

SCHEDULES
FIRST SCHEDULE

TABLE A

(See sections 2 and 26)

**REGULATIONS FOR MANAGEMENT OF A COMPANY
LIMITED BY SHARES**

PRELIMINARY

1. (1) In these regulations--

- (a) "section" means section of the Ordinance;
- (b) "the Ordinance" means the Companies Ordinance, 1984; and
- (c) "the seal", in relation to a company, means the common seal of the company.

(2) Unless the context otherwise requires, words or expressions contained in these regulations shall have the same meaning as in the Ordinance; and words importing the singular shall include the plural, and *vice versa*, and words importing the masculine gender shall include females, and words importing persons shall include bodies corporate.

BUSINESS

2. The Directors shall have regard to the restrictions on the commencement of business imposed by section 146 if, and so far as, those restrictions are binding upon the company.

SHARES

3. No shares shall be offered to the public for subscription except upon the term that the amount payable on application shall be the full amount of the nominal amount of the share.

4. The directors shall, as regards any allotment of shares, duly comply with such of the provisions of section 68 to 73, as may be applicable thereto.

5. Every person whose name is entered as a member in the register of members shall, without payment, be entitled to receive, within two months after allotment or within forty-five days of the

application for registration of transfer, a certificate under the seal specifying the share or shares held by him and the amount paid up thereon:

Provided that, in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.

6. If a share certificate is defaced, lost or destroyed, it may be renewed on payment of such fee, if any, not exceeding one rupee, and on such terms, if any, as to evidence and indemnity and payment of expenses incurred by the company in investigating title as the directors think fit.

1. **Indemnity in case of loss of certificate.** Where the articles provided "if any certificate be lost or destroyed, then upon proof to the satisfaction of the directors, or in default of proof on such indemnity as the directors may deem adequate being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate". It was held that the clause gave an absolute discretion to the directors as to the indemnity to be furnished with which the Court would not interfere.¹

7. Except to the extent and in the manner allowed by section 95, no part of the funds of company shall be employed in the purchase of, or in loans upon the security of, the company's shares.

TRANSFER AND TRANSMISSION OF SHARES

8. The instrument of transfer of any share in the company shall be executed both by the transferor and transferee and the transferor shall be deemed to remain holder of the share until the name of the transferee is entered in the register of members in respect thereof.

Synopsis

1. General.
2. Blank transfer.
3. Transferee, rights of.

1. **General.** The words 'member', 'share-holder' and 'holder of a share' have been used interchangeably in the Companies Ord. The words "holder of a share" are equal to the word "share-holder" and "the holder of a share" denotes in so far as the company is concerned, only a person who, as a share-holder, has his name entered on the register of members.²

1. AIR 1927 Cal 947.

2. AIR 1959 SC 775 = 1959 (Supp) 2 SCR 448

2. **Blank transfer.** On the execution and delivery of a blank transfer certain equities, no doubt arise between the transferor and transferee but they are not binding on the company in any manner. The company recognises no person except the one whose name is on the register of members.³ The transferee in cases of transfer of shares in blank has the right to fill in the necessary particulars including his own name as transferee and the date of the transfer after the death of the original transferor. The instrument then is complete and the transferee is entitled to have his name registered as the holder of shares in the company's register.⁴ The mere delivery of share certificates with the transfers executed in blank does not invest the holder of the certificates and forms with the ownership of the shares in the sense that no further act is required in order to perfect his right. The delivery passes to him only an equitable title to the shares and the right to fill in the blanks in the transfer forms and get the shares registered in his name in the books of the company. Until that is done the transferor will continue to be the share-holder recognised by the company.⁵ So long as he remains unregistered purchaser he does not come into consideration by the company at all as regards either payment of dividend or deduction of tax for his benefit.⁶

A pledgee of shares to whom a blank transfer has been delivered in addition to the share scrips has the authority of the transferor to fill in the blanks and thereby complete the transfer.⁷

3. **Transferee, rights of.** The right of a transferee of a share is only to call upon the company to register his name and no more. No rights arise till such registration takes place. The completion of the transaction by having the name entered in the register of members relates back to the time when the transfer was first made.⁸ Pending registration the transferee has only an equitable right to the shares transferred to him. He does not become the legal owner until his name is entered in the register in respect of the shares transferred to him. A mere physical possession of the share certificate is not sufficient to make the transferee the legal owner.⁹ Till the name of a transferee is brought on the register of share-holders, in order to bring about a fair dealing between the transferor and transferee, equity clothes the transferor with the status of constructive trustee.¹⁰ Therefore the transferor whose name continues to appear on the register of members cannot disclaim his liability on the plea that the transferee has failed to get his name recorded on the register as the share-holder.¹¹

3. AIR 1959 SC 775 = 1959 (Supp) 2 SCR 448.

4. AIR 1942 Cal 461 = ILR (1942) 1 Cal 122.

5. AIR 1922 Bom 303 (DB) (Share certificates with transfers executed in blank delivered to broker--Transferor will be estopped from asserting any right against the holder who is a bona fide purchaser for value without notice).

6. AIR 1955 Cal 432 (DB) + 52 Mys HCR 345 (DB).

7. AIR 1953 Cal 526.

8. AIR 1959 SC 775 = 1959 (Supp) 2 SCR 448.

9. AIR 1953 Nag 187 + AIR 1928 All 481 (DB).

10. AIR 1953 SC 385 (But this constructive trust cannot extend where the transferee delays taking active steps to get his name registered for a long time).

11. AIR 1958 Assam 86 (DB) (Hence his defence that he is not liable as a contributory cannot succeed).

Transfer by Court sale. Where there is a sale of shares by the Court in auction there is only a transmission of shares and not a transfer of shares by the shareholder and therefore the articles dealing with transfer of shares do not apply. Hence the execution of an actual transfer by the shareholder or by the Court is not necessary to transfer to the purchaser the right to the shares.¹² Therefore a private transfer of the shares not made in accordance with the requirements of the Ordinance and the Articles of Association cannot prevail against the purchaser of those shares at a Court sale.¹³

9. Shares in the company shall be transferred in the following form, or in any usual or common form which the directors shall approve:--

I of in consideration of the sum of rupees paid to me by of (hereinafter called "the transferee"), do hereby transfer to the said transferee the share (or shares) numbered to inclusive, in the limited, to hold into the said transferee, his executors, administrators and assigns, subject to the several conditions on which I held the same at the time of the execution hereof, and I, the said transferee, do hereby agree to take the said share (or shares) subject to the conditions aforesaid.

As witness our hands this day of

Witness	Signature
Signature	Transferor
Full Address	
Witness	Signature.....
	Transferee
Signature	Full Name, Father's/ Husband's Name.
Full Address	Nationality
	Occupation and Full Address of transferee.

12. AIR 1928 Mad 571 (DB) (The Company also has no discretion to refuse to recognise the transfer of shares as it has in the case of private sales of shares by the shareholders).

13. AIR 1923 Mad 241 (DB) (Order issued on the company under Order 21, Rule 79 (3), Civil P.C.—The company cannot thereafter register the transfer of those shares to anybody else).

10, The directors shall not refuse to transfer any fully paid shares unless the transfer deed is defective or invalid. The directors may also suspend the registration of transfers during the ten days immediately preceding a general meeting or prior to the determination of entitlement or rights of the share-holders by giving seven days' previous notice in the manner provided in the Ordinance. The directors may decline to recognise any instrument of transfer unless--

- (a) a fee not exceeding two rupees as may be determined by the directors is paid to the company in respect thereof; and
- (b) the duly stamped instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.

If the directors refuse to register a transfer of shares, they shall within one month after the date on which the transfer deed was lodged with the company send to the transferee and the transferor notice of the refusal indicating the defect or invalidity to the transferee, who shall after removal of such defect or invalidity be entitled to re-lodge the transfer deed with the company.

Synopsis

1. Sanction of transfer by Company.
2. Restriction on transfer.

1. Sanction of transfer by Company. A transfer of a share cannot take effect without the sanction of the company.¹⁴ Whether sale of shares is made by a private individual or by a Court, the buyer gets merely the property in the shares plus limited right to have the transfer registered; provisions of Order 21, Rule 79, Civil P.C. do not mean that the directors are compellable to accept the purchaser as transferee.¹⁵ Where shares were sold in Court auction but Directors of the Company refused to register the auction-purchaser as a share-holder. It was held that it is reasonable for the directors of a private limited company to bona fide seek shelter behind the usual articles conferring jurisdiction on them to oust such

14. AIR 1927 Lah 797 (DB).

15. AIR 1916 Bom 147 (DB) + AIR 1923 Mad 241 (DB) (After an order under Order 21, Rule 79 is issued to the company it cannot transfer the share to anybody else--All that it can do is to recognise the transfer ordered or refuse to recognise it) (*But see* AIR 1949 Lah 6) (Court sale of shares is not a transfer. Hence the company in exercise of the discretion to it under the articles of association to refuse to recognise a transfer cannot refuse to register a transfer of shares effected by a court sale) + AIR 1928 Mad 571 (DB) (Provisions in the articles which give a discretion to directors in the case of transfer of shares to refuse registration cannot govern a case of sale of shares by Court in execution. Such a case does not amount to a transfer).

stranger whose presence, they might think, would be dangerous to the existence or the working of the company. Any order passed by the Court, therefore, compelling them to do so, would amount to defeating the very intention of the legislature and purpose of law. The only restriction on this power recognised by law is that the refusal must not be arbitrary or mala fide though the onus of it will be on the person so alleging. In this view of the matter, the only lawful, reasonable and useful thing for any Court auctioneer is to give notice to the directors of a company, of the auction, and in case they are not prepared to purchase those shares in an open auction, and if they or other members are also not willing to purchase or pre-empt on a notice of the sale immediately thereafter, then the Court may direct the directors to register the auction-purchaser as a share-holder on the assumption that the directors' refusal was arbitrary or mala fide.¹⁶

The provisions of the Ordinance should be strictly followed before any transfer could be recorded and recognised by the company and before the company could be bound by the transfer.¹⁷ Unless the articles of a company require a deed for the purpose, a transfer of shares can also be effected by a delivery of share certificates. Therefore the company would be running a great risk if it were required to register a transfer on an application alone because in such cases there would always be the possibility of the shares having been already sold to another by delivery of the share certificates. Hence the law has insisted upon the production of the share certificates before the transfer is registered by the company.¹⁸

2. **Restrictions on transfer.** The mere liability of the share-holders to calls, which the directors could enforce by preventing a transfer of the shares until a certain sum of money is paid does not prevent the shares being in the order or disposition of the share-holders.¹⁹ A clause in the articles of Association of a company which provides that the indebted share-holders should not transfer their shares until they discharge their debts to the company should not be construed in the absence of any provision rendering such transfers void as prohibiting the indebted members from transferring their shares. Such a provision, which should be reasonably construed, only means that a transfer of the shares by those members cannot affect the lien of the company or in other words that the company has the right to decline to register the transfer until the debt due to it is paid off.²⁰

TRANSMISSION OF SHARES

11. The executors, administrators, heirs, or nominees, as the case may be, of a deceased sole holder of a share shall be the only persons recognised by the company as having any title to the share. In the case of a share registered in the names of two or more holders, the survivors or survivor, or the executors or

16. 1982 Law Notes 430.

17. AIR 1958 Assam 86.

18. 52 Mys 11 C R 345 (DB).

19. (1885) 30 Ch D. 261.

20. 52 Mys 11 C R 345 (DB).

administrators of the deceased survivor, shall be the only persons recognised by the company as having any title to the share.

1. **Devolution of shares.** Even though the provision of Regulation 11 which closely follows a similar provision of the English Companies Act of 1929 are hardly appropriate to a system under which legal title to shares may be obtained by devolution, the company is entitled to insist upon compliance with its provision by the heir of a deceased share-holder who claims title to the shares by survivorship. The Regulation when adopted by the company becomes a term of the contract between it and the share-holder and hence the company in refusing to recognise the title of the heir unless on production by him of a probate or a succession certificate does not act unreasonably or without sufficient cause.¹

12. Any persons becoming entitled to a share in consequence of the death or insolvency of a member shall, upon such evidence being produced as may from time to time be required by the directors, have the right, either to be registered as a member in respect of the share or, instead of being registered himself, to make such transfer of the share as the deceased or insolvent person could have made; but the directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by the deceased or insolvent person before the death or insolvency.

Synopsis

1. Scope.

2. Transmission of shares.

1. **Scope.** The purchaser of shares at a Court action does not become entitled to them by the death or insolvency of a member and therefore his case is not covered by Art. 12 of Table A.²

2. **Transmission of shares.** The fact that the articles of association of a company have expressly conferred an absolute and unfettered discretion to refuse registration in the case of transfers only and has remained silent as regards cases of transmission does not mean that the directors have no discretion in the latter case. So long as the articles have not expressly excluded such power the directors are entitled to exercise it even in the case of a transmission by virtue of the provisions of section 26 read with Regulation 12 of the Table A in the Ordinance.³

13. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the shares, except that he shall not, before being registered as a member in respect of the share, be

1. AIR 1936 Rang 52.

2. AIR 1956 Nag 20 = ILR 1955 Nag 1016 (DB).

3. AIR 1957 Orissa 203.

entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company.

ALTERATION OF CAPITAL

14. The company may, from time to time, by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.

15. Subject to the provisions of the Ordinance, all new shares shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the directors may dispose of the same in such manner as they think most beneficial to the company. The directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the directors, be conveniently offered under this regulation.

1. Scope. A suit by a share-holder for a declaration that the allotment of new shares to certain persons is not legal and the allottees have no power as share-holders on the ground that the resolution authorizing the increase of capital by issuing new shares was invalid and ineffective does not lie if no consequential relief such as a prayer for rectification of the register of members by removing the names of new share-holders or for an injunction is sought.⁴

16. The new shares shall be subject to the same provisions with reference to transfer, transmission and otherwise as the shares in the original share capital.

17. The company may, by ordinary resolution,--

- (a) consolidate and divide its share capital into shares of large amount than its existing shares;
- (b) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject, nevertheless, to the provisions of clause (d) of sub-section (1) of section 92;

4. AIR 1932 Cal 714 = 140 Ind Cas 76 (DB).

- (c) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

18. The company may, by special resolution, reduce its share capital in any manner and with, and subject to any, incident authorised and consent required, by law.

1. **Scope.** A company which was carrying on business both in England and America had power under its articles to reduce the capital by paying off the shareholders. The company finding it difficult to carry on business in both countries passed a resolution sanctioning an arrangement for transferring the American assets to the American share-holders who would be paying a certain amounts to the English share-holders by way of adjustment and cancelling the American shares. It was held that the reduction of capital was not *ultra vires* the powers of the company and the arrangement being a fair and equitable one was to be confirmed.⁵

GENERAL MEETINGS

19. The statutory general meeting of the company shall be held within the period required by section 157.

20. A general meeting, to be called annual general meeting, shall be held, in accordance with the provisions of section 158, within eighteen months from the date of incorporation of the company and thereafter once at least in every year within a period of six months following the close of its financial year and not more than fifteen months after the holding of its last preceding annual general meeting as may be determined by the directors.

21. All general meetings of a company other than the statutory meeting or an annual general meeting mentioned in section 157 and 158 respectively shall be called extraordinary general meetings.

22. The directors may, whenever they think fit, call an extraordinary general meeting, and extraordinary general meetings shall also be called on such requisition, or in default, may be called by such requisitionists, as is provided by section 159. If at any time there are not within Pakistan sufficient directors capable of acting to form a quorum, any director of the company may call an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be called by the directors.

1. **Meeting of company.** A meeting of a company may be called either by the directors or by the share-holders, in accordance with the articles of association.

5. (1894) 1894 App Cas 399.

Where a meeting has not been called in one of the above ways and a few shareholders meet together in a private house and pass a resolution; it cannot be said that a meeting of the company has taken place thereby.⁶

NOTICE AND PROCEEDINGS OF GENERAL MEETINGS

23. Twenty-one days' notice at the last (exclusive of the day on which the notice is served or deemed to be served, but inclusive of the day for which notice is given) specifying the place, the day and the hour of meeting and, in case of special business, the general nature of that business, shall be given in manner provided by the Ordinance for the general meeting, to such persons as are, under the Ordinance or the regulations of the company, entitled to receive such notices from the company; but the accidental omission to give notice to the non-receipt of notice by, any member shall not invalidate the proceedings at any general meeting.

Synopsis

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|------------------------------|-------------------------|
| 1. Notice of meeting. | 3. Notice, contents of. |
| 2. Preference share-holders. | 4. Service of notice. |

1. **Notice of meeting.** A share-holder having knowledge about the business to be transacted at a meeting cannot complain of insufficiency of notice.⁷ If the directors issue a circular in which they refer to certain alterations and say only alterations are with regard to clause (x) of the articles of association, whereas there are equally important alterations in clause (y); it cannot be said that share-holders have sufficient notice of the alterations in clause (y).⁸

Meeting held without notice. Where a meeting had been held without due notice thereof and of the business to be transacted thereat and at that meeting a full board of directors was elected; it was held that the election was invalid.⁹

Statutory suspension of right to notice. Where a special resolution was passed at a meeting of which no notice was either sent or attempted to be sent to share-holders whose registered addresses were in enemy or enemy occupied territories; it was held that as the company was prohibited by law to have or attempted to have any communication with those share-holders their right to receive notice stood suspended during the period of the war and therefore the validity of the resolution was not open to challenge.¹⁰

2. **Preference share-holders.** In the absence of a provision in the articles to the contrary the preference share-holders having no right of voting are not entitled to be summoned to a meeting.¹¹

6. AIR 1925 Cal 817=52 Cal 513 (DB).

7. AIR 1928 PC 180=55 Ind App 274=52 Bom 571 + AIR 1925 Bom 49 (DB).

8. AIR 1931 Bom 354 (DB).

9. (1875) 1 App Cas 39.

10. (1943) 1943-2 All E R 88.

11. (1916) 1916-2 Ch 450.

3. **Notice, contents of.** The notice of the meeting to be a sufficient notice must contain all particulars that may be necessary to enable a member receiving it to decide whether in his own interest he ought to attend the meeting or not.¹² Where an agreement made between two companies for the sale of its undertaking by one to the other, contained a provision for payment of compensation to the directors of the vendor company for loss of office, and the notice of the meeting convened by the vendor company for the consideration of the agreement did not mention the provision of the agreement relating to compensation; it was held that it did not fairly disclose the purpose for which the meeting was being convened.¹³

A notice of the meeting which does not specify the matters which are of importance to the share-holders,¹⁴ or a notice which fails to give a sufficient full and frank disclosure of the facts relating to the resolutions to be voted upon by the share-holders cannot be regarded as one which sufficiently sets out the general nature of the business. Consequently the resolutions passed on the faith and footing of such a notice cannot be acted upon by the company.¹⁵ A notice of the meeting which only indicates generally the intention to move a resolution to increase the capital but does not disclose the specific increase embodied in the resolution is not a sufficient notice.¹⁶

The omission to mention, in the notice convening a meeting for considering the arrangement for the amalgamation of a company with another, any secret benefit received by the directors under the arrangement will render the notice bad. But if no such secret arrangement is proved and there is only a defect in the notice which might have been avoided but was not due to some honest mistake the proceedings taken on the notice cannot be upset.¹⁷

The Court is entitled to look at the notice convening a meeting as part of *res gestae* when it is referred to in the minutes books as read, and determine whether it was sufficient and whether the meeting had been duly convened and held.¹⁸

No notice required. Where under the articles of a company the election of a proposed candidate can be proceeded with at the meeting, without a special notice of the candidature being given to the share-holder, the omission of the company to give such notice cannot stand in the way of that candidate being proposed for election at the meeting.¹⁹

4. **Service of notice.** Notice must be served in such a manner that the share-holders should have an opportunity to know its contents. Leaving a copy of the notice at the Registered office of the company is not sufficient compliance of this section in all cases. Where a large body of share-holders reside at great distances from the registered office of the company, it would not be fair on the part of the company to leave the proposed articles at the registered office and give the share-

12. (1899) 1899-1 Ch. 861.

13. (1898) 1898-1 Ch. 358.

14. (1908) 1908-1 Ch. 84.

15. (1915) 1915-1 Ch. 503.

16. (1916) 1916-2 Ch. 57.

17. AIR 1925 Bom 49 (DB).

18. (1910) 1910-1 Ch. 430.

19. AIR 1924 Bom 102 = 47 Bom 915.

holder notice of that fact. Printed copies of the new article should be sent with the notice. Where that is not done the notice cannot be held to disclose fully and frankly the facts upon which the share-holders are asked to vote.²⁰

24. All business shall be deemed special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting with the exception of declaring a dividend, the consideration of the accounts, balance sheet and the reports of the directors and auditors, the election of directors, the appointment of, and the fixing of the remuneration of, the auditors.

25. No business shall be transacted at any general meeting unless a quorum of members is present at that time when the meeting proceeds to business; save as herein otherwise provided, members having twenty-five per cent of the voting power present in person or through proxy; and

- (a) in the case of a private company, two members personally present; and
- (b) in case of a public company, three members personally present;

shall be a quorum.

26. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if called upon the requisition of members, shall be dissolved; in any other case, it shall stand adjourned to the same day in the next week at the same time and place, and, if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present, being not less than two, shall be a quorum.

27. The chairman of the board of directors, if any, shall preside as chairman at every general meeting of the company, but if there is no such chairman, or if at any meeting he is not present within fifteen minutes after the time appointed for the meeting, or is unwilling to act as chairman, any one of the directors present may be elected to be chairman, and if none of the directors is present, or willing to act as chairman, the members present shall choose one of their number to be chairman.

20. AIR 1952 Cal 645 = ILR (1954) 1 Cal 185.

Synopsis

1. Chairman of meeting.
2. Resolution to remove chairman.
3. Amendment of resolution.

1. **Chairman of meeting.** The chairman by virtue of his position and the nature of his duties has to decide on the spot all emergent questions that arise at the meeting.¹ He must act impartially, uninfluenced by party politics. He must hold the scales even between the majority and the minority parties and his decision on all questions must be unbiased and impartial.²

Ruling by chairman. There is no reason to hold that the ruling of the chairman given at one stage of the meeting is not final and binding on him or his successor at a later stage. If such finality is not recognised the proceedings of the company cannot be conducted in an orderly manner and will very often end in confusion and disorder.³ The Courts will not interfere with the decisions of the chairman of the meeting unless a case of bad faith is made against the chairman or it is found to be wrong. The burden of proving the chairman's decision to be wrong rests with the party challenging his decision and it is not for those who rely on his decision to bring evidence in the first instance to show that the chairman was right.⁴

2. **Resolution to remove chairman.** The chairman of the Board of Directors who under the articles of association has to preside over the meetings is not disqualified from presiding over an extraordinary general meeting by the fact that at that meeting a resolution for his removal from the board of directors is coming up for consideration.⁵

3. **Amendment of resolution.** A chairman has no power to refuse to put an amendment which is sufficiently definite to the meeting. Such a refusal renders the resolution passed liable to be set aside.⁶ The improper refusal by the chairman to put an amendment to vote renders the subsequent proceedings relating to the original resolution and the voting thereon a nullity.⁷ Whether after a poll had been taken up on an amendment and before the result of the poll is declared the amendment and the poll should be allowed to be withdrawn and a new amendment should be permitted to be moved are for the meeting and the chairman to decide.⁸

28. The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time but no business shall be

1. AIR 1955 Cal 132 = ILR (1956) 1 Cal 475.

2. AIR 1952 Mad 515 = ILR 1952 Mad 218 (DB).

3. AIR 1952 Mad 515 = ILR 1952 Mad 218 (DB).

4. AIR 1955 Cal 132 = ILR (1956) 1 Cal 475.

5. AIR 1956 Cal 658 (The principle that a man cannot be his own Judge cannot apply to the case because it is the share-holders and not he who will be deciding the question as to his removal).

6. (1890) 45 Ch D. 330.

7. AIR 1945 Bom 475 = ILR 1945 Bom 687.

8. AIR 1925 Bom 49 (DB).

transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for ten days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Synopsis

1. Scope.

1. **Scope.** The right to adjourn which is expressed through a Chairman, where one exists, is a right inherent in an assembly which can be exercised by it where none exists. Hence that power does not involve and imply that there must in every case be a meeting held under a Chairman at one place before an adjournment can be said to take place by the actual holding and conducting of a meeting at another place.⁹

2. Adjournment of meeting.

2. **Adjournment of meeting.** Where the articles empower the chairman to adjourn any meeting with its consent, the chairman has discretion to adjourn, which he can exercise with the consent of the meeting. But if the meeting desires adjournment, the chairman is not necessarily bound to adjourn,¹⁰ even though a majority desires an adjournment.¹¹

The chairman of the meeting has no power to stop or adjourn or dissolve the meeting before the business for which it has been convened is transacted unless the share-holders consent to the stoppage, adjournment or dissolution. If he unjustly and without the consent of the share-holders stops or dissolves the meeting, the share-holders can themselves elect a chairman and continue the meeting for the purpose of completing the unfinished business.¹²

Objection to adjournment. A share-holder who presses the chairman for the adjournment of the meeting cannot complain against the adjournment afterwards.¹³

29. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded. Unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the company shall be conclusive evidence of the fact, without proof of the

9. AIR 1951 Mad 542.

10. AIR 1924 Bom 102 = 47 Bom 915.

11. (1897) 1897 App Cas 268.

12. AIR 1952 Mad 515 = ILR 1952 Mad 218 (DB) + 1894 + 3 Ch. 159.

13. AIR 1953 Mad 520 = ILR 1953 Mad 966 (DB).

number or proportion of the votes recorded in favour of, or against, that resolution.

Synopsis

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|----------------------------|-----------------------------|
| 1. Right to vote. | 4. Decision by Chairman. |
| 2. Vote by proxy. | 5. Amendment of resolution. |
| 3. Show of hands, vote by. | 6. Objection to votes. |
| 7. Majority for election. | |

1. **Right to vote.** The right to vote attached to a share is property.¹⁴ The share-holder who has been prevented by the decision of the majority at a meeting from exercising his vote can file a suit in the Civil Court for a declaration of his right to vote.¹⁵

2. **Vote by proxy.** The chairman cannot go behind the articles of association and reject the votes given on a proxy executed in the form prescribed by the articles on the ground that the proper stamp duty has been paid on it.¹⁶ Proxies cannot be used on a show of hands but they can be used on a poll only.¹⁷

Decision as to vote by proxy. If the Chairman in the exercise of his powers comes to a decision whether the votes given on a proxy which are in question shall be disallowed or not on the ground of sufficiency of stamp and if that decision is not vitiated by fraud or misconduct on the part of the chairman it is binding on himself or his successor at a later stage of the same meeting.¹⁸

3. **Show of hands, vote by.** A show of hands is the constitutional method of declaring the will of the meeting. It stands as the resolution of the meeting unless the declaration of the Chairman that the resolution is thereby carried or lost is subsequently displaced by the result of a poll duly demanded and held.¹⁹ In counting the number of votes given on a show of hands the Chairman must count one vote for each proxy holder and not as many votes as the number of members whose proxies he holds.²⁰ A declaration of the Chairman in a show of hands that the resolution is carried is conclusive evidence and the minutes of the meeting are not admissible in evidence to show that the declaration of the chairman is unwarranted.¹

4. **Decision by Chairman.** The chairman of a company meeting by virtue of his position and the nature of his duties has to decide on the spot all emergent questions that arise at the meetings. Prima facie the authority or his verdict is conclusive and it must be allowed to stand unless the verdict is shown to be

14. AIR 1955 Cal 132 = ILR (1956) 1 Cal 475.

15. 10 Cal W N 906 (Case under the Act of 1882).

