PN-ABU 550
93975

MEMORANDUM ON A STUDY, REVIEW AND ANALYSIS OF PAKISTAN COMPANIES ORDINANCE, 1984 (THE ORDINANCE) VIS-A-VIS HOUSING FINANCE COMPANIES (HFCs)

27 APRIL 1993

MEMORANDUM ON A STUDY, REVIEW AND ANALYSIS OF PAKISTAN COMPANIES ORDINANCE, 1984 (THE ORDINANCE) VIS-A-VIS HOUSING FINANCE COMPANIES (HFCs)

S.No.	TABLE OF CONTENTS	PAGE No.

	EXECUTIVE SUMMARY	
	SUMMARY OF FINDINGS, HIGHLIGHTING POSITIVE AND NEGATIVE IMPACTS OF THE ORDINANCE ON HFCs	
	SUMMARY OF RECOMMENDATIONS	
1.	INTRODUCTION	1
2.	SCOPE OF THE STUDY	1-2
3.	OUR APPROACH TO THE ASSIGNMENT	2-3
4.	PROVISIONS OF THE ORDINANCE ARE INDUSTRY NEUTRAL	3-4
5.	INCORPORATION AND COMMENCEMENT OF BUSINESS BY THE HFCs	4-7
6.	FUNDING STRUCTURE OF HFCs	7-9
7.	ISSUE OF ORDINARY SHARES ONLY	9
8.	ISSUE OF SHARES AT PREMIUM	9-10
9.	ISSUE OF BONUS SHARES	10-11
10.	NON-INTEREST BASED FUNDS	11-14
11.	ISSUE OF SHARES IN LIEU OF OUTSTANDING BALANCE OF ANY LOANS, ETC.	15
12.	ISSUE OF DEBENTURES	15-16
13.	INVITATION AND ACCEPTANCE OF DEPOSITS	16-19
14.	DEPOSITS AND SECURITY MONEY	20
15.	UTILISATION OF FUNDS	20-22

S.No.	TABLE OF CONTENTS	PAGE No.

16.	THE BANKING COMPANIES ORDINANCE, 1962	22-25
17.	BANKING TRIBUNAL'S ORDINANCE, 1984	25
18.	HFCs SHALL HAVE TO BE A COMPANY LISTED ON THE STOCK EXCHANGES	26-32
19.	PRUDENTIAL REGULATIONS	32-36
20.	GENERAL PROVISIONS OF THE ORDINANCE NEEDING COMPLIANCE BY HFCs AS WELL	36-39
21.	BOOKS OF ACCOUNT	39-40
22.	ANNUAL ACCOUNTS AND BALANCE SHEET	41
23.	DIRECTORS' REPORT	41-43
24.	HALF-YEARLY ACCOUNTS	43-44
25.	QUALIFICATION OF DIRECTORS	45-46
26.	SIGNIFICANT CORPORATE COMPLIANCE UNDER THE ORDINANCE	47-54

The forms required to be filed under the Ordinance are annexed.

b

EXECUTIVE SUMMARY

1. SCOPE OF OUR ASSIGNMENT

1.1 This assignment seeks to undertake a study of the Pakistan Companies Ordinance, 1984 (the Ordinance) in so far as the corporate set up and financial structure of Housing Finance Companies (HFCs) in Pakistan is concerned. The Notification SRO.1356(I)/90 dated 24 December 1990 as amended from time to time provides the fundamental enabling legal framework for HFCs to set up and operate in Pakistan. There is therefore a need to review the degree of compatibility between the said legal framework and the primary legislation regulating formation and corporate administration of companies in Pakistan under the Ordinance.

1.2 As dealt with in paragraph 3 of our Report, the principal focus of our study, review and analysis is the Ordinance itself. Since corporate regulation in Pakistan is enforced through the Ordinance and other related regulations, certain significant provisions of Capital Issue Law in Pakistan, the Banking Companies Ordinance, 1962, and the prudential regulations issued by the State Bank of Pakistan have also been analysed and discussed to the extent considered necessary.

2. HIGHLIGHTS OF THE REPORT

2.1 The provision of the Ordinance are industry-neutral as stated in Section 4 of our Report. Accordingly HFCs are also required to comply with the Ordinance in all material respects identified in our Report in paragraph 20, with regard to :

- Appointment of Chief Executive and Directors
- Appointment of auditors
- Holding statutory meeting
- Appointment of legal advisers
- Statutory records of directors, officers, mortgages and charges
- Annual general meetings
- Books of account, financial statements and director's report
- Audit
- Half yearly financial disclosures
- Qualification of directors
- Other significant periodical corporate events and reporting

2.2 Corporate requirement for incorporation of a company and commencement of business have been analysed in Section 5 of the Report. This section deals with formalaties to obtain licence for housing business, minimum paid-up capital and requirement to "go public" through public floatation of shares pursuant to consent order by the office of the Controller of Capital Issues (CCI). An HFC is required to get listed on the stock exchanges in Pakistan within a period of two years from the date of having being granted licence to operate as such. Reference may be made to Section 18 of our Report for corporate compliance in this regard. Prescribed Forms for regulatory compliance have also been appended as sample.

2.3 The Ordinance visualises corporate finances in the conventional modes, viz equity in the form of ordinary share capital and borrowings as would be seen from Section 6 of the Report. A quasi-equity termed as "redeemable capital" has also been innovated and provided legal shelter by the Ordinance.

2.4 In pursuance of the normal policy regulating the issue of capital in Pakistan, fifty percent of the total issued capital shall normally have to be offered to the general public in which National Investment Trust (NIT) shall have the first option to take up atleast 10 percent.

2.5 As dealt with in paragraph 6.2 explaining legal provisions regarding equity, an HFC intending to associate any extent of foreign equity in a Pakistani company shall need to have prior consent from the CCI and also from the agency or authority administering the notification governing HFCs. It is difficult to visualise at this stage however to what extent foreign equity may be allowed to be associated above 50% in the total paid up capital of an HFC company.

2.6 Implication pertaining to issue of shares at premium subject to regulations have been explained in Section 8. Section 9 deals with capitalisation of reserves/accumulated profits by issue of bonus shares.

2.7 Special features of "redeemable capital" have been commented upon in Section 10 of the Report.

2.8 A special form of funding has also been envisaged by the Ordinance in the form of "public floatation of deposits" in terms of Section 88 of the Ordinance. An overview of this aspect of funding has been discussed in detail in Section 13 of the Report. Section 12 of the Report set outs current provisions of the Ordinance dealing with debentures.

2.9 Conflict of interest situation likely to be caused by loans to directors by a company have been enumerated in Section 15.

2.10 An overview of the Banking Companies Ordinance, 1962 and the Banking Tribunal Ordinance, 1984 are subjects discussed in Sections 16 and 17 respectively restricting the treatment of these two statutes in so far as they seem to have a bearing on HFCs.

2.11 For the purpose of monitoring and regulating, the HFCs would be treated as Non-Banking Financial Institutions (NBFIs) and subjected to monitoring by the State Bank of Pakistan (SBP) through Prudential Regulations in order to streamline their functioning in the country. These rules have been originally enforceable from 1 January 1992 but SBP has granted relaxation in this regard till 30 June 1992 in certain respects. Significant rules concerned with NBFIs and to which HFCs will also be subjected are explained in paragraph 19 of the Report.

SUMMARY OF FINDINGS, HIGHLIGHTING POSITIVE AND NEGATIVE IMPACTS OF THE ORDINANCE ON HFCs

1. ISSUE OF ORDINARY SHARES ONLY
(Section 7 of the Report)

In terms of Section 90 of the Ordinance, a company limited by shares can issue only ordinary shares of different classes and therefore the issue of preference shares is prohibited. Furthermore, a company can issue only fully paid shares.

2. ISSUE OF SHARES AT PREMIUM
(Section 8 of the Report)

It is legally permissible, both under the provision of the Ordinance and the Capital Issue Law for a company to issue shares at a premium subject to certain prescribed guidelines issued by the CLA in this behalf.

