

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 05, 2002
Date of hearing	June 26, 2002
Present	Mr. Suhail Ashraf Company Secretary

Order

This order will dispose of the proceedings initiated against M/S Prudential Discount and Guarantee House Limited (the “Company”) and its Chief Executive and directors for failure to hold Annual General Meeting for the calendar year 2001 and to lay therein a balance sheet and profit and loss account for the year ended June 30, 2001.

2. The relevant facts of this case, briefly stated, are that the Company was required to hold its Annual General Meeting (the “AGM”) for the calendar year 2001 and to lay therein its balance sheet and profit and loss account for the year ended June 30, 2001 on or before December 31, 2001 as required under Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (the “Ordinance”). The failure of the Company to comply with the mandatory requirements necessitated

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action against the Company, its Chief Executive and directors. A notice dated June 05, 2002, therefore, was issued to the Company, its Chief Executive and directors calling upon them to show cause as to why penalties as provided under Clause (a) of Sub-section (4) of Section 158 read with Section 476 of the Ordinance may not be imposed upon them for contraventions of the above referred mandatory provisions of the Ordinance.

3. 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.

4. 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 Company could not hold AGM in time. It was also informed that the Company has now appointed M/S Rao & Co., Chartered Accountants, as auditors of the Company and the accounts for the year ended June 30, 2001 would be finalized soon. Accordingly, it was undertaken to hold the Annual General Meeting of the Company for the calendar year 2001 by July 31, 2002. The auditors, however, had a different contention. They informed the Commission vide their letter dated June 18, 2002 that the Company provided the first draft of annual accounts for the year ended June 30, 2001 to them on January 25, 2002 without which they were unable to commence the audit.

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5. Having heard the arguments of the Company, I am of the view that AGM must be convened within the time prescribed under Sub-section (1) of Section 158 of the Ordinance. It is one of the statutory obligations of the directors to call AGM irrespective of whether the accounts, the consideration of which is only one of the matters to be discussed in the AGM, were ready or not. I, therefore, find no merit in the reasons advanced by the Company for delaying the holding of Annual General Meeting for the calendar year 2001. As regards to the delay in presentation of accounts and the contentions of the Company and its auditors, this is a separate matter and subject of the show cause proceedings initiated against the directors and Chief Executive of the Company under Sub-section (1) of Section 233 of the Ordinance. I am, therefore, not addressing this issue for the purpose of this Order.

6. For the foregoing, the default under Sub-section (1) of Section 158 of the Ordinance is established. 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 Clause (a) of Sub-section (4) of Section 158 of the Ordinance. I, therefore, impose a fine of Rs. 20,000/- (Rupees twenty thousand) on the Company, its directors including Chief Executive for default in complying with the provisions of Sub-section (1) of Section 158 of the Ordinance and for the continuous default, by taking a lenient view, no further fine is imposed on the Company, its Chief Executive and directors, which is prescribed @ Rs 2,000/- per day. In case the Company, its Chief Executive and directors failed to hold the AGM within the time undertaken by them, they shall also be liable for the per day fine prescribed under the law for the continuing default. I hope that the Company, its Chief Executive and

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directors will respond positively to the aforesaid leniency and will ensure strict observance of the requirements of law in future.

7. The Company, its 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 20,000/- each (aggregating Rs. 180,000) 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 and Monitoring)

Announced
July 10, 2002
ISLAMABAD