16. AIR 1952 Mad 515 (DB) (Chairman cannot reject the proxy even if he is of the opinion that the duty of two annas paid by the share-holder under the altered law, on the footing that it is only a proxy and not a power of attorney, is wrong)

17. AIR 1955 Cal 132 = ILR (1956) 1 Cal 475.

18. AIR 1952 Mad 515 = ILR 1952 Mad 211 (DB).

19. (1937) 1937-2 All E R 422.

20. (1897) 1897-1 Ch. 1.

1. AIR 1928 Bom 38.

opposed to the articles or the statute.² The declaration of the chairman that a resolution has been passed cannot be treated as conclusive where it is erroneous in point of law.³ A declaration as to the result of the vote upon a resolution is a nullity where the chairman put the resolution to vote after improperly ruling out of order an amendment which was germane to the resolution.⁴ The burden of showing the verdict to be wrong is on the persons who challenge it and not on those who rely upon it.⁵

On an interlocutory application, made in a suit, challenging a resolution on the ground that the chairman in declaring the result of the poll taken on the resolution had wrongly rejected or accepted votes given by proxy, the Court will not restrain the company from acting on the resolution unless a prima facie case of bad faith is made out against the chairman. On the other hand the Court would allow the decision of the chairman to stand as prima facie final until it is found to be wrong at the trial and decision in the suit.⁶

Point of order. A point of order purporting to object to the competency of the meeting to consider the subject-matter of the resolution can be ruled out by the chairman when it can properly constitute a speech against the resolution itself.⁷ A point of order objecting to the validity of votes tendered for resolution must be handed to the chairman before he commences to take a poll. It must not only indicate the nature of the objection but also particularise the votes objected to. An objection to all the votes, which does not enable the chairman to consider the validity of any particular vote, is too general to be of any use.⁸

5. **Amendment of resolution.** The chairman can properly rule out an amendment which amounts to a counter proposal of different nature involving either adjournment of the consideration of the resolution or the rejection of the resolution or when it goes beyond the subject-matter of the resolution.⁹ Where the amendment proposing certain persons for office instead of those proposed in original resolution is an integral amendment, the chairman is perfectly entitled, when all of the persons excepting one decline, to disallow the amendment and not put it to vote as regards the one who is willing to be elected.¹⁰

Where a meeting is held under Court's order the Chairman can reject an amendment which is contrary to the terms of the order under which the meeting is being held.¹¹

6. **Objection to votes.** An objection to votes tendered for a resolution amounts to a sort of invitation on the part of the member objecting to adjourn the proceedings of the meeting to examine the votes over again.¹²

2. AIR 1955 Cal 132 = ILR (1956) 1 Cal 475.

3. AIR 1937 Cal 645 = ILR (1938) 1 Cal 90 (DB).

4. AIR 1945 Bom 475 + AIR 1925 Bom 49 (DB) + 45 Ch. D. 330.

5. AIR 1955 Cal 132 = ILR (1956) 1 Cal 475.

6. AIR 1955 Cal 132 = ILR (1956) 1 Cal 475.

7. AIR 1925 Bom 49 (DB).

8. AIR 1925 Bom 49 (DB) (AIR 1924 Bom 102. *Affirmed*).

9. AIR 1925 Bom 49 (DB).

10. AIR 1925 Bom 105 (DB).

11. AIR 1925 Bom 105 (DB).

12. AIR 1925 Bom 49 (DB).

7. **Majority for election.** By saying that a person in order to be elected should have the support of the majority of the shares means the majority of shares of those share-holders who are present in the general meeting convened for the purpose of electing the officer-holders.¹³

30. A poll may be demanded only in accordance with the provision of section 167.

31. If a poll is duly demanded, it shall be taken in accordance with the manner laid down in section 168 and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

Synopsis

1. Poll, taking of.
2. Proxies.
3. Closed door meeting.

1. **Poll, taking of.** The chairman who is enjoined by the share-holder to hold a poll has ample powers to carry out their wishes. He does not, when one attempt to hold the poll breaks down, become *functus officio*. The taking of the poll on a date fixed is not by itself a meeting but is merely an enlargement of the meeting at which it was demanded. The original meeting continues notionally until the poll is actually taken although the share-holders are not actually in session and business is not transacted during the interval.¹⁴

2. **Proxies.** Where the articles do not contemplate the use of voting paper, the Chairman has no power to take a poll by means of polling papers signed by the members delivered to the office of the company on or before a fixed day and time.¹⁵

3. **Closed door meeting.** The Chairman is justified in closing the doors when the poll is taken, where it is not an ordinary meeting of the company but one in which special precautions have to be taken in view of the rivalry between two groups. Even in ordinary meetings it is open to the Chairman, if he thinks it advisable, to close the doors during the taking of a poll.¹⁶

32. A poll demanded on the election of chairman or on a question of adjournment shall be taken at once.

1. **Poll on adjourned meeting.** When a poll is demanded at a general meeting, the original meeting continues until the chairman has carried out the direction given to him by the share-holder to take a poll. It is a notional meeting not dependent for its existence and continuity upon the share-holders being actually in session and business being transacted.¹⁷

13. PLD 1960 Kar 609 (DB).

14. AIR 1932 Mad 100 (DB).

15. (1906) 1906-1 Ch. 331.

16. AIR 1925 Bom 105 (DB).

17. AIR 1932 Mad 100 (DB).

33. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, shall have and exercise a second or casting vote.

VOTES OF MEMBERS

34. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one vote except for election of directors in which case the provisions of section 178 shall apply. On a poll every member shall have voting rights as laid down in section 160.

1. **Adjourned meeting.** Where an annual general meeting originally convened for a particular date is adjourned from time to time due to the action of one party or the other, the Court would be justified in directing that only such of the share-holders who were on the list of share-holders on the original date of meeting would be entitled to vote at the meeting to be held on the adjourned date.¹⁸

35. In case of joint-holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted on the exclusion of the votes of the other joint-holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

36. A member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

37. On a poll votes may be given either personally or by proxy:

Provided that no body corporate shall vote by proxy as long as a resolution of its directors in accordance with the provisions of section 162 is in force.

38. (1) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing. A proxy must be a member.

(2) The instrument appointing a proxy and the power-of-attorney or other authority (if any) under which it is signed, or a notarialy certified copy of that power or authority, shall be

¹⁸ AIR 1951 Mad 927 (DB) (Such a direction would not be in contravention of S. 79 (1) (c)).

deposited at the registered office of the company not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

39. An instrument appointing a proxy may be in the following form, or a form as near thereto as may be:--

..... Limited.

"I of in the district of being a member of the Limited, hereby appoint of as my proxy to vote for me and on my behalf at the (annual, extraordinary, as the case may be) general meeting of the company to be held on the day of and at any adjournment thereof.

Synopsis

- | | |
|-----------------------------|--|
| 1. Vote by shares. | 5. Form of proxies. |
| 2. Proxy, right to vote by. | 6. Delay in execution or deposit of proxy. |
| 3. Proxy, nature of. | 7. Stamp duty. |
| 4. Revocation of proxies. | |

1. **Vote by shares.** Where each share of a company has a vote, the fact that one person holds a number of such shares and therefore a number of votes cannot preclude the operation of the separate voting right attached to each share.¹⁹

2. **Proxy, right to vote by.** A proxy is a creature of law of agency, though with this difference that under the company law such an agent has to be appointed in a manner as provided thereunder. Therefore, so far as voting by proxy is concerned that can be done on behalf of any person, may it be natural or artificial, so long as that person is in a position to appoint proxy as provided in law.²⁰

Deceased share-holder, rights of executor. Where the articles of a company confine the right of voting to persons who are duly registered members of the company and also provide for the registration of the names of the executors, the executor cannot exercise the voting rights of the deceased share-holder. That being so, a proxy given by him is also ineffective.¹

Exclusion of votes. Where under the articles of a company the votes of shareholders who are indebted to the company are to be excluded their votes when recorded by proxy also must be excluded.²

3. **Proxy, nature of.** The Contract Act governs the relationship of the shareholder with the proxy inasmuch as the proxy, on being appointed, becomes the agent of the share-holder by reason of a contract. A proxy cannot act contrary to

19. AIR 1955 Cal 132 = 11.L.R. (1956) 1 Cal 475.

20. AIR 1959 Pat 293 (DB).

1. AIR 1928 Bom 80.

2. AIR 1928 Bom 80.

his instructions in the matter.³ Proxies must vote according to the desires of the share-holders whose proxies they hold. A company or corporation holding shares in another company on behalf of its different constituents votes as the proxy of each one of them in respect of his shares, although on paper the company or the corporation appears as the holder of those shares. In allowing it to vote differently in accordance with the desires of each of the constituents in exercise of the right arising under his shares, no question of the company in which the shares are held transgressing the rule which prohibits recognition of trusts can arise.⁴

4. Revocation of proxies. Unless the right to revoke proxies is expressly excluded by the articles, a proxy like any other contract of agency is revocable subject to the provisions of the contract. On the principles underlying section 204 of the Contract Act the authority of the proxy can be revoked even after it has been partially exercised, although such revocation will not affect what has been already done by the proxy. Thus the fact that the proxy has exercised the vote at one poll in the meeting does not prevent the revocation of this authority before the second poll, which is a different act in the series of acts done at the same meeting, takes place.⁵

Mode of revocation. The authority of a proxy may be revoked by the member either expressly or by implication. But until so revoked the proxy's authority continues. No implicit revocation of the authority of the proxy can be inferred from the mere presence of the member at the meeting. On the other hand his conduct in allowing the proxy to vote raises the presumption that he approves what the proxy does.⁶

The authority of proxy is revoked by implication when a member votes personally. Where the member himself voted on the amendments but abstained from voting on the main proposition. It was held that presumably he did not desire to revoke the authority of the proxy to vote on the main proposition.⁷

Second proxy, if revokes first proxy. The execution of a second proxy does not by itself have the effect of revoking the earlier one executed by the member. There must be express or constructive notice to bring about the revocation. The mere sending in of a second proxy by the share-holder to the company cannot amount to a constructive notice of his revocation of an earlier proxy where he gives no indication of the existence of any earlier proxy and his intention to revoke the same. The company has no duty when a proxy is received to scrutinise whether there is an earlier proxy executed by the same share-holder.⁸

Notice of revocation to proxy. The revocation of a proxy is not invalid because notice of such revocation has not been given to the proxy.⁹

5. Form of proxies. A proxy executed by a company is not valid when the seal of the company is not affixed to it in the presence of its directors. Although

3. AIR 1952 Mad 515 = ILR 1952 Mad 218 (DB).

4. AIR 1955 Cal 132 = ILR (1956) 1 Cal 475.

5. AIR 1952 Mad 515 = ILR 1952 Mad 218 (DB).

6. AIR 1928 Bom 80.

7. AIR 1928 Bom 80.

8. AIR 1928 Bom 80.

9. AIR 1952 Mad 515 = ILR 1952 Mad 218 (DB).

an omission to state the date of the meeting in the proxy may be a serious defect but the failure to write the date of its execution is not sufficient to vitiate the proxy.¹⁰ A company sent proxy forms to the share-holders for being filled in and returned. The date of the meeting was by mistake left blank in the proxy. The share-holders executed the proxies without completing the blanks and this omission was rectified by the secretary of the company before lodging them. It was held that proxies which were duly stamped were perfectly valid and that the secretary had the authority to rectify the accidental omission.¹¹

Where the Court, which has power to do so, has settled the form of the proxy for use at the meeting to be held under section 284, a proxy which in form substantially differs from that approved form is invalid.¹²

6. Delay in execution or deposit of proxy. Where an article of association of a company required the instrument of proxy to be deposited in the registered office of the company not less than two clear days before the date of the meeting at which the holder of the proxy proposed to vote; it was held that the meeting meant by the article was the original meeting and therefore a proxy holder who deposited the instrument of proxy after the original meeting but more than two days before the day fixed for the adjourned meeting would not be entitled to vote. Proxies lodged after the date originally fixed for the meeting cannot be used for voting at the adjourned meeting where the articles require the lodgment of the proxies in advance of the meeting by a certain number of days. In such a case the date of the meeting is the date originally fixed and not the adjourned date.¹³

7. Stamp duty. On a proxy which contains specific powers as well as general powers the stamp duty payable is the aggregate of the amounts of the duty payable on each of the separate instruments executed in respect of each power.¹⁴

40. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the company at the office before the commencement of the meeting or adjourned meeting at which the proxy is used.

DIRECTORS

41. The number of the directors and the names of the first directors shall be determined in writing by a majority of the subscribers of the memorandum of association, so, however, that

10. AIR 1928 Bom 80.

11. (1897) 1897-1 Ch. 1.

12. AIR 1928 Bom 80.

13. (1917) 1917-2 Ch. 261.

14. AIR 1952 Mad 515 = II.R 1952 Mad 213 (DB).

such number shall not in any case be less than that specified in section 174.

42. The remuneration of the directors shall from time to time be determined by the company in general meeting subject to the provisions of the Ordinance.

1. **Scope.** A company cannot adjust the fees due to Director against the interest due from him without his consent.¹⁵

43. Save as provided in section 187, no person shall be appointed as a director unless he is a member of the company.

POWERS AND DUTIES OF DIRECTORS

44. The business of the company shall be managed by the directors, who may pay all expenses incurred in promoting and registering the company, and may exercise all such powers of the company as are not by the Ordinance or any statutory modification thereof for the time being in force, or by these regulations, required to be exercised by the company in general meeting, subject nevertheless to the provisions of the Ordinance or to any of these regulations, and such regulations being not inconsistent with the aforesaid provisions, as may be prescribed by the company in general meeting but no regulation made by the company in general meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.

Synopsis

- | | |
|--|---|
| 1. Acts of Directors, binding effect of. | 3. Liability of Directors. |
| 2. Powers of Directors. | 4. Director wrongfully excluded from management, suit by. |

1. **Acts by Directors, binding effect of.** A company must act through a human agency and hence the articles of the company can designate any particular natural person or a body of natural persons to be that human agency.¹⁶ As the Board of Directors speak primarily through its resolutions, those resolutions would primarily be referred to and depended upon to ascertain what the decision of the Board was.¹⁷ A company is liable for all acts done by its directors even though **unauthorised by it provided** such acts are within the apparent authority of the directors and not *ultra vires* the company.¹⁸ Where there is power in the directors to do a certain thing, the Courts have no jurisdiction to review the discretion exercised by the directors in doing that thing.¹⁹ However if the

15. AIR 1937 Lah 62.

16. 52 Cal W N 188 (DB).

17. AIR 1957 Cal 709 (DB).

18. AIR 1932 All 141 = 53 All 1009 (DB).

19. AIR 1957 Cal 293 = 1LR (1958) 1 Cal 89 (DB).

Directors act beyond their powers, the acts are not binding. Where the Board of Directors of a company passed a resolution that a certain percentage of net profits of the company should be paid to the family of the Managing Director every year. It was held that apart from the fact that the term family was too vague to be acted upon, the Board of Directors had no power to pass such a resolution, which was not therefore binding on the official liquidator of the Company.²⁰

Directors acting beyond their powers. Any person dealing with a company is supposed to be acquainted with its articles and memorandum and, therefore to be aware of the powers that the directors have. A company cannot be bound by any contract which is entered into by the directors and which is beyond their powers even though it subsequently ratified it.¹ To render valid an act of the directors which is beyond their authority there must be acquiescence of the share-holders. This acquiescence cannot be presumed unless knowledge of the invalidity of the transaction is brought home to every share-holder. There can be no ratification without an intention to ratify, and there can be no intention to ratify an illegal act without knowledge of the illegality.² It is further to be noted that a company cannot confirm or ratify anything done by the directors which is beyond its powers, express or implied in the memorandum of the statute.³ But a company acts within its powers in modifying its articles to give power to the board of directors to increase the capital for the purpose of carrying on its trade. The power to modify the memorandum so as to increase the capital is not one which the company should necessarily exercise in general meeting.⁴

Property wrongly acquired by company. Apart from ratification, a company is answerable for any property which has come into its possession through the unauthorised acts of the directors.⁵ Thus where the directors lend money to the company in excess of the borrowing powers conferred by the articles of association and all those monies are in fact utilized by the company, the company is liable to pay the amount.⁶

2. **Powers of Directors.** The Directors have, subject to the memorandum or Articles of Association of a company to act on behalf of the company. For that purpose the governing director of a company who is authorised by the articles of association to delegate all or any of his powers to the other directors, managers, agents or other persons can validly assign to an assistant accountant who is in the employment of the company the power and duty of acting on behalf of the company in an industrial dispute.⁷ Where under the constitution of a company the directors could delegate their power to the managing director and what the managing director does is within the ordinary duties of his office, a person dealing with him can assume, without making any enquiry, that he has the power to do the things. But this rule cannot apply where the question is not about the scope of the

20. AIR 1963 AP 152.

1. AIR 1938 Mad 227.

2. AIR 1938 PC 284 + AIR 1957 All 311 (DB).

3. AIR 1934 Bom 243.

4. (1910) 1910-2 Ch. 382.

5. AIR 1936 Bom 62 = 60 Bom 326 (DB).

6. AIR 1942 Bom 231.

7. AIR 1960 Mys 44.

power exercised, but it is whether the person exercising that power is the managing director at all.⁸

Borrowing by Directors. In the absence of any express prohibition in the memorandum or the articles of the company the directors have the power to borrow on behalf of the company subject only to the limitation contained in Regn. 46 of the Table of Regulations.⁹ Where the articles provide for certain safeguards in regard to the borrowing powers of a company, viz. that manager or managing agent can borrow and the directors were to control them; then in the absence of an express provision delegating such powers to the directors, the directors cannot exercise those borrowing powers.¹⁰

Investment by Directors. The Directors cannot invest money in contravention of the mandate given to them by the Articles of Association. Thus where articles authorise directors to invest money in the purchase of house property, they are not entitled to invest money in constructing a building.¹¹ But within the sphere of the mandate, the Directors can exercise their own discretion. Thus where the articles provided that the directors could invest money not immediately required upon such securities and bank deposits as may be from time to time determined. It was held that the directors has complete discretion in the matter of approving the kind of security offered.¹²

Legal proceedings. The Directors have power to institute suits on behalf of the company when it becomes necessary in the course of management to recover moneys due to company.¹³ Ordinarily the directors only can sue in the name of the company. But when they are themselves the wrongdoers or when their own personal interests are in conflict and hence they would not or could not sue, the share-holders can take steps to seek redress for the wrong done to the company.¹⁴

Transfer of shares. Directors can transfer shares belonging to the company where they have been vested by the articles, with the control of the company and its business, inasmuch as transfer of shares is a business of the company.¹⁵

3. Liability of Directors. Directors utilising company's money for their own interests are liable to account for such money to the company.¹⁶ The Chairman of a company, who is also the treasurer and in whom the administration of the company is vested under the articles cannot escape liability by stating that he entrusted the entire management to another and, therefore, he is not responsible for the extensive acts of misappropriation committed by the Vice-Chairman.¹⁷

Indemnity to Directors. Where an article of association comprises the indemnity to directors for anything done by them, except where loss has been

8. AIR 1957 Ker 97.

9. AIR 1957 Mad 122 (DB).

10. AIR 1957 Cal 299 (DB).

11. AIR 1934 Mad 411 (DB).

12. AIR 1935 Lah 792 (DB).

13. AIR 1938 Mad 962 = ILR 1939 Mad 36 (DB).

14. AIR 1950 FC 133 = 1949 FCR 673.

15. AIR 1957 Cal 293 = ILR (1958) 1 Cal 89 (DB).

16. AIR 1933 Lah 705 (DB).

17. 1956 Andh L T 207 (DB).

incurred as the result of wilful neglect or wilful default on their part, in order to be guilty of wilful negligence, the director must not only be guilty of negligence, but he must know that he is committing a breach of duty or is recklessly careless in the matter. A director is justified in trusting the integrity, skill and competence of the officials unless he has ground for suspicion.¹⁸

Dishonesty and fraud by Directors. Where a loan is tainted with dishonesty and directors are responsible for the loan, they are liable for the debt.¹⁹ A suit against a director who fraudulently sanctioned a loan in violation of the rules is one for the breach of fiduciary obligation and not merely for compensation for the loss committed.²⁰

4. Director wrongfully excluded from management, suit by. A suit for injunction restraining the other directors from wrongfully excluding from acting as a director will lie at the instance of the aggrieved director. It is for the Court to decide whether the circumstances warrant such an order.¹ Where the Directors of the company were removed from office illegally and new ones elected in their place. They brought a suit for being reinstated, and for a declaration that the election of those directors was illegal. It was contended that even if they had a good case, the writ sought for should not be issued because by then the period for which they could have remained directors by the rule of rotation had already expired. It was held that in such circumstances the rule of rotation did not apply and reinstated the Directors who had been wrongfully excluded from the management.²

45. The Directors shall appoint a chief executive in accordance with the provisions of sections 198 and 199.

46. The amount for the time being remaining undischarged of moneys borrowed or raised by the directors for the purposes of the company (otherwise than by the issue of share capital) shall not at any time, without the sanction of the company in general meeting, exceed the issued share capital of the company.

47. The directors shall duly comply with the provisions of the Ordinance, or any statutory modification thereof for the time being in force, and in particular with the provisions in regard to the registration of the particulars of mortgages and charges affecting the property of the company or created by it, to the keeping of a register of the directors, and to the sending to the registrar of an annual list of members, and a summary of particulars relating thereto and notice of any consolidation or increase of share capital, or sub-division of shares, and copies of special resolutions and a

18. AIR 1938 Mad 124 = 1LR 1938 Mad 292 (DB).

19. AIR 1936 Lah 271 (DB).

20. AIR 1953 Lah 705 (DB).

1. AIR 1924 Cal 982 = 51 Cal 916 (DB).

2. P.I.D 1960 SC 266 = PLR 1960 (2) WP 924.

copy of the register of directors and notifications of any changes therein.

48. The directors shall cause minutes to be made in books provided for the purpose--

- (a) of all appointments of officers made by the directors;
- (b) of the names of the directors present at each meeting of the directors and of any committee of the directors;
- (c) of all resolutions and proceedings at all meetings of the company and of the directors and of committees of directors;

and every director present at any meeting of directors or committee of directors shall sign his name in a book to be kept for that purpose.

THE SEAL

49. The directors shall provide for the safe custody of the seal and the seal shall not be affixed to any instrument except by the authority of a resolution of the board of directors or by a committee of directors authorised in that behalf by the directors and in the presence of at least two directors and of the secretary or such other person as the directors may appoint for the purpose; and those two directors and secretary or other person as aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.

Synopsis

1. Scope.

2. Contract entered into by company.

1. **Scope.** The question whether Reg. 49 of Table 'A' applies to a company depends on whether there is a special resolution by which Table 'A' has been adopted by the company. That being a question of fact, it cannot be raised in appeal unless it has been put in issue in the lower Court.³

2. **Contract entered into by company.** A document though defective with respect to the seal affixed thereto, is not bad for all purposes and if the Court is satisfied that the parties intended and had power to make the contract it will give effect to the intention. The position is further strengthened, if the document has been acted upon by the company.⁴

3. AIR 1943 Cal 455 = ILR (1943) 1 Cal 59 = 44 Cr LJ 790 (DB).

4. AIR 1930 Cal 782 = 57 Cal 1101 (DB).

DISQUALIFICATION OF DIRECTORS

50. No person shall become the director of a company if he suffers from any of the disabilities or disqualifications mentioned in section 187 and, if already a director, shall cease to hold such office from the date he so becomes disqualified or disabled:

Provided, however, that no director shall vacate his office by reason only of his being a member of the company which has entered into contracts with, or done any work for, the company of which he is director, but such director shall not vote in respect of any such contract or work, and if he does so vote, his vote shall not be counted.

PROCEEDINGS OF DIRECTORS

51. The directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings, as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the chairman shall have and exercise a second or casting vote. A director may, and the secretary on the requisition of a director shall, at any time, summon a meeting of directors. It shall not be necessary to give notice of a meeting of directors to any directors for the time being absent from Pakistan.

Synopsis

1. Notice of meeting.
2. Presumption as to notice.
3. Agenda of meeting.

1. **Notice of meeting.** In law, a meeting of directors is not duly convened unless due notice has been given to all directors.⁵ Where no notice of a meeting of the Directors was sent to directors and it was contended that no such notice was necessary in view of the provisions of Articles of Association which provided that a meeting of Directors would be held on the first Sunday of every month. It was held that as time and place of meeting had to be fixed therefore a notice was required notwithstanding the provision in the Articles of Association.⁶ However, omission to give a notice to a director becomes immaterial where he had prior knowledge of the meeting otherwise.⁷

2. **Presumption as to notice.** Prima facie the Court would assume, in the absence of anything on record to the contrary, that a meeting of the Board of Directors to place only after due notice of the meeting had been given to all the directors and therefore there was no irregularity in it. Hence it was for the person

5. AIR 1938 Mad 962 (DB) + AIR 1936 Bom 24 = 60 Bom 297.

6. PLD 1956 Lah 731 = PLR 1956 Lah 1407.

7. AIR 1936 Bom 24 = 60 Bom 297.

who impugned the meeting on the ground that notice was given to some of the directors to prove his allegation to the satisfaction of the Court.⁸

3. **Agenda of meeting.** It is not necessary as a matter of law though as a matter of prudence it is very often done to state in the notice convening the meeting of the directors what the business to be transacted at that meeting is to be.⁹ Where the agenda for the meeting consisted only of one item, namely, to consider the requisition of certain share-holders for the convening of an extraordinary general meeting for examining the affairs of the company. It was not a meeting for filling the vacancies on the board of directors, and the two or three absent directors had no notice of the agenda which was in the mind of the chairman, but the chairman asked the directors to fill casual vacancies in the office of directors and this was done. It was held that "any other business with the permission of the chairman", which decorates an agenda generally should presume that the chairman is not looking for an opportunity to spring a surprise on absent members, and that he is a person on whom the directors can rely for allowing only routine matters to be brought in for discussion, if they are not on the agenda. The election could not be held valid in such circumstances.¹⁰

52. The directors may elect a chairman of their meetings and determine the period for which he is to hold office; but, if no such chairman is elected, or if at any meeting the chairman is not present within ten minutes after the time appointed for holding the same or is unwilling to act as chairman, the directors present may choose one of their number to be chairman of the meeting.

