.***

The legal opinion of Mr. Hasan Inamullah, Advocate, Supreme Court of Pakistan, submitted to the Commission provides that in case shares are issued against property which has not been transferred in the name of the Company, the transaction will be supported by “Registered Power of Attorney” and “Sale Agreement”. The aforesaid opinion is in conformity with the provisions of the Ordinance. Section 73 of the Ordinance requires that the Company files a return indicating the allotment of shares and in case the allotment has been made against consideration other than cash, it is obligatory for the Company to follow the procedure outlined in Clause (b) of Sub-section (1) of Section 73 of the Ordinance. These provisions are reproduced hereunder:



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

***Quote***

*“.....produce for the inspection and examination of the registrar a contract in writing constituting the title of the allottee to the allotment together with any contract of sale, or for services or other consideration in respect of which that allotment was made, such contracts being duly stamped, and file with the registrar copies verified in the prescribed manner of all such contracts and a return stating the number and nominal amount of shares so allotted, the amount to be treated as paid-up, and the consideration for which they have been allotted;”*

***Unquote***

In continuation to the above, the provisions of Sub-section (2) of Section 73 of the Ordinance provides that:

***Quote***

*“Where such a contract as is mentioned in clause (b) of sub- section (1) is not reduced to writing, the company shall, within thirty days after the allotment, file with the registrar the prescribed particulars of the contract stamped with the same stamp duty as would have been payable if the contract had been reduced to writing, and these particulars shall be deemed to be an instrument within the meaning of the Stamp Act, 1899 (II of 1899), and the Registrar may, as a condition of filing the particulars, require that the duty payable thereon be adjudicated under section 31 of that Act.”*

***Unquote***



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

It has been noted that Form III, Return of Allotment, dated June 29, 2000 and June 30, 2001 filed by the Company did not enclose the documents required under the provision of the above-referred sections of the Ordinance. Moreover, the Company has not even submitted the stamped copy bearing the prescribed particular of the contract to the Commission. The only documents provided to the Commission with regards to the subject properties are their valuation certificates. It has also come to the notice of the Commission that the Company has filed Form 3 (Return of Allotment) under Sub-section (1) of Section 73 of the Ordinance, on March 31, 2002 regarding allotment of further 134,766,800 shares amounting to Rs. 1,347,668,000 also in consideration of property. It is pertinent to add here that said allotment has been in violation of Sub-section (1) of Section 86 of the Ordinance because further issue of capital has not been offered to the existing shareholders. Furthermore, the Company has also not provided the requisite documents as envisaged in the Sub-section (1) (b) and (2) of Section 73 of the Ordinance, in the case of allotment of shares against consideration other than cash along with Form 3. In view of the involvement of shares worth billions of Rupees the Stock Exchanges were advised by the Commission to suspend trading the Company's shares. On a query regarding the said allotment the Chief Executive informed that the subject Form 3 was filed by a junior accountant with typographical errors. His response portrays the placid attitude in abiding the requirements of law.

***(v) Amount of Rs. 45.077 million has been shown in the Balance Sheet as at December 31, 2000 as an advance against "issue of right shares" to Mr. Shah Nawaz Agha "pending process of capitalization" and "mutation of Property"; transaction has not been explained by the Company.***



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

The position of law regarding issuance of right shares has already been explained in the foregoing paragraphs in the light of which the above-referred transaction does not appear to be genuine.

***(vi) The Company has issued 6% ex-gratia bonus shares out of the revaluation reserve in contravention of the provisions of section 235 of the Companies Ordinance, 1984 and Rule 6 of the Companies (Issue of Capital) Rules, 1996.***

As no action has been taken on the resolution thus, the irregularity was rectified.

***(vii) Non-listed shares are being offered and perhaps traded on that Stock Exchange.***

It has already been discussed in the preceding paragraphss that the Company cannot issue shares in a manner other than that prescribed in Section 86 and 87 of the Ordinance. The Company has, thus, violated the mandatory provisions of the Ordinance pertaining to the issue of further capital.