3. ISSUE OF BONUS SHARES
(Section 9 of the Report)

Issue of bonus shares is permitted under the Ordinance provided Articles of Association of the company also so provide. The bonus shares can be issued by the listed companies only if the "free reserves" of the company retained after the issue of bonus shares are more than 25 percent of the increased paid up capital.

4. NON-INTEREST BASED FUNDS
(Section 10 of the Report)

4.1 The quasi-equity form of funding dealt with in our Report needs careful consideration. The provisions of Section 120 of the Ordinance which may also be invoked in the case of an HFC permits raising of funds which while having certain attributes of equity proper and debentures is otherwise significantly different.

4.2 Under the provisions of the said section, a company is entitled to raise funds in the form of "redeemable capital" and it includes finances obtained on the basis of Participation Term Certificate (PTC), Musharika, Term Finance Certificate (TFC) or any other security or obligation not based on interest.

5. ISSUE OF SHARES IN LIEU OF OUTSTANDING BALANCE OF ANY LOANS, ETC.
(Section 11 of the Report)

Section 87 which was substituted by the Banking Financial Services Order, 1984 provides for issue of ordinary shares or grant of option to convert into ordinary shares, the outstanding balance of loans, advances or credits or other long term (over three years) non-interest bearing securities to the extent of twenty percent of such balance. The exercise of powers under this section is however subject to certain conditions.

6. ISSUE OF DEBENTURES
(Section 12 of the Report)

Before the advent of "Redeemable Capital" as permitted by the Ordinance, debenture has been one of the important sources of raising funds from financial institutions. A company could issue various types of debentures and hence a debenture issued may be perpetual or for a specified period or may be issued on the happening of an event. Under the Ordinance, no company can issue the debentures carrying voting rights at any meeting of the company. Debenture are usually secured by way of charge on the assets of the company. Ever since the innovation and introduction of redeemable capital which has apparently interest-free complexion, the use of debenture as an expedient of corporate financing has considerably been on the decline.

7. INVITATION AND ACCEPTANCE OF DEPOSITS
(Section 13 of the Report)

7.1 A novel provision contained in Section.88 of the Ordinance has been introduced as a yet another form of funding by companies which would appear to be available to HFCs as well. The invitation and acceptance of such deposits are governed by the Companies (Invitation and Acceptance of Deposits) Rules 1987. Companies are entitled to issue a prospectus inviting general public to make deposit with a company. The tenure of such deposit under these rules may range from six months to thirty six months from the date of acceptance of such deposits.

7.2 Deposits for a period ranging from three to six months are permissible only if the aggregate of such deposits does not exceed 10 percent of the cumulative amount of the paid-up share capital and "free reserves" of the company.

8. DEPOSITS AND SECURITY MONEY
(Section 14 of the Report)

Under Section 226 of the Ordinance, a Company may receive and utilise deposit or security money under a contract in writing and the money so received should be kept or deposited by the Company in a special bank account with a scheduled bank.

9. UTILISATION OF FUNDS
(Section 15 of the Report)

Section 195 of the Ordinance deals with the loans to directors and prohibits a public company to grant loan to its directors and also such company cannot guarantee or provide security in connection with a loan made to any of its directors by any other person. These provisions tend to curb abuse of exercise of fiduciary powers and therefore have been included in the Ordinance to discourage directors to take loan directly or indirectly through his spouse, children or "related or associated" company or undertaking. However, there are certain exceptions stated under this section.

10. THE BANKING COMPANIES ORDINANCE, 1962 (THE BANKING ORDINANCE) (Section 16 of the Report)

A restricted review of the Banking Ordinance would reveal that while a company engaged in housing finance business would not find any statutory prohibition under the Ordinance to get itself registered as such, the restriction on the business of "banking" caused by the comprehensiveness of the term "banking" as defined in Section 5(b) of the Banking Ordinance merits attention. "Banking" has been defined to mean "accepting", for the purposes of lending or investment or deposit of money, from the public, repayable on demand or otherwise, and withdrawable by cheque, draft order or otherwise. In view of the definition of banking, a housing finance company would not be legally entitled to receive saving or deposits on the lines of savings and loans institutions operating abroad unless it be specifically exempted or alternatively granted a restricted banking licence in terms of Section 27 of the Ordinance by the State Bank of Pakistan - as the regulatory body, in accordance with Rule 10 of the Banking Rules 1963.

11. HFCs SHOULD BE LISTED ON STOCK EXCHANGE (Section 18 of the Report)

It is intended to broad-base equity structure of HFCs and hence the mandatory requirement to "go public" has been stipulated.

12. SAFEGUARDS AGAINST UNDUE EXPOSURE (Section 19 of the Report)

HFCs being NBFIs will be subject to, in addition to the HFC notification under which these are to be established, the Prudential Regulations as are being enforced by SBP from 1 January 1992. These inter-alia deal with requirement for :

- maintenance of liquidity
- creation of reserves
- limit on "single" exposure
- debt-equity ratio

13. PROMPT CORPORATE ACCOUNTABILITY

The Ordinance lays strong emphasis on prompt accountability of corporate behaviour. Towards this end, appointment of Chief Executive, directors, auditors and legal advisers are matters subject to very specific and rigid legal requirements stipulated in the Ordinance as explained on pages 37 and 38 of the Report.

14. MAINTENANCE OF STATUTORY RECORDS (Section 20 of the Report)

HFCs being pubic companies will be subject to rigors of full disclosure. For this purpose, specific statutory records are to be promptly and regularly maintained as dealt with in our Report on pages 38.

X

15. ANNUAL FINANCIAL REVIEW
(Section 21 of the Report)

Besides prescribing defined framework for affording opportunity for review of corporate working through holding annual general meeting (refer pg 39 of the Report), elaborate provisions existings for obligations to maintain proper books of account (Section 21 of the Report), preparation of annual financial statements (Section 22 of the Report) and for presenting an overview of Company's operations and working through the corporate vehicle in the form of a Director's Report (Section 23 of the Report). In order to provide financial disclosures on a more timely basis, half yearly abridged financial statements are also required to be prepared and sent to shareholders and the regulatory agencies as explained in Section 24 of our Report).

16. QUALIFICATION OF DIRECTORS

In addition to certain disqualifications mentioned in the HFC notification, under the provision of Section 187 of the Ordinance, a person is also disqualified to be a director of the company in the events and circumstances enumerated in Section 25 of the Report.

SUMMARY OF RECOMMENDATIONS

The following are the principal recommendations emerging from our review of the Ordinance and related regulations affecting HFCs:

1. While the Deposit Rules (please refer Section 13 of our Report) subject companies intending to raise funds through this vehicle to regulatory controls, of principal relevance in the context of the study with regard to housing finance dealt with in the Memorandum is the limitation envisaged by Rule 4 of the said Rules which stipulates:

> "No company shall utilise the deposits received by it for providing financial assistance to any other person".

It would be observed that the above prohibition may need to be relaxed in respect of a corporate entity which may intend to undertake the business of "housing finance".

2. The funds allowed to be raised as "deposits" under the said Rules shall not be utilised for any purpose other than for the repayment of deposits maturing during the year provided that the amount remaining deposited or invested, as the case may be, shall not at any time fall below ten percent of the amount of deposits maturing until the 31st day of December of that year. This, to our mind, may tend to curb the full potential of this mode as one of the important vehicles of corporate financing.

3. The present mode of employment and maintenance of liquid funds would need to be suitably modified in its application to a housing finance company.

4. We see no reason why a company registered under the Ordinance and engaged in the business of housing finance may not be able to make full use of the potential for generation of funds which the provision of Section 120 of the Ordinance envisages in respect of "redeemable capital". As explained in Section 10 of our Report, while funds are permissible to be procured as "redeemable capital" from banks and financial institutions, no other class of persons or the general public have as yet been notified as being eligible from whom a company may obtain "redeemable capital". This is valid both, for raising redeemable capital from individual non-banking "lenders" as also from public floatation of such form of capital. This would need to be addressed for necessary enforcement.