1. **Chairman of Board, tenure of.** The fact that the resolution of the directors appointing a chairman does not expressly determine the period for which he is to hold office does not mean that he can hold office for the whole period during which he remains a director. When the directors appoint a chairman they appoint him for such time as they think fit and there is no contract with the person appointed that he shall remain chairman until he ceases to be a director. It would always be open to the directors to substitute another chairman in his place.¹¹

53. The directors may delegate any of their powers not required to be exercised in their meeting to committees consisting of such member or members of their body as they think fit; any committee so formed shall, in the exercise of the powers so delegated, conform to any restrictions that may be imposed on them by the directors.

1. **Delegation of Authority by Directors.** The directors may, if so authorized by the Articles, delegate their powers to any person or committee. The appointment by the directors of one of themselves as a managing director is

8. AIR 1936 Bom 24 = 60 Bom 297.

9. AIR 1928 Mad 372 = 51 Mad 68 (DB).

10. PLD 1959 Lah 721 = PLR 1958 (2) WP 1308 (DB).

11. (1916) 1916-1 Ch. 532.

merely a delegation of their powers by the board. It does not amount to a contract between the director appointed as managing director and the company.¹² Where the Articles of Association of a Company incorporates Regulation 53 of Table A of Schedule I of the Companies Ordinance, authorising the Directors to delegate any of their powers to a committee consisting of such member or members as they think proper, the resolution for forfeiture of shares passed by such committee is not invalid.¹³ Where rules regarding the administration of policy-holders' trust fund in an insurance Company authorise the directors to purchase house property if there is unanimity of opinion among them, such unanimity must exist not only as regards the amount to be spent but also as regards the property to be purchased and the duty of deciding which property is to be purchased cannot be delegated to a committee.¹⁴

Appointment of officers. Directors can delegate their power to remove or to appoint officers of the company to one of themselves by resolution.¹⁵

Authority to appear in Court. A director authorised by Board of Directors to attend to Court proceedings can file a petition in insolvency.¹⁶

54. (1) A committee may elect a chairman of its meetings; but, if no such chairman is elected, or if at any meeting the chairman is not present within ten minutes after the time appointed for holding the same or is unwilling to act as chairman, the members present may choose one of their number to be chairman of the meeting.

(2) A committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present. In case of an equality of votes, the chairman shall have and exercise a second or casting vote.

55. All acts done by any meeting of the directors or of a committee of directors, or by any person acting as a director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such directors or persons acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a director.

1. Acts done by Director whose appointment is defective. An article of a company provided that "all acts done at any meeting of directors or by any person acting as a director shall notwithstanding that it shall be afterwards discovered

12. (1916) 1916-1 Ch. 532 (Hence the director to be appointed will not be barred by the article prohibiting a director from voting upon a contract in which he is interested, from voting upon the resolution).

13. AIR 1949 All 195 = ILR 1949 All 331 (DB).

14. AIR 1934 Mad 411 (DB).

15. AIR 1933 All 344 = 5 All 399 (DB).

16. AIR 1940 Mad 958 (DB).

that there was some defect in the appointment of such directors or persons acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a director." This article did not apply only as between the company and outsiders but also as between the company and its members. Hence it was held that the irregularities in the appointment of directors alleged in the case were not sufficient to invalidate the call made by them.¹⁷ Where at a meeting of the directors an agreement entered into with a third party by one of them on behalf of the company was agreed to and ratified: it was held that the agreement bound the company even though one of the directors whose terms of office had expired and who had not been validly re-elected had taken part in the meeting at which the agreement was approved.¹⁸

56. A resolution in writing signed by all the directors for the time being entitled to receive notice of meeting of the directors shall be as valid and effectual as if it had been passed at a meeting of the directors duly convened and held.

FILLING OF VACANCIES

57. At the first annual general meeting of the company, all the directors shall stand retired from office, and directors shall be elected in their place in accordance with section 178 for a term of three years.

58. A retiring director shall be eligible for re-election.

59. The directors shall comply with the provisions of sections 174 to 178 and sections 180 and 184 relating to the election of directors and matters ancillary thereto.

60. Subject to the provisions of the Ordinance, the company may from time to time in annual general meeting increase or decrease the number of directors.

1. **Number of Directors, variation in.** Where an article of a company prescribed the maximum and minimum number of directors without any qualifying words and another article authorised the company at its general meeting to increase or decrease the number subject to the provisions of section 174; it was held that the number of directors could be increased beyond the maximum mentioned in the first article merely by an ordinary resolution passed at the general meeting.¹⁹

Number fixed by Court. The powers of the general body of a society registered under Societies Registration Act, 1860 are analogous to those of the share-holders of a company and they cannot increase or decrease strength of their

17. (1898) 1898-1 Ch. 6.

18. AIR 1935 Rang 76 (It was held that any irregularity in the appointment of that director was cured by Regn. 94 of the articles of association).

19. AIR 1950 PC 81 (50 Cal W N 310, *Reversed*) + AIR 1933 All 334.

managing board when the strength of the board had been fixed by a decree of Court in a scheme suit.²⁰

61. Any casual vacancy occurring on the board of directors may be filled up by the directors, but the person so chosen shall be subject to retirement at the same time as if he had become a director on the day on which the director in whose place he is chosen was last elected as director.

Synopsis

1. Casual vacancy.
2. Tenure of office.

1. **Casual vacancy.** A casual vacancy means in general any vacancy occurring by death, resignation or bankruptcy and not by efflux of time.¹

2. **Tenure of office.** The election of a person as director by directors, entitles him to hold office, till the next general meeting while if he is elected by the shareholders, he is entitled to hold office for three years.²

62. The company may remove a director but only in accordance with the provisions of the Ordinance.

DIVIDENDS AND RESERVE

63. The company in general meeting may declare dividends but no dividends shall exceed the amount recommended by the directors.

Synopsis

1. Dividend.
2. Reserve fund.
3. Preference shares, dividend on.
4. Limitation.

1. **Dividend.** Dividend is a share of the profits declared by company as liable to be distributed among the share-holders.³ An investor becomes entitled to participate in the profits of the company in which he holds shares and it is this right and not the declaration by the company which is the effective source of his profits, namely the dividend. The absence of a declaration by the company of dividend only postpones his enjoyment of the profits.⁴ Where a dividend has been declared, it is to be treated as a debt owing to the share-holders, but being held by the company that declares the dividend. It is a special debt and each share-holder is entitled to sue the company for his portion.⁵ However, neither the declaration by the company that dividend is payable nor the entry made by it in its books disclosing its liability for the dividend makes it a trustee for its share-holders. To

20. 1958-1 Andh W R. 244.

1. AIR 1932 Mad 100 (DB).

2. AIR 1933 All 344 = 55 All 399 (DB).

3. PLD 1982 Pesh 159 (DB) + AIR 1955 SC 74 = 1955-1 SCR 876.

4. AIR 1955 SC 74 = 1955-1 SCR 876 (AIR 1953 Bom 7. Reversed on this point).

5. 1982 CLC 463.

put the company in the position of trustees there must be something more, such as the setting apart of any special part of its assets as being or representing the dividend, or a notice given to the share-holders or some other step taken by it.

Formalities for declaring dividend not observed. Dividend is the receipt by the share-holder by reason of his being a share-holder of part of the profits of the company of which he is a share-holder. The formalities and technicalities attached to the declaration of a dividend cannot detract from the ordinary and normal meaning to be attached to that expression. It may be said in a particular case that the dividend received by the share-holder was not properly declared or that the necessary procedure was not followed, but in its plain natural meaning the receipt by the share-holder must be described as dividend.⁷

Purchaser of shares not paying price. Where the buyer had contracted to purchase shares and after the contract but before the price of the share was actually paid the dividend accrued on the shares. It was held that he cannot claim to retain a fair measure of the profit earned or the expense saved by reason of the price being unpaid without denying the vendor a correlative equity and ignoring the quality and character of the relief which he has sought. In this case the parties agreed that the buyer should pay interest at the unpaid purchase price at the rate of $4\frac{1}{2}\%$.⁸

2. **Reserve fund.** Where the articles of association authorise the company to capitalize its profits it can do so, provided it acts genuinely, by carrying over the profits to a reserve fund or by adding it to its nominal capital. The individual share-holders who have no right in the undistributed profits cannot insist upon the profits being distributed as dividend.⁹

3. **Preference shares, dividend on.** The provisions as to declaration of dividend apply equally to shares on which a fixed preferential dividend is payable. The necessity for declaration of a dividend as a condition precedent to an action to recover is stated in general terms in "Lindley on Companies" and where the reserve fund article applies, it is obvious that such a declaration is essential, for a share-holder has no right to any payment until the corporate body has determined that the money can be properly paid away. The opposite conclusion might enable the preference share-holders to ruin the company and would lead to great inconvenience in enabling them to compel payment out of the last penny without carrying forward any balance.¹⁰

Dividend subject to payment of Income-Tax. Where the dividend on the second preference shares are declared by the company "subject to Income-tax" it cannot be said that there is no declaration of dividend except after deduction of tax at the standard rate. The words 'subject to tax' mean no more than subject to tax properly deductible and therefore in a case where no tax is properly deductible, the words have no effect on the amount of dividend declared.¹¹

6. (1896) 1896-1 Ch. 559.

7. P.L.D 1982 Pesh 159 (DB).

8. P.L.D 1949 PC 305.

9. AIR 1949 Mad 521 = I.L.R 1949 Mad 519.

10. (1902) 1902-1 Ch. 353.

11. AIR 1940 Bom. 97 = I.L.R 1940 Bom 165 (FB).

4. **Limitation.** On the declaration of dividend made by a company on its shares a debt in respect of the dividend declared becomes immediately payable and the share-holder entitled to the dividend can sue at law for the same. Hence the statute of Limitation begins to run immediately.¹²

64. The directors may from time to time pay to the members such interim dividends as appear to the directors to be justified by the profits of the company.

1. **Profit.** The question whether there are profits available for distribution as dividend has to be answered according to the circumstances of each particular case, the nature of the company, and the evidence of competent witnesses. There is no single definition of the word "profit" which will fit all cases.¹³

65. No dividends shall be paid otherwise than out of profits of the year or any other undistributed profits.

Synopsis

1. Dividend.

2. Dividend to be declared out of profit.

1. **Dividend.** The ordinary meaning of 'dividend' is the receipt by the share-holder by reason of his being a share-holder of part of the profits of the company of which he is a share-holder.¹⁴ The view that until a dividend is declared there is no right in a share-holder to participate in the profits is not correct. The right to participate in the profits exists independently of any declaration by the company with the only difference that the enjoyment of the profits is postponed until the dividends are declared.¹⁵ A company can make no payment by way of return of capital to its share-holders except as a step in an authorised reduction of capital. Any other payment made by it by means of which it parts with its money to its share-holders can only be made by way of dividing profits whether that payment is described as dividend or bonus or by any other name.¹⁶ Where what a person received is a part of the profit or income of a company of which he is a share-holder and the receipt is not attributable to its capital, it is dividend irrespective of the fact that the formalities and technicalities attached to declaration of a dividend have not been properly gone through before it was paid to the share-holder.¹⁷

The amount credited upon a share may as between one share-holder and another, while the company is a going concern, determine the proportion of profits receivable by him as dividend. But by crediting such amount the company in no sense becomes the debtor in respect of that amount.¹⁸

Dividend 'in specie'. A dividend need not be declared in cash but it may be in specie. Therefore where a company, which had acquired certain rights having

12. (1896) 1896-1 Ch. 559.

13. (1902) 1902-1 Ch. 353.

14. PLD 1982 Pesh 159 (DB) + AIR 1956 Bom 381 = ILR 1956 Bom 640 (DB).

15. AIR 1955 SC 74 = 1955-1 SCR 876.

16. AIR 1930 PC 302.

17. PLD 1982 Pesh 159 (DB) + AIR 1956 Bom 381 (DB) (Case under Income-tax Act).

18. AIR 1930 PC 151 (Case under Income-tax Act) (*But see* 1982 CLC 463).

money value and which could be cashed, transferred those rights instead of cashing them to the share-holders, the transfer of such rights in specie was payment of dividend to share-holders.¹⁹

2. **Dividend to be declared out of profit.** So long as a company is a going concern and is not restricted as to the profits out of which it may pay dividends, it may distribute as dividend to its share-holders the excess of its revenue receipts over expenses properly chargeable to revenue account. The balance to the credit of profit and loss account may in many cases be distributed as dividends even if the company's capital account is in debit.²⁰ Profits does not mean necessarily an amount actually netted. It only means the amount by which the credit side exceeds the debit side in the account books. The proper ascertainment of profits in the case of a company is of great importance to avoid the possibility of payment of dividend wholly or partially out of capital which is strictly forbidden.¹

66. Subject to the rights of persons (if any) entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid on the shares, but if and so long as nothing is paid upon any of the shares in the company, dividends may be declared and paid according to the amounts of the shares. No amount paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share.

Synopsis

1. Preference shares.

1. **Preference shares.** A company had the power under an article to issue new shares including preference shares on such terms as the company might approve in its general meeting. In exercise of this power the company issued new shares called preference shares entitling the holders to cumulative preferential dividend of ten per cent, per annum and also to priority over the ordinary share-holders both as regards capital and dividend. There was also another general article which provided that the profits should be distributed as dividend, subject to the priorities given to the new shares issued by the company, among the members in accordance with the amounts paid by them on the shares held by them. The preference share-holders claimed in addition to ten per cent dividend a share in the profits under this general article. It was held that the rights of the preference share-holders were determined by terms of issue of their shares and that they were not entitled to any benefit under the general article. Hence they were not entitled to anything more than 10 per cent distribution of profits.² Where the dividends on the second preference shares are declared "subject to income-tax" it does not mean that the declaration can be only after deduction of tax. The words only mean that the dividend is subject to tax properly deductible and where no tax is so deductible they have no effect on the amount declared.³

2. Dividend, to whom payable.

19. AIR 1956 Bom 381=ILR 1956 Bom 640 (DB) (Case under Income-tax Act).

20. AIR 1930 PC 302.

1. AIR 1943 Sind 12=26 Sind L R 211=33 Cr L J 891.

2. (1914) 1914 App. Cas. 11.

3. AIR 1940 Bom 97=ILR 1940 Bom 165 (FB).

2. **Dividend, to whom payable.** A company is bound to pay dividend to its members whose name was registered in the books of the company and the company could not take notice of any private arrangement entered into between the vendor and the vendee of certain shares regarding apportionment of dividends.⁴

67. (1) The directors may, before recommending any dividend, set aside out of the profits of the company such sums as they think proper as a reserve or reserves which shall, at the discretion of the directors, be applicable for meeting contingencies, or for equalizing dividends, or for any other purpose to which the profits of the company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of company or be invested in such investments (other than shares of the company) as the directors may, subject to the provisions of the Ordinance, from time to time think fit.

(2) The directors may carry forward any profits which they may think prudent not to distribute, without setting them aside as a reserve.

1. **Reserve fund.** A company which has a balance to the credit of its profit and loss account is not bound at once to apply that sum in making good an estimated deficiency in value of its capital assets. It may carry it to a suspense account or a reserve.⁵ The reserve of a company may be a general reserve or a specific reserve but to create either, there must be clear indication that the profits have been set apart for some purpose. Amount of profits lying unutilized and not specially set apart for any purpose cannot be treated as a reserve.⁶ As one of the objects stated in the article providing for reserve fund is to equalize profits and that object cannot apply to preference shares, it cannot be said that the article would become inapplicable to those shares in spite of the fact that it has also other objects which are applicable and which are really for the benefit of all the share-holders.⁷

Preference shares. A company is entitled to carry over its profits to a depreciation to reserve fund and the decision of the majority share-holders to do so cannot be challenged by the dissentient share-holders.⁸

68. If several persons are registered as joint-holders of any share, any one of them may give effectual receipt for any dividend payable on the share.

4. AIR 1945 All 47=ILR 1945 All 15.

5. (1902) 1902-1 Ch. 353.

6. AIR 1953 SC 501 (AIR 1951 Bom 420, *Reversed*) + AIR 1954 Pat 139 (DB).

7. (1902) 1902-1 Ch. 353.

8. AIR 1927 Bom 371 (DB)+AIR 1942 Mad 521 (An individual share-holder has no right to insist upon the distribution of the profits as dividend).

69. Notice of any dividend that may have been declared shall be given in manner hereinafter mentioned to the persons entitled to share therein but, in the case of a public company, the company may give such notice by advertisement in a newspaper circulating in the Province in which the registered office of the company is situate.

70. The dividend shall be paid within the period laid down in the Ordinance.

ACCOUNTS

71. The directors shall cause to be kept proper books of account as required under section 230.

72. The books of account shall be kept at the registered office of the company or at such other place as the directors shall think fit and shall be open to inspection by the directors during business hours.

73. The directors shall from time to time determine whether and to what extent and at what time and places and under what conditions or regulations the accounts and books or papers of the company or any of them shall be open to the inspection of members not being directors, and no member (not being a director) shall have any right of inspecting any account and book or papers of the company except as conferred by law or authorised by the directors or by the company in general meeting.

74. The directors shall be required by sections 233 and 236 cause to be prepared and to be laid before the company in general meeting such profit and loss accounts or income and expenditure accounts and balance sheet duly audited and reports as are referred to in those sections.

75. A balance-sheet, profit and loss account, income and expenditure account and other reports referred to in regulation 74 shall be made out in every year and laid before the company in the annual general meeting made up to a date not more than six months before such meeting. The balance sheet profit and loss account or income and expenditure account shall be accompanied by a report of the auditors of the company and the report of directors.

76. A copy of the balance sheet and profit and loss account or income and expenditure account and reports of directors and auditors shall, at least twenty-one days preceding the meeting, be

sent to the persons entitled to receive notices of general meetings in the manner in which notices are to be given hereunder.

77. The directors shall in all respect comply with the provisions of sections 230 to 236.

78. Auditors shall be appointed and their duties regulated in accordance with sections 252 to 255.

NOTICES

79. (1) A notice may be given by the company to any member either personally or by sending it by post to him to his registered address or (if he has no registered address in Pakistan) to the address, if any, within Pakistan supplied by him to the company for the giving of notices to him.

(2) Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and, unless the contrary is proved, to have been effected at the time at which the letter would be delivered in the ordinary course of post.

80. If a member has no registered address in Pakistan, and has not supplied to the company an address within Pakistan for the giving of notice to him, a notice addressed to him or to the shareholders generally and advertised in a newspaper circulating in the neighbourhood of the registered office of the company shall be deemed to be duly given to him on the day on which the advertisement appears.

81. A notice may be given by the company to the joint-holders of a share by giving the notice to the joint-holder named first in the register in respect of the share.

82. A notice may be given by the company to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name or by the title of representatives of the deceased, or assignee of the insolvent or by any like description, at the address (if any) in Pakistan supplied for the purpose by the person claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or insolvency had not occurred.

83. Notice of every general meeting shall be given in some manner **hereinbefore** authorised to (a) every member of the company except those members who, having no registered address within Pakistan, have not supplied to the company an address within Pakistan for the giving of notices to them, and also to (b) every person entitled to a share in consequence of the death or insolvency of a member, who but for his death or insolvency would be entitled to receive notice of the meeting, and (c) to the auditors of the company for the time being.

WINDING UP

84. (1) If the company is wound up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Ordinance, divide amongst the members, in specie or kind, the whole or any part of the assets of the company, whether they consist of property of the same kind or not.

(2) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.

(3) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, thinks fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

INDEMNITY

85. Every officer or agent for the time being of the company may be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, arising out of his dealings, in relation to the affairs of the company, except those brought by the company against him, in which judgment is given in his favour or in which he is acquitted, or in connection with any application under section 448 in which relief is granted to him by the Court.

TABLE B

(See section 29)

MEMORANDUM OF ASSOCIATION OF COMPANY LIMITED BY SHARES

1. The name of the company is "The Indus Valley Transports Limited".
2. The registered office of the company will be situated in the Province of Sind.
3. The objects for which the company is established are the conveyance of passengers and goods by land between such places in Pakistan as the company may from time to time determine, and the doing of all such other things as are incidental or conducive to the attainment of the above objects.
4. The liability of the members is limited.
5. The share capital of the company is twenty thousand rupees, divided into two thousand shares of ten rupees each.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a company, in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the company set opposite our respective names.

Name and surname (present & former) in full (in Block Letters)	Father's/Husband's Name in full	Nationality with any former Nationality	Occupation	Residential address in full	Number of shares taken by each subscriber	Signature
1. AB	OP	Pakistani	Resident Director, Household Appliances Ltd., Lahore.	14-A, Street No.2 Sadaf Colony, Hyderabad.	10	
2. CD	OR	"	Advocate		2	
3. EF	ST	"	Property Dealer		1	
4. GH	UV	"	Shopkeeper		1	
5. IJ	WX	"	Civil Engineer		1	
6. KL	YZ	"	Auto Part Dealer		1	
7. MN	PK	"	Housewife		1	
Total Number of shares taken.					17	

Dated the _____ day of _____ 19_____

Witness to above signatures.

(Full Name, Father's/Husband's Name)
(in Block Letters)

Signature

Full
Address.

Occupation

TABLE C

(See section 29)

MEMORANDUM AND ARTICLES OF ASSOCIATION OF A COMPANY
LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL

MEMORANDUM OF ASSOCIATION

1. The name of the company is "The Mutual Medical Relief Association (Guarantee) Limited".
2. The registered office of the company will be situated in the Province of Baluchistan.
3. The objects for which the company is established are to found, build, administer and run, hospitals, clinics, dispensaries, centres and places of medical aid and relief anywhere in Pakistan and to do all such other things as are incidental or conducive to the attainment of these objects.
4. The liability of the members is limited.
5. Every member of the company undertakes to contribute to the assets of the company in the event of its being wound up while he is a member, or within one year afterwards, for payment of the debts and liabilities of the company contracted before he ceases to be a member, and the costs, charges and expenses of winding up and for the adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding one thousand rupees.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a company, in pursuance of this memorandum of association.

Name and Surname (present and former) in full (in Block Letters).	Father's/ Husband's Name in full	Nationality with any former Nationality	Occupation	Residential address in full	Signature
1. AB	OP	Pakistani	Resident Director Household Appliances Limited, Lahore.	14-A, Street No. 2, Sadaf Colony, Quetta.	
2. CD	QR	"	Advocate		
3. EF	ST	"	Property Dealer		
4. GHI	UV	"	Shopkeeper		
5. J	WX	"	Civil Engineer		
6. KL	YZ	"	Auto-Part Dealer.		
7. MN	PK	"	Housewife		

Dated the _____ day of _____ 19_____

Witness to above signatures

(Full Name, Father's/Husband's Name)
(In Block Letters)

Signature
Occupation
Full Address.

**ARTICLES OF ASSOCIATION OF A COMPANY LIMITED BY GUARANTEE
AND NOT HAVING A SHARE CAPITAL**
INTERPRETATION

1. In these articles--

- (a) "the Ordinance" means the Companies Ordinance, 1984.
(b) "the seal" means the common seal of the company.

Unless the context otherwise requires, words or expressions contained in these articles shall bear the same meaning as in the Ordinance or any statutory modification thereof in force at the date at which these regulations become binding on the company.

MEMBERS

2. The number of members with which the company proposes to be registered is 200, but the directors may, from time to time, whenever the company or the business of the company requires it, register an increase of members.

3. The subscribers to the memorandum and such other persons as the directors shall admit to membership shall be members of the company.

GENERAL MEETINGS

4. A general meeting, to be called annual general meeting, shall be held within eighteen months from the date of incorporation of the company and thereafter once at least in every year within a period of six months following the close of its financial year and not more than fifteen months after the holding of its last preceding annual general meeting as may be determined by the directors.

5. All general meetings other than annual general meetings shall be called extraordinary general meetings.

6. The directors may, whenever they think fit, call an extraordinary general meeting.

PROCEEDINGS AT GENERAL MEETINGS

7. All business shall be deemed special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual meeting with the exception of declaring a dividend, the consideration of accounts, balance sheet and the reports of the directors and auditors, the election of directors and other officers and the fixing of remuneration of the auditors.

8. (1) No business shall be transacted at any meeting unless a quorum of members is present at the time when the meeting proceeds to business.

(2) Save as herein otherwise provided, three members present in person who represent not less than twenty-five per cent of the total voting power in person or through proxy, shall be a quorum.

9. (1) If within half an hour from the time appointed for a meeting a quorum is not present, the meeting, if called upon the requisition of members, shall be dissolved.

(2) In any other case, the meeting shall stand adjourned to the same day in the next week, at the same time and place, or to such other day and such other time and place as the directors may determine.

(3) If at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the members present shall be a quorum.

10. (1) The Chairman, if any, of the board of directors shall preside as chairman at every general meeting of the company.

(2) If there is no such chairman, or if he is not present within fifteen minutes after the time appointed for the meeting or is unwilling to act as chairman of the meeting, the directors present shall choose one of their number to be chairman of the meeting.

(3) If at any meeting no director is willing to act as chairman or if no director is present within fifteen minutes after the time appointed for the meeting, the members present shall choose one of their number to be the chairman of the meeting.

11. (1) the Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place.

(2) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

(3) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

(4) Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

12. Unless a poll is demanded by at least five members present in person or by proxy or by any member or members representing not less than ten per cent of the total voting power in person or through proxy, a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the minute of proceedings shall be conclusive evidence of the fact without proof of the number of votes recorded in favour or against the resolution.

13. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall have and exercise a second or casting vote.

14. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

VOTES OF MEMBERS

15. Every member shall have one vote.

16. A member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll vote by proxy.

17. No member shall be entitled to vote at any general meeting unless all moneys presently payable by him to the company have been paid.

18. On a poll, votes may be given either personally or by proxy.

19. (1) No objection shall be raised to the qualification of any voter except at a meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.

(2) Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

20. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed:

Provided that no intimation in writing of such death, insanity or revocation shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

21. An instrument appointing a proxy shall be in writing and shall be deposited at the office of the company or the place of meeting at least forty-eight hours before the meeting at which it is to be used.

DIRECTORS

22. The number of the first directors and the name of the first directors shall be determined in writing by the subscribers of the memorandum of association, so, however, that such number shall not in any case be less than that specified in section 174.

POWER AND DUTIES OF DIRECTORS

23. The business of the company shall be managed by the directors, who may exercise all such powers of the company as are not by the Ordinance required to be exercised by the company in general meeting.

PROCEEDINGS OF DIRECTORS.

24. (1) The directors may meet for the despatch of business, adjourn and otherwise regulate their meetings, as they think fit.

(2) A director may, and the chief executive or secretary on the requisition of a director shall, at any time, summon a meeting of the directors.

25. (1) Save as otherwise expressly provided in the Ordinance questions arising at any meeting of the directors shall be decided by a majority of votes.

(2) In case of any equality of votes, the chairman shall have and exercise a second or casting vote.