***(viii) The Company has been suffering losses and has not paid any dividend to its shareholders since 1996.***

Even since the year 1999, there has not been any improvement in the financial results shown by the Company. The trend of losses has not been curbed which





Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

is evident from the financial data extracted from the financial statements of the Company for the year 1998 to 2001:

	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
	Rupees in Millions			
Paid up capital	41.250	41.250	41.250	50.000
Reserves	0.930	0.930	0.930	0.930
Accumulated Loss	(6.903)	(9.130)	(12.360)	(16.216)
Total Equity	35.277	33.050	29.820	25.964
Un-appropriated Loss for the Year	(1.803)	(2.227)	(2.230)	(1.838)

15. Another event, indicative of the total disregard of law and the casual attitude towards the management of the affairs of the Company, came to light during the examination of documents filed with the Commission. The Company, in its petition under Section 39 and Section 96 of the Ordinance filed with the Honourable Sindh High Court, stated that in an extraordinary general meeting held on June 22, 1999 the authorized share capital of the Company was enhanced from Rs. 50.00 million divided into 5.00 million ordinary shares to Rs. 100.00 million divided into 10.00 million ordinary shares. However, the Company continues to report its authorized capital in its financial statements as Rs. 50.00 million divided into 5.00 million ordinary shares. On a query regarding the apparent contradiction, the auditors of the Company namely, M/s F.R. Merchant & Co., Chartered Accountants, have replied that due to non-compliance of statutory procedures/requirements i.e. non-filing of Form VII along with the prescribed fee, the increase in authorized share capital has not been reported in the financial accounts. It is noteworthy that even after the lapse of more three years the Company has failed to fulfill mandatory statutory requirements for increase in authorized share capital.



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

16. In view of the aforesaid discussion and after careful consideration of all relevant facts and circumstances of this case, it appears to me that:

- i. The Company is conducting business of insurance without obtaining registration under the Insurance Ordinance, 2000.
- ii. The Company has usurped the rights of the shareholders, provided by the law, that in case of increase in share capital they would first be provided an option to subscribe to the shares of the Company.
- iii. The shares of the Company were allotted to the Chief Executive without any consideration, cash or otherwise.
- iv. The Company has provided misleading and contradictory information in its financial statements.
- v. The Company does not appear to have any legal right over the properties included as investment in its financial statements.

17. In view of the above, I am convinced that the circumstances falls under Sub-clauses (i), (ii), (iii), (v) and (vi) of Clause (b) of Section 265 of the Ordinance and that substantial and worthwhile basis exist to form an opinion warranting investigation into the affairs of the Company. The aforesaid discussion also amply demonstrates that such conditions exist, which fulfills the objectives that form the pre-requisite for ordering an investigation.



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

18. In view of aforesaid discussion and after careful consideration of the facts and circumstances of this case, I am of the opinion that there are circumstances suggesting that:

*Sub-clause (i) of Clause (b) of Section 265*

The business of the Company is being conducted in a manner oppressive to its member.

*Sub-clause (ii) of Clause (b) of Section 265*

The person concerned with the management of the company have been guilty of misconduct towards the company or towards any of its members

*Sub-clause (iii) of Clause (b) of Section 265*

The affairs of the Company have been conducted or managed as to deprive the members thereof of a reasonable return.

*Sub-clause (v) of Clause (b) of Section 265*

The shares of the company have been allotted for inadequate consideration.

*Sub-clause (vi) of Clause (b) of Section 265*

The affairs of the Company are not being managed in accordance with sound principles and prudent commercial practices.



