

Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*  
7th Floor, NIC Building, Jinnah Avenue, Blue Area, Islamabad

*Before Rashid Sadiq, Executive Director*

*In the matter of*  
M/S PRUDENTIAL DISCOUNT & GUARANTEE HOUSE LIMITED

Number and date of notice	EMD/233/634/2002 dated June 07, 2002
Date of hearing	June 26, 2002
Present	Mr. Suhail Ashraf, Company Secretary

## Order

The facts relevant to this case, briefly stated, are that M/S Prudential Discount and Guarantee House Limited (the “Company”) was required to prepare and transmit to its members half yearly accounts for the period ended December 31, 2001 by February 28, 2002 as required under Clause (a) of Sub-section (1) of Section 245 of the Companies Ordinance, 1984 (the “Ordinance”). The Company was also required to file with the Registrar and the Commission three copies of such half yearly accounts simultaneously with the transmission to its members under Clause (b) of Sub-section (1) of Section 245 of the Ordinance.

2. The Company failed to transmit the half yearly accounts for the period ended December 31, 2001 to the members and file the same with the Commission. A

notice dated June 07, 2002 was, therefore, served on the directors including Chief Executive of the Company calling upon them as to why penalty as provided in Sub-section (3) of Section 245 of the Ordinance may not be imposed upon them for the aforesaid contravention. The response to the aforesaid show cause notice was received through the Company's letter dated June 20, 2002. In order to provide an opportunity of personal hearing, the case was fixed on June 21, 2002, which was adjourned to June 26, 2002. Mr. Suhail Ashraf, Company Secretary appeared on the date of hearing and argued the case.

3. In the written submissions as well as at the time of hearing, it was averred that M/S Ford Rhodes Robson Morrow, Chartered Accountants, the auditors of the Company, commenced the audit of annual accounts of the Company for the year ended June 30, 2001 on December 26, 2001. It was stated that the attitude of auditors was very non-cooperative and they left the audit without valid reasons on February 27, 2002. Therefore, the annual accounts of the Company could not be finalized and resultantly the half yearly accounts for the period ended December 31, 2001 could not be prepared and transmitted to the shareholders within the stipulated time. It was also informed that the Company has now appointed M/S Rao & Co., Chartered Accountants as auditors of the Company and annual accounts as well as half yearly accounts would be finalized soon.

4. Having considered the arguments of the Company, I am of the view that the delay in finalization of annual accounts is not a valid reason for delaying the preparation and transmission of the half yearly accounts, which is a separate mandatory requirement under Section 245 of the Ordinance. Thus, there could be hardly any justification for postponing the preparation and circulation of half yearly accounts, which in my view, could be prepared soon after the close of first half of the year of accounts of the Company. Under the circumstances, I do not find any merit in the contentions of the Company for delaying the preparation and circulation

of half-yearly accounts for the period ended on December 31, 2001. As the directors were supposed to be aware of the legal requirements and the consequences of their violations and further they were unable to give any justifiable excuse for the contraventions, therefore, it could be legitimately inferred that the default was committed willfully and deliberately for which the Company, its directors and Chief Executive have made themselves liable under the provisions of Sub-section (3) of Section 245 of the Ordinance. As the directors have promised to circulate half yearly accounts by July 31, 2002 and have also undertaken that they will ensure strict compliance of Section 245 in future, therefore, I take a lenient view of the default and, instead of imposing a maximum fine of Rs.100,000 on every director including the Chief Executive of the Company, hereby impose a fine of Rs. 25,000 (Rupees twenty five thousand) on each of the directors including Chief Executive of the Company under Sub-section (3) of Section 245 of the Ordinance read with Section 476 of the Ordinance.

5. The Chief Executive namely Mr. Mazharul Haque Siddiqui, and directors namely Mr. Rashidullah Yaqoob, Dr. Muhammad Hussain, Mr. Muhammad Asif Dar, Mr. M.Tahir Siddiqui, Mr. M. Salman Rashid, Mr. Tahir Hassan and Mr. Muhammad Ali Sheikh are hereby directed to deposit the fine amounting to Rs. 25,000 each (aggregating Rs. 200,000) in the designated bank account of Securities and Exchange Commission of Pakistan within 30 days of the receipt of this Order and furnish receipted challan to this Commission.

***RASHID SADIQ***

*Executive Director (Enforcement & Monitoring)*

**Announced**  
**July 10, 2002**  
**ISLAMABAD**