26. The continuing directors may act notwithstanding any vacancy but, if and so long as their number is reduced below the minimum fixed by the Ordinance, the continuing directors or director may act for the purpose of increasing the number of directors to that minimum or for summoning a general meeting of the company, but for no other purpose.

27. (1) The directors may elect a chairman and determine the period for which he is to hold office within the limits prescribed by the Ordinance.

(2) If no such chairman is elected, or if at any meeting the Chairman is not present within ten minutes after the time appointed for the meeting or is unwilling to act as chairman, the directors present may choose one of their number to be chairman of the meeting.

28. All acts done by any meeting of the directors or by any person acting as director, shall, notwithstanding that it may afterwards be discovered that there was some defect in the appointment of any such director or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such director or such person had been duly appointed and was qualified to be a director.

29. A resolution in writing, signed by all the directors for the time being entitled to receive notice of a meeting, shall be as valid and effectual as if it had been passed at a meeting of the directors duly convened and held.

CHIEF EXECUTIVE

30. Subject to the provisions of the Ordinance, a chief executive shall be appointed by the directors for such term, at such remuneration and upon such conditions as they may think fit.

THE SEAL

31. The director shall provide for the safe custody of the seal, which shall be used by authority of directors and every instrument to which the seal shall be affixed shall be signed by a director.

Name and Surname (present and former) in full (in Block Letters).	Father's/Husband's Name in full.	Nationality with any former Nationality	Occupation	Residential address in full	Signature
1. AB	OP	Pakistani	Resident Director Household Appliances Limited, Lahore.	14-A, Street No. 2, Sadaf Colony, Quetta.	
2. CD	OR	..	Advocate		

3. EF	ST	"	Property Dealer
4. GH	UV	"	Shopkeeper
5. IJ	WX	"	Civil Engineer
6. KL	YZ	"	Auto-Part Dealer.
7. MN	PK	"	Housewife

Dated the _____ day of _____ 19_____

Witness to above signatures

(Full Name, Father's/Husband's Name)
(In Block Letters)

Signature
Occupation
Full Address.

TABLE D

(See section 29)

MEMORANDUM AND ARTICLES OF ASSOCIATION OF A COMPANY LIMITED BY GUARANTEE AND HAVING A SHARE CAPITAL MEMORANDUM OF ASSOCIATION

- The name of the company is "Salt Range Hotel Company Limited".
- The registered office of the company will be situated in the province of the Punjab.
- The objects for which the company is established are the facilitating of travelling in the salt range of the punjab and the North-West Frontier Province by providing hotels for the accommodation of travellers and the doing of such other things as are incidental or conducive to the attainment of those objects.
- The liability of the members is limited.
- Every member of the company undertakes to contribute to the assets of the company in the event of its being wound up while he is a member, or within on year after he ceases to be a member, for payment of the debts and liabilities of the company contracted before he ceases to be a member, and the costs, charges and expenses of winding up the same and for the adjustment of the rights of the contributories among themselves, such amount as may be required, not exceeding one thousand rupees.
- The share capital of the company shall consist of twenty thousand rupees, divided into two thousand shares of ten rupees each.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a company, in pursuance of this memorandum of

association, and we respectively agree to take the number of shares in the capital of the company set opposite our respective names.

Name and surname (present & former) in full (in Block Letters)	Father's/ Husband's Name in full	Nationality with any former Nationality	Occupation	Residential address in full	Number of shares taken by each subscriber	Signature
1. AB	OP	Pakistani	Director House-hold, Appliances Limited, Lahore.	14-A, Street No.2, Sadaf Colony, Bahawalpur	10	
2. CD	QR	..	Advocate		2	
3. EF	ST	..	Property Dealer		1	
4. GH	UV	..	Shopkeeper		1	
5. IJ	WX	..	Civil Engineer		1	
6. KL	YZ	..	Auto Part Dealer		1	
7. MN	PK	..	Housewife		2	
Total Number of shares taken.					18	

Dated the-----day of-----19-----

Witness to above signatures.

(Full Name, Father's/Husband's Name)
(in Block Letters)

Signature Full
Address.
Occupation

ARTICLES OF ASSOCIATION OF A COMPANY LIMITED BY GUARANTEE AND HAVING A SHARE CAPITAL

1. The number of members with which the company proposes to be registered is 100, but the directors may from time to time register an increase of members.

2. All the regulations in Table A in the First Schedule to the Ordinance shall be deemed to be incorporated with these articles and shall apply to the company.

Name and Surname (present & former) in full (in Block letters)	Father's/Husband's Name in full	Nationality with any former Nationality	Occupation	Residential Address in full	Signature
1. AB	OP	Pakistani	Director House-hold Appliances Limited, Lahore,	14-A. Street No.2. Sadaf Colony, Bahawalpur.	
2. CD	QR	"	Advocate		
3. EF	ST	"	Property Dealer		
4. GH	UV	"	Shopkeeper		
5. IJ	WX	"	Civil Engineer		
6. KL	YZ	"	Auto-Parts Dealer.		
7. MN	PK	"	Housewife		

Dated the _____ day of _____ 19 _____

Witnesses to above signature.

 (Full Name, Father's/Husband's Name)
 (in Block Letters)

 Signature
 Occupation
 Full Address.

TABLE E

(See section 29)

MEMORANDUM AND ARTICLES OF ASSOCIATION OF AN UNLIMITED COMPANY HAVING A SHARE CAPITAL

MEMORANDUM OF ASSOCIATION

1. The name of the company is "Khyber Fruit Products Company".
2. The registered office of the company will be situated in the North-West Frontier Province.
3. The objects for which the company is established are the preservation, canning and marketing of fruit anywhere in Pakistan and the doing of all such things as are incidental or conducive to the attainment of those objects.

We, the several persons whose names are subscribed are desirous of being formed into a company in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the company set opposite our respective names.

Name and Surname (present & former) in full (in Block Letters)	Father's/Husband's Name in full	Nationality with any former Nationality	Occupation	Residential Address in full	Number of shares taken by each subscriber.	Signature
1. AB	OP	Pakistani	Director Household Appliances Limited, Lahore,	14-A, Street No.2, Sadaf Colony, Bahawalpur.	10	
2. CD	QR	"	Advocate		2	
3. EF	ST	"	Property Dealer		1	
4. GH	UV	"	Shopkeeper		1	
5. IJ	WX	"	Civil Engineer		1	
6. KL	YZ	"	Auto-Parts Dealer.		1	
7. MN	PK	"	Housewife		1	
Total shares taken					17	

Dated the _____ day of _____ 19 _____

Witnesses to above signature.

(Full Name, Father's/Husband's Name)

(in Block Letters)

Signature

Occupation

Full Address.

ARTICLES OF ASSOCIATION OF AN UNLIMITED COMPANY

1. The number of members with which the company propose to be registered is 40, but the directors may from time to time register an increase of members.

2. The share capital of the company is twenty thousand rupees, divided into twenty shares of one thousand rupees each.

3. The company may by special resolution--

- (a) increase the share capital by such sum to be divided into shares of such amount as the resolution may prescribe;
- (b) consolidate its shares into shares of a larger amount than its existing shares;
- (c) sub-divide its shares into shares of a smaller amount than its existing shares;

- (c) sub-divide its shares into shares of a smaller amount than its existing shares;
- (d) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person.
4. All the regulations in Table A in the First Schedule to the Ordinance shall be deemed to be incorporated with these articles and shall apply to the company.

Name and Surname (present & former) in full (in Block Letters)	Father's/Husband's Name in full	Nationality with any former Nationality	Occupation	Residential Address in full	Signature
1. AB	OP	Pakistani	Director, Household Appliances Ltd., Lahore	4-A, Street No. 2, Sadaf Colony, Peshawar	
2. CD	QR	"	Advocate		
3. EF	ST	"	Property Dealer		
4. GH	UV	"	Shopkeeper		
5. IJ	WX	"	Civil Engineer		
6. KL	YZ	"	Auto-Parts Dealer		
7. MN	PK	"	Housewife		

Dated the _____ day of _____ 19 _____

witness to above signatures.

(Full Name, Father's/Husband's Name).

(in Block Letters)

Signature

Occupation

Full Address

Table F was omitted by Ordinance 57 of 1984, S.7.

SECOND SCHEDULE

(See sections 45, 53 and 69)

PART I

MATTERS TO BE SPECIFIED IN PROSPECTUS AND REPORTS TO BE SET OUT THEREIN

SECTION I

MATTERS TO BE SPECIFIED

1. (1) Save as provided in clause 31, the contents of the memorandum, with the names, addresses, descriptions and occupations of the signatories to the memorandum and the number of shares subscribed for by them.

(2) The number and value of shares, if any, and the nature and extent of the interest of the holders in the property and profits of the company.

2. Description of business to be undertaken and its prospectus.

3. Any provision in the articles as to remuneration of the directors, whether for their services to the company as directors or chief executive or otherwise.

4. (1) The names, addresses, descriptions, occupations of--

(a) the directors or proposed directors;

(b) the chief executive or proposed chief executive, if any;

(c) the managing agent, or proposed managing agent, if any (where permissible);

(d) the secretary or proposed secretary, if any:

Where any such person is already a director, chief executive or other officer of any other company, the name of such other company and the office held therein.

(2) Any provision in the articles or in any contract which has been entered into as to the appointment of a chief executive, managing agent, if any, or secretary, the remuneration payable to him or them, and the compensation, if any, payable to him or them for loss of office.

5. Where shares are offered to the public for subscription, particulars as to--

(a) the minimum amount which, in the opinion of the directors or of the signatories of the memorandum arrived at after due inquiry, must be raised by the issue of those shares in order to provide the sums, or if any part thereof is to be defrayed in any other manner, the balance of the sums, required to be provided in respect of each of the following heads and distinguishing the amount required under each head:--

- (i) the purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;
 - (ii) any preliminary expenses payable by the company, and any commission so payable to any person in consideration of his agreeing to subscribe for, or of his procuring or agreeing to procure subscription for, any shares in the company;
 - (iii) the repayment of any money borrowed by the company in respect of any of the foregoing matters;
 - (iv) working capital;
 - (v) any other expenditure, stating the nature and purpose thereof and the estimated amount in each case; and
- (b) the amounts to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the issue and the sources out of which those amounts are to be provided.
6. The date and time of the opening and closing of the subscription list.

7. The amount payable on application on each share, and in the case of a second or subsequent offer of shares, the amount offered for subscription on each previous allotment made within the two preceding years, the amount actually allotted, and the amount, if any, paid on the shares so allotted.

8. The substance of any contract or arrangement, or proposed contract or arrangement, whereby any option or preferential right of any kind has been or is proposed to be given to any person to subscribe for any shares in or debentures of, the company, giving the number, description and amount of any such shares or debentures and including the following particulars of the option of right:--

- (a) the period during which the option or right is exercisable;
- (b) the price to be paid for shares or debentures subscribed for under the option or right;
- (c) the consideration, if any, given or to be given for the option or right or for the right thereto;
- (d) the names, addresses, descriptions and occupations of the persons to whom the option or right or the right thereto has been given or is proposed to be given or, if given to existing share-holders or debenture-holders as such, the description and numbers of the relevant shares or debentures;
- (e) any other material fact or circumstances relevant to the grant of the option or right.

Explanation.— Subscribing for shares or debentures shall, for the purposes of these clause, include acquiring them from a person to whom they have been allotted or agreed to be allotted with a view to his offering them for sale.

9. ~~The number, description and amount of shares and debentures which within the two preceding years have been issued, or agreed to be issued, as fully or partly paid up otherwise than in cash, and in the latter case the extent to which they are so paid up, and in either case the consideration for which those shares or debentures have been issued or agreed to be issued.~~

10. The amount paid or payable by way of premium, if any, on each share which has been issued within the two years preceding the date of the prospectus, or is to be issued, stating the dates or proposed dates of issue and, where some shares have been or are to be issued at premium and other shares of the same class at a lower premium, or at par or at a discount, the reasons for the differentiation and how any premium received have been or are to be disposed of.

11. Where any issue of shares or debentures is underwritten, the names of the underwriters, and the opinion of the directors that the resources of the underwriters are sufficient to discharge their obligations.

12. (1) As respects any property to which this clause applies--

- (a) the names, addresses, descriptions and occupation of the vendors;
- (b) the amount paid or payable in cash, shares or debentures to the vendor and, where there is more than one separate vendor, or the company is a sub-purchaser, the amount so paid or payable to each vendor, specifying separately the amount, if any, paid or payable for goodwill;
- (c) the nature of the title or interest in such property acquired or to be acquired by the company;
- (d) short particulars of every transaction relating to the property completed within the two preceding years, in which any vendor of the property to the company or any person who is, or was at the time of the transaction, promoter or a director or proposed director of the company had any interest, direct or indirect, specifying the date of the transaction and the name of such promoter, director or proposed director and stating the amount payable by or to such vendor, promoter, director or proposed director in respect of the transaction.

(2) The property to which sub-clause (1) applies is property purchased or acquired by the company or proposed to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of the issue offered for subscription by the prospectus or the purchase or acquisition of which has not been completed at the date of the issue of the prospectus, other than property--

- (a) the contract for the purchase or acquisition whereof was entered into in the ordinary course of the company's business, the contract not being made in contemplation of the issue nor the issue in consequence of the contract; or
- (b) as respects which the amount of the purchase money is not material.

(3) For the purposes of this clause, where any of the vendors is a firm, the members of the firm shall not be treated as separate vendors.

13. The amount, if any, or the nature and extent of any consideration paid within the two preceding years, or payable, as commission to any person (including commission so paid or payable to any sub-underwriter, who is a promoter or officer of the company) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any shares in, or debentures of the company, and giving also the following particulars, namely:--

- (a) the name, address, description and occupation of each such person;
- (b) particulars of the amounts which each has underwritten or sub-underwritten as aforesaid;
- (c) the rate of the commission payable to each for such underwriting or sub-underwriting;
- (d) any other material term or condition of the underwriting or sub-underwriting contract with each such person; and
- (e) when any such person is a company or a firm, the nature of any interest, direct or indirect, in such company or firm of any promoter or officer of the company in respect of which the prospectus is issued.

14. (1) Save as provided in clause 31, the amount or estimated amount of preliminary expenses and the persons by whom any of the expenses have been paid or are payable.

(2) Save as aforesaid the amount or estimated amount of the expenses of the issue and the persons by whom any of these expenses have been paid or are payable.

15. Any amount or benefit paid or given within the two preceding years, or intended to be paid or given, to any promoter or officer, and the consideration for the payment or the giving of the benefit.

16. (1) The dates of, parties to, and general nature of--

- (a) every contract appointing or fixing the remuneration of a chief executive, managing agent, if any, or secretary, whenever entered into, that is to say, whether within, or more than, two years before the date of the prospectus;
- (b) every other material contract, not being a contract entered into in the ordinary course of the business carried on by the company or a contract entered into more than two years before the date of the prospectus.

(2) A reasonable time and place at which any such contract or a copy thereof may be inspected.

17. The names and addresses of the auditors and legal advisers, if any, of the company.

18. (1) Full particulars of the nature and extent of the interest, if any, of every director or promoter--

- (a) in the promotion of the company; or

(b) in any property acquired by the company within two years of the date of the prospectus or proposed to be acquired by it.

(2) ~~Where the interest~~ of such director or promoter consists in being a member of a firm or company, the nature and extent of the interest of the firm or company, with a statement of all sums paid or agreed to be paid to him or to the firm or company in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a director, or otherwise for services rendered by him or by the firm or company in connection with the promotion or formation of the company.

19. The right of voting at meetings of the company conferred by, and the rights in respect of capital and dividends attached to, shares.

20. Where the articles of the company impose any restrictions upon the members of the company in respect of right to attend, speak or vote at meetings of the company or of the right to transfer shares, or upon the directors of the company in respect of their powers of management, the nature and extent of those restrictions.

21. (1) In case of a company which has been carrying on business, the length of time during which the business of the company has been carried on.

(2) If the company proposes to acquire a business which has been carried on for less than three years, the length of time during which the business has been carried on.

22. (1) If any reserves or profits of the company or any of its subsidiaries have been capitalized, particulars of the capitalization.

(2) Particulars of the surplus arising from any revaluation of the assets of the company or any of its subsidiaries done before the date of the prospectus and the manner in which such surplus has been applied, adjusted or treated.

23. A reasonable time and place at which copies of all balance sheets and profit and loss accounts, if any, on which the report of the auditors under section 2 of this Part is based, may be inspected.

24. The principal purposes for which the net proceeds of the issue are intended to be used and approximate amount intended to be used for each such purpose.

25. If any of the shares are to be issued otherwise than for cash, the general purpose of the distribution, the basis upon which these shares are to be offered, the amount of compensation and by whom they are to be borne.

26. A summary in columnar form of the earnings of the company or the company and its subsidiaries consolidated or otherwise, as appropriate, for each of the last three financial years of the company.

27. Pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the company or any of its subsidiary is a party.

SECTION 2
REPORTS TO BE SET OUT

28. (1) A report by the auditors of the company with respect to--

- (a) profits and losses and assets and liabilities, in accordance with sub-clause (2) or (3) of this clause, as the case may require; and
- (b) the rates of the dividends, if any, paid by the company, in respect of each class of shares in the company for each of the five financial years immediately preceding the issue of the prospectus, giving particulars of each class of shares on which such dividends have been paid and particulars of the cases in which no dividends have been paid in respect of any class of shares for any of those years;

and if no accounts have been made up in respect of any part of the period of five years ending on a date three months before the issue of the prospectus, containing a statement of that fact.

(2) If the company has no subsidiaries, the report shall--

- (a) so far as regards profits and losses, deal with the profits or losses of the company (distinguishing items of a non-recurring nature) for each of the five financial years immediately preceding the issue of the prospectus; and
- (b) so far as regards assets and liabilities, deal with the assets and liabilities of the company at the last date to which the accounts of the company were made up.

(3) If the company has subsidiaries, the report shall--

- (a) so far as regards profits and losses, deal separately with the company's profits or losses as provided by sub-clause (2) and in addition, deal either--
 - (i) as a whole with the combined profits or losses of its subsidiaries, so far as they concern members of the company; or
 - (ii) individually with the profits or losses of each subsidiary, so far as they concern members of the company;or, instead of dealing separately with the company's profits or losses, deal as a whole with the profits or losses of the company, and so far as they concern members of the company, with the combined profits or losses of its subsidiaries; and
- (b) so far as regards assets and liabilities, deal separately with the company's assets and liabilities as provided by sub-clause (2) and in addition, deal either--
 - (i) as a whole with the combined assets and liabilities of its subsidiaries, with or without the company's assets and liabilities; or
 - (ii) individually with the assets and liabilities of each subsidiary;

and shall indicate as respects the assets and liabilities of the subsidiaries, the allowances to be made for persons other than members of the company.

29. If any shares have been or are to be issued or the proceeds, or any part of the proceeds, of the issue of the shares or debentures are or is to be applied directly or indirectly--

- (i) in the purchase of any business; or
- (ii) in the purchase of an interest in any business; and by reason of that purchase or anything to be done in consequence thereof, or in connection therewith, the company will become entitled to an interest, as respects either the capital or profits and losses of both, in such business exceeding fifty per cent thereof;

a report made by auditors (who shall be named in the prospectus) upon --

- (a) the profits or losses of the business for each of the five financial years immediately preceding the issue of the prospectus; and
- (b) the assets and liabilities of the business at the last date to which the accounts of the business were made up, being a date not more than one hundred and twenty days before the date of the issue of the prospectus.

30. (1) If--

- (a) the proceeds, or any part of the proceeds, of the issue of the shares or debentures are or is to be applied directly or indirectly in any manner resulting in the acquisition by the company of shares in any other body corporate; and
- (b) by reason of that acquisition or anything to be done in consequence thereof or in connection therewith, that body will become a subsidiary of the company;

a report made by auditors (who shall be named in the prospectus) upon--

- (i) the profits or losses of the other body corporate for each of the five financial years immediately preceding the issue of the prospectus; and
- (ii) the assets and liabilities of the other body corporate at the last date to which its accounts were made up.

(2) The said report shall--

- (a) indicate how the profits or losses of the other body corporate dealt with by the report would, in respect of the shares to be acquired, have concerned members of the company and what allowance would have fallen to be made, in relation to assets and liabilities so dealt with, for holders of other shares, if the company had at all material times held the shares to be acquired; and
- (b) where the other body corporate has subsidiaries, deal with the profits or losses and the assets and liabilities of the body corporate and its

subsidiaries in the manner provided by sub-clause (3) of clause 28 in relation to the company and its subsidiaries.

SECTION 3

PROVISIONS APPLYING TO SECTIONS 1 AND 2 OF THIS PART

31. Clause 1 (so far as it relates to particulars of the signatories of the memorandum and the shares subscribed for by them) and clause 14 (so far as it relates to preliminary expenses) of this Schedule shall not apply in the case of a prospectus issued more than two years after the date at which the company is entitled to commence business.

32. Every person shall, for the purposes of this Part, be deemed to be a vendor who has entered into any contract, absolute or conditional, for the sale or purchase, or for any option of purchase, of any property to be acquired by the company, in any case where--

- (a) the purchase money is not fully paid at the date of the issue of the prospectus;
- (b) the purchase money is to be paid or satisfied, wholly or in part, out of the proceeds of the issue offered for subscription by the prospectus; or
- (c) the contract depends for its validity or fulfilment on the result of that issue.

33. Where any property to be acquired by the company is to be taken on lease, this Part shall have effect as if "vendor" included the lessor, "purchase money" included the consideration for the lease, and "sub-purchase" included a sub-lessee.

34. If, in the case of a company which has been carrying on business, or of a business which has been carried on for less than five financial years, the accounts of the company or business have only been made up in respect of four such years, three such years, two such years or one such year, section 2 of this Part shall have effect as if reference to four financial years, three financial years, two financial years or one financial year, as the case may be, were substituted for reference to five financial years.

35. Where the five financial years immediately preceding the issue of the prospectus which are referred to in section 2 of this Part or in this section cover a period of less than five years, references to the said five financial years in either section shall have effect as if references to a number of financial years the aggregate period covered by which is not less than five years immediately preceding the issue of the prospectus were substituted for references to the five financial years aforesaid.

36. Any report required by section 2 of this Part shall either--

- (a) indicate by way of note any adjustments as respects the figures of any profits or losses or assets and liabilities dealt with by the report which appears to the persons making the report necessary; or
- (b) make those adjustments and indicate that adjustments have been made.

37. Any report by auditors required by section 2 of this Part--

- (a) shall be made by auditors qualified under the Ordinance for appointment as auditors of the company; and
- (b) shall not be made by any auditor who is an officer or servant, or a partner or in the employment of an officer or servant, of the company or of the company's subsidiary or holding company or of a subsidiary of the company's holding company.

For the purposes of this clause, "officer" shall include a proposed director but not an auditor.

PART II

FORM OF STATEMENT IN LIEU OF PROSPECTUS TO BE DELIVERED TO REGISTRAR BY A COMPANY WHICH DOES NOT ISSUE A PROSPECTUS OR WHICH DOES NOT GO TO ALLOTMENT ON A PROSPECTUS ISSUED, AND REPORTS TO BE SET OUT THEREIN.

SECTION I

FORM OF STATEMENT AND PARTICULARS TO BE CONTAINED THEREIN

(Pursuant to section 69 of the Companies Ordinance, 1984)

Name of the company

Delivered for registration by

The nominal share capital of the company Rs.
Divided into shares of Rs. each.

Description of business to be undertaken and its prospectus.

Names, addresses, descriptions and occupations of--

- (a) directors or proposed directors;
- (b) chief executive or proposed chief executive;
- (c) managing agent, if any, or, proposed managing agent, if any;
- (d) secretary or proposed secretary.

Any provision in the articles of the company or in any contract irrespective of the time when it was entered into, as to the appointment of and remuneration payable to the persons referred to in (a), (b), (c) and (d) above.

The right of voting at meetings of the company conferred by, and the rights in respect of capital and dividends attached to, the several classes of shares.

Number and amount of shares and debentures agreed to be issued as fully or partly paid-up otherwise than in cash.

- 1..... Shares of Rs.
fully paid
- 2..... Shares upon which Rs.
..... per share
credited as paid.
- 3..... Debentures of Rs.
4. Consideration.

The consideration for the intended issue of those shares and debentures.

Number, description and amount of any shares or debentures which any person has or is entitled to be given an option to subscribe for, or to acquire from, a person to whom they have been allotted or agreed to be allotted with a view to his offering them for sale.

1. Share of Rs. and
..... debentures of Rs.
.....

Period during which the option is exercisable.

2. Until.

Price to be paid for shares or debentures subscribed for or acquired under option.

3. Rs.

Consideration for the option or the right to option.

4. Consideration:

Persons to whom the option or the right to option was given or, if given to existing shareholders or debenture-holders as such the relevant shares or debentures.

5. Names and addresses--

Names, occupations and addresses of vendors of property purchased or acquired, or proposed to be purchased or acquired by the company except where the contract for its purchase or acquisition was entered into the ordinary course of the business intended to be carried on by the company or the amount of the purchase money is not material.

Amount (in cash, shares or debentures) payable to each separate vendor. Rs.

Amount (if any) paid or payable (in cash, shares, or debentures) for each such property, specifying amount (if any) paid or payable for goodwill.

Total purchase price	
Cash	Rs.
Shares	Rs.
Debentures	Rs.
Good will	Rs.

Short particulars of every transaction relating to each such property which was completed within the two preceding years and in which

- Estimated amount of preliminary expenses Rs.
- By whom those expenses have been paid or are payable. Name of Promoter
- Amount paid or intended to be paid to any promoter. Amount Rs.
- Consideration for the payment Consideration:
 Any other benefit given or intended to be given to any promoter. Name of promoter
 Nature and value of benefit.
- Consideration for the benefit
- Dates of, parties to, and general nature of--
- (a) Contract appointing or fixing the remuneration of directors, chief executive, managing agent, if any, or secretary; and
- (b) every other material contract [other than (i) contracts entered into in the ordinary course of the business intended to be carried on by the company or (ii) entered into more than two years before the delivery of this statement].
- Time and place at which -- (1) the contracts or copies thereof or (2) (i) in the case of a contract not reduced into writing, a memorandum giving full particulars thereof, and (ii) in the case of a contract wholly or partly in a language other than English or Urdu, a copy of a translation thereof in English or Urdu, or embodying a translation in English or Urdu of the parts in the other language, as the case may be, being a translation certified in the prescribed manner to be a correct translation, may be inspected.
- Names and addresses of the auditors and legal advisers of the company (if any).
- Full particulars of the nature and extent of the interest of every director, chief executive, managing agent, if any, or secretary in the promotion of or in the property proposed to be acquired, by the company, or where the interest of such a director consists in being a partner in a firm, the nature and extent of the interest of the firm, with a statement of all sums paid or agreed to be paid to him or to the firm in cash or shares, or otherwise, by any person either to induce him to become,

or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the company.

Amount of minimum subscription and other information as required under sub-clauses (a) and (b) of clause 5 of Part I.