4a. As HFCs are permitted, subject to compliance with relevant regulations, to engage in leasing and renting of buildings on hire purchase for commercial and residential purposes, the requirement of Section 226 of the Ordinance discussed in Section 14 of our Report would appear to be inherently inconsistent with the usual course of business of HFCs since receiving deposits in the case of leasing contracts is an accepted phenomenon of such business by HFCs and hence compliance with the said provision of the law would not appear to be feasible.

5. A review of the Banking Ordinance also indicates a need for suitable amendments in the specific sections identified in Section 16 of our Report. This is necessary to enable HFCs to operate in the fields of financing the housing sector as also to undertake activities which may be deemed to be a logical extension or as an adjunct to housing business. The appropriate areas for consideration for necessary amendments in the Banking Ordinance are:

- SECTION 7 Scope of "banking business"
- SECTION 9 Prohibition of trading
- SECTION 10 Disposal of assets
- SECTION 23 Restriction on forming a subsidiary company

6. A review of clause 8 of the HFC notification reveals that an HFC's function includes mobilisation of long-term savings exclusively for housing business, providing long term finances for constructing, purchasing or addition/improvements etc., in any property, making loans and advances for house building to individuals, projects and housing companies. Since these functions are significantly akin to "banking business", it would also appear that a special dispensation to HFCs from the primary restrictions provided for the "insulation" of banking would need to be specially considered consistent however with "public interest" objectives.

7. While the above seeks to convey only a brief insight into certain significant features of the business of HFCs which appear to be statutorily inconsistent with the banking control and regulatory regime provided for in the Banking Ordinance, a case for blanket relaxation and/or authorisation, consistent with public interest considerations, would merit attention of appropriate regulatory agencies and the Government.

From an overall review of the Ordinance and other relevant enactments and regulations, to a reasonable extent, our study reveals that a company may be incorporated under the Ordinance with the basic object of engaging in the business of housing finance and we do not find any of the provisions of the said Ordinance which might preclude it to undertake such venture except in the manner and to the extent we have identified in our Report.

MEMORANDUM ON A STUDY, REVIEW AND ANALYSIS OF PAKISTAN COMPANIES ORDINANCE, 1984 (THE ORDINANCE) VIS-A-VIS HOUSING FINANCE COMPANIES (HFCs) (REFERRED TO IN OUR LETTER BA/3302/93 DATED 27 APRIL 1993)

INTRODUCTION

This assignment seeks to undertake a study of the Pakistan Companies Ordinance, 1984 (the Ordinance) in so far as the corporate set up and financial structure of Housing Finance Companies (HFCs) in Pakistan is concerned. It is understood that our assignment is part of a larger study dealing with various issues connected with Housing Finance and Shelter Project being carried out under the auspices of USAID.

2. SCOPE OF THE STUDY

2.1 As set out in the Terms of Reference (TOR) confirmed by your letter dated 7 April 1993, the study and review has been necessitated as a result of the permission reportedly accorded by the Government of Pakistan to HFCs under the Notification SRO.1356(I)/90 dated 24 December 1990 as amended from time to time. The said notification would seem to be regarded as the fundamental enabling legal framework providing an environment for HFCs to set up and operate in Pakistan. Accordingly, there is a need to review the degree of compatibility between the said legal framework and the primary legislation regulating formation and corporate administration of companies in Pakistan under the Ordinance. While there are understood to be various unresolved issues which are believed or are likely to impact on the development and growth of HFCs in Pakistan, one of the principal issues identified is a need for review and analysis of the provisions of the Ordinance vis-a-vis HFCs.

2.2 The TOR therefore requires us to study and identify what it terms as "the positive and negative impact which the Ordinance may have on the Housing Finance Industry". This, therefore, in the process, requires a study and review of :

- the significant provisions of the Ordinance for having an overall perspective;

- the extent and the manner in which the provisions of the Ordinance may be viewed as being conducive for HFCs;

- legal impediment(s) and disabilities, if any, under the Ordinance which may seem to preclude or impede the development and growth of HFCs as a corporate vehicle;

- corporate compliance, general formalities prescribed under the Ordinance;

- the regulatory framework and monitoring and surveillance envisaged by the Ordinance.

3. OUR APPROACH TO THE ASSIGNMENT

3.1 Guided by the above TOR, the principal focus of our study, review and analysis is the Ordinance itself. It needs however to be appreciated that corporate regulation is not carried out in Pakistan simply within the confines of the Ordinance or through it only. There are complimentary as also perhaps sometimes inhibiting provisions or other regulations which though part of separate

enactment(s) or subordinate legislation should not be lost sight of in seeking to have an overall perspective of corporate regulation framework with a view to complying with the legal provisions of the same while accomplishing various corporate objectives and activities.

3.2 Dictated by the above considerations therefore, we have attempted in our review, a study and an overall analysis of certain significant provisions of other laws regulating issue of capital in Pakistan, selected provisions of the Banking Companies Ordinance, 1962, and the regulations issued by the State Bank of Pakistan providing regulatory and monitoring framework for Non-Banking Financial Institutions (NBFIs).

4. PROVISIONS OF THE ORDINANCE ARE INDUSTRY-NEUTRAL

4.1 It may not be out of place to mention that the Ordinance has as its basis fundamental provisions of the UK Company law, in particular the UK Companies Act, 1948, which has been adapted to the extent deemed necessary consistent with the objective circumstances obtaining in the corporate sector in Pakistan. On the pattern of the scheme of company law generally applicable in countries following the British formulation, the Ordinance constitutes the parent legislation for corporate set up and working in Pakistan. Accordingly, the Ordinance, deals with corporate formalities, permitted forms of resource generation, statutory compact providing for corporate democracy, rights and privileges of shareholders, powers, duties and obligations of directors based on doctrine of "indoor management", stewardship and accountability and

other related aspects of corporate governance. The Ordinance therefore, is industry-neutral and accordingly the fundamental provisions are applicable to all the companies incorporated under the Ordinance, regardless of nature and type of business. HFCs being no exception, they would need to comply and operate within the Ordinance. Effort has however been made in this Memorandum to highlight significant considerations which may be kept in view.

5. INCORPORATION AND COMMENCEMENT OF BUSINESS BY THE HFCs

Given in the ensuing paragraphs is a brief overview of the formative phase of a company intending to embark upon as an HFC.

5.1 INCORPORATION

The HFCs are required to get the company registered with the Registrar Joint Stock Companies under Section 32 of the Ordinance. The process of registration involves preparation of and registration of Memorandum and Articles of Association with the Registrar and obtaining certificate of incorporation. This is a fairly expeditious process and is accomplished as a not very expensive legal ceremony.

5.2 COMMENCEMENT OF BUSINESS

5.2.1 Under clause 2 and 3 of the HFC notification, an HFC shall commence business only after it has been registered and issued a licence by the Federal Government. HFCs shall not be granted licence unless it :

a) is incorporated as a public limited company

b) has issued and paid-up capital of Rs.100 million

c) has clearly and concisely stated its financing and investment policy in its Memorandum and Articles of Association.

5.2.2 Reference at this stage is relevant to Section 146 of the Ordinance, whereby a company and hence an HFC being a public limited company, shall not commence business or exercise borrowing powers unless :

a) the whole of the minimum subscription has been received;

b) every director of the company has paid to the company full amount of the shares taken or contracted to be taken by him and for which he is liable to pay in cash;

c) no money is or may become liable to be repaid to applicants for any shares or debentures which have been offered for public subscription by reason of any failure to apply for or to obtain permission for the shares or debentures to be dealt in on any stock exchange;

d) there has been filed with the Registrar a duly verified declaration by the Chief Executive or one of the Directors and the Secretary in the prescribed form that the aforesaid conditions have been complied with and the Registrar has issued a certificate referred to in sub-section (2); and

e) in the case of a company which has not issued a prospectus inviting the public to subscribe for its shares, there has been filed with the Registrar a statement in lieu of prospectus.

