

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
(Monitoring & Enforcement Division)
State Life Building, 7-Blue Area,
Islamabad

NO. 19(634)/CF/ISS/92 Islamabad, dated October 19,
1999

ORDER TO ISSUE NOTICE UNDER SECTION 472 (1)
OF THE COMPANIES ORDINANCE, 1984 IN CASE OF
M/S. GHANDHARA LEASING COMPANY LIMITED

The examination of the annual accounts for the year ended 30-06-1998 of M/s. Ghandhara Leasing Company Limited, revealed that an amount of Rs.4.698 million was paid to the ex-Chairman and Chief Executive of the company as "separation benefits". Since prima facie, the same does not fall in definition/scope of remuneration, and appeared to be in-admissible business expenses which could not be charged to company's profit and loss account, the company was asked to file minutes of the meeting of the board of directors/shareholders vide commission's letter No. 19(734)CF/ISS/99-73, dated 27-05-1999 for ascertaining complete facts in this regard. Vide this letter various other issues were also raised. The reply of the company was not received till 23rd September, 1999, although reminders were issued on 6-7-1999 to 19-7-1999, 26-7-1999 and 14-7-1999.

2. Having failed to receive any response the company was informed through Commission's letter dated 23rd September, 1999 that the Commission is considering issuance of a

notice under section 472(1) of the Companies Ordinance, 1984 to all the directors of the company including chief executive (who authorized the said payments) to deposit the said amount into the company's account as prima facie it was not an expense incidental to the business of the company. In response to this letter, the company vide its letter dated 30th September, 1999, forwarded copy of a letter dated 31st August, 1999 from Kazim Hasan, Barrister at Law on company's behalf. In this letter while explanations were offered on other issues raised in Commission's letter dated 27-05-1999, silence was adopted on the matter of "separation benefits" paid to the Ex-Chairman and Chief Executive of the company. In company's forwarding letter it was mentioned that this matter would be replied in due course of time but no reply was received till date of this order (when the order was being finalized a letter has been received from the company that a meeting of board of directors of the company has been called on 25th October, 1999 to reconsider the matter). In view of the fact that company did not promptly reply Commission's letter dated 27-05-1999, although various reminders were issued, it did not offer any explanation in this regard in the letter of its Consultant, its own letter dated 30th September, 1999 and has also not offered any explanation subsequently, I am convinced that the company has nothing to urge in the matter and is applying only delaying tactic. I find it proper to order to issue notice under section 472(1) ibid, at this stage and explanation of the company and person concerned if any may be taken into consideration at the time of passing final order under section 472 after 30 days as prescribed by law. Accordingly, notice may be issued to all the directors of

the company and the Chief Executive who authorized the said payment of Rs.4.698 million directing them to undo the irregularity and to deposit the said amount in company's account within 30 days from the date of receipt of the notice.

(M. Zafar - ul - Haq Hijazi)
Commissioner (Enforcement)