(Signatures of the persons above-named as
directors or proposed directors, or of their
agents authorised in writing).

Date:

SECTION 2

REPORTS TO BE SET OUT

1. Where it is proposed to acquire a business, a report made by auditors (who shall be named in the statement) upon--

- (a) the profits or losses of the business in respect of each of the five financial years immediately preceding the delivery of the statement to the registrar; and
- (b) the assets and liabilities of the business as at the last date to which the accounts of the business were made up.

2. (1) Where it is proposed to acquire shares in a body corporate which by reason of the acquisition or anything to be done in consequence thereof or in connection therewith will become a subsidiary of the company, a report made by auditors (who shall be named in the statement) with respect to the profits and losses and assets and liabilities of the other body corporate in accordance with sub-clause (2) or (3) of this clause, as the case may require, indicating how the profits or losses of the other body corporate dealt with by the report would, in respect of the shares to be acquired, have concerned members of the company, and what allowance would have fallen to be made, in relation to assets and liabilities so dealt with, for holders of other shares, if the company had at all material times held the shares to be acquired.

(2) If the other body corporate has no subsidiaries, the report referred to in sub-clause (1) shall--

- (a) so far as regards profits and losses, deal with the profits or losses of the body corporate in respect of each of the five financial years immediately preceding the delivery of the statement to the register; and
- (b) so far as regards assets and liabilities, deal with the assets and liabilities of the body corporate as at the last date to which the accounts of the body corporate were made up.

(3) If the other body corporate has subsidiaries the report referred to in sub-clause (1) shall--

- (a) so far as regards profits and losses, deal separately with other body corporate's profits or losses as provided by sub-clause (2), and in addition either--
- (i) as a whole with the combined profits or losses of its subsidiaries so far as they concern members of the other body corporate; or
 - (ii) individually with the profits or losses of each subsidiary, so far as they concern members of the other body corporate; or instead of dealing separately with the other body corporate's profits or losses, deal as a whole with the profits or losses of the other body corporate and, so far as they concern members of the other body corporate, with the combined profits or losses of its subsidiaries; and
- (b) so far as regards assets and liabilities deal separately with the other body corporate's assets and liabilities as provided by sub-clause (2) and, in addition, deal either--
- (i) as a whole with the combined assets and liabilities of its subsidiaries, with or without the other body corporate's assets and liabilities; or
 - (ii) individually with the assets and liabilities of each subsidiary; and shall indicate, as respects the assets and liabilities of the subsidiaries, the allowance to be made for persons other than members of the company.

SECTION 3

PROVISIONS APPLYING TO SECTIONS 1 AND 2 OF THIS PART

3. (1) In this Part, the expression "vendor" includes a vendor as defined in section 3 of Part I.

(2) Clause 35 of Part I shall apply to the interpretation of section 2 of this Part as it applies to interpretation of section 2 Part I.

4. If in the case of a business which has been carried on, or of a body corporate which has been carrying on business, for less than five financial years, the accounts of the business or body corporate have only been made up in respect of four such years, three such years, two such years or one such year, section 2 of this Part shall have effect as if reference to four financial years, three financial years, two financial years or one financial year, as the case may be, were substituted for references to five financial years.

5. Any report required by section 2 of this Part shall either--

- (a) indicate by way of note any adjustments as respects the figures of any profits or losses or assets and liabilities dealt with by the report which appears to the person making the report necessary; or
- (b) make those adjustments and indicate that adjustments have been made.

6. Any report by auditors required by section 2 of this Part--

- (a) shall be made by auditors qualified under the Ordinance for appointment as auditors of a company; and
- (b) shall not be made by any auditor who is an officer or servant, or a partner or in the employment of an officer or servant, of the company or of the company's subsidiary or holding company or of a subsidiary of the company's holding company.

For the purposes of this clause, "officer" shall include a proposed director but not an auditor.

PART III

FORM OF STATEMENT IN LIEU OF PROSPECTUS TO BE DELIVERED TO REGISTRAR BY A PRIVATE COMPANY ON BECOMING A PUBLIC COMPANY AND REPORTS TO BE SET OUT THEREIN

THE COMPANIES ORDINANCE, 1984

SECTION 1

FORM OF STATEMENT AND THE PARTICULARS TO BE CONTAINED THEREIN

(Pursuant to section 45 of the Companies Ordinance, 1984)

Name of the company.

Delivered for registration by

The nominal share capital of the company Rs.

Divided into shares of Rs. each

Names, addresses, description and occupations of--

- (a) directors or proposed directors;
- (b) chief executive or proposed chief executive;
- (c) managing agent or proposed managing agent, if any;
- (d) secretary or proposed secretary.

Any provision in the article of the company, or in any contract irrespective of the time when it was entered into, as to the appointment of and remuneration payable to the persons referred to in (a), (b), (c) and (d) above.

Number and amount of shares issued shares Rs.

Amount of commission paid or payable in Rs. connection therewith.

Amount of discount, if any, allowed on the issue of any shares, or so much thereof as has not been written off at the date of the statement. Rs.

Unless more than two years have elapsed since the date on which the company was entitled to commence business:--

Amount of preliminary expenses Rs.

By whom those expenses have been paid or are payable. Name of promoter

Amount paid or intended to be paid to any promoter. Rs.

Consideration for the payment Consideration:

Any other benefit given or intended to be given to any promoter. Name of promoter

Nature and value of benefit:

Consideration for the benefit Consideration:

The right of voting at meetings of the company conferred by, and the rights in respect of capital and dividends attached to, the several classes of shares respectively.

Number and amount of shares and debentures issued within the two years preceding the date of this statement as fully or partly paid up otherwise than for cash or agreed to be so issued at the date of the statement. 1.... Shares of Rs. fully paid.

2.... Shares upon which Rs. per share credited as paid.

3.... Debentures for Rs. each.

Consideration for the issue of those shares or debentures. 4.... Consideration:

Number, description and amount of any shares or debentures which any person has or is entitled to be given an opinion to subscribe for, or to acquire from, a person to whom they have been allotted or agreed to be allotted with a view to his offering them for sale. 1.... Shares of Rs. and debentures of Rs.

Period during which the option is exercisable. 2. Until.

Price to be paid for shares or debentures subscribed for or acquired under the option. 3. Rs.

Consideration for or option or right to option. 4. Consideration:

Persons to whom the option or the right to option was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures.

5. Names and addresses:

Names, addresses, description and occupations of vendors of property (1) purchased or acquired by the company within the two years preceding the date of this statement or (2) agreed or proposed to be purchased or acquired by the company, except where the contract for its purchase or acquisition was entered into in the ordinary course of business and there is no connection between the transaction and the company ceasing to be a private company or where the amount of the purchase money is not material.

Amount (in cash, shares or debentures) paid or payable to each separate vendor. Rs.

Amount paid or payable in cash, shares or debentures for each such property, specifying the amount paid or payable for goodwill.

Total purchase price	Rs.
Cash	Rs.
Shares	Rs.
Debentures	Rs.
Goodwill	Rs.

Short particulars of every transaction relating to each property which was completed within the two preceding years and in which any vendor to the company or any person who is, or was at the time thereof, a promoter, director or proposed directors of the company had any interest direct or indirect.

Amount (if any) paid or payable as commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures in the company; or rate of the commission.

Amount paid
Amount payable
Rate per cent

The number of shares, if any, which persons have agreed to subscribe for a commission.

..... Shares

If it is proposed to acquire any business, the amount, as certified by the persons by whom the accounts of the business have been audited, of the net profits of the business in respect of each of the five years immediately preceding the date of his statement, provided that, in the case of a business which has been carried on for less than five years, and the

accounts of which have only been made up in respect of four years, three years, two years or one year, the above requirements shall have effect as if references to four years; three years, two years or one year, as the case may be, were substituted for references to five years and in any such case, the statement shall say how long the business to be acquired has been carried on.

Where the financial year with respect to which the accounts of the business have been made up is greater or less than a year, references to five years, four years, three years, two years and one year in this paragraph shall have effect as if references to such number of financial years, as in aggregate, cover a period of not less than five years, four years, three years, two years or one year, as the case may be, were substituted for references to three years, two years and one year respectively.

Dates of, parties to, and general nature of--

(a) contract appointing or fixing the remuneration of directors, chief executive, managing agent or secretary; and

(b) every other material contract (other than (i) contracts entered into in the ordinary course of the business intended to be carried on by the company or (ii) entered into more than two years before the delivery of this statement.).

Time and place at which (1) the contracts or copies thereof; (2) (i) in the case of a contract not reduced into writing a memorandum giving full particulars thereof, and (ii) in the case of a contract wholly or partly in a language other than English or Urdu a copy of translation thereof in English or Urdu or embodying a translation in English or Urdu of the parts in the other language, as the case may be, being a translation certified in the prescribed manner to be a correct translation, may be inspected.

Names and addresses of the auditors and legal advisors of the company.

Full particulars of the nature and extent of the interest of every directors, chief executive, managing agent or secretary, in any property purchased or acquired by the company within the two years preceding the date of this statement or proposed to be purchased or acquired by the company or, where the interest of such a director consists in being a partner in a firm, the nature and extent of the interest of the firm, with a statement of all sums paid or agreed to be paid to him or to the firm in cash or shares, or otherwise, by any person either to induce them to become, or to qualify him as, a director, or otherwise for services rendered or to be rendered to the company by him or by the firm.

Rate of the dividends (if any) paid by the company in respect of each class of shares in the company in each of the five financial years immediately preceding the date of this statement or since the incorporation of the company, whichever period is shorter.

Particulars of the cases in which no dividends have been paid in respect of any class of shares in any of these years.

(Signatures of the persons above-named as directors or proposed directors or of their agents authorised in writing).

Date :

SECTION 2

REPORTS TO BE SET OUT

1. If unissued shares or debentures of the company are to be applied in the purchase of a business, a report made by auditors (who shall be named in the statement) upon--

- (a) the profits or losses of the business in respect of each of the five financial years immediately preceding the delivery of the statement to the registrar; and
- (b) the assets and liabilities of the business as at the last date to which the accounts of the business were made up.

2. (1) If unissued shares or debentures of the company are to be applied directly or indirectly in any manner resulting in the acquisition of shares in a body

corporate which by reason of the acquisition or anything to be done in consequence thereof or in connection therewith will become a subsidiary of the company, a report made by auditors (who shall be named in the statement) with respect to the profits and losses and assets and liabilities of the other body corporate in accordance with sub-clause (2) or (3) of this clause, as the case may require, indicating how the profits or losses of the other body corporate dealt with by the report would, in respect of the shares to be acquired, have concerned members of company, and what allowance would have fallen to be made, in relation to assets and liabilities so dealt with, for holders of other shares, if the company had at all material times held the shares to be required.

(2) If the other body corporate has no subsidiaries, the report referred to in sub-clause (1) shall--

- (a) so far as regards profits and losses, deal with the profits or losses of the body corporate in respect of each of the five financial years immediately preceding the delivery of the statement to the registrar; and
- (b) so far as regards assets and liabilities, deal with the assets and liabilities of the body corporate as at the last date to which the accounts of the body corporate were made up.

(3) If the other body corporate has subsidiaries, the report referred to in sub-clause (1) shall--

- (a) so far as regards profits and losses, deal separately with the other body corporate's profits or losses as provided by sub-clause (2), and in addition deal either--
 - (i) as a whole with the combined profits or losses of its subsidiaries, so far as they concern members of the other body corporate; or
 - (ii) individually with the profits or losses of each subsidiary, so far as they concern members of the other body corporate;

or, instead of dealing separately with the other body corporate's profits or losses, deal as a whole with the profits or losses of the other body corporate, and so far as they concern members of the other body corporate, with the combined profits or losses of its subsidiaries; and

- (b) so far as regards assets and liabilities, deal separately with the other body corporate's assets and liabilities as provided by sub-clause (2) and in addition, deal either--
 - (i) as a whole with the combined assets and liabilities of its subsidiaries, with or without the other body corporate's assets and liabilities; or
 - (ii) individually with the assets and liabilities of each subsidiary; and shall indicate, as respects the assets and liabilities of the subsidiaries, the allowance to be made for persons other than members of the company.

SECTION 3

PROVISIONS APPLYING TO SECTIONS 1 AND 2 OF THIS PART

3. (1) In this Part, the expression "vendor" includes a vendor as defined in section 3 of Part I.

(2) Clause 35 of Part I shall apply to the interpretation of sections 1 and 2 of this Part as it applies to the interpretation of Part I.

4. If in the case of a business which has been carried on, or of a body corporate which has been carrying on business, for less than five financial years, the accounts of the business or body corporate have only been made up in respect of four such years, three such years, two such years or one such year, sections 1 and 2 of this Part shall have effect as if references to four financial years, three financial years, two financial years or one financial year as the case may be, were substituted for references to five financial years.

5. Any report required by section 2 of this Part shall either--

- (a) indicate by way of note any adjustments as respects the figures of any profits or losses or assets and liabilities dealt with by the report which appear to the persons making the report necessary;
- (b) make those adjustments and indicate that adjustments have been made.

6. Any report by auditors required by section 2 of this Part shall--

- (a) be made by auditors qualified under the Ordinance for appointment as auditors of a company; and
- (b) shall not be made by any auditor who is an officer or servant or a partner or in the employment of an officer or servant, of the company, or of the company's subsidiary or holding company or of a subsidiary of the company's holding company.

For the purpose of this clause, "officer" shall include a proposed director but not an auditor.

THIRD SCHEDULE

(See section 156)

PART I

CONTENTS AND FORM OF ANNUAL RETURN OF COMPANY HAVING A SHARE CAPITAL

CONTENTS

1. The address of:
 - (i) Registered Office of the company.
 - (ii) Undertakings of the company.
2. If any part of the register of members or debenture-holders or the seal of a company is kept in any country outside Pakistan, the name of that country and the address of the place where such part of the register or the seal is kept.
3. A summary, distinguishing wherever possible between shares issued for cash, bonus shares, and shares other than bonus shares issued as paid up otherwise than in cash, and specifying in respect of each class of shares the following particulars:--
 - (a) the amount of the nominal share capital of the company and the number of shares into which it is divided;
 - (b) the number of shares taken up, from the incorporation of the company up to the date of the company's last annual general meeting, or where no such meeting is held or if held is not concluded, upto the last day of the year;
 - (c) the amount paid up on each share up to the date aforesaid;
 - (d) the amount of subscribed capital on that date;
 - (e) the amount of paid up capital on that date;
 - (f) the total amount of the sums (if any) paid by way of commission in respect of any shares or debentures up to that date;
 - (g) the discount allowed on the issue of any shares issued as a discount or so much of that discount as has not been written off at the date aforesaid;
 - (h) the total amount of the sums (if any) allowed by way of discount in respect of any debentures since the date of the annual general meeting with reference to which the last return was submitted.
4. Particulars of the total amount of the indebtedness of the company on the date referred to in sub-clause (b) of clause 3 in respect of all charges (including mortgages) which are required to be registered with the registrar under the Ordinance or any previous Companies Act.

5. Names and registered office addresses of any holding company or subsidiaries of the company.

6. A list--

- (a) containing the names, addresses and occupations, if any, of all persons who, on the day of the company's that annual general meeting, are members or debenture-holders of the company, and of persons who had ceased to be members or debenture-holders on or before that day and since the date referred to in sub-clause (h) of clause 3, or, in the case of the first return, since the incorporation of the company;
- (b) stating the number of shares or debentures held by each of the existing members or debenture-holders, as the case may be, at the date referred to in sub-clause (b) of clause (3), specifying the number of shares or debentures transferred since the date referred to in sub-clause (h) of clause 3 (or, in the case of the first return, since the incorporation of the company) by persons who are still members or debenture-holders, and by persons who have ceased to be members or debenture-holders respectively and the date of registration of the transfers and the names of transferees and the relevant ledger folio containing particulars thereof;
- (c) if the names aforesaid are not arranged in alphabetical order and their number exceeds fifty, having annexed thereto an index sufficient to enable the name of any person therein to be easily found.

7. All such particulars, with respect to the person who at the date of the company's last annual general meeting or last date of the year, as the case may be, are the directors of the company and with respect to any person who at that date is the chief executive, managing agent, the chief accountant, the secretary, auditors or legal advisers of the company, as are, by this Ordinance required to be contained, with respect to directors, chief executive, managing agent, chief accountant, secretary, auditors and legal advisers of a company together with all such particulars, with respect to those who had ceased to hold such office (that is, the office of director, chief executive, managing agent, chief accountant, secretary, auditor or legal adviser) on or before the date of the last annual general meeting and since the date referred to in sub-clause (h) of clause 3 or in the case of the first return, since the incorporation of the company:

FORM A

ANNUAL RETURN OF.....Limited, made upto.....day of 19
(being the date of the last annual general meeting of the company, or the last date of the year where no such meeting is held during the year).

Presented for filing by..... Chief Executive

Director/Secretary.

1. ADDRESS

Address of (i) Registered office of the company.

(ii) Principal or Head Office if at a place other than the registered office.

(iii) Undertakings of the company.

2. SUMMARY OF SHARE CAPITAL AND DEBENTURES

(a) Nominal share capital

Nominal share capital Rs.....divided into

Number

Share of Rs. each

(b) Issued Share Capital and Debentures

	Number	Class
--	--------	-------

Number of shares taken up to the date of this return (which number must agree with the total shown in the list as held by existing members).

.....Shares

Number of shares issued subject to payment wholly in cash.

.....Shares

Number of bonus shares issued as fully paid-up.

.....Shares

Number of shares issued as fully paid-up for a consideration other than cash.

.....Shares

Number of shares (if any)

Issued at a discount.

.....Shares

Amount of discount on the issue of shares which has not been written off at the date of this return.

Rs.....

Amount paid up on shares of each class.

Rs...per share onShares

Rs...per share onShares

Rs...per share onShares

Total amount received on shares issued against cash.

Rs.

Total amount (if any) agreed to be considered as paid on number of shares issued as paid-up for a consideration other than cash.

} Rs.....on	}	Class	No.
	Shares
	Shares

Total amount of unpaid capital.

Rs.

Total amount of the sums (if any) paid by way of commission in respect of any shares or debenture.

Rs.

Total amount of the sums (if any) received by way of premium on shares

Rs.

Total amount of the sums (if any) allowed by way of discount in respect of any debentures since the date of the last return.

Rs.

3. Particulars of Debentures issued showing each issue separately, with value, amount, terms and redemption date.]

4. Particulars of Indebtedness.

Total amount of indebtedness of the company on the date of the last annual general meeting, namely.....day of.....19...or the last day of the year.....19... in respect of all mortgages and charges which are required to be registered with the registrar under the Ordinance or any previous Companies Act.

Rs.

5. Particulars of holding company/subsidiaries of the company.

Name and address of registered office.

Extent of shareholding.

6. List of past and present Members and Debenture-holders *List of persons holding shares in the company on the day of annual general meeting, namely, the day of.....19.....and where no annual general meeting was held, the last date of the year and of persons who have shares therein at any time since theday of.....19.....when the previous annual general meeting was held, or in the case of the first return; at any time since the incorporation of the company.

* In the case of company which has issued debentures, particulars about its debenture-holders, past and present, should also be furnished under this item, adapting the form suitably for the purpose.

Folio in register/ ledger.	Names, addresses, Nationality and occupations.	Father's/ Husband's Name	<i>Account of Shares</i> Particulars of shares transferred since the date of the previous annual general meeting. Or, in the case of the first return, since the incorporation of the company, by (a) persons who are still members and (b) persons who have ceased to be members † †	Number* of shares held by † members at date of annual general meeting or the last date of the year if no annual general meeting held.	Names, Father's/ Husband's name, addresses, nationality and occupation, if any; of transferees † †	Remarks
			Number: Date of registration of transfer.			
I. Shareholders/Members						
II. Debenture-holders.						

* The aggregate number of shares held by each member must be stated, and the aggregates must be added up so as to agree with the number of shares stated in the summary of shares capital and debentures to have been taken up.

† When the shares are of different classes these columns should be subdivided so that the number of each class held, or transferred, may be shown separately.

† † The date of registration of each transfer should be given as well as the number of shares transferred on each date. The particulars should be placed opposite the name of the transferor and not opposite that of the transferee but the name of the transferee may be inserted in the column provided for the purpose opposite the particulars of each transfer.

7. Particulars of Directors, Chief Executive, Managing Agents, if any, Secretary, Auditors and Legal Advisers, past and present.
- A. Particulars of the persons who are directors of the company on the day of the last annual general meeting, namely, the day of 19..... and of persons who ceased to be directors on or before that date and since the date of the annual general meeting or the date with reference to which the last return was submitted, namely the day of 19..... or, in the case of the first return, since the incorporation of the company or where no annual general meeting is held, the last date of the year.

Present name or names and surname in full.	Any former name or names and surname in full.	Nationality and nationality of origin if different from present nationality.	Usual residential address.	Business occupation and particulars of offices of directors (@ Chief Executive and secretary held in other companies/bodies corporate.	Date of appointment.	Date of cessation, if any.
1	2	3	4	5	6	7

Note:—@ Where a person holds the office of chairman or an office other than ordinary director or any office in addition to a director, particulars of the same should be specifically stated.

- B. Particulars of the person who is chief executive or managing agent, if any, of the company on the day of the last annual general meeting or where no annual general meeting was held, the last date of the year, namely, theday of 19.....and of those who ceased to hold such office on or before that date and since the date of the annual general meeting or the last date of the year with reference to which the last return was submitted, namely, theday of 19.....or, in the case of the first return, since the incorporation of the company.

Where the chief executive or managing agent is an individual, present name or names and surname in full. Where the managing agent is a firm, the firm name (b). Where the managing agent is a body corporate, the corporate name (c) indicating whether chief executive or managing agent and how designated.	Any former name or names and surname in full.	Nationality and origin if different from present nationality and (c).	Usual residential address; (in the case of a firm or body corporate, the registered or principal office).	Particulars of managing agencies, directorship, office of chief executive and secretary (in the case of individuals) held in other companies/bodies corporate.	Date of appointment as chief executive/managing agent in the company filing the annual return.	Date of cessation if any.
1	2	3	4	5	6	7

Notes:--(b) In the case of a firm, the full name, address and nationality of each partner and the date on which each became a partner should be indicated.

- (c) In the case of a body corporate, its corporate name and registered or principal office should be shown alongwith the full name, address and nationality of each of its directors.

- C. Particulars of the persons who are chief accountant or secretary of the company on the day of the last annual general meeting namely, the.....day of.....19.....or where no annual general meeting held, the last date of the year and of the person(s) who ceased to be secretary on or before that date and since the date of the annual general meeting or the last day of the year with reference to which the last return was submitted, namely, theday of.....19.....or, in the case of the first return, since the incorporation of the company.

Present name or names and surname in full.	Any former name or names and surname in full	Nationality and nationality of origin, if different from present nationality	Usual residential address.	Business occupation and particulars of offices of directors, chief executive and secretary held in other companies/bodies corporate.	Date of appointment.	Date of cessation, if any.
1	2	3	4	5	6	7

1. Chief Accountant

2. Secretary

We certify that the return states the facts as they stood on the date of the annual general meeting aforesaid correctly and completely.

Signed Chief Executive.

Signed Director/Secretary.

- D. Particulars of the auditors and the legal advisers of the company on the day of the last annual general meeting or where no annual general meeting held, the last day of the year namely, the.....day.....19.....and of the person(s) who ceased to hold such offices on or before that date and since the date of the annual general meeting or the last day of the year with reference to which the last return was submitted, namely, the.....day of.....19.....or, in the case of the first return, since the incorporation of the company.

Where the auditor/legal adviser is an individual, present name or names and surname in full. Where the auditor/legal adviser is a firm, the firm name.	Any former name or names and surname in full.	Nationality and nationality of origin.	Usual address	Professional qualifications.	Date of appointment.	Date of cessation if any.
1	2	3	4	5	6	7

(a) Auditors

(b) Legal Adviser*

Note.--*In the case of a firm, the full particulars of each partner and the date on which each became a partner should be indicated.

"Director" includes any person occupying the position of a director, by whatever name called.

"Name" includes a "forename", and "surname" in the case of a person usually known by a title different from his surname, means that title.

"Former name" and "former surname" do not include—

- (a) in the case of a person usually known by a title different from his surname, the name by which he was known previous to the adoption of or succession to the title; or
- (b) in the case of any person, a former name or surname where that name or surname was changed or disused before the person bearing the name attained the age of eighteen years or has been changed or disused for a period of not less than twenty years; or
- (c) in the case of a married woman, the name or surname by which she was known previous to the marriage.

The names of all bodies corporate incorporated or carrying on business in Pakistan of which the director, chief executive, managing agent, or secretary is also a director, chief executive, managing agent, or secretary should be given, except bodies corporate of which the company making the return is the wholly-owned subsidiary or bodies corporate which are the wholly-owned subsidiaries either of the company or of another body corporate of which the company is the wholly-owned subsidiary. A body corporate is deemed to be the wholly-owned subsidiary of another if it has no member except that other and that other's wholly-owned subsidiaries and its or their nominees.

If the space provided in the form is insufficient, particulars of other directorships, chief executiveships, managing agencies, or secretaryship, etc. should be listed on a separate statement attached to this return which should be similarly certified and signed.

Certificate to be given by chief executive and secretary or two directors of every company.

We certify that the return states the facts as they stood on the date of the annual general meeting aforesaid correctly and completely.

Date 19.....

Signed Chief Executive

..... Secretary

or

1.....Directors

2.....

Certificate to be given by the Chief Executive and the Secretary or two Directors of every private company.

We certify that the company has not since the date of the incorporation of the company/the annual general meeting with reference to which the last annual return was submitted issued any invitation to the public to subscribe for any shares or debentures of the company.

Date 19.....

Signed Chief Executive

..... Secretary

or

..... Directors

Further certificate to be given as aforesaid if the number of Members and Debenture-holders of the company exceeds fifty.

We certify that the excess of the number of members and debenture-holders of the company over fifty consist wholly of persons who, under clause (28) of sub-section (1) of section 2 of the Companies Ordinance, 1984 are not to be included in reckoning the number of fifty.

Date 19.....

Signed Chief Executive

..... Secretary

or

..... Directors

Note :- Names of signatories should also be stated, under their signature, in block letters.

PART II

CONTENTS AND FORM OF ANNUAL RETURN OF COMPANY NOT HAVING A SHARE CAPITAL

CONTENTS

1. The address of registered office of the company.
2. Number, address and occupation of persons who are members of the company up to the date of its annual general meeting in the year or where no such meeting is held or if held is not concluded, upto the last day of the year.
3. Particulars of the total amount of the indebtedness of the company on the date referred to in clause 2 in respect of all charges (including mortgages) which are required to be registered with the registrar under the Ordinance or any previous Companies Act.
4. Names and registered office addresses of any holding company or subsidiaries of the company.
5. A list--

- (a) containing the names, addresses, descriptions and occupations, if any, of all persons who, on the day of the company's last annual general meeting are members or debenture-holders of the company, and of persons who had ceased to be members or debenture-holders on or before that day and since the date of the annual general meeting with reference to which the last return was submitted or in the case of the first return, since the incorporation of the company;
- (b) stating the number of debentures, held by each of the existing debenture-holders, at the date referred to in clause 2, specifying the number of debentures transferred since the date of the annual general meeting with reference to which the last return was submitted or (or, in the case of the first return, since the incorporation of the company) by persons who are still debenture-holders and by persons who have ceased to be debenture-holders and the dates of registration of the transfers and the names of transferees and the relevant ledger folio containing particulars thereof;
- (c) if the names aforesaid are not arranged in alphabetical order and their number exceeds fifty, having annexed thereto an index sufficient to enable the name of any person therein to be easily found.