5.2.3 Upon completing the requirements of the Ordinance as aforesaid and a declaration made to that effect that the legal formalities have been duly complied with in respect of the commencement of business and matters precedent and incidental thereto, the Registrar shall certify that the company is entitled to commence business, and that certificate shall be conclusive evidence that the company is so entitled.

5.2.4 It is essential to bear in mind that any contract made by a company before the date at which it is entitled to commence business shall be provisional only, and shall not be binding on the company until that date, and on that date it shall become binding.

5.2.5 The foregoing provisions of the Ordinance dealing with the formation of the company would demonstrate that an HFC could be conveniently set up under the Ordinance and such provisions do not derogate the scheme of HFC as set out in the notification.

6. FUNDING STRUCTURE OF HFCs

6.1 The Ordinance visualises corporate finances in the conventional modes, viz equity in the form of ordinary share capital and borrowings. In addition, consistent with the avowed objectives of promoting interest-free financing, a quasi-equity termed as "redeemable capital" has been innovated and provided legal shelter by the Ordinance. A special form of funding has also been envisaged by the Ordinance in the form of "public floatation of deposits" in terms of Section 88 of the Ordinance.

6.2 EQUITY

6.2.1 In order to obtain licence for housing business, the HFCs are required to raise a minimum paid-up capital of Rs.100 million from sponsors and their associates. Presently, the law governing issue of capital in Pakistan has prescribed a maximum paid capital limit of Rs.100 million above which, a company, regardless of the type of business, is generally required to "go public" pursuant to a Consent Order. This aspect of corporate regulation on the issue of capital is administered by corporate regulation wing of the Corporate Law Authority (CLA) through the office of the Controller of Capital Issues (CCI).

6.2.2 In addition to the provisions of the Ordinance, the law governing Issue of Capital i.e. Capital Issues (Continuance of Control) Act, 1947 and the Capital Issues Exemption Order 1967 requires that "issued capital" in excess of Rs.100 million cannot be raised unless a prior Consent Order is obtained from the CCI. Exception has however been made in the case of a manufacturing company (excluding the financial services sector and industries on the restricted list i.e. arms and ammunition, security printing, currency and mint, high explosives; and radio active substances) in which foreign equity is or is likely to be associated exceeding 50% or more of the total issued capital. This, therefore, means that, under the existing laws, a foreign manufacturing company could be a wholly owned company with foreign equity.

6.2.3 In the light of the above provisions of the corporate law governing issue of capital in Pakistan, an HFC intending to associate any extent of foreign equity in a Pakistani company shall need to have prior consent from the CCI and also from the agency or authority administering the notification governing HFCs. It is difficult to visualise at this stage however to what extent foreign equity may be allowed to be associated above 50% in the total paid-up capital of an HFC company.

6.2.4 It will be pertinent to point out that in consonance with the normal policy regulating the issue of capital in Pakistan, fifty percent of the total issued capital shall normally have to be offered to the general public in which National Investment Trust (NIT) shall have the first option to take up atleast 15 percent. In

the event, NIT does not take up the issue offered, the same would then be available for subscription by the general public. In this connection, the company would be required to approach NIT and provide them the desired information and data to enable it to decide whether it would be willing to exercise the option. While NIT does not normally give its consent in writing before the publication of prospectus, the nature of the pre-floatation discussions might be indicative of the prospects of acceptance or otherwise. In the event NIT decides to exercise the option, it will subscribe to the shares on the opening of the subscription list. As per Regulation 7(1) of the Listing Rules of the Karachi stock Exchange (Guarantee) Limited (KSE), no company shall apply for listing unless its minimum paid-up capital is Rs.20 million.

7. ISSUE OF ORDINARY SHARES ONLY

In terms of Section 90 of the Ordinance, a company limited by shares can issue only ordinary shares of different classes and therefore the issue of preference shares is prohibited. Furthermore, a company can issue only fully paid shares.

8. ISSUE OF SHARES AT PREMIUM

8.1 The issue of shares to the public can either be at par or at a premium subject to the approval of the CCI. It is legally permissible, both under the provision of the Ordinance and the Capital Issue Law for a company to issue shares at a premium subject to certain prescribed guidelines issued by the CLA in this behalf.

8.2 In terms of the guidelines issued by the CLA for issue of shares at premium, a company may issue shares at premium and such premium is subject to a regulatory ceiling of 25 percent based on the difference of the break-up value of shares and the weighted market value of the share of the company.

Under the said guidelines, a company issuing shares at premium must have paid a minimum of 10 percent cash dividend during the preceding three years besides fulfilling certain other conditions.

9. ISSUE OF BONUS SHARES

9.1 Bonus shares represent capitalisation of profit of the company and is permitted under the Ordinance provided Articles of Association of the company also so provide. The bonus shares can be issued by the listed companies only if the "free reserves" of the company retained after the issue of bonus shares are more than 25 percent of the increased paid up capital.

9.2 For the issue of bonus shares, following conditions are also required to be fulfilled :

- a certificate from the auditors in respect of free reserves is required to be submitted to the CCI together with a copy of the relevant accounts;

- all contingent losses not provided for and disclosed in the audited accounts be taken into account in reckoning the retention of minimum residual free reserves of 25 percent;

- all the existing shares ought to be fully paid-up.

9.3 The term "free reserves" has been deemed to have the meaning assigned to it in the Capital Issues (Exemption) Order, 1967 as amended.

10. NON-INTEREST BASED FUNDS

10.1 The quasi-equity form of funding alluded to earlier needs careful consideration. The provisions of Section 120 of the Ordinance which may also be invoked in the case of an HFC permits raising of funds which while having certain attributes of equity proper and debentures is otherwise significantly different.

10.2 Under the provisions of the said section, a company is entitled to raise funds in the form of "redeemable capital". Section 2(30A) of the Ordinance defines "redeemable capital" to include finances obtained on the basis of Participation Term Certificate (PTC), Musharika, Term Finance Certificate (TFC) or any other security or obligation not based on interest. Such redeemable capital shall have to be evidenced by an instrument or certificate of specified denomination being its face or nominal value and may

be issued on such terms and conditions as may be determined in that regard in accordance with the stipulations which the Federal Government is empowered to make through a gazette Notification.

10.3 Section 120 is reproduced below to facilitate reference.

"120. Issue of securities and redeemable capital not based on interest

1. Notwithstanding anything contained in this Ordinance, or any other law or the memorandum or articles or any Agreement, resolution or other document, a company may, upon terms and conditions contained in an Agreement in writing, issue to one or more scheduled banks, financial institutions or such other persons as are specified for the purpose by the Federal Government by notification in the official Gazette, either severally, jointly or through their syndicate, any instrument in the nature of redeemable capital in any or several forms in consideration of any funds, moneys or accommodations received or to be received by the Company, whether in cash, specie or against any promise, guarantee, undertaking or indemnity issued to or in favour of or for the benefit of the Company.

2. In particular and without prejudice to the generality of the foregoing provisions, the Agreement referred to in Sub-section (1) for redeemable capital may provide for, adopt or include, in addition to others, all or any of the following matters, namely:

a) mode and basis of repayment by the Company of the amount invested in redeemable capital within a certain period of time;

b) arrangement for sharing of profit and loss;

c) creation of a special reserve called the "participation reserve" by the Company in the manner provided in the Agreement for the issue of participatory redeemable capital in which all providers of such capital shall participate for interim and final adjustment on the maturity date in accordance with the terms and conditions of such Agreements; and

d) in case of net loss on participatory redeemable capital on the date of maturity, the right of holders to convert the outstanding, balance of such capital or part thereof as provided in the Agreement into ordinary shares of the Company at the break-up price calculated in the prescribed manner.

