



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Company Law Division
(Corporatization & Compliance Department)

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No.CLD/RD-305 (01)/2012

Islamabad, the May 09, 2012

Before

Executive Director (C & CD)

In the matter of

Pax Mondial Pakistan (Pvt.) Ltd.

Sanction under section 309 (b) the Companies Ordinance, 1984

Present: Raja Abid Hassan of Jillani & Hassan,
Attorneys at Law, (Authorized representative)
on behalf of the Company.

Dates of Hearing: 26.04.2012 & 30.04.2012

Place of Hearing: Islamabad

ORDER

M/s. Pax Mondial Pakistan (Pvt.) Limited (the "Company") was incorporated on 26.06.2009 having its registered office at office No. 14, First Floor, Block No. 1-C, Muhammadi Plaza, Blue Area, Islamabad. The authorized and paid up capital of the Company is Rs. 500,000 divided into 5,000 shares of Rs. 100 each. The business activities of the Company as mentioned in its Memorandum of Association include *inter alia* the following;

- (i) *To carry on business of management consultancy services to local and international organizations operating in Pakistan in order to support management of their business operations.*
- (ii) *To provide training and capacity building services to organizations and their staff, whether local or international in accordance with the best international standards and practices.*

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- (iii) *To introduce and oversee, logistical and procurement facilities to organizations as per their requirements for smooth running of their operations.*
 - (iv) *To support organizations in mitigating risks and to ensure that business operations and data of such organizations is secure, and that their operations may continue without interruption in the event of any untoward incident.*
 - (v) *To establish, operate and administer hospitals, clinics, nursing homes and to train the staff, whether local or international, with regard to the provision of medical facilities in the event of any emergency.*

2. The Ministry of Interior brought to the knowledge of the registrar concerned, that the Company is involved in activities which are against the national interest and security and requested to cancel its registration. The registrar concerned, therefore, in national interest and in the interest of public at large, has sought "prior sanction" in terms of proviso to clause (b) of section 309 of the Ordinance, for filing a winding up petition before the Islamabad High Court against the Company on the aforesaid grounds by additionally stating that the Company is involved in *ultra vires* activities/businesses which are not authorized by its Memorandum of Association and requires to be wound up in terms of section 305 of the Companies Ordinance, 1984 (the "Ordinance").

3. In order to meet the ends of justice and before granting the sanction, the Company was served with a Show Cause Notice dated 12.04.2012, and provided with an opportunity of making a representation and of being heard in terms of proviso to clause (b) of section 309 of the Ordinance.

4. In response to the aforesaid notice, the authorized representative of the Company appeared before me on 26.04.2012 and stated that the management is being chased regularly by different agencies in spite of the fact that the Company has not carried out any business activity since its incorporation on 24.06.2009. He informed that the directors are foreign national and do not reside in Pakistan and often use to manage affairs of the Company while sitting abroad. The authorized representative was, however, not aware about the name and particulars of principal officer of the Company in Pakistan,

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particulars of auditors, status of annual audited accounts and compliance position of other mandatory requirements of the Ordinance like holding of meetings and filing of statutory returns required under the Ordinance. He, therefore, requested for adjournment of proceedings so as to be able to get the desired information from the Company. He was, as such, advised to submit copies of specified papers so as to evaluate the activities and affairs of the Company, particularly in relation to compliance with the mandatory requirements of relevant provisions of the Ordinance. The authorized representative appeared again on 30.04.2012 and provided copies of the following documents;

- (a) List of employees (containing names of only two persons).
- (b) Minutes of the meetings of Board of Directors dated 30-06-2009, 22-08-2009, 31-05-2010, 21-02-2011 & 21-06-2011.
- (c) Minutes of AGMs. dated 31-10-2010 & 31-10-2011.
- (d) Annual Accounts for the year ended 30-06-2011 & 31-03-2012.
- (e) Bank statements of the Company from July 2011 to March 2012.

5. The authorized representative further informed that the Company has only two employees and in addition to the registered office premises located at 14, First Floor, Block No. 1-C, Muhammadi Plaza, Blue Area, Islamabad, the Company is occupying three houses on a monthly rent of USD 5,400, USD 1,800 and Rs. 60,000 respectively. The logic and purpose of occupying multiple buildings by the Company having only two employees are not found to be understandable and created doubt about utilization of premises instead.

6. As regard business of the Company, it was stated that the Company is involved in Consultancy and Close Security Protection providing the same on behalf of its UK based parent company, Pax Mondial Limited.

7. The copies of accounts as submitted were found to be unaudited in violation of section 233 (3) of the Ordinance. The authorized representative was, therefore, asked to explain the reasons for the same for which he sought permission to get clarification, over

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the telephone line, from Chaudhary Omar Safdar, auditor of the Company who is also director in an associated company viz., M/s. Training & Logistics Services (Pvt.) Limited. The auditor informed that accounts are duly audited and copy of the same duly signed by the auditor shall be provided to the Commission within two days. The following further deficiencies observed in submitted copies of annual accounts were also pointed out to the auditor:

- (a) The accounts are not presented and approved in the Annual General Meeting of the Company in violation of section 233 of the Ordinance.
- (b) The accounts as submitted do not contain corresponding figures of the previous years in violation of section 234 (2) (ii) read with clause 4 of Part I of the Fifth Schedule to the Ordinance.
- (c) Auditor's report was not annexed in violation of section 233 (3) of the Ordinance.
- (d) Director's report was not annexed in violation of section 236 of the Ordinance.
- (e) The accounts are signed by only one director in violation of sections 241 & 257 of the Ordinance.