All such particulars, with respect to the persons who at the date of the company's first annual general meeting held in the year or the last day of the year, as the case may be, are the directors of the company and with respect to any person who at that date is the chief executive, managing agent, chief accountant or the secretary and the auditors and legal advisers of the company as are, by this Ordinance required to be contained with respect to directors, chief executive, managing agent, chief accountant and secretary of a company together with all such particulars, with respect to those who had ceased to hold such office (that is, the office of director, chief executive, managing agent, chief accountant, secretary, auditor or legal adviser) on or before the date of the last annual general meeting with reference to which the last return was submitted or in the case of the first return, since the incorporation of the company).

FORM B

ANNUAL RETURN OF.....Limited, made upto.....day of 19
..... (being the date of the last annual general meeting of the company, or the last date of the year where no such meeting is held during the year).

Presented for filing by..... Chief Executive

Director/Secretary.

- Address:
Address of (i) Registered Office of the company.....
(ii) Undertakings of the company.....
- Number of persons who are members on the date upto which this return is made-up.

3. Particulars of Debentures issued, if any, with value, amount, terms and redemption date.

4. Particulars of Indebtedness.

Total amount of indebtedness of the company on the date upto which the return is made up, in respect of all mortgages and charges which are required to be registered with the registrar under the Ordinance or any previous Companies Act.

Rs.

5. List of past and present Members and Debenture holders.

List of persons who are members in the company on the day of the annual general meeting, namely, theday of19and where no annual general meeting was held, the last date of the year and of persons who have been members therein at any time since the day of..... 19 when the previous annual general meeting was held, or in the case of the first return, at any time since the incorporation of the company.

Folio in Register/Ledger	Names, addresses, Nationality and occupations	Father's/Husband's Name	Date of becoming member	Date of ceasing to be member	Remarks
--------------------------	---	-------------------------	-------------------------	------------------------------	---------

I. Members

II. Debenture-holders

In the case of company which has issued debentures, particulars about its debenture-holders, should also be furnished under this item, adapting the form suitably for the purpose.

The number of members must agree with the number of members stated in the summary of members.

6. Particulars of Directors, Chief Executive, Chief Accountant, Secretary, Auditors and Legal Advisers, past and present.
- A. Particulars of the persons who are directors of the company on the day of the last annual general meeting, namely, theday of19..... and of persons who ceased to be directors on or before that date and since the date of the annual general meeting or the date with reference to which the last return was submitted, namely theday of..... 19.....or, in the case of the first return, since the incorporation of the company or where no annual general meeting is held, the last date of the year.

Present name or names and surname in full.	Any former name or names and surname in full.	Nationality and nationality of origin if different from present nationality.	Usual residential address.	Business occupation and particulars of offices of directors @ Chief Executive and secretary held in other companies/bodies corporate.	Date of appointment.	Date of cessation, if any.
1	2	3	4	5	6	7

Note:-- @ Where a person holds the office of chairman or an office other than ordinary director or any office in addition to a director, particulars of the same should be specifically stated.

- B. Particulars of the person who is chief executive or managing agent, if any, of the company on the day of the last annual general meeting or where no annual general meeting was held, the last date of the year, namely, the.....day of.....19.....and of those who ceased to hold such office on or before that date and since the date of the annual general meeting or the last date of the year with reference to which the last return was submitted, namely, the.....day of.....19.....or, in the case of the first return, since the incorporation of the company.

Present name or names and surname in full.	Any former name or names and surname in full.	Nationality and origin if different from present nationality and (c).	Usual residential address; (in the case of a firm or body corporate, the registered or principal office).	Particulars of directorships, office of chief executive and secretary (in the case of individuals) held in other companies/bodies corporate.	Date of appointment as chief executive, in the company filing the annual return.	Date of cessation, if any.
1	2	3	4	5	6	7

Notes:--(b) In the case of a firm, the full name, address and nationality of each partner and the date on which each became a partner should be indicated.

(c) In the case of a body corporate, its corporate name and registered or principal office should be shown alongwith the full name, address and nationality of each of its directors.

- C. Particulars of the persons who are chief accountant or secretary of the company on the day of the last annual general meeting held in the year namely, the.....day of.....19.....or where no annual general meeting held, the last date of the year and of the person(s) who ceased to be secretary on or before that date and since the date of the annual general meeting by the last day of the year with reference to which the last return was submitted, namely, theday of.....19.....or, in the case of the first return, since the incorporation of the company.

Present name or names and sur-name in full.	Any former name or names and sur-name in full	Nationality and nationality of origin if different from present nationality	Usual residential address.	Business occupation and particulars of offices of directors, Chief Executive and secretary held in other companies/bodies corporate.	Date of appointment.	Date of cessation, if any.
1	2	3	4	5	6	7

1. Secretary

2. Chief Accountant

We certify that the return states the facts as they stood on the date of the annual general meeting aforesaid correctly and completely.

Signed Chief Executive.

Signed Director/Secretary

D. Particulars of the auditors and the legal advisers of the company on the day of the last annual general meeting or where no annual general meeting held, the last day of the year namely, the.....day.....19.....and of the person(s) who ceased to hold such offices on or before that date and since the date of the annual general meeting or the last day of the year with reference to which the last return was submitted, namely, the.....day of.....19.....or, in the case of the first return, since the incorporation of the company.

Where the auditor/legal adviser is an individual, present name or names and surname in full. Where the auditor/legal adviser is a firm, the firm name.	Any former name or names and surname in full.	Nationality and nationality of origin.	Usual address	Professional qualifications.	Date of appointment.	Date of cessation if any.
1	2	3	4	5	6	7

(a) Auditors

(b) Legal Advisers

Note.--In the case of a firm, the full particulars of each partner and the date on which each became a partner should be indicated.

"Director" includes any person occupying the position of a director, by whatever name called.

"Name" includes a "forename", and "surname" in the case of a person usually known by a title different from his surname, means that title.

"Former name" and "former surname" do not include--

- (a) in the case of a person usually known by a title different from his surname, the name by which he was known previous to the adoption of or succession to the title; or
- (b) in the case of any person, a former name or surname where that name or surname was changed or disused before the person bearing the name attained the age of eighteen years or has been changed or disused for a period of not less than twenty years; or
- (c) in the case of a married woman, the name or surname by which she was known previous to the marriage.

The names of all bodies corporate incorporated or carrying on business in Pakistan of which the director, chief executive, managing agent, or secretary is also a director, chief executive, managing agent, or secretary should be given, except bodies corporate of which the company making the return is the wholly owned subsidiary or bodies corporate which are the wholly owned subsidiaries either of the company or of another body corporate of which the company is the wholly-owned subsidiary. A body corporate is deemed to be the wholly-owned subsidiary of another if it has no members except that other and that other's wholly-owned subsidiaries and its or their nominees.

If the space provided in the form is insufficient, particulars of other directorships, chief executiveships, managing agencies, or secretaryships, etc., should be listed on a separate statement attached to this return which should be similarly certified and signed.

Certificate to be given by chief executive and secretary or two directors of every company.

We certify that the return states the facts as they stood on the date upto which the return is made up as aforesaid correctly and completely.

Date 19.....

Signed Chief Executive/
Secretary

or

1. Directors
2.

Note:-- Names of signatories should also be stated under their signatures, in block letters.

FOURTH SCHEDULE

(See section 234)

REQUIREMENT AS TO BALANCE SHEET AND PROFIT AND LOSS
ACCOUNT OF LISTED COMPANIES

PART I

GENERAL

1. In this Schedule unless there is anything repugnant in the subject or context,—

- (i) "accounting policies" includes the principles, bases, conventions, rules and procedures adopted by directors in preparing financial statements of a company;
- (ii) "controlled" means a firm and the management of which is controlled by a company or where the company is entitled to more than fifty per cent of its profits or is liable to bear more than fifty per cent of its losses;
- (iii) "debts" includes loans and advances and other receivables where it relates to amounts written off and provisions for doubtful and bad debts;
- ¹[(iv) "executive" means an employee other than the chief executive and directors whose basic salary exceeds one hundred thousand rupees in a financial year;]
- ²[(v) "finance lease" means a lease that transfers substantially all the risk and rewards incident to ownership of an asset. Title may or may not eventually be transferred;]
- ³(vi) "financial statements" includes balance-sheet, profit and loss account and statement of changes in the financial position or statement of sources and application of funds;
- ³(vii) "fund" in relation to any reserve, shall be used only where such a reserve is represented by specifically earmarked investments or other assets realisable at not less than the amount of the reserve;
- ³(viii) "liability" includes all liabilities in respect of expenditure contracted for and all contingent liabilities;
- ⁴[(ix) "operating lease" means a lease other than a financial lease;]
- ⁵(x) "prior period items" means charges or credits that arise in the current financial year as a result of errors or omissions in the preparation of financial statements of one or more prior financial years;

1. Subs. by S.R.O. 776(1)/86, dated 10.8.1986

2. Subs. by S.R.O. 776 (1)/86, dated 10.8.1986.

3. Clauses (v), (vi) (vii) renumbered as (vi), (vii), (viii) by S.R.O. 776 (1)/86, dated 10.8.1986.

4. Subs. by S.R.O. 776(1)/86, dated 10.8.1986.

5. Clauses (vii) to (xiii) renumbered as (x) to (xv) by S.R.O. 776 (1)/86, dated 10.8.1986.

⁵(xi) "provision" means any amount written off or retained by way of providing for depreciation renewals and diminution in value of assets, or retained by way of providing for any known liability of which the amount cannot be determined with substantial accuracy:

Provided that any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets not being an amount written-off in relation to fixed assets ^{*****} or any amount retained by way of providing for any known liability, is in excess of that which, in the opinion of the directors, is reasonably necessary for the purpose, the excess shall be treated for the purpose of this Schedule as a reserve and not as a provision;

- ⁵(xii) "reserve", subject to the proviso to clause (ix), does not include any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability;
- ⁵(xiii) "turnover" means the gross income exclusive of trade discount shown on invoice of bills, derived from sale of goods or from rendering, giving or supplying services or benefits or from execution of contracts;
- ⁵(xiv) "unusual items" means gains or losses that derive from events or transactions which are distinct from the ordinary activities of a company and therefore are not expected to recur frequently or regularly; and
- ⁵(xv) any term or expression not defined in the Ordinance or this Schedule shall be construed to mean the same as under the generally recognised accounting principles.

2. The following shall be disclosed in the financial statements namely:--

- (i) All material information necessary to make the financial statements clear and understandable;
- (ii) if a fundamental accounting assumption, namely, going concern, consistency and accrual is not followed in preparation of financial statements, that fact together with the reasons therefor;
- (iii) significant accounting policies preferably in one place;
- (iv) change in an accounting policy that has material effect in the current year or may have a material effect in the subsequent years together with reasons for the change and the financial effect of the change, if material;
- (v) the basis of conversion or translation into rupees of assets and liabilities in foreign currencies and the accounting policy followed in respect of exchange gains or losses;
- (vi) particulars of any charge on the assets of the company to secure the liabilities of any other person including, where practicable, the amount so secured;

6. Words omitted by S.R.O. 776 (1)/86, dated 10.8.1986.

- (vii) where determinable, the capacity of an industrial unit, actual production and the reasons for shortfall, if any, except in a case where the Authority upon an application agrees that such information need not be disclosed in the public interest;
- (viii) the general nature of any credit facilities available to the company under any contract, other than trade credit available in the ordinary course of business, and not availed of at the date of the balance sheet.

3. Where any suppressed, concealed or unaccounted income, duty or gain has been declared, disclosed or admitted before any authority charged with the assessment or recovery of any tax, duty or gain, by or on behalf of any company, the amount, nature and financial impact thereof on the company shall be disclosed alongwith information as to how the directors have or propose to treat the same in the financial statements of the company.

4. Any penalty (in terms of money or otherwise) imposed under any law by any authority shall be disclosed in the first annual report furnished after the imposition of the penalty. If, as a result of any appeal, revision petition, or review application, such penalty is reduced, enhanced or waived. The original penalty imposed shall nevertheless be disclosed, and the fact of any reduction, enhancement or waiver shall be disclosed, in the first annual report furnished after such reduction, enhancement or waiver.

5. Where any material item shown in the financial statements or included in amounts shown therein cannot be determined with substantial accuracy, an estimated amount described as such shall be included in respect of that item together with the description of the item.

6. Except for the first financial statements laid before the company, financial statements shall also give the corresponding figures for the immediately preceding financial year. This requirement shall, in the case of companies required to prepare half-yearly financial statements, shall be applicable accordingly to the immediately preceding corresponding period.

7. No provision with respect to the information to be given in the financial statements shall be deemed to require the amount of any items that is of no material significance to be given separately.

8. Any information required to be given in respect of any of the items in the financial statements shall, if it cannot be included in such statements, be furnished in a separate note, schedule or statement to be attached to, and which shall be deemed to form an integral part of, the financial statements.

9. The figures in the financial statements may be rounded off to the nearest thousand of rupees.

10. Where any property or asset, acquired with the funds of the company, is not held in the name of the company or is not in the possession and control of the company, this fact shall be stated; and the description and value of the property or asset, the person in whose name and possession or control it is held shall be disclosed.

11. If any loan or advance has been granted or debt allowed on terms softer than those generally prevalent in trade or any relief or concession allowed in matters of interest, repayment, security or documentation, details with reasons thereof shall be stated alongwith the nature of interest of the company or its directors or other officers.

PART II

REQUIREMENTS AS TO BALANCE SHEET

1. The assets and liabilities shall be classified under the headings appropriate to the company's business distinguishing as regards assets between fixed assets, long-term pre-payments and deferred costs, investments, loans and advances and current assets and as regards liabilities between share capital and reserves, long-term loans, ⁷[redeemable capital], debentures and deferred liabilities and current liabilities and provisions.

FIXED ASSETS

2. (A) Fixed assets (other than investments) shall be distinguished between tangible and intangible and shall be classified under appropriate sub-heads, duly itemized such as--

(i) *tangible*:

- (a) land (distinguishing between free-hold and leasehold);
- (b) buildings (distinguishing between buildings on free-hold land and those on leasehold land);
- (c) plant and machinery;
- (d) furniture and fittings;
- (e) vehicles;
- (f) capital work in progress indicating significant itemwise details; and
- (g) others (to be specified).

(ii) *intangible*:

- (a) goodwill;
- (b) patents, copyright, trade marks and designs; and
- (c) others (to be specified).

(B) Under each sub-head, other than capital work-in-progress, the original cost or the amount of valuation, as the case may be, and the addition thereto and deductions therefrom since the date of the previous balance-sheet shall be stated and the aggregate amount written off, or provided or retained, up to the date of the balance-sheet, by way of provision for depreciation or amortization or diminution in value shall be shown as deduction therefrom.

7. Subs. by S.R.O. 776(1)/86, dated 10.8.1986.

(C) Where sums have been written off on a reduction of capital or revaluation of assets and where sums have been added by writing up the assets, the first balance-sheet subsequent to the reduction or revaluation or writing up shall show the original cost, the reduced or increased figures, as the case may be alongwith the date of and amount of the reduction or increase made, basis thereof and name and qualification of the valuer who should be an independent person competent to do so. Every balance-sheet subsequent to the reduction or revaluation or writing up, shall show the year and the total amount of the reduction or revaluation or writing up and the element thereof excluded from or included in the book value of the asset.

(D) Any exchange, gain or loss in any year, as a consequence of fluctuations in rate of exchange, relative to the foreign currency borrowings out of the proceeds of which assets were acquired may be added to or deducted from the value of the respective assets and where such addition or deduction is made, the amount thereof under each sub-head shall be disclosed together with the depreciation policy therefor.

(E) In the case of a company which, immediately before the commencement of this Ordinance, has been providing for depreciation or amortization or diminution in value by way of lump sum charge to profit and loss account or as appropriation of profit without allocating the amount so provided to different sub-heads the amount retained in the books of the company at the commencement of the said Ordinance as provision or reserve for depreciation or amortization or diminution in value shall be allocated against the respective sub-head.

(F) In every case where the original cost cannot be ascertained without unreasonable expense or delay, the valuation shall be the net amount at which an asset stood in the books of the company as at the commencement of this ordinance after deduction of the amounts previously provided or written off for depreciation or amortization or diminution in value.

⁸[(G) Fixed assets used by the company that are the subject of finance lease shall be separately identified by each major class of asset.]

LONG-TERM INVESTMENTS

3. (A) There shall be shown under separate sub-heads the aggregate amount respectively of the company's--

- (i) investments in subsidiary companies, controlled firms, managed *modarabas* and other associated undertakings;
- (ii) investments in listed companies and *modarabas* other than those included in (i) above;
- (iii) investments in unlisted companies and *modarabas* other than those included in (i) above;
- (iv) investments in immovable properties;

8. Added by S.R.O. 776(1)/86, dated 10.8.1986.

- (v) investments in ⁹[redeemable capital];
- (vi) investments in debentures and bonds issued by a Government, municipal committee or other local authority; and
- (vii) other investments (to be specified).

(B) Under each of the sub-heads of Paragraph 3(A), where applicable there shall be stated--

- (i) the nature and extent of the investment made;
- (ii) the name of each company, *modaraba*, firm, Government, municipal committee and local authority;
- (iii) in case of shares, various classes and different paid-up values together with the terms of redemption, if any, in case of preference shares;
- (iv) in case of *modaraba* and participation term certificates, the number of certificates and the nominal value of each certificate; and
- (v) in case of debentures and bonds, the terms of redemption, if any, and the rate of interest.

(C) There shall be stated under sub-head 3(A)(iii) the name of the chief executive, managing agent or *modaraba* company.

(D) Percentage of the equity held by the company in an investee company or *modaraba* or a controlled firm or other associated undertaking where it exceeds ten per cent of the investee's total equity shall be disclosed.

(E) The mode of valuation of investments, *e.g.*, cost or market value, shall be stated separately and, if investments in listed companies or *modarabas* are valued otherwise than at market value the aggregate amount of the market value thereof shall be shown. Value of investments in unlisted investees to which paragraph (D) applied, calculated by reference to net assets of the investee on the basis of the last available audited accounts in the case of unlisted companies and *modarabas* and the last available account in case of other investees together with the period of such accounts shall be disclosed.

(F) Provisions, if any, made for diminution in the value of investments and in respect of losses of subsidiary companies shall be shown as deduction from the gross amounts of the respective sub-head.

(G) Investment made against any specific fund or other items shown on the liabilities side especially those required to be made under any law shall be stated separately for each item.

LONG-TERM LOANS AND ADVANCES

4. (A) There shall be shown under separate sub-heads, distinguishing between considered good and considered bad or doubtful, aggregate amounts respectively of the company's--

- (i) loans and advances to subsidiary companies, controlled firms, managed *modarabas* and other associated undertakings;
- (ii) loans and advances to directors, chief executive, managing agents and executives of the company and to any of them severally or jointly with any other person;
- (iii) other loans and advances.

(B) There shall be stated under sub-head 4(A)(i) of each borrower together with the amount of loans and advances, the terms of loan and advance and the particulars of collateral security held, if any.

(C) There shall be stated under sub-head 4(A)(ii) separately the aggregate amount of loans and advances to the directors, chief executive and executives together with the purposes for which loans and advances were made and the general terms of repayment.

(D) There shall be stated under sub-head 4(A)(iii) in respect of loans and advances other than those to the suppliers of goods or services, the name of the borrower and term of repayment if the loan or advance is material together with the particulars of collateral security, if any.

(E) There shall be disclosed separately in respect of sub-head 4(A)(i) and (ii) the maximum aggregate amount of loans and advances outstanding at any time since the date of incorporation or since the date of the previous balance sheet, whichever is later. Such maximum amounts to be calculated by reference to month-end balance.

(F) Provision, if any, made for bad or doubtful loans and advances shall be shown as a deduction under each sub-head of paragraph 4(A).

(G) Loans and advances due for payment after a period of twelve months from the date of balance sheet shall be shown under this head indicating separately--

- (i) outstanding for periods exceeding three years; and
- (ii) others.

LONG-TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS

5. (A) There shall be stated separately long-term deposits, long-term prepayments and deferred costs. Any material item shall be disclosed separately.

(B) Deferred costs shall include preliminary expenses, discount allowed on the issue of shares, if any, and expenses incurred on the issue of shares including any sums paid by way of commission or brokerage on the issue of shares, to the extent not written off or adjusted and each of these items shall be stated separately.

(C) In respect of each material item of prepayments and deferred costs, the basis on which each item is being amortized or written off shall be stated and in respect of each item of deferred costs the reasons for carrying forward such costs

shall be stated. Deferred costs shall be written off during a period not exceeding five years commencing from the financial year in which the costs were incurred.

CURRENT ASSETS

6. (A) Current assets shall be classified under sub-heads appropriate to the company's affairs, including, where applicable, the following:--

- (i) stores and spare parts distinguishing, where practicable, each from the other;
- (ii) loose tools;
- (iii) stock-in-trade, distinguishing, where practicable, between (a) stock of raw materials and components, (b) work-in-process, (c) stock of finished products and (d) other stocks;
- (iv) trade debts which shall include amounts due in respect of goods sold or services rendered or in respect of other contractual obligations but shall not include the amounts which are in the nature of loans or advances. Debts considered good and debts considered doubtful or bad shall be separately stated. Debts considered good shall be distinguished between those which are secured and those for which the company holds no security other than the debtors personal security;
- (v) loans and advances due for repayment within a period of twelve months from the date of the balance-sheet, showing separately those considered good and those considered doubtful or bad;
- (vi) trade deposits and short-term prepayments and current account balances with statutory authorities;
- (vii) bills receivable;
- (viii) marketable securities, other than long-term investments;
- (ix) interest accrued or interest outstanding;
- (x) other receivables specifying separately the material items;
- (xi) tax refunds due from Government, showing separately excise duties, customs duties, sales tax, income tax, etc. and
- (xii) cash and bank balances, distinguishing between (a) amount in hand, (b) amount in transit and (c) balance with banks indicating the nature thereof, e.g. on current account or deposit account.

Amounts required to be kept in special or separate accounts under any law shall be shown separately.

(B) In the case of sub-heads 6(A) (i), (ii) and (iii), the respective basis of valuation shall be stated. If the basis such as "cost", "net realisable value" or "cost or net realisable value whichever is lower" is given, there shall also be given to the extent practicable a general indication of the method of determining the "cost" or "net realisable value" e.g. "average cost", "first-in, first-out" or "last-in, first-out".

Where the basis of valuation involves departure from the recognized accounting principles, the reasons therefor alongwith financial impact.

(C) In the case of sub-heads 6(A)(iv), (v) and (x) the following particulars shall be stated separately:--

- (a) the aggregate amount due by directors, chief executive, managing agents and executives of the company and any of them severally or jointly with any other person;
- (b) aggregate amount due by associated undertakings, controlled firms and managed *modarabas* ¹⁰[(names to be specified in each case)];
- (c) the maximum amount of debts under each of the preceding items (a) and (b), at any time since the date of incorporation or since the date of the previous balance-sheet, whichever is the later. Such maximum amounts to be calculated by reference to month-end balance.

(D) In the case of sub-head 6 (a) (viii), same information, as far as applicable, shall be disclosed as specified in paragraph 3 in respect of long-term investments.

(E) Provision, if any, made for diminution in the value of or loss in respect of any current asset shall be shown as a deduction from the gross amount of the respective assets.

(F) If in the opinion of the directors any of the current assets have, on realisation in the ordinary course of the company's business, a value less than the amount at which they are stated in the financial statements, a disclosure of the fact that the directors are of that opinion together with their estimates of the realisable value and the reasons for assigning higher values in the balance-sheet shall be required.

SHARE CAPITAL AND RESERVES

7. (A) Share capital and reserve shall be classified under the following sub-heads:--

- (i) paid-up capital, distinguishing between different classes of shares and the amount paid up in respect of each class; and
- (ii) reserves, distinguishing between capital reserves and revenue reserves, capital reserves shall include capital redemption reserve, share premium account, ^{11*****} profit prior to incorporation or any reserve not regarded free for distribution by way of dividend (to be specified), while revenue reserves shall include general reserve, dividend equalisation reserve, ^{11*****} other reserves created out of profit (to be specified), and unappropriated profit (*i.e.* credit balance of profit and loss account after appropriations for the period to the date of balance-sheet). Additions to and deductions from each item of reserves shall be shown in the balance-sheet under the respective items unless they are disclosed

10. Added by S.R.O. 398 (1)/87, dated 20.5.1987.

11. Omitted by S.R.O. 776(1)/86, dated 10.8.1986.

in the profit and loss account or a statement or a report annexed thereto. Accumulated loss adverse balance of profit and loss account shall be shown as deduction from the capital and reserves.

(B) There shall be shown in the balance-sheet:--

- (i) authorised share capital, distinguishing between various classes of shares and stating the number and value of each class;
- (ii) issued share capital, distinguishing between various classes of shares and stating the number and value in respect of each class;
- (iii) subscribed share capital distinguishing between various classes of shares and stating the number and value in respect of each class. In the case of preference shares, the rate of dividend shall also be stated;
- (iv) called up shares capital, distinguishing between various classes of shares and stating the number, value and the amount called up in respect of each class;
- (v) calls unpaid as a deduction from called up share capital, distinguishing calls unpaid by (a) directors (including chief executive), (b) managing agents, (c) executives, and (d) others;
- (vi) paid-up share capital, distinguishing in respect of each class between (a) shares allotted for consideration paid in cash, (b) shares allotted for consideration other than cash and (c) bonus shares stating the number and value of each class;
- (vii) Particulars of any option on unissued shares, such as amount of option, class of shares, issue price, period during which option is exercisable, etc.;
- (viii) in the case of redeemable preference shares, the terms of redemption or conversion, if any, together with the earliest date on which the company has power to redeem or the company or the holder of the shares has power to convert the share; and
- (ix) in the case of subsidiary companies, the number of shares of each class held by the holding company.

(C) Where circumstances permit, authorised, issued, subscribed and paid-up capital or any two or more of them may be shown as one item.

¹²[SURPLUS ON REVALUATION OF FIXED ASSETS]

7-A. The surplus on revaluation of fixed assets shall be treated and shown as specified in section 235. Additions to, deductions from, adjustments in or applications of the surplus or revaluation, whether resulting from disposal of the revalued asset(s) or otherwise details to be provided, shall also be stated".

