



Corporate Supervision Department
Company Law Division

Before Amina Aziz – Director

In the matter of

State Life (Abdullah Haroon Road) Properties (Pvt.) Limited

Number and date of notice: CSD/ARN/250/2015-2279-99 dated January 8, 2016

ORDER

UNDER SECTION 226 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 State Life (Abdullah Haroon Road) Properties (Pvt.) Limited ("Company").

1. Mr. Jamil Anwar
2. Mr. Muhammad Rashid
3. Mr. Attaullah A. Rasheed

These proceedings were initiated through show cause notice ("SCN") dated January 8, 2016 under the provisions of section 226 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 financial statements of the Company for the year ended June 30, 2014 revealed that the Company has disclosed an amount of Rs. 1.1 million as "Security Deposit. Upon inquiring in this regard, the Company vide its letter dated December 3, 2015 submitted that the amount received from the Tenant was deposited in State Life bank account maintained by Real Estate Division specifically meant for collections and deposits in respect of State Life Properties. *Since* the Company failed to deposit aforesaid security deposits in a special account with the scheduled bank, *prima facie*, in contravention with Section 226 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.

3. The respondents replied vide letter dated January 20, 2016 and submitted that kkur and retention money/security deposits has been transferred to these special accounts.

i. As a single property owner, the Company's shares were fully acquired by State Life in



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- the year 1979 whereas the Company merely comprised of single plot and building on it. After the promulgation of Companies Ordinance 1984, the Company was converted into Private Limited Company.
- ii. The Executive Committee of the Board of State Life (being the holding Corporation) decided to manage the premises through Real Estate Division to save cost and no employee was appointed since inception. **State Life officers are assigned the duty to run the affairs including its board of directors and no person is on the pay roll of the Company.**
 - iii. The Executive Committee of the Board of Directors of State Life in its 33rd meeting held on 31' March, 1980 had considered the affairs of the Company and the proposals for providing working capital and had desired that the matter be discussed with the Corporation's legal adviser and external auditor in all its implications and the same may be placed before the Committee for consideration. The legal opinion received from the Corporation's legal advisers was placed before the Committee in its 35th meeting held on 29th April 1980. The Committee was informed that the Corporation's auditor held views similar to those of the legal advisers. **The Committee decided that in view of the legal opinions all expenses on account of the Company is paid by the Corporation and debited to the Company.**
 - iv. As all the bank transactions are carried out by Real Estate Division of State Life, as holding Corporation through its bank accounts and the Company records the banking transactions on the basis of debit and credit notes received from State Life, the company has no HR, Accounts and Internal Audit Department rather it has no department at all. However, these functions are being carried out by State Life's respective Divisions under the process in vogue for State Life's own accounting and internal control systems.
 - v. It has been decided and approved by the Board of Directors of State Life in its 240th meeting held on 11th August 2015 to wind up the Company and to transfer the property in the name of State Life for which the services of M/s Mohsin Tayabali & Co. legal firm has been hired and the process has been started. This fact is also disclosed in the annual audited accounts for the year ended June 30, 2015.
 - vi. As per decision of the Executive Committee of the Board of State Life explained at para # 3



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- & 4 above, the Real Estate Division of State Life is acting as an agent of the Company and as defined in Section 226 of the Ordinance, the deposit so received was kept in their bank account maintained for Real Estate transactions of State Life.
- vii. As per Lease agreement signed between State Life on behalf of AHRPL (Lessor) and M/s A.A. Corporation (Lessee) at para 2(b) states that: **"The security deposit shall be invested by SLIC and at the time of refund, shall be paid with interest thereon."**
- viii. In view of the above facts, it is stated that it is a single property company without any staff, State Life nominated officers as Board Members serve without any board fee, no board committees, not having any bank account since its inception, as controlled and managed by the Real Estate Division of State Life and also in the process of winding up. Accordingly, all banking transactions are carried out in accordance with the relevant section of the Companies Ordinance.

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

Section 226 of the Ordinance, inter alia, provides that no company, and no officer or agent of a company, shall receive or utilise any money received as security or deposit, except in accordance with a contract in writing; and all moneys so received shall be kept or deposited by the company or the officer or agent concerned, as the case may be, in a special account with a scheduled bank:

Provided that this section shall not apply where the money received is in the nature of an advance payment for goods to be delivered or sold to an agent, dealer or sub-agent in accordance with a contract in writing.

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).



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5. Having gone through the facts of the case, provisions of the law and submissions of the respondents and deed of lease according to which State Life is authorized to invest the security deposit, I hereby conclude the case without any adverse order.

Amina Aziz
Director

Announced:
March 16, 2016
Islamabad