8. The auditor admitted the flaws and replied that all the irregularities and deficiencies in accounts shall be removed and revised accounts shall be provided. I was astonished to listen reply of the auditor as to how the accounts once stated to be audited can be revised at a belated stage. My surprise and shock was, obviously based upon the mechanism for audit, presentation, approval and authentication of accounts as provided in the Ordinance which in the instant case is missing.

9. Ch. Omar Safdar, auditor of the Company is also reported as director in the associated company viz., M/s. Training & Logistics Services (Pvt.) Ltd., and therefore, he does not qualify to become an auditor of the Company in terms of clause (f) of subsection (3) of section 254 of the Ordinance, text reproduced below;

Ch. Omar Safdar
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"254 (3) None of the following persons shall be appointed as auditor of a company, namely:-

(f) a person or his spouse or minor children, or in case of a firm, all partners of such firm who holds shares of an audit client or any of its associated companies"

10. The authorized representative and the auditor reiterated their stance that the Company is not doing any business in Pakistan and is rather co-coordinating in implementation of the following three separate business agreements entered into by the parent company with different organizations:

- (a) AHC Agreement..... This refers to an agreement entered into with Australian High Commission at Islamabad and is aimed at providing Security Consultancy to the High Commission.
- (b) MSI Agreement. Significance/meanings of the abbreviated alphabets were not known to both the authorized representative and the auditor. It is, however, reportedly aimed at Monitoring and Evaluation in collaboration with USAID.
- (c) FSSP Agreement. This is an agreement in the field of education and stands for "Fata Special Secretariat Project".

11. Neither a copy nor the particulars about any of the agreement were produced besides the reported information was found to be absolutely insufficient to ascertain the authenticity or relevance of the services or activities forming subject matter of these agreements with object clauses of the Company as enunciated in its Memorandum of Association.

12. None of the quoted object clauses were found to be relevant to the approved activities as stated by the authorized representative of the Company i.e. consultancy in the sensitive area of security services, monitoring and evaluation as stated in the context of MSI agreement and activities in the field of education. Moreover, in the absence of visible business of the Company in Pakistan, inflow of hefty amount of Rs. 29.786 million within a period of only nine months (July 2011 to September 2012) from the parent company as detailed below, and reflection of transactions in millions in the bank

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statements further strengthens the doubts about involvement of Company in objectionable and dubious activities, which are not supported by objects as specified in its Memorandum of Association and can not be termed as prudent business practices carried out by the Company. The bank transactions as reported by the Company are reproduced as under:

S.No.	Date of Receipt	Amount (PKR)
1	04.07.2011	2,102,500
2	27.07.2011	421,250
3	29.07.2011	2,106,250
4	26.08.2011	2,704,000
5	29-09-2011	3,521,900
6	01.11.2011	2,662,300
7	01.12.2011	2,967,000
8	30.12.2011	4,065,500
9	01.02.2012	2,133,950
10	27.02.2012	4,109,210
11	30.03.2012	2,992,500
	Total	29,786,360

13. I have gone through all relevant record, documentary evidence and reply filed by the Company and reference received by the CRO and have also taken into consideration the submission made by the Company during the hearing and observed that the business of the Company is not being run in a normal prudent manner, rather it is being carried out in an objectionable, dubious and mysterious style. I have given anxious consideration to the points pleaded by representatives of the Company that the Company is not carrying out any business and that no proof of its involvement in any activity against the national interest has ever been provided by any government department or agency.

14. The Company is registered with the Commission as a private limited company and, as such, come within its regulatory regime. Under the Securities and Exchange Commission of Pakistan Act, 1997 (the "Act"), the role of regulator is not restricted to the corporate record of the companies but can also to check the activities of the Company in a larger context. The Company's involvement in the alleged activities *i.e.* against the national interest is exclusively sufficient cause in itself which call for action to file a

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winding up petition before the competent court of law. I have, however, endeavored to examine the case in the light of applicable provisions of the Ordinance as well, so as to satisfy myself in the context of judicious exercise of power and observed that circumstances exist in which Company may be wound up by Court as described in clause (b) and sub clauses (i), (ii) & (iv) of clause (f) of section 305 of the Ordinance. The relevant portion of the said provision is reproduced hereunder for ease of reference:

305. Circumstances in which company may be wound up by Court.- A company may be wound up by the Court-

(b) if the company does not commence its business within a year from its incorporation, or suspends its business for a whole year.

(f) If the company is-

- (i) conceived or brought forth for, or is or has been carrying on, unlawful or fraudulent activities;
- (ii) carrying on business not authorized by the memorandum;
- (iv) run and managed by persons who fail to maintain proper and true accounts, or commit fraud, misfeasance or malfeasance in relation to the Company....

15. Under the circumstances and the facts noted above, I am of the opinion, that the Company has no business of its own and has suspended its business and is engaged in carrying on business which is not authorized by its Memorandum of Association and it is just and equitable that the Company be wound up. I, therefore, in public interest and in exercise of the powers conferred by proviso (b) of Section 309 of the Ordinance, hereby, authorize the Additional Registrar, Company Registration Office, Islamabad to file a winding up petition in the Hon'ble Islamabad High Court for winding up of M/s Pax Mondial Pakistan (Private) Limited.


(Nazir Ahmed Shaheen)
Executive Director(C&CD)

Islamabad
09.05.2012