REDEEMABLE CAPITAL

7-B. (1) The finance obtained by issue of, or representing, redeemable capital shall be distinguished between--

- (i) participatory redeemable capital and other redeemable capital; and
- (ii) secured and unsecured.

(2) Under each class, the finance obtained shall be distinguished as obtained on the basis of or representing:

- (i) participation term certificates (PTC);
- (ii) *musharika* arrangement;
- (iii) terms finance certificates (TFC);
- (iv) long-term running finance utilised under mark-up arrangement; and
- (v) other securities or instruments (to be specified).

(3) There shall be shown--

- (i) face value or nominal value;
- (ii) nature of instrument evidencing investment of holder in such capital;
- (iii) all material terms and conditions of the agreement for the issue, including--
 - (a) consideration received or to be received by the company, whether in cash or in specie or against any promise, guarantee, undertaking or indemnity issued to or in favour of or for the benefit of the company;
 - (b) mode and basis of repayment or redemption stating the purchase price or mark-up amount to be repaid;
 - (c) arrangement for sharing of profit and loss;
 - (d) provision, if any, for creation of a participation reserve by the company;
 - (e) the right, if any, of the holders to convert the outstanding balance of such capital or part thereof into ordinary shares of the company and the event(s) in which such right is exercisable;
 - (f) the details of events of default in payments or otherwise which have occurred and resulted in or may result in exercise of the option referred to in clause (e) or any other right or option available in consequence thereof; and
 - (g) where any part of redeemable capital is secured otherwise than by the operation of law on any asset of the company, the fact that it is so secured, together with a statement of the assets upon which it is secured and, where more than one class of liabilities or redeemable capital is unsecured, their relative priorities with

respect to payment of return, mark-up or profit and redemption.]

¹³[DEBENTURES AND LONG-TERM LOANS]

¹⁴[8. (A) Borrowing in respect of debentures shall be separately shown classified as secured and unsecured together with a statement of the assets upon which ~~they are~~ secured and where more than one class of liabilities is so secured their relative priorities and material terms with respect to payment of interest and redemption shall be stated.

(B) There shall be stated in respect of each class of debentures--

- (a) the rate of interest;
- (b) terms of redemption or conversion;
- (c) the earliest dates on which the debentures may be redeemed or the company or holder thereof has power to convert them into share;
- (d) particulars of any redeemed debentures where the company has power to re-issue;
- (e) if any sinking fund exists.

(C) Where any of the company's debentures are held by a nominee of, or a trustee for, the company, the amount thereof, calculated on the same basis as the total amount standing in the balance sheet in respect of the debentures of that class, unless and until the debentures so held are re-issued or cancelled, be shown as deduction from the total.]

¹⁵(D) Long-term loans shall be classified as secured and unsecured and under each class shall be shown separately:--

- (i) loans from banking companies and other financial institutions;
- (ii) loans from subsidiary companies, controlled firms, managed *modarabas* and other associated undertakings;
- (iii) loans from directors (including chief executive), managing agents and employees of the company;
- (iv) other loans.

¹⁵(E) There shall be stated in respect of each loan--

- (a) the rate of interest;
- (b) instalments or period in which the loan has to be repaid;
- (c) where any of the long-term loans are secured otherwise than by the operation of law on any assets of the company, the fact that the loans are so secured, together with a statement of the assets upon which they are

13. Subs. S.R.O. 776(1)/86, dated 10.8.1986.

14. Added by S.R.O. 776(1)/86, dated 10.8.1986.

15. Relettered by S.R.O. 776(1)/86, dated 10.8.1986.

secured and where more than one class of liabilities is so secured, their relative priorities with respect to payment of interest or profit and redemption;

(d) any other material terms.

¹⁶[LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

9. The aggregate amount of liabilities related to assets subject to finance lease shall be shown either as the total of the minimum lease payments or as the net present value of the liabilities, disclosing in summary from--

(a) the interest rates used as the discounting factor;

(b) amount of future payments and the periods in which they will become due;

(c) purchase options or terms of escalation;

(d) financial restrictions imposed, if any;

(e) any other material terms].

DEFERRED LIABILITIES

10. (A) Liabilities as are under recognised accounting principles appropriately classified as deferred liabilities shall be shown distinguished as--

(a) for taxation;

(b) for pension, gratuity and other staff benefit schemes;

(c) other deferred liabilities showing separately (material items).

(B) Where any of the deferred liabilities are secured otherwise than by the operation of law on any assets of the company, the fact that the liabilities are so secured, together with a statement of the assets upon which they are secured, and where more than one class of liabilities is so secured, their relative priorities with respect to payment of interest of profit and redemption.

(C) Where any deferred liability is represented by accumulations which are required by the Ordinance or any other law to be invested in the specific manner or kept in a special deposit or account, the same shall be shown separately indicating the mode in which it is invested, deposited or kept.

(D) Where any liability has not been fully provided for, the extent to which it has not been provided for together with the reasons thereof (showing separately the portion relating to the financial year) shall be disclosed.

LONG-TERM DEPOSITS

11. The aggregate amount of deposits classified according to nature and repayment period shall be shown alongwith rate of interest payable thereon and other material terms. Such deposits shall be classified as--

(a) from customers;

16. Subs. by S.R.O. 776(1)/86, dated 10.8.1986.

- (b) from employees;
- (c) from others.

CURRENT LIABILITIES

12. (A) Current liabilities shall mean liabilities due and payable (other than liabilities the payment of which may, at the company's option, be postponed) within twelve months from the date of the balance-sheet, together with such other liabilities as are under recognised accounting principles appropriately so classified.

(B) Current liabilities and provisions shall, so far as they are appropriate to the company's business, be classified under the following sub-heads:--

- (i) short-term loans, distinguishing between secured and unsecured and between loans taken from:--
 - (a) banking companies and other financial institutions;
 - (b) subsidiary companies, controlled firms, managed *modarabas* and other associated undertakings;
 - (c) directors (including chief executive) and managing agents; and
 - (d) others;
- (ii) current portion of long-term liabilities;
- ¹⁷(iia) short-term running finance utilised under mark-up arrangement, distinguishing between secured and unsecured together with a statement of the assets upon which it is secured, the extent of the facility available, the rate of mark-up and the period within which the mark-up or repurchase price is to be repaid;
- (iib) current portion of the aggregate amount of liabilities related to the assets subject to finance lease;
- (iic) deposits stating separately those repayable on demand and other alongwith rate of interest payable thereon, if any;
- (iv) creditors;
- (v) accrued liabilities;
- (vi) bills payable;
- (vii) advance payments and unexpired discounts for the portion for which value is still to be given, e.g. in the case of newspapers, clubs and ~~steamship companies~~;
- (viii) interest accrued on secured loans;
- (ix) interest accrued on unsecured loans;

- ¹⁸(x) profit, return or mark-up accrued or proposed on each class of redeemable capital];
- (xi) other liabilities, if any (to be specified), e.g. unclaimed dividend, unpaid dividend;
- (xii) provision for taxation, showing separately excise duties customs duties, sales tax, income tax, etc.;
- (xiii) proposed dividend; and
- (xiv) other provisions and accruals for contingencies (to be specified, if material).

(C) Where any short term loans or any other liabilities of the company are secured otherwise than by the operation of law on any assets of the company, the fact that the liabilities are so secured shall be stated, together with a statement of the assets upon which they are secured, and where more than one class of liabilities is so secured, their relative priorities with respect to payment of interest or profit and redemption.

13. No liability shall be shown in the balance-sheet or the notes thereto at a value less than the amount at which it is repayable (unless the quantum of repayment is at the option of the company) at the date of the balance-sheet or, if it is not then repayable, at the amount at which it will first become so repayable thereafter, less, where appropriate, a reasonable deduction for discount until that date.

CONTINGENCIES AND COMMITMENTS

14. There shall be added a footnote to the balance-sheet, showing separately--
- (i) arrears of fixed cumulative dividends on preference shares together with the period for which the dividends are in arrears. If there is more than one class of preference shares, the gross amount of dividends in arrears on each such class shall be stated separately;
- (ii) aggregate amount of any guarantees given by the company on behalf of the chief executive, director, managing agents or other employees of the company or any of them (severally or jointly with any other person), subsidiaries, associated undertakings, managed *modarabas* or any other person shall be stated separately, if material and where practicable, the general nature of the guarantee;
- (iii) except where the amount of the contingent loss has been accrued in the financial statements or the possibility of a loss is remote, following information regarding the existence of contingent loss:--
- (a) the nature of contingency;
- (b) the uncertain factors that may affect the future outcome;

- (c) an estimate of the amount of loss or the range of amount of loss or a statement that such an estimate cannot be made;

Similar information regarding the existence of a contingent gain shall be provided if it is probable that the gain will be realised;

- (iv) where practicable the aggregate amount or estimated amount, if it is material, of contracts for capital expenditure, so far as not provided for;
- (v) other sums for which the company is contingently liable; and
- (vi) any other commitment, if the amount is material, indicating the general nature of the commitment.

PART III

REQUIREMENTS AS TO PROFIT AND LOSS ACCOUNT

1. The profit and loss account shall be so made out as to disclose clearly the operating results of the company during the financial year covered by the account and shall show, arranged under the most convenient heads, the gross income and the gross expenditure of the company during the financial year disclosing every material feature and in particular the following:--

- (A) (i) the turnover and showing as deduction therefrom--
- (a) commission paid to sole selling agents;
- (b) commission paid to other selling agent; and
- (c) brokerage and discount on sales.
- (ii) income from investments, showing separately income from each associated undertaking and from other investments;
- ¹⁹(iii) income from *modaraba* or *modaraba* certificates;
- ²⁰(iv) income arising from redeemable capital showing separately the income from each class of such capital;
- (v) income by way of interest on loans and advances and other interest;
- (vi) profit on sale of investments;
- (vii) profit on sale of fixed assets;
- (viii) income arising from unusual items;
- (ix) income arising from prior period items; and
- (x) other income, showing separately every material item and the nature of each such item.

(B) (i) the value of stock-in-trade, including raw materials and components, work in progress and finished products, as at the commencement and as at the end of the financial year; and

19. Clause (v) renumbered as Clause (iii) by S.R.O. 776 (1)/86, dated 10.8.1986.

20. Subs by S.R.O. 776 (1)/86, dated 10.8.1986.

- (ii) purchase of raw materials and components and finished products; or
- (iii) instead of the information in (B)(i) and (ii) above, cost of raw materials and components consumed and cost of purchased finished goods sold.
- (C) expenditure on--
 - (i) stores and spares parts consumed;
 - (ii) fuel and power;
 - (iii) salaries and wages including bonus, contribution to provident and other funds and expenses on staff welfare;
 - (iv) rent, municipal rates and provincial and local taxes;
 - (v) insurance;
 - (vi) repairs and maintenance; and
 - (vii) patents, copyrights, trade marks, designs, royalties and technical assistance.

(D) The aggregate amount of auditor's remuneration, whether fees, expenses or otherwise, for service rendered as auditors or in any other capacity showing separately the remuneration for service rendered as auditors and the remuneration for services rendered in any other capacity and stating the nature of such other services. In the case of joint auditors, the aforesaid information shall be shown separately for each of the joint auditors.

(E) Other expenses, showing separately every material item and the nature of each such item. In the case of donations where any director or his spouse has interest in the donee, the names of such directors, their interest in the donee and the names and addresses of all donees shall be disclosed.

(F) (i) The amount provided for depreciation, renewals, or diminution in the value of fixed assets;

(ii) If such provision is not made by means of a charge for depreciation, the method adopted for making such provision shall be disclosed;

(iii) where such provision is made by means of a charge for depreciation, the value of the assets and the additions or depletions thereto, the depreciation methods and the depreciation rates used for fixed assets under each sub-head of paragraph 2 (A) of Part II of this Schedule shall be disclosed;

(iv) where no such provision has been made, the reasons for not making it and the amount of depreciation which should have been provided and the quantum of arrears of depreciation, if any, shall be disclosed.

(G)²(i) the share of profit of holders of redeemable capital distinguishing the amount paid and that payable in respect of each class of such capital;]

2. Ins. by S.R.O. 776(1)/86. dated 10.8.1986.

³(ii) The amount of interest on borrowings, showing separately the amount of interest on the company's debentures, on other long-term loans, and on short-term loans and showing by way of a note the amount of interest on borrowings from the associated undertakings, directors (including chief executive) and the managing agent, if any;

⁴[(iii) loss or provision for loss on redeemable capital showing separately the extent of loss or provision therefor in respect of each class of such capital;]

⁵(iv) loss on sale of investments;

(v) loss on sale of fixed assets;

(vi) debts written off as irrecoverable distinguishing between trade and other debts;

(vii) provision for doubtful or bad debts distinguishing between trade and other debts;

(viii) provision for diminution of value of investments;

(ix) loss or expenses arising from unusual items and provisions therefor;

(x) loss or expenses arising from prior period items and provisions therefor;

(xi) provision for losses of subsidiaries, controlled firms and associated undertakings; where loss is actually incurred the extent of loss in the case of each subsidiary company, controlled firm and associated undertaking shall be disclosed by way of a note;

(xii) (a) provision for taxation on income, capital gains and other tax or taxes, showing separately the provision for liability in respect of the profit of the financial year and the provision for liability deferred due to timing differences and distinguishing, where applicable, between the provision for Pakistan taxation and the provision for taxation elsewhere;

(b) provision for deferred liability for taxation on income for the financial year may exclude the tax effects of certain timing differences when there is reasonable evidence that these timing differences will not reverse for some considerable period (at least three years) ahead. There should also be no indication that after this period these timing differences are likely to reverse;

(c) where provision for taxation in respect of the profits of the period is reduced by the writing back of a part of the whole of the provision for deferred liability made in previous periods the amount written back shall be shown as deduction from the gross charge for taxation; and

(xiii) other provisions for meeting specific liabilities, contingencies or commitments (material items to be shown separately).

3. Clause (i) renumbered as clause (ii) by S.R.O. 776(1)/86, dated 10.8.1986.

4. Ins. by S.R.O. 776(1)/86, dated 10.8.1986.

5. Clauses (ii) to (xi) renumbered as clauses (iv) to (xiii) by S.R.O. 776(1)/86, dated 10.8.1986.

(H) (i) the amount set aside or proposed to be set aside as reserves, showing separately the respective amounts in respect of each item of reserve;

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⁷(ii) the amount of the dividend proposed.

2. The profit and loss arising from "hedge" and "forward" contracts trading in "futures" and "badla" (contango and backwardation) and other transactions of a similar nature, carried forward or completed by "meeting the difference" and not resulting in actual purchase or sale of stock-in-trade shall not be deducted from or added to the cost of item (B) (ii) and (iii) in paragraph 1 of this Part, and shall be shown separately in the profit and loss account.

3. There shall be stated by way of a note the respective amounts included in item (G) (iv) and (v) of paragraph 1 of this Part for (a) debts due by the directors, chief executive, managing agents and executives of the company and any of them severally or jointly with any other person, (b) debts due by associated undertakings.

4. The following shall be stated by way of a note:

(i) the aggregate amount charged in the financial statements in respect of the directors, chief executive, managing agents and executives by the company as fees, remuneration, allowances, commission, perquisites or benefits or in any other form or manner and for any services rendered, and shall give full particulars of such aggregate amounts separately for the directors, chief executive, managing agents, and executives together with the number of such directors and executives, under appropriate heads such as--

- (a) fees;
- (b) managerial remuneration;
- (c) remuneration or commission based on net profit or turnover;
- (d) reimbursable expenses which are in the nature of a perquisite or benefit;
- (e) pension gratuities company's contribution to provident, superannuation and other staff funds, compensation for loss of office and in connection with retirement from office;
- (f) commission indicating the nature thereof and the basis on which such commission is payable;
- (g) other perquisites and benefits in cash or in kind stating their nature and, where practicable, their approximate money values; and
- (h) the amounts, if material, by which any items shown above are affected by any change in an accounting policy.

6. Clause (ii) omitted by S.R.O. 776 (1)/86, dated 10.8.1986.

7. Clause (iii) renumbered as clause (ii) by S.R.O. 776 (1)/86, dated 10.8.1986.

The amounts paid to each individual referred to in the clause shall also be shown separately.

- (ii) in the case of sale of fixed assets otherwise than through a regular auction, made to chief executive or a director or managing agent or an executive or a shareholder not less than ten per cent of the voting shares of the company or any associated undertaking, irrespective of the value of the assets, and in the case of any other person, if the book value of the asset or assets exceeds in the aggregate, five thousand rupees, particulars of the assets and in aggregate (a) cost or valuation, as the case may be, (b) the book value, and (c) the sale price and mode of disposal (e.g. by tender or negotiation) and the particulars of the purchaser.

(5) The following information shall be disclosed in respect of transactions with associated undertakings showing separately the aggregate amounts of--

- (i) purchases from and sales to, of goods and services;
- (ii) brokerage or discount or commission together with the nature and the basis on which such brokerage discount or commission is payable;
- (iii) interest indicating the nature thereof; and
- (iv) any other transaction indicating the nature of every material item.

6. A company need not show the amount set aside as provisions other than those relating to depreciation, renewals or diminution in value of assets, if, on application made by it, it has been allowed by the Authority to do so on being satisfied that the disclosure of such information would be prejudicial to the interests of the company, but shall so frame or mark the heading covering the amount of such provision as to indicate that it has been so allowed by the Authority.

7. The profit and loss account shall be so drawn up as to disclose separately the manufacturing, trading and operating results. In the case of manufacturing concern, the cost of goods manufactured shall also be shown. Where an undertaking has more than one line of business the working results of each such line of business should be separately given provided the turnover of such line of business exceeds twenty per cent of the total turnover of the company. Value of items exported during the financial year shall also be shown provided such value exceeds twenty per cent of the total turnover of the company.

FIFTH SCHEDULE

[See section 234]

REQUIREMENT AS TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT OF NON-LISTED COMPANIES

PART I

GENERAL

1. In this Schedule, unless there is anything repugnant in the subject or context,--

- (i) "accounting policies" includes the principles, bases, convention, rules and procedures adopted by directors in preparing and presenting financial statements of a company;
- (ii) "debts" includes loans and advances and other receivables where it relates to amounts written off and provision for doubtful and bad debts;
- ⁸[(iii) "finance lease" means a lease that transfers substantially all risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred;]
- ⁹(iv) "financial statement" include balance-sheet and profit and loss account. In case of a company not carrying on business for profit, all references to "profit and loss account", "profit" and "loss" shall be construed in relation to such a company, as reference respectively to the "income and expenditure account", "surplus" or "deficit";
- ¹⁰(v) "fund" in relation to any reserve, shall be used only where such a reserve is represented by specifically earmarked investments or other assets realisable at not less than the amount of the reserve;
- (vi) "liability" includes all liabilities in respect of expenditure contracted for and contingent liabilities;
- ¹¹[(vii) "operating lease" means a lease other than finance lease;]
- ¹²(viii) "prior period items" means charges or credits that arise in the current financial year as a result of errors or omissions in the preparation of financial statements of one or more prior financial years;
- (ix) "provision" means any amount written off or retained by way of providing for depreciation, renewals and diminution in value of assets, or

8. Ins. by S.R.O. 776(1)/86, dated 10.8.1986.

9. Clause (iii) renumbered as clause (iv) by S.R.O. 776(1)/86, dated 10.8.1986.

10. Clause (iv) and (v) renumbered as clauses (v) and (vi) respectively by S.R.O. 776(1)/86, dated 10.8.1986.

11. Ins. by S.R.O. 776(1)/86, dated 10.8.1986.

12. Clauses (vi) to (ix) renumbered as clauses (viii) to (xii) respectively by S.R.O. 776(1)/86, dated 10.8.1986.

retained by way of providing for any known liability of which the amount cannot be determined with substantial accuracy:

Provided that any amount written-off or retained by way of providing for depreciation, renewals or diminution in value of assets not being an amount written-off in relation to fixed assets^{13****} or any amount retained by way of providing for any known liability, is in excess of that which, in the opinion of the directors, is reasonably necessary for the purpose, the excess shall be treated for the purpose of this Schedule as a reserve and not as a provision;

- (x) "reserve", subject to the proviso to clause (vi), does not include any amount written-off or retained by way of providing for depreciation, renewals or diminution in value of assets of retained by way of providing for any known liability;
- (xi) "turnover" means the gross income, exclusive of trade discount shown on invoices of bills, derived from sale of goods or from rendering, giving or supplying services or benefits or from execution of contracts;
- (xii) "unusual items" means gains or losses that derive from events or transactions which are distinct from the ordinary activities of a company and therefore are not expected to recur frequently or regularly; and
- (xiii) any term or expression not defined in the Ordinance or this Schedule shall be construed to mean the same as under the generally recognised accounting principles.

2. The following shall be disclosed in the financial statements namely:--

- (i) All material information necessary to make the financial statements clear and understandable;
- (ii) if a fundamental accounting assumption, namely, going concern consistency and accrual is not followed in preparation of financial statements, that fact together with the reasons therefor;
- (iii) change in an accounting policy that has material effect in the current year or may have as material effect in the subsequent year together with reasons for the change and the financial effect of the change, if material;
- (iv) the basis of conversion or translation into rupees of assets and liabilities in foreign currencies.

3. Where any material item shown in the financial statements or included in amounts shown therein cannot be determined with substantial accuracy, an estimated amount described as such shall be included in respect of that item together with the description of the item.

4. Except for the first financial statements laid before the company, financial statements shall also give the corresponding figures for the immediately preceding financial year.

13. Omitted by S.R.O. 776(1)/86, dated 10.8.1986.

5. No provision with respect to the information to be given in the financial statements shall be deemed to require the amount of any item that is of no material significance to be given separately.

6. Any information required to be given in respect of any of the items in the financial statements shall, if it cannot be included in such statements, be furnished in a separate note, schedule or statement to be attached to, and which shall be deemed to form an integral part of, the financial statements.

7. The figures in the financial statements may be rounded off to the nearest thousand of rupees.

8. Where any property or asset, acquired with the funds of the company, is not held in the name of the company or is not in the possession and control of the company, this fact shall be stated; and the description and value of the property or asset, the person in whose name and possession it is held shall be disclosed.

9. If any loan or advance has been granted or debt allowed on terms softer than those generally prevalent in trade or any relief or concession allowed in matters of interest, repayment, security or documentation, details with reasons thereof shall be stated alongwith the nature of interest of the company or its directors or other officers.

PART II

REQUIREMENTS AS TO BALANCE SHEET

1. The assets and liabilities shall be classified under the headings appropriate to the company's business distinguishing as regards assets between fixed assets, long-term prepayments and deferred costs, investments, loans and advances and current assets and as regards liabilities between share capital and reserves, long-term loans, ¹⁴[redeemable capital], debentures and deferred liabilities and current liabilities and provisions.

FIXED ASSETS

2. (A) Fixed assets (other than investments) shall be distinguished between tangible and intangible and shall be classified under appropriate sub-heads, duly itemized such as--

(i) *tangible*:

- (a) land (distinguishing between free-hold and leasehold);
- (b) buildings (distinguishing between buildings on free-hold land and those on leasehold land);
- (c) plant and machinery;
- (d) furniture and fittings;
- (e) vehicles;

14. Subs. by S.R.O. 776(1)/86, dated 10.8.1986.

- (f) capital work in progress indicating significant itemwise details;
 - (g) others (to be specified).
- (ii) *intangible:*
- (a) good-will;
 - (b) patents, copyright, trade marks and designs; and
 - (c) others (to be specified).

(B) Under each sub-head, other than capital work in progress, the original cost or the amount of valuation, as the case may be, and the additions thereto and deductions therefrom since the date of the previous balance sheet shall be stated and the aggregate amount written off or provided or retained upto the date of the balance-sheet, by way of provision for depreciation or amortization or diminution in value shall be shown as deduction therefrom.

(C) Where sums have been written off on a reduction of capital or revaluation of assets and where sums have been added by writing up the assets, the first balance sheet subsequent to the reduction or revaluation or writing up shall show the original cost, the reduced or increased figures, as the case may be, alongwith the date of and amount of the reduction or increase made, basis thereof and name and qualification of the valuer who should be an independent person competent to do so. Every balance sheet subsequent to the reduction or revaluation or writing up, shall show the year and the total amount of the reduction or revaluation or writing up, and element thereof excluded from or included in the book value of the asset.

(D) Any exchange, gain or loss in any year, as a consequence of fluctuations in rate of exchange, relative to the foreign currency borrowings out of the proceeds of which assets were acquired may be added to or deducted from the value of the respective assets and where such addition or deduction is made, the amount thereof under each sub-head shall be disclosed together with the depreciation policy therefor.

(E) In the case of a company which, immediately before the commencement of this Ordinance, has been providing for depreciation or amortization or diminution in value by way of lump sum charge to profit and loss account or as appropriation of profit, without allocating the amount so provided to different sub-heads the amount retained in the books of the company at the commencement of the said Ordinance as provision or reserve for depreciation or amortization or diminution in value shall be allocated against the respective sub-head.

(F) In every case where the original cost cannot be ascertained without unreasonable expenses or delay, the valuation shall be the net amount at which an asset stood in the books of the company as at the commencement of this Ordinance after deduction of the amounts previously provided or written off for depreciation or amortization or diminution in value.

¹⁵[(G) Fixed assets used by the company that are the subject of finance lease shall be separately identified by each major class of asset.]

LONG-TERM INVESTMENTS

3. (A) There shall be shown under separate sub-heads the aggregate amount respectively of the company's--

- (i) investments in subsidiary companies and associated undertakings;
- (ii) investments in listed companies and *modarabas* other than those included in (i) above;
- (iii) investments in unlisted companies and *modarabas* other than those included in (i) above;
- (iv) investments in immovable properties;
- (v) investments in ¹⁶[redeemable capital];
- (vi) investments in debentures and bonds issued by a Government, municipal committee or other local authority;
- (vii) other investments (to be specified).

(B) Provisions, if any, made for diminution in the value of investments and in respect of losses of subsidiary companies shall be shown as deduction from the gross amounts of the respective sub-head.

(C) Investment made against any specific fund or other item shown on the liabilities side especially those required to be made under any provision of the Ordinance shall be stated separately for each item.

LONG-TERM LOANS AND ADVANCES

4. (A) There shall be shown under separate sub-heads, distinguishing between considered good and considered bad or doubtful, aggregate amounts respectively of the company's--

- (i) loans and advances to subsidiary companies and associated undertakings;
- (ii) loans and advances to the directors, chief executive and managing agents of the company;
- (iii) other loans and advances.

(B) Provision (if any) made for bad or doubtful loans and advances shall be shown as a deduction under each sub-head of paragraph 4(A).

(C) Loans and advances due for payment after a period of twelve months from the date of balance-sheet shall be shown under this head indicating separately--

- (i) outstanding for periods exceeding three years; and

15. Added by S.R.O. 776(1)/86, dated 10.8.1986.

16. Subs. by S.R.O. 776(1)/86, dated 10.8.1986.

(ii) others.