3. The terms and conditions for the issue of instruments or certificates of redeemable capital and the rights of their holders shall not be challenged or questioned by the Company or any of its shareholders as repugnant to any provision of this Ordinance or any other law or the memorandum or articles or any resolution of the general meeting or directors of the Company or any other document.

4. The provisions of this Ordinance or the Capital Issues (Continuance of Control) Act, 1947 (XXIX of 1947), relating to the creation, issue, increase or decrease of the capital shall not apply to the redeemable capital".

10.4 We see no reason why a company registered under the Ordinance and engaged in the business of housing finance may not be able to make full use of the potential for generation of funds which the aforesaid provisions of the Ordinance envisages. We would however like to state that as far as we are aware, while funds are permissible to be procured as "redeemable capital" from banks and financial institutions, no other class of persons or the general public have as yet been notified as being eligible from whom a company may obtain "redeemable capital".

11. ISSUE OF SHARES IN LIEU OF OUTSTANDING BALANCE OF ANY LOANS, ETC.

Section 87 which was substituted by the Banking Financial Services Order, 1984 provides for issue of ordinary shares or grant of option to convert into ordinary shares, the outstanding balance of loans, advances or credits defined in the Banking Companies Ordinance, 1962 or other long term (over three years) non-interest bearing securities in the manner provided in any contract with any scheduled bank or financial institution, to the extent of twenty percent of such balance. The exercise of powers under this section is however subject to a condition that issue of shares or exercise of option will only be exercised in cases where in any two of the preceding three years after expiry of two years from the commencement of commercial production, the return on such non-interest bearing securities, obligations, loans, advances or credits has fallen below the minimum rate of return prescribed by the State Bank of Pakistan for the said years.

12. ISSUE OF DEBENTURES

12.1 The "debenture" by definition includes debenture stock, bonds, term finance certificates, and any other securities, other than a share, of a company whether constituting a charge on the assets of the company or not. Before the advent of "Redeemable Capital" explained earlier, debenture has been one of the important sources of raising funds from financial institutions. A company could issue various types of debentures and hence a debenture issued may be perpetual or for a specified period or may be issued

on the happening of an event. Under the Ordinance, no company can issue the debentures carrying voting rights at any meeting of the company. Debenture are usually secured by way of charge on the assets of the company.

12.2 HFCs like other companies may issue debentures under the Ordinance to obtain long-term loans. The extent to which the debentures may be offered or issued depends upon the borrowing powers of a company.

12.3 Traditionally, as pointed out above, debentures were issued to banks and financial institutions mainly as a source of "bridge-financing" pending public floatation of equity. To our recollection, there has seldom been if ever, a public floatation of debentures in Pakistan and hence there is no secondary market for the same. Viewed from this perspective, the full potential of debenture financing has not been exploited more on account of perceptional factors on the part of the prospective financiers rather than any statutory limitation under the Ordinance. We must hasten to add however, that ever since the innovation and introduction of redeemable capital which has apparently interest-free complexion, the use of debenture as an expedient of corporate financing has considerably been on the decline.

13. INVITATION AND ACCEPTANCE OF DEPOSITS

13.1 A novel provision contained in Section 88 of the Ordinance has been introduced as a yet another form of funding by companies which would appear to be available to HFCs as well. Under the said

Section, funds may be raised from the general public in response to a prospectus in virtually the same manner as public floatation of shares.

13.2 The invitation and acceptance of such deposits are governed by the Companies (Invitation and Acceptance of Deposits) Rules 1987. Companies which are not "banking companies" within the meaning of the Banking Tribunal's Ordinance, 1984 are entitled to issue a prospectus inviting general public to make deposit with any company. The tenure of such deposit under these rules may range from six months to thirty six months from the date of acceptance of such deposits.

13.3 "Deposits" for the purposes of the said regulation has been defined to mean any deposit of money raised by a company from sources other than borrowings from a banking company or a financial institution.

13.4 It may also be noted that debentures are allowed to be raised under the provisions of the Ordinance as discussed earlier, but funds raised through debentures shall not be deemed to be covered by the aforesaid term of "deposits".

13.5 Deposits for a period ranging from three to six months are permissible only if the aggregate of such deposits does not exceed 10 percent of the cumulative amount of the paid-up share capital and "free reserves" of the company. For this purpose "free reserves" includes any amount which having been set aside out of

revenue or other surplus, excluding surplus on revaluation of assets after adjustment of all intangible or fictitious assets is free in that it is not retained to meet any diminution in value of assets, specific liability, contingency or commitment known to exist at the date of the balance sheet.

13.6 The overall amount of funds generated through the deposits aforesaid shall however at no time exceed 25 percent of the aggregate of the paid-up share capital and "free reserves" of the company.

13.7 While the Deposit Rules aforesaid subject the companies intending to raise funds through this vehicle to regulatory controls, of principal relevance in the context of the study with regard to housing finance dealt with in this Memorandum is the limitation envisaged by Rule 4 of the said Rules which stipulates:

> "No company shall utilise the deposits received by it for providing financial assistance to any other person".

It would be observed that the above prohibition may need to be relaxed in respect of a corporate entity which may intend to undertake the business of "housing finance".

13.8 Moreover, the present mode of employment and maintenance of liquid funds as provided for in Rule 5 of the said Rules would need to be suitably modified in its application to a housing finance company. Rule 5 provides as under :

Every company shall before the 31st day of December of each calendar year deposit or invest, as the case may be, a sum which shall not be less than ten percent of the amount of its deposits maturing during the year ending on the 31st day of December next following in any one or more of the following modes, namely :-

a) in a National Savings Scheme;

b) in a special account to be opened by the company for the purpose in a scheduled bank, free from charge or lien;

c) in Government securities; or

d) in such other securities as are notified by the Authority for the purpose.

The funds allowed to be raised as "deposits" under the said Rules shall not be utilised for any purpose other than for the repayment of deposits maturing during the year provided that the amount remaining deposited or invested, as the case may be, shall not at any time fall below ten percent of the amount of deposits maturing until the 31st day of December of that year. this, to our mind, may tend to curbs the full potential of this mode as one of the important vehicles of corporate financing.

14. DEPOSITS AND SECURITY MONEY

14.1 Under Section 226 of the Ordinance, a Company may receive and utilise deposit or security money under a contract in writing and the money so received should be kept or deposited by the Company in a special bank account with a scheduled bank.

14.2 As HFCs are permitted, subject to compliance with relevant regulations, to engage in leasing and renting of buildings on hire purchase for commercial and residential purposes, this requirement would appear to be inherently inconsistent with the usual course of business of HFCs since receiving deposits in the case of leasing contracts is an accepted phenomenon of such business by HFCs and hence compliance with the said provision of the law would not appear to be feasible.

15. UTILISATION OF FUNDS

15.1 Loans to directors

Section 195 of the Ordinance deals with the loans to directors and prohibits a public company to grant loan to its directors and also such company cannot guarantee or provide security in connection with a loan made to any of its directors by any other person. These provisions tend to curb abuse of exercise of fiduciary powers and therefore have been included in the Ordinance to discourage directors to take loan directly or indirectly through his spouse, children or "related or associated" company or undertaking.

15.2 However, there are certain exceptions under this section and these are :

- a company whose main business is lending i.e., Banking Company;

- a private company unless it is a subsidiary of public company;

- any loan made by a holding company to its subsidiary;

- any guarantee given by a holding company in respect of loan to its subsidiary.

15.3 This Section permits however a company to grant loan to its director who is a whole time director, or give any guarantee with prior approval of CLA for the following purposes :

- construction of a house or

- to defray the cost of any conveyance for personal use or house hold effects or

- to defray any medical expense on self or spouse and minor children

15.4 In a limited context, the aforesaid restrictions also find partial expression in terms of Clause 11(a) of the HFC notification. An HFC is prohibited to grant loans to employees, officers, directors and shareholders of the company and their close relatives having more than 10 percent shareholding in the company whether directly or indirectly through their close relatives, companies controlled by them, affiliates, subsidiaries or by way of acting in concert with others.