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

19. Securities and Exchange Commission of Pakistan has been established under the Securities and Commission of Pakistan Act, 1997 for the beneficial regulation of the capital markets, superintendence and control of the corporate entities and for matters connected therewith and incidental thereto. It is one of its functions to conduct *sue moto* investigations into affairs of the companies, through competent inspectors(s) if in its opinion there are circumstances suggesting one or more of the matters given in sub-clauses (i) to (vii) of Clause (b) of Section 265 of the Ordinance. The Commission is further empowered to prosecute a company or persons found guilty as a consequence of such investigations. It would also be pertinent to discuss here the spirit of Section 265 of the Ordinance. It is not possible for the minority shareholders to act jointly to protect their interest. Moreover, they are not able to collect evidence where management is acting prejudicial to their interest to bring the same before the appropriate forums for appropriate action. It was because of this difficulty that the legislators have enacted Section 265 of the Ordinance to prevent the managements of companies from acting in a manner prejudicial to the interest of the minority shareholders. The object of this Section, thus, is to safeguard the interest of all stakeholders and those dealing with the company to provide for investigation into its affairs where the affairs of the company are conducted to jeopardize those interests.

20. For the forgoing reasons, I, in exercise of the powers conferred on me under Clause (b) of Section 265 of the Ordinance, hereby appoint Mr. Muhammad Tariq, FCA, of M/s Tariq & Co., Chartered Accountants, 4/N/4, Block 6, PECHS, Karachi to act as inspector to investigate into the affairs of M/S Beema Pakistan Limited to bring into light the actual state of affairs of the



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

Company. He will be paid a remuneration of Rs. 200,000/- (Rupees Two Hundred Thousand Only) to be paid by the Company.

21. Without limiting, in anyway, the scope of investigation, the inspector shall conduct investigation on all aspects of the operations of the Company and shall, after scrutiny of the entire record and books of accounts, furnish report, *inter alia*, on the following matters:

- a) Irregularities regarding further issue of capital and allotment, rescinding and re-allotment of right shares.
- b) Issuance and allotment of further shares against consideration other than cash especially property.
- c) Capitalization of properties.
- d) Corporate irregularities, circumstances thereto and the persons responsible for corporate irregularities.
- e) Whether or not the Company has kept proper records as required by Section 230 of the Ordinance and Section 46 of the Insurance Ordinance, 2000.
- f) Compliance with the provisions of Section 234 relating to disclosure of the required information.



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

- g) Investigation of Expenditures incurred by the Company with particular reference expenditure analysis in terms of:
1. Organization
  2. Personal
- h) Whether or not adequate system of internal controls exists so as to prevent misappropriation and misapplication of Company's assets and resources.
- i) Reasons for the failure of the Company in context to:
- Management practices
  - Over spending in expenditures
- j) Determination of any false and incorrect statement in directors' report.
- k) Compliance with statutory requirements in the operation of the Company.
- l) To report any lapses or other delinquency detected during the course of investigation.
- m) Proper maintenance of statutory books including particularly minute books of Board and general body meetings.



Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*

n) Any other violation of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 or any other relevant laws.

22. The inspector shall submit his report alongwith supporting documents to the Commission within sixty days from the date of this order. The Commission expects that the report shall be made specifically on each terms of reference along with the names of persons responsible for any irregularities and mismanagement in the affairs of the Company.

23. The inspector, for the purpose of his investigation, shall have the same powers as are vested in a Court under the Code of Civil procedure, 1908 (Act V of 1908) while trying a suit in respect of the matters enumerated under Section 266 of the Ordinance and every proceeding before the inspector shall be deemed to be judicial proceeding within the meaning of Section 193 and 228 of the Pakistan Penal Code, 1860. Any contravention or non-compliance with any orders, direction or requirement of the inspectors shall entail the consequences under the Code of Civil Procedure, 1908 and Pakistan Penal Code, 1860.

24. It shall be the duty of all the officers, employees and agents and other persons having dealing with the Company to provide all assistance to the inspector in connection with the investigation, and any default whereof shall be punishable under Section 268 of the Ordinance.

***Rashid Sadiq***

Executive Director (Enforcement & Monitoring)

**Announced**  
**January 21, 2003**  
**ISLAMABAD**