LONG-TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS

5. (A) There shall be stated separately long-term deposits, long-term prepayments and deferred costs.

(B) Deferred costs shall include preliminary expenses, discount allowed on the issue of shares if any, and expenses incurred on the issue of shares including any sums paid by way of commission or brokerage on the issue of shares, to the extent not written off or adjusted and each of these items shall be stated separately.

CURRENT ASSETS

6. (A) Current assets shall be classified under sub-heads appropriate to the company's affairs, including, where applicable, the following:--

- (i) stores and spare parts;
- (ii) loose tools;
- (iii) stock-in-trade, distinguishing, where practicable, between (a) stock or raw materials and components, (b) work-in-progress, (c) stock of finished products and (d) other stocks;
- (iv) trade debts which shall include amounts due in respect of goods sold or services rendered or in respect of other contractual obligations but shall not include the amounts which are in the nature of loans or advances. Debts considered good and debts considered doubtful or bad shall be separately stated. Debts considered good shall be distinguished between those for which the company holds no security other than the debtor's personal security;
- (v) loans and advances due for repayment within a period of twelve months from the date of the balance sheet, showing separately those considered good and those considered doubtful or bad;
- (vi) trade deposits and short term prepayments and current account balances with statutory authorities;
- (vii) bills receivable;
- (viii) marketable securities, other than long-term investments;
- (ix) interest accrued or interest outstanding;
- (x) other receivables;
- (xi) tax refunds due from Government; and
- (xii) cash and bank balances, distinguishing between (a) amount in hand, (b) amount in transit and (c) balance with banks indicating the nature thereof, e.g. on current or deposit account.

Amounts required to be kept in special or separate accounts under the Ordinance shall be shown separately.

(B) In the case of sub-heads 6(A) (i), (ii) and (iii), the respective basis of valuation shall be stated. If the basis such as "cost", "net realisable value" or "cost or net realisable value whichever is lower" is given, there shall also be given to the extent practicable a general indication of the method of determining the "cost" or "net realisable value", e.g. "average cost", "first-in, first out" or "last-in, first-out." Where the basis of valuation involves departure from the recognized accounting principles, the reasons therefor alongwith financial impact.

(C) In the case of sub-heads 6(A) (iv), (v) and (x) the aggregate amount due by directors including the chief executive and associated undertaking shall be stated separately.

(D) In the case of sub-head 6 (A) (viii) same information as far as applicable, shall be disclosed as specified in Paragraph 3 in respect of long-term investments.

(E) Provision, if any, made for diminution in the value of or loss in respect of any current asset shall be shown as a deduction from the gross amount of the respective asset.

SHARE CAPITAL AND RESERVES

7. (A) Share capital and reserve shall be classified under the following sub-heads:--

- (i) paid-up capital, distinguishing between different classes of shares and the amount paid-up in respect of each class; and
- (ii) reserves, distinguishing between capital reserves and revenue reserves, capital reserves shall include capital redemption reserve, share premium account,^{17*****} profit prior to incorporation or any reserve not regarded free for distribution, by way of dividend (to be specified), while revenue reserves shall include general reserve, dividend equalisation reserve,^{17*****} other reserves created out of profit (to be specified), and unappropriated profit (i.e. credit balance of the profit and loss account after appropriations for the period to the date of balance sheet). Addition to and deductions from each item of reserves shall be shown in the balance sheet under the respective items unless they are disclosed in the profit and loss account or a statement or a report annexed thereto. Accumulated loss-adverse balance of profit and loss account shall be shown as deduction from the capital and reserves.

(B) There shall be shown in the balance sheet:--

- (i) authorised share capital, distinguishing between various classes of shares and stating the number and value of each class;
- (ii) issued share capital, distinguishing between various classes of shares and stating the number and value in respect of each class;

17. Omitted by S.R.O. 776(1)/86, dated 10.8.1986.

- (iii) subscribed share capital, distinguishing between various classes of shares and stating the number and value in respect of each class. In the case of preference shares, the rate of dividend shall also be stated;
- (iv) called up share capital, distinguishing between various classes of shares and stating the number, value and the amount called up in respect of each class;
- (v) calls unpaid as a deduction from called up share capital, distinguishing calls unpaid by (a) directors (including chief executive), (b) managing agents, (c) executives, and (d) others;
- (vi) paid-up share capital, distinguishing in respect of each class between (a) shares allotted for consideration paid in cash, (b) shares allotted for consideration other than cash and (c) bonus shares stating the number and value of each class;
- (vii) particulars of any option on unissued shares, such as amount of option, class of shares, issue price, period during which option is exercisable, etc.;
- (viii) in the case of redeemable preference shares, the terms of redemption or conversion, if any, together with the earliest date on which the company has power to redeem or the company or the holder of the shares has power to convert the shares; and
- (ix) in the case of subsidiary companies, the number of shares of each class held by the holding company.

(C) Where circumstances permit, authorised, issued, subscribed and paid-up capital or any two or more of them may be shown as one item.

¹⁸[SURPLUS OR REVALUATION OF FIXED ASSETS

7A. The surplus on revaluation of fixed assets shall be treated and shown as specified in section 235. Additions to, deductions from, adjustments in or applications of the surplus on revaluation, whether resulting from disposal of the revalued asset(s) or otherwise (details to be provided), shall also be stated.

REDEEMABLE CAPITAL

7B. (1) The finance obtained by issue of, or representing, redeemable capital shall be distinguished between:--

- (i) participatory redeemable capital and other redeemable capital; and
- (ii) secured and unsecured.

(2) Under each class, the finance obtained shall be distinguished as obtained on the basis of or representing:

- (i) participation term certificates (PTC);
- (ii) *musharika* arrangement;

- (iii) term finance certificates (TFC);
 - (iv) long-term running finance utilised under mark-up arrangement; and
 - (v) other securities or instruments (to be specified).
- (3) There shall be shown:--
- (i) face value or nominal value;
 - (ii) nature or instrument evidencing investment of holder in such capital;
 - (iii) all material terms and conditions of the agreement for the issue, including:--
 - (a) consideration received or to be received by the company, whether in cash or in specie or against any promise, guarantee, undertaking or indemnity issued to or in favour of or for the benefit of the company;
 - (b) mode and basis of repayment or redemption stating the purchase price or mark-up amount to be repaid;
 - (c) arrangement for sharing of profit and loss;
 - (d) provision, if any, for creation of a participatory reserve by the company;
 - (e) the right, if any, of the holders to convert the outstanding balance of such capital or part thereof into ordinary shares of the company and the event(s) in which such right is exercisable;
 - (f) the details of events of default in payments or otherwise which have occurred and resulted in or may result in exercise of the option referred to in clause (c) or any other right or option available in consequence thereof; and
 - (g) where any part of redeemable capital is secured otherwise than by the operation of law on any asset of the company the fact that it is so secured, together with a statement of the assets upon which it is secured and, where more than one class of liabilities or participatory redeemable capital is so secured, their relative priorities with respect to payment of return, mark-up or profit and redemption.]

¹⁹[DEBENTURE AND LONG-TERM LOANS]

8. ²⁰[(A) Borrowing in respect of debentures shall be separately shown classified as secured and unsecured together with a statement of the assets upon which they are secured and where more than one class of liabilities is so secured their relative priorities and material terms with respect to payment of interest and redemption shall be stated.]

19. Subs. by S.R.O. 776(1)/86, dated 10.8.1986.

20. Added by S.R.O. 776(1)/86, dated 10.8.1986.

¹(B) Long-term loans shall be classified as secured and unsecured, and under each class shall be shown separately:--

- (i) loans from banking companies and other financial institutions;
- (ii) loans from subsidiary companies, managed *modarabas* and associated undertakings;
- (iii) loans from director (including chief executive) and managing agents of the company;
- (iv) other loans.

(C) Where any of the long-term loans are secured otherwise than by the operation of law on any assets of the company, the fact that the loans are so secured, shall be stated together with a statement of the assets upon which they are secured, and where more than one class of liabilities is so secured, their relative priorities with respect to payment of interest or profit and redemption.

²LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

9. The aggregate amount of liabilities related to assets subject to finance lease shall be shown either as the total of the minimum lease payments or as the net present value of the liabilities, disclosing in summary form:

- (a) the interest rates used as the discounting factor;
- (b) amount of future payments and the periods in which they will become due;
- (c) purchase options or terms of escalation;
- (d) financial restrictions imposed, if any;
- (e) any other material terms.]

DEFERRED LIABILITIES

10. (A) Liabilities as are under recognised accounting principles appropriately classified as deferred liabilities shall be shown distinguished as--

- (a) for taxation;
- (b) for pension, gratuity and other staff benefits schemes;
- (c) other deferred liabilities.

(B) Where any deferred liability is represented by accumulations which are required by the Ordinance or any other law to be invested in any specific manner or kept in a special deposit or account, the same shall be shown separately indicating the mode in which it is invested, deposited or kept.

1. Paras (A) and (B) renumbered as paras (B) and (C) respectively by S.R.O. 776(1)/86, dated 10.8.1986.
 2. Subs. by S.R.O. 776(1)/86, dated 10.8.1986.

(C) Where any liability has not been fully provided for, the extent to which it has not been provided for together with the reasons thereof (showing separately the portion relating to the financial year) shall be disclosed.

LONG-TERM DEPOSITS

11. The aggregate amount of long-term deposits.

CURRENT LIABILITIES

12. (A) Current liabilities shall mean liabilities due and payable (other than liabilities the payment of which may, at the company's option, be postponed) within twelve months from the date of the balance-sheet, together with such other liabilities as are under recognised accounting principles appropriately so classified.

(B) Current liabilities and provisions shall, so far as they are appropriate to the company's business be classified under the following sub-heads:--

- (i) short term loans, distinguishing between secured and unsecured and between loans taken from--
 - (a) banking companies and other financial institutions;
 - (b) subsidiary companies, *modaraba* managed and associated undertakings;
 - (c) directors (including chief executive) and managing agents; and
 - (d) others;
- (ii) current portion of long-term liabilities;
- ³(iia) short-term running finance utilised under mark-up arrangement, distinguishing between secured and unsecured together with a statement of the assets upon which it is secured, the extent of the facility available, the rate of mark-up and the period within which the mark-up or repurchase price is to be repaid;
- (iib) current portion of the aggregate amount of liabilities related to the assets subject to finance lease;
- (iic) deposits;
- (iid) creditors;
- (ive) accrued liabilities;
- (iiv) bills payable;
- (iiv) advance payments and unexpired discount for the portion for which value is still to be given, e.g. in the case of newspapers, clubs and steamship companies;
- (iiv) interest accrued on secured loans;

- (ix) interest accrued on unsecured loans;
- ⁴[(x) profit, return or mark-up accrued or proposed on each class of redeemable capital;]
- (xi) other liabilities, e.g. unclaimed dividends, unpaid dividend;
- (xii) provision for taxation, showing separately excise duties, customs duties, sales tax, income-tax, etc;
- (xiii) proposed dividend; and
- (xiv) other provisions and accruals for contingencies.

(C) Where any short-term loans or any other liabilities of the company are secured otherwise than by the operation of law on any assets of the company, the fact that the liabilities are so secured shall be stated, together with a statement of the assets upon which they are secured, and where more than one class of liabilities is so secured their relative priorities with respect to payment of interest or profit and redemption.

13. No liability shall be shown in the balance sheet or the notes thereto at a value less than the amount at which it is payable (unless the quantum of repayment is at the option of the company) at the date of the balance-sheet or, if it is not then repayable, at the amount at which it will first become so repayable thereafter, less, where appropriate, a reasonable deduction for discount until that date.

CONTINGENCIES AND COMMITMENTS

14. There shall be added a footnote to the balance-sheet, showing separately--

- (i) arrears of fixed cumulative dividends on preference shares together with the period for which the dividends are in arrears. If there is more than one class of preference shares, the gross amount of dividends in arrears on each such class shall be stated separately;
- (ii) aggregate amount of any guarantees given by the company on behalf of the chief executive, directors, managing agents of the company or any of them (severally or jointly with any other person), subsidiaries, associated undertakings, managed *modarabas* or any other person, shall be stated and where practicable, the general nature of the guarantee;
- (iii) except where the amount of the contingent loss has been accrued in the financial statements or the possibility of a loss is remote, following information regarding the existence of contingent loss:--
 - (a) the nature of contingency;
 - (b) the uncertain factors may affect the future outcome;
 - (c) an estimate of the amount of loss or the range of amount of loss or a statement that such an estimate cannot be made;

Similar information regarding the existence of a contingent gain shall be provided if it is probable that the gain will be realised;

- (iv) where practicable the aggregate amount or estimated amount, if it is material, of contracts for capital expenditure, so far as not provided for;
- (v) other sums for which the company is contingently liable; and
- (vi) any other commitment, if the amount is material, indicating the general nature of the commitment.

PART III

REQUIREMENT AS TO PROFIT AND LOSS ACCOUNT

1. The profit and loss account shall be so made out as to disclose clearly the operating results of the company during the financial year covered by the account and shall show, arranged under the most convenient heads, the gross income and the gross expenditure of the company during the financial year disclosing every material feature and in particular the following:--

- (A)(i) the turnover and showing as deduction therefrom--
 - (a) commission paid to sole selling agents;
 - (b) commission paid to other selling agents, and
 - (c) brokerage and discount on sales.
- (ii) income from investments, showing separately income from each associated undertaking and from other investments;
- ⁵(iii) income from *modaraba* or *modaraba* certificates;
- ⁶(iv) income arising from redeemable capital showing separately the income from each class of such capital;
 - (v) income by way of interest on loans and advances and other interest;
 - (vi) profit on sale of investments;
 - (vii) profit on sale of fixed assets;
 - (viii) income arising from usual items;
 - (ix) income arising from prior period items; and
 - (x) other income.
- (B)(i) the value of stock-in-trade, including raw materials and components, work in progress and finished products, as at the commencement and as at the end of the financial year; and
- (ii) purchase of raw materials and components and finished products; or

5. Clause (v) renumbered as clause (iii) and clause (iii) renumbered as clause (v) by S.R.O. 776(1)/86, dated 10.8.1986.

6. Subs. by S.R.O. 776(1)/86, dated 10.8.1986.

(iii) instead of the information in (B) (i) and (ii) above, cost of raw materials and components consumed and cost of purchased finished goods sold.

(C) expenditure on--

(i) store and spare parts consumed;

(ii) fuel and power;

(iii) salaries and wages including bonus, contribution to provident and other funds and expenses on staff welfare (showing separately) aggregate amounts relating to directors (including the Chief Executive) and managing agents;

(iv) rent, municipal rates and provincial and local taxes;

(v) insurance;

(vi) repairs and maintenance; and

(vii) patents, copyrights, trade marks, designs, royalties and technical assistance;

(viii) auditor's remuneration and where joint auditors are appointed, the amount of remuneration in respect of each such auditor;

(ix) donations.

(D)(i) The amount provided for depreciation, renewals or diminution in the value of fixed assets. The value of the assets, the addition or depletions thereto shall be disclosed;

(ii) If such provision is not made by means of a charge for depreciation, the method adopted for making such provision shall be disclosed;

(iii) where no such provision has been made, the reasons for not making it and the amount of depreciation which should have been provided and the quantum of arrears of depreciation, if any;

(E)⁷[(i) the share of profit of holders of redeemable capital distinguishing the amount paid and that payable in respect of each class of such capital;]

⁸(ii) interest on borrowings;

⁹[(iii) loss or provision for loss on redeemable capital showing separately the extent of loss or provision therefor in respect of each class of such capital;]

¹⁰(iv) loss on sale of investments;

(v) loss on sale of fixed assets;

7. Subs. by S.R.O. 776(1)/86, dated 10.8.1986.

8. Clause (i) renumbered as clause (ii) by S.R.O. 776(1)/86, dated 10.8.1986.

9. Ins. by S.R.O. 776(1)/86, dated 10.8.1986.

10. Clauses (ii) to (v) renumbered as clauses (iv) to (vii) respectively by S.R.O. 776(1)/86, dated 10.8.1986.

- (vi) debts written off as irrecoverable distinguishing between trade and other debts;
 - (vii) provision for doubtful or bad debts distinguishing between trade and other debts;
 - (viii) provisions for diminution in value of investments;
 - (ix) loss or expenses arising from unusual items and provisions therefor;
 - (x) loss or expenses arising from prior period items and provisions therefor;
 - (xi) (a) provision for taxation on income capital gains and other tax or taxes, showing separately the provision for liability in respect of the profit of the financial year and the provision for liability deferred due to timing differences and distinguishing, where applicable, between the provisions for Pakistan taxation and the provisions for taxation elsewhere;
 - (b) provision for deferred liability for taxation on income for the financial year may exclude the tax effect of certain timing differences when there is reasonable evidence that these timing differences will not reverse for some considerable period (at least three year) ahead. There should also be no indication that after this period these timing differences are likely to reverse;
 - (c) where provision for taxation in respect of the profits of the period is reduced by the writing back of a part or the whole of the provision for deferred liability made in previous periods the amount written back shall be shown as deduction from the gross charge for taxation; and
 - (xii) other provisions for meeting specific liabilities, contingencies or commitments.
- ¹¹(F) (i) the amount set aside or proposed to be set aside as reserves, showing separately the respective amounts in respect of each item of reserve;

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¹³(ii) the amount of the dividend proposed.

2. The profit and loss arising from "hedge" and "forward" contracts, trading in "futures" and "*badla* (contango and backwardation)" and other transactions of a similar nature, carried forward or completed by "meeting the difference" and not resulting in actual purchase or sale of stock-in-trade, shall not be deducted from or added to the cost of item (B)(ii) and (iii) in paragraph 1 of this Part, and shall be shown separately in the profit and loss account.

3. The profit and loss account shall be so drawn up as to disclose separately the manufacturing, trading and operating results. In the case of manufacturing

11. Para (II) relettered as (F) by S.R.O. 776(1)/86, dated 10.8.1986.

12. Clause (ii) omitted by S.R.O. 776(1)/86, dated 10.8.1986

13. Clause (iii) renumbered as clause (ii) by S.R.O. 776(1)/86, dated 10.8.1986.

concern, the cost of goods manufactured shall also be shown. Value of items exported during the financial year shall also be shown provided such value exceeds twenty per cent or the total turnover of the company.

14[SIXTH SCHEDULE

(See sections 466 and 470)

TABLE OF FEES TO BE PAID TO THE REGISTRAR, THE AUTHORITY AND THE FEDERAL GOVERNMENT

I. By a company having a share capital:--

1. For registration of a company whose nominal share capital does not exceed Rs. 20,000, a fee of 200.00

2. For registration of a company whose nominal share capital exceeds Rs. 20,000, the above fee of two hundred rupees, with the following additional fees regulated according to the amount of nominal share capital (that is to say):--

For every 10,000 rupees of nominal share capital or part of 10,000 rupees, after the first 20,000 rupees, up to 500,000 rupees, a fee of 100.00

For every 10,000 rupees for nominal share capital or part of 10,000 rupees, after the first 50,000 rupees, up to 50,000 rupees, a fee of 50.00

For every 10,000 rupees of nominal share capital or part of 10,000 rupees, after the first 500,000 rupees, up to 1,000,000 rupees, a fee of 30.00

For every 10,000 rupees of nominal share capital of part of 10,000 rupees, after the first 1,000,000 rupees up to 2,500,000 rupees, a fee of 20.00

For every 10,000 rupees of nominal share capital or part of 10,000 rupees, after the first 2,500,000 rupees, a fee of 15.00

Provided that where the additional fees, regulated according to the amount of nominal share capital of a company, exceeds a sum of two and a half million rupees, the total amount of additional fees payable for the registration of such company shall not, in any case, exceed two and a half million rupees.

3. For registration of an increase in the share capital made after the first registration of the company, an amount equal to the difference between the amount which would have been payable on registration of the company by reference to its capital as increased and the amount which would have been payable by reference to its capital immediately before the increase, calculated at the rates given under clause 2.

4. For registration of any existing company, except such companies as are by the Ordinance exempted from payment of fees in respect of registration under this Ordinance, the same fee as is charged for registering a new company.

5. For filing, registering or recording any document by the Ordinance required or authorised to be filed, registered or recorded, other than the memorandum or the abstract required to be filed with the registrar by a receiver or the statement or other document required to be filed with the registrar by the liquidator in a winding up:--

(a) in respect of a company having a nominal share capital of less than Rs. 100,000, a fee of 30.00

(b) in respect of a company having a nominal share capital of Rs. 100,000 or more but less than Rs. 500,000 a fee of 50.00

(c) in respect of a company having a nominal share capital of Rs. 500,000, or more but less than Rs. 2,500,000, a fee of 60.00

(d) in respect of a company having a nominal share capital of Rs. 2,500,000 or more, a fee of 100.00

6. For making a record of any fact by this Ordinance authorised or required to be recorded by the registrar:--

(a) in respect of a company having a nominal share capital of less than Rs. 100,000, a fee of 30.00

(b) in respect of a company having a nominal share capital of Rs. 100,000 or more but less than Rs. 500,000, a fee of 50.00

(c) in respect of a company having a nominal share capital of Rs. 500,000 or more but less than Rs. 2,500,000, a fee of 60.00

(d) in respect of a company having a nominal share capital of Rs. 2,500,000 or more, a fee of 100.00

II. By a company not having a share capital, other than a company registered under a licence granted under section 42:--

1. For registration of a company whose number of members, as stated in the articles of association, does not exceed 20, a fee of 500.00

2. For registration of a company whose number of members, as stated in the articles of association, exceed 20 but does not exceed 100 a fee of 1,000.00

3. For registration of a company whose number of members, as stated in the articles of association exceeds 100 but is not stated to be unlimited, the above fee of Rs. 1,000 with an additional Rs. 25.00 for every 50 members or less number than 50 members, after the first 100.

4. For registration of a company in which the number of members is stated in the articles of association to be unlimited, a fee of

5000.00

5. For registration of an increase in the number of members made after the registration of the company an amount equal to the difference between the amount which would have been payable on registration of the company by reference to the number of members as increased and the amount which would have been payable by reference to its number of members immediately before the increase, as stated in the articles, calculated at the rates given under clauses 1 to 4:

Provided that a company shall not be liable to pay on the whole a fee greater than Rs. 2,000.00 in respect of its number of members taking into account the fee paid on the first registration of the company and any subsequent increase in its number of members.

6. For registration of any existing company, except such a company which is, by the Ordinance, exempted from payment of fees in respect of registration under the Ordinance, the same fee as is charged for registering a new company.

7. For filing, registering or recording any document by the Ordinance required or authorised to be filed, other than the memorandum or the abstract required to be filed with the registrar by a receiver or the statement or other document required to be filed with the registrar by the liquidator in a winding-up, a fee of

30.00

8. For making a record of any fact by this Ordinance authorised or required to be recorded by the registrar, a fee of

30.00

III. By a company registered under a licence granted under section 42:--

1. For registration, a fee of

500.00

2. For filing, registering or recording any document by this Ordinance required or authorised to be filed, registered or recorded, other than the memorandum or the abstract required to be filed with the registrar by a receiver or the statement or other document required to be filed with the registrar by the liquidator in winding up, a fee of	30.00
3. For making record of any fact by the Ordinance authorised or required to be recorded by the registrar, a fee of	30.00
IV. By a company established outside Pakistan which has a place of business in Pakistan.	
1. For filing, registering or recording any document by the Ordinance required or authorised to be filed, registered or recorded, other than the memorandum or the abstract required to be filed with the registrar by a receiver or the statement or other document required to be filed with the registrar by the liquidator in a winding up, a fee of	100.00
2. For making a record of any fact by this Ordinance authorised or required to be recorded by the registrar, a fee of	100.00
V. For inspecting documents kept by the registrar in respect of a company or inspecting any register kept by him in relation to companies, a fee of	50.00
VI. (a) For a certified copy of the certificate of incorporation or a certificate of commencement of business or a certificate of registration of mortgage or charge, a fee of	20.00
(b) For a certified copy or extract of any other document or register, a fee calculated at rate, for every one hundred words or fractional part thereof required to be copied, subject to a minimum of twenty rupees for any one copy or extract thereof, a fee of	2.00
VII. For any application submitted to the Registrar or the Authority or the Federal Government under the Ordinance,--	
(a) by any creditor or member of the company or any other person having dealings with the company, a fee of	50.00
(b) by or on behalf of a company, a fee of	200.00
VIII. For an application to the registrar for information about the position of any proposed name, a fee of	100.00

SEVENTH SCHEDULE

(See section 508)

ENACTMENTS REPEALED

Year	No.	Subject or Short Title	Extent of Repeal
1	2	3	4
1913	VII	The Companies Act, 1913	The whole.
1918	VI	The Companies (Foreign Interest) Act, 1918	The whole.
1930	VIII	The Companies (Amendment) Act, 1930	The whole.
1958	X	The Undesirable Companies Act, 1958	The whole.
1969	XVII	The Securities and Exchange Ordinance, 1969.	Sections 11 to 15
1972	President's O.No. 2	The Companies (Managing Agency and Election of Directors) Order, 1972.	The whole.
1972	V	The Companies (Shifting of Registered Office) Ordinance, 1972.	The whole.

EIGHTH SCHEDULE

(See section 509)

AMENDMENT OF ORDINANCE, XVII OF 1969

As from the commencement of this Ordinance, the following amendments shall be made in the Securities and Exchange Ordinance, 1969 (XVII of 1969), namely:--

- (a) in section 9, in sub-section (8), for the word "fourteen", twice occurring, the word "sixty" shall be substituted;
 - (b) in section 21, for sub-sections (1) and (2) the following shall be substituted, namely:--
 - "(1) The Federal Government may, on its own motion or on representation of not less than one-fifth in number of the members of the Stock Exchange or, in the case of the business or any transaction mentioned in clause (b), on the representation of the Stock Exchange or any person interested in or affected by such business or transaction, at any time by order in writing, cause an enquiry to be made by any person appointed in this behalf into--
 - (a) the affairs of, or dealings in, any Stock Exchange; or
 - (b) the dealings, business or any transaction in security by any broker, member, director or officer of a Stock Exchange.
 - (2) Where any enquiry under sub-section (1) has been undertaken every past or present member, director, manager or other officer of the Stock Exchange to which the enquiry relates, and every other person who has had any dealing in the course of his business with such Stock Exchange or with the director, manager or officer thereof, shall furnish such information and documents in his custody or power or within his knowledge relating to or having a bearing on the subject-matter of the enquiry as the person conducting the enquiry may require."; and
 - (c) section 28 shall be renumbered as sub-section (1) of that section ~~and~~ after sub-section (1) renumbered as aforesaid, the following new sub-section shall be added, namely:--
- "(2) Where the Federal Government has, under sub-section (1), directed that any of its powers and functions shall be exercised or performed also by any specified authority, such authority may, by notification in the official Gazette, direct that any of the said powers and functions may, subject to such limitations, restrictions or conditions if any, as it may from time to time impose, be exercised or performed by any officer of the authority specified by it."