16. THE BANKING COMPANIES ORDINANCE, 1962 (THE BANKING ORDINANCE)

16.1 A restricted review of the Banking Ordinance would reveal that while a company engaged in housing finance business would not find any statutory prohibition under the Ordinance to get itself registered as such, the restriction on the business of "banking" caused by the comprehensiveness of the term "banking" as defined in Section 5(b) of the Banking Ordinance merits attention. "Banking" has been defined to mean "accepting", for the purposes of lending or investment or deposit of money, from the public, repayable on demand or otherwise, and withdrawable by cheque, draft order or otherwise. In view of the definition of banking, a housing finance company would not be legally entitled to receive saving or deposits on the lines of savings and loans institutions operating abroad unless it be specifically exempted or alternatively granted a restricted banking licence in terms of Section 27 of the Ordinance by the State Bank of Pakistan - as the regulatory body, in accordance with Rule 10 of the Banking Rules 1963. This would be

necessary in view of clause 8(A) of the HFC notification, which inter-alia includes as a function of HFC, "mobilisation of long term savings exclusively for housing investment".

16.2 A review of said clause 8 of the HFC notification reveals that an HFC's functions also includes providing long term finances for constructing, purchasing or addition/improvements etc., in any property, making loans and advances for house building to individuals, projects and housing companies. Since these functions are significantly akin to "banking business", it would also appear that a special dispensation to HFCs from the primary restrictions provided for the "insulation" of banking would need to be specially considered.

16.3 While the above seeks to convey only a brief insight into certain significant features of the business of HFCs which appear to be statutorily inconsistent with the banking control and regulatory regime provided for in the Banking Ordinance, a case for blanket relaxation and/or authorisation would merit attention of appropriate regulatory agencies and the Government.

16.4 A review of the Banking Ordinance also indicates a need for suitable amendments in the following specific sections to enable HFCs to operate in the fields of financing the housing sector as also to undertake activities which may be deemed to be a logical extension or as an adjunct to housing business :

a) **SECTION 7**

This Section in its present form is highly restrictive by having enumerated the forms of business in which banking companies are allowed to engage in Pakistan. It appears that this may need to be suitably amended to make room for permitting business contemplated by housing finance companies under the HFC notification.

b) **SECTION 9**

This Section prohibits a banking company to indulge in trading and accordingly provides that no banking company shall directly or indirectly deal in the buying or selling or barter of goods or engaged in any trade or buy, sell or barter goods for others, otherwise than in connection with Bills of Exchange received for collection or negotiation. The term "goods" has been explained to mean every kind of moveable property barring few exceptions enumerated in the said Section. The prohibitions envisaged by this Section are consistent with the authorised functions of HFCs as set out in Clause 8 of the HFC notification.

c) **SECTION 10**

This section prohibits a banking company to acquire or hold any immovable property, except one for its own use. HFCs are subject to the specific prohibition not to engage in real estate business or working as a subsidiary

or holding company of construction business. The restriction and control in Section 10 is therefore found compatible with the contempleted objectives of HFCs under the notification.

d) **SECTION 23**

This Section prohibits a banking company to form any subsidiary company except for the purposes enumerated in the said Section. In view of the restrictions envisaged here and visualising the fact that a housing finance company may, in course of time, consider it necessary to form separate subsidiary companies for certain objects subsidiary or complementary to the main object of housing finance, the restrictions may need to be relaxed for such subsidiary companies.

17. BANKING TRIBUNAL'S ORDINANCE 1984

We do not find any of the provisions of the said Ordinance which may be interpreted to impede the setting up or undertaking housing finance operations. On the contrary, the time limit of 90 days for the disposal of the suits as provided for in sub-section (6) of Section 6, the definition of "finance" as set out in Section 2(e) and the provisions of Section 12, making the provisions of the Limitation Act, 1908 making inapplicable to the proceedings under the Banking Tribunal's Ordinance, should in our view, facilitate the carrying out of the objectives of HFCs and further its contemplated corporate interest.

18. HFC SHALL HAVE TO BE A COMPANY LISTED ON THE STOCK EXCHANGES

18.1 HFC notification as amended requires an HFC licensed to carry on housing finance business that it shall "go public" through public floatation of shares and in consequence get listed on the stock exchanges in Pakistan within a period of two years from the date of having being granted license to operate as such.

18.2 In view of the foregoing requirements, it might appear pertinent to review the provisions of the Ordinance and the regulatory mechanism for a public offering of shares and listing on the stock exchange. The significant aspects related to this corporate event are summarised below :

i) Drafting of prospectus and approval thereof

This phase of public floatation is one of the most important and should be given due consideration keeping in view the provisions of Sections 52 to 63 read with the Second Schedule to the Ordinance. The prospectus should conform to the requirements of disclosing all material information required under the law. The draft prospectus has to be approved by Karachi Stock Exchange (Guarantee) Limited (KSE), Lahore Stock Exchange (Guarantee) Limited (LSE), Islamabad Stock Exchange (Guarantee) Limited (ISE), the Controller of Capital Issues and the Corporate Law Authority, within a period of 60 days preceding the date of its issue.

a) Contents of prospectus

The requirements of this Ordinance in relation to contents and reports of a prospectus are very elaborate and comprehensive. The significant matters to be stated in the prospectus include:

b) Information about the issue

i) Basis for sale/allotment of shares as prescribed in the consent of the Controller of Capital Issues;

ii) Conditions for sale/issue;

iii) Preferential rights for subscription;

iv) Minimum subscription;

v) Benefits to promoters or founders, if any;

vi) Amount of the issue;

vii) Underwriting commission, brokerage and tax exemption.

c) Information about the company

i) History, business and prospects;

ii) Interest of shareholders;

iii) Dividend policy;

iv) Expenses of the issue;

v) Preliminary expenses;

vi) Interest in purchase of and the property acquired by the company, if any;

vii) Information on vendors of a running business taken over, including Auditors' Report on such business;

viii) Financial information on the company and Auditors' Report, thereon;

ix) Particulars of revaluation of assets, if any;

x) Legal proceedings, if any;

xi) Capitalisation of profits and reserves;

xii) Shares issued in preceding two years, if any;

xiii) Eligibility for dividend.

d) Information about the management of the company

i) Board of Directors and their other interests;

ii) Chief Executive and Secretary and their other interests;

iii) Remuneration of Chief Executive;

iv) Remuneration of working Directors and Secretary.

e) Significant provisions of Articles of Association relating to

i) Number of Directors

ii) Qualification of Directors

iii) Remuneration of Directors

iv) Voting rights

v) Borrowing powers

vi) Transfer and issuance of shares

vii) Indemnity etc.

f) Miscellaneous information

i) Address of place of business and registered office

ii) Particluars of the banks, auditors and legal advisors and consultants to the issue

iii) Names of bankers to the issue.

g) Application form and basis of allotment.

ii) Requirement as to auditors' report for purposes of Pro spectus

Auditors' report on companies assets and liabilities as at the last day to which accounts of the Company were made up and on the profits and losses of the Company for each of the five financial years preceding the issue of prospectus. In case the Company has subsidiaries, the report shall also deal with the assets and liabilities and profits and losses of subsidiaries in any of the following manners :

a) Consolidated assets and liabilities of the Company and subsidiaries and consolidated profits and losses after making adjustments to minority interests; or

b) In addition to report on assets and liabilities and profits and losses of the Company, a consolidated position of assets and liabilities and profits and losses of subsidiaries after making adjustments to minority interests; or

c) Deal individually with the assets and liabilities and profits and losses of company of each subsidiary separately.

iii) Approval of the prospectus

Prospectus is required to be approved by the CLA, CCI, and Stock Exchanges. The fact of such approvals is also required to be disclosed conspicuously in the prospectus.

