



Corporate Supervision Department  
Company Law Division

Before Amina Aziz – Director

*In the matter of*

**Descon Engineering Limited**

Number and date of notice: EMD/242/L/85/10-431-345 dated October 30, 2014  
Date of hearing: December 29, 2015  
Present: Mr. S.Sajjad H. Abidi- Authorized Representative

**ORDER**

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

This order shall dispose of the proceedings initiated against the following directors including the Chief Executive (the “respondents”) of Descon Engineering Limited (the “Company”):

1. Mr. Salman Zakaria
2. Syed Zamanat Abbas
3. Mr. Abdul Razak Dawood
4. Mr. Taimur Dawood
5. Mr. Faisal Dawood

These proceedings were initiated through show cause notice (“SCN”) dated October 30, 2014 under the provisions of section 227 read with section 229 and section 476 of the Companies Ordinance 1984 (the “Ordinance”).

2. The brief facts of the case are that examination of the annual audited accounts of the Company for the year ended June 30, 2010, 2011, 2012 and 2013 (“Accounts”), revealed that the Company operates a recognized provident fund scheme (“Fund”) for all of its permanent employees and the amounts of Rs. 29.421 million (2012; Rs. .543 million , 2011; Rs. 9.547 million and 2010 Rs. .687 million) are payable to provident fund at the end of respective years.

3. In response to Commission letter dated June 13, 2014, the Company vide letter dated August 8, 2014, 2014 submitted the certified of ledger accounts, bank account statement of provident fund trust and audited accounts of the provident fund trust for the period July 1, 2010 to June 30, 2013 and audited accounts of provident fund trust for the years ended June 30, 2010, 2011, 2012 and 2013. The analysis of ledger accounts and bank account statement shows that the Company has utilized the money of the provident fund trust in its operations, prima facie, non-



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compliance with the requirements of Section 227 of the Ordinance. Consequently, the SCN was issued to the respondents requiring them to show cause in writing as to why penal action may not be taken against them in terms of section 229 of the Ordinance.

4. The Company replied vide letter dated November 10, 2014 and submitted as follows;
- a) The construction industry had passed through a difficult period in 2010, 2011 and 2012. There has been some inadvertent delays in the transfer of contributions in the bank account of the provident fund, however, these were involuntary in nature. None of these funds were at any time utilized by the Company management for its own purposes.
  - b) The respondents assured that the systems have been put in place where such delays are not repeated for any reason whatsoever. This is evident by the fact that the provident fund contributions have been transferred without any delay in the financial year 2014 and assured that such errors will not be repeated in the future.

5. In order to provide opportunity of personal hearing; the case was fixed before the undersigned on December 29, 2015. Mr. S. Sajjad H. Abidi, Authorized Representative on behalf of respondents appeared and submitted that provident fund contributions have been transferred in the financial year 2014. The authorized representative was asked to provide evidence of subsequent compliance of Section 227 of the Ordinance. The Company vide email dated January 26, 2016 provided evidences which substantiate that company was compliant of Section 227 in financial year 2014.

6. Before proceeding further, it is necessary to advert to the following relevant provisions of Ordinance:

**Section 227** of the Ordinance, inter alia, provides as under:

**Sub-section (2):** *Where a provident fund has been constituted by a company for its employees or any class of its employees, all moneys contributed to such fund, 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;*



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- (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 the Pakistan Water and Power Development Authority and in listed securities subject to the conditions as may be prescribed by the Commission.*

**Section 229** of the Ordinance provides that *whoever contravenes or authorises or permits the contravention of any of the provisions of section 226 or section 227 or section 228 shall be punished with a fine which may extend to five thousand rupees and shall also be liable to pay the loss suffered by the depositor of security or the employee on account of such contravention.*

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 229 of the Ordinance have been delegated to the Director (Corporate Supervision Department).

7. Having gone through the facts of the case, provisions of the law and submissions of the respondents, I have concluded that the provisions of section 227 of the Ordinance have been violated as the Company has utilized the amounts of Fund in financial year 2010, 2011, 2012 and 2013. However, keeping in view subsequently compliance of Section 227 of the Ordinance, I hereby conclude the case with a warning to the respondents to ensure future compliance of applicable legal provisions.

**Amina Aziz**  
Director

**Announced:**  
January 27, 2016  
Islamabad