v) Application for listing on Stock Exchange

Atleast 30 to 40 days before the publication of prospectus, an application needs to be made to the KSE, LSE and ISE, at which shares of the company are to be listed. An application pursuant to Rule 11 of the Securities and Exchange Rules 1971 and another application for listing in accordance with the Listing Rules of the Stock Exchange alongwith certain annexures, undertakings and various other documents are required to be made alongwith listing fee. Before an application is made to the CLA, the application for listing to KSE, LSE and ISE shall have to be filed and

cleared by the Stock Exchanges as per Regulation 8 of the Listing Rules of KSE. Before a copy of the prospectus is filed with the Registrar of Joint Stock Companies it will have to be approved by the Stock Exchange. The Stock Exchange may require that the total public issue including the amount offered to NIT be covered by underwriting arrangement, preferably by a financial institution or a consortium of the members of stock exchanges.

vi) Filing of prospectus with the Registrar of Joint Stock Companies

Before the application of prospectus but after the approval is given by the Stock Exchange, the CCI,and the CLA, a copy of the prospectus shall be filed for registration with the Registrar of Joint Stock Companies. A copy of the prospectus has to be signed by every person who is named therein as a director or proposed director of the Company or by his agent authorised in writing and having endorsed thereon or attached thereto the documents and consents as are stated in Sections 57(3) and (4) of the Ordinance. It is also important to bear in mind that in accordance with the Listing Rules of the Stock Exchanges, and under Section 53(2) of the Ordinance, the prospectus should be published in atleast one newspaper having circulation in Karachi, Lahore and Islamabad within 30

days of the opening of the subscription list but not later than seven days before subscription list is to be opened.

19. PRUDENTIAL REGULATIONS

For the purpose of monitoring and regulating, the HFCs would be treated as Non-Banking Financial Institutions (NBFIs) and subjected to monitoring by the SBP. The SBP has enforced early this year Prudential Regulation (the Regulations) for NBFIs through NBFI's Circular No.1 dated 5 December 1991 and which has been amended from time to time in respect of various principal aspects of NBFIs' operation in Pakistan in order to streamline their functioning in the country. These rules have been originally enforceable from 1 January 1992 but SBP has granted relaxation in this regard till 30 June 1996 in certain respects. Significant rules concerned with NBFIs and to which HFCs will also be subjected are explained below :

a) Maintenance of liquidity

Under Rule 1 every NBFI is required to maintain its liabilities excluding contingent liabilities upto seven times of its equity during the first two years of operation and upto ten times in the subsequent years.

The above Rule is consistent with the regulation stated in paragraph 5(b) of the HFC notification.

b) Creation of reserves

NBFIs are required to create reserve fund by setting aside twenty percent of its after-tax profit till the reserve fund equals the paid-up capital. Thereafter, such reserve fund is required to be credited with atleast five percent of after-tax profits.

c) Investment in government securities

For maintenance of liquidity against liabilities, Rule 6 requires that not less than fifteen percent of the NBFI's liabilities should be invested in government securities. For this purpose liabilities shall exclude NBFI's equity and borrowings from financial institutions including accruals thereon, lease key money, deferred taxation not payable within twelve months, dividend payable within two months and advance lease rentals.

d) Limit on exposure

Rule 7 stipulates the linkage between a borrower's equity and total borrowing from NBFIs. The said rule provides that NBFIs in Pakistan while granting any accommodation shall ensure that the total accommodation availed by any borrower from NBFIs does not exceed ten times of the capital and reserves (free of losses) of the borrower as disclosed in its audited accounts. The modified regulation now provides that the total accommodation availed by a borrower may

currently exceed ten times its capital and reserve provided the borrower injects additional equity in equal proportion in the succeeding four years, commencing July 1992-93, to make up the deficit in its equity and reserves so as to eventually conform to this Regulation by 30 June 1996.

The Regulation further provides that export finances and finances provided on the basis of lien on foreign currency deposit shall be excluded from the borrowings when determining linkage between equity and borrowing. This relaxation requires the borrower to plough back twenty percent of the net profit each year until such time that they are able to borrow without this relaxation.

The Regulation also provides that sub-ordinated loans shall be treated as equity for the purposes of determining the linkage between borrowing and equity.

e) Maintenance of debt-equity ratio

While granting an accommodation, an NBFI in Pakistan shall ensure that :

- current liabilities and current asset ratio of the borrower is 1:1; and

- Long-term debt-equity ratio of the borrower does not exceed 60:40 unless specified to the contrary.

The SBP has presently relaxed compliance with this Regulation as under :

Current liabilities to current asset ratio

- Upto 31 December 1992	0.7:1
- From 1 January 1993 to 30 June 1993	0.8:1
- From 1 July 1993 to 31 December 1993	0.9:1
- From 1 January 1994 onward	1:1

Observance of long-term debt equity ratio of 60:40

The borrowers who do not conform to the above have been allowed to regularise the position by 30 June 1996 by injecting twenty five percent of the deficit as equity every year in the succeeding four years.

f) Facilities to small entrepreneur

In the case of facilities to small entrepreneurs Rule 11 states that atleast five percent of the credit facilities should be given to small entrepreneurs. In the case of HFCs, atleast five percent facilities should be in the form of facilities not exceeding Rs.125,000/- per borrower.

g) **Principal lines of business**

NBFIs are required to maintain atleast seventy percent of its assets in the form of its principal lines of business.

20. GENERAL PROVISIONS OF THE ORDINANCE NEEDING COMPLIANCE BY HFCs AS WELL

20.1 Following are some of the significant provisions of the Ordinance that should be considered by HFCs after registration as public limited companies.

a) Certificate of incorporation

In accordance with the legal requirements, the Certificate of Incorporation has to be displayed in a conspicuous manner in some suitable place in the Registered Office of the Company.

b) As the HFCs would be a public limited company, the following should be considered :

i) All receipts, vouchers, letter heads and all other business papers and documents should bear an indication to the effect that the Company is one with limited liability.

ii) Seal with engraved name of the Company in English characters should be affixed to legal documents executed for and on behalf of the company.

iii) The name of the Company be painted or affixed outside every office or place in which its business is carried on, in English characters.

c) **Appointment of Chief Executive and Directors**

The first directors of the Company are required to be appointed within 14 days from the date of incorporation of the Company and the Chief Executive is also required to be appointed. Form 29 is needed to be filed with the Joint Registrar forthwith. Needless to mention here that the appointment should be properly minuted.

d) **Appointment of auditors**

In terms of Section 252(3) of the Ordinance, the directors are required to appoint auditors of the Company within sixty days of the date of incorporation of the Company and file a Return thereof to the Registrar.

e) **Statutory meeting**

In term of Section 157(1) of the Ordinance directors of a public company are also required to hold a statutory meeting, within a period of not less than three months nor more than six months from the date at which the company was entitled to commence business.

f) **Appointment of legal adviser**

HFC as a company having a minimum paid-up of Rs.100,000,000/- shall appoint a legal adviser according to the provisions of the Companies (Appointment of Legal Advisers) Act, 1974 and file the prescribed form with the Registrar.

g) **Register of directors and officers etc.**

The Company is also required to keep at its registered office, a register of its directors and officers, including the chief executive, managing agents, if any, secretary, chief accountant, auditors and legal adviser and enter therein the particulars as specified in Section 205 of the Ordinance. The Company is required to file with the Registrar a return, in duplicate, in the prescribed form containing the particulars as specified in the said register, within fourteen days from the date of incorporation of the Company.

h) **Registration of mortgages and charges**

A prescribed form in case of certain mortgages and charges, if any, as mentioned in Section 121 of the Ordinance is required to be filed with the Registrar, Joint Stock Companies, within 21 days from the date of its creation. Under Section 131 of the Ordinance, in case of delay in registration of the charge, only the Court is empowered to consider condonement of the delay, on the application of the Company and on being satisfied, extend

the above time for registration of mortgages and charges. The Registrar has no powers to extend the time for filing of the charge or to condone any delay in filing such Return.

i) **Annual general meeting**

In terms of Section 158 of the Ordinance, a Company shall hold first Annual General Meeting(AGM) of the members of the Company within eighteen months from the date of incorporation and thereafter once at least in every calendar year, not later than fifteen months from the previous AGM, and file with the Registrar, Joint Stock Companies, annual list of members (Form-A), within thirty days from the date of AGM in terms of Section 156 of the Ordinance. Even, if the Company does not hold an AGM within time, Form "A" is required to be filed within thirty days from the last day of the calendar year.

21. BOOKS OF ACCOUNT

21.1 The Ordinance does not provide specifically a format for the keeping of any particular books of accounts. However, the Ordinance recognizes that some form of proper accounts should be kept. The provisions for keeping books of accounts are embodied in section 230 to 247 which would need to be maintained by the HFCs as well to the extent applicable.

Every company must keep such books of accounts with respect to:

a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

b) all sales and purchases of goods by the company;

c) all assets of the company; and

d) all liabilities of the company.

21.2 The books of accounts are subject to the over-riding test that it should give a true and fair view of the state of affairs of the company. The books are required to be kept at the registered office of the company. However, if the directors decide to keep it elsewhere in Pakistan, the company is required to file within seven days of the decision with the registrar a notice in writing giving the full address of the place.

21.3 If a company has a branch office, books of accounts should be kept at the branch office relating to the branch transactions and a summarized return should be sent to the Registered Office at an interval of not more than 3 months. The registrar and any officer authorized by the CLA may also inspect the books. The books of accounts should be retained in good order for a period of ten years.

22. ANNUAL ACCOUNTS AND BALANCE SHEET

22.1 Every company is required to present audited accounts (balance sheet and profit and loss account) together with the Auditors' Report to the members of the company at Annual General Meeting (AGM) of the company. These accounts are required to be presented within 18 months of the date of incorporation and thereafter once in every calendar year. The Registrar or CLA may extend the above period upto three months. The period of the accounts should not exceed twelve months, however, special permission may be granted by the registrar for the longer period.

22.2 Every company is required to send the audited accounts together with Auditors' Report and Directors' Report to the members of the company atleast 21 days before the AGM. A listed company should also sent the accounts to the CLA, Stock Exchanges and the Registrar.

22.3 For the listed companies, the accounts are required to comply with the disclosure requirements of the Fourth Schedule of the Ordinance as well as certain International Accounting Standards and other Standards as notified by the CLA.

23. DIRECTORS' REPORT

23.1 It is a document prepared by the directors and sent to shareholders for their information alongwith the balance sheet. It contains material concerning the state of the company's affairs, recommendations regarding (1) declaration of dividends, (2) proposal to carry to reserve fund, general reserve or reserve

account etc. In addition to the above, the directors' report in the case of a public company should include the following :

a) disclosure of any material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which the balance sheet relates and the date of the report;

b) so far as is material for the appreciation of the state of the company's affairs by its members, deal with any changes that have occurred during the financial year concerning the nature of the business of the company or of its subsidiaries or in the classes of business in which the company has interest, whether as a member of another company or otherwise, unless the CLA exempts any company from making such disclosure on the ground that such disclosure would be prejudicial to the business of the company;

c) contain the fullest information and explanation in regard to any reservation, observation, qualification or adverse remarks contained in the auditors' report;

d) circulate with its information about the pattern of holding of shares in the form prescribed; and

e) state the name and country of incorporation of its holding company, if any, where such holding company is established outside Pakistan.

23.2 The directors report is required to be signed by the chairman of the board or the chief executive of the company on behalf of the directors if authorized by the directors or to be signed by the chief executive and a director of the company.

24. HALF-YEARLY ACCOUNTS

In terms of Section 245 of the Ordinance, every listed company is required to submit half-yearly accounts (i.e. balance sheet and profit and loss account) to members of the Company and Stock Exchanges of Pakistan where its shares are listed within two months of close of the first half of its year. These accounts should be approved by the directors and signed by the Chief Executive and a Director.

The following disclosure requirements are necessary in these accounts

i) A brief review of the company's major business activities and developments during the half-year period and the prospects during the next six months.

ii) A statement affirming that the accounting policies adopted in the preparation of half-yearly accounts are the same as those applied in the preparation of the preceding annual accounts of the company. In case of a change in an accounting policy, the change together with the reason therefor and the financial effect of the change.

iii) Extra-ordinary expenses/incomes during the half-year.

iv) If losses have occurred during the half-year, reasons for the same and the prospects for the next six months.

v) Major deliquencies during the year in case of Modarabas, leasing companies, investment banks and commercial banks.

vi) Provision for taxation on the half-yearly profit on estimated basis.

vii) Estimated liability for contributions to be made towards the Workers' Participation Fund and to the Workers' Welfare Fund.

The above are few of the important legal requirements and should be adhered to strictly.

25. QUALIFICATION OF DIRECTORS

25.1 In terms of Clause 4 of the HFC notification, following persons are disqualified to be appointed or elected as directors of the HFCs :

- a person who has been convicted of an offence involving fraud, breach of trust or moral turpitude or

- a person who has been adjudged as insolvent, or has sustained payment of his debts or has compounded with his creditors.

25.2 Under the provision of Section 187 of the Ordinance, a person is also disqualified to be a director of the company, if he

- is a minor;
- is of unsound mind;
- has been debarred from holding office of director under any provision of the Ordinance;
- has betrayed lack of fiduciary behavior and the declaration to this effect has been made by the Court under Section 217 of the Ordinance at any time during the preceding five years;
- is not a member.

There is an exception in case of a person who is not a member, if he :

- is a person representing government or an institute or authority which is a member;
- is a whole-time director who is an employee of the Company;
- a Chief Executive; or
- a person representing a creditor

26.1 SIGNIFICANT CORPORATE COMPLIANCE UNDER THE ORDINANCE (TO BE OBSERVED BY HFCs AS WELL)

SECTION	CORPORATE ACTION/EVENT	COMPLIANCE TARGET
24(1)	Alteration of Memorandum - (1) A certified copy of the order of the Corporate Law Authority confirming the alteration. (2) Printed copy of the memo - randum as altered.	Must be filed with Registrar within ninety days from the date of the order.
39	Change of name by a Company may be by special Resolution.	Approval of the registrar in writing is required.
57(3)	Registration of Prospectus of an intended Company before its issue, requirements of sections 52,53,54 and 55 and 57 should be complied with.	On or before the date of its publication a copy of the prospectus, signed by every person who is named therein as a director or proposed director of the company or his agent authorised in writing should be filed with a copy of every contract required by Clause 16 of Part I of of the Second schedule or in the case of a contract not reduced in writing, a memorandum giving full particulars there of be filed. Where the person making any report required by Part II of that schedule have made therein, or have without giving the reasons, indicated

SECTION	CORPORATE ACTION/EVENT	COMPLIANCE TARGET
		therein, any such adjustment as are mentioned in Clause 36 of Part I of that schedule, a written statement signed by those persons setting out the adjustment and giving the reasons therefor be filed.
73(1)(a)	Returns as to allotments.	Within 30 days after allotment of shares, a return of the allotment, stating the number and nominal amount of the shares comprised in the allotment, the name, father's name/husband's name, address and occupation of each allottee, and the amount paid on each share shall be filed.
73(1)(b)	Allotment of shares otherwise than in cash.	Contract in writing constituting the title of the allottee to the allotment together with any contract of sale or for service or other consideration and copies verified in the prescribed manner and return of shares so allotted be filed.
73(1)(c)(1)	Issue of bonus shares.	Return stating the number and nominal amount of such shares comprised in the allotment and name, father's name/husband's name, address and occupation of each allottee together with a copy of the resolution authorising the issue be filed.

BEST AVAILABLE DOCUMENT

SECTION	CORPORATE ACTION/EVENT	COMPLIANCE TARGET
73(2)	Allotment of shares	If the contract mentioned in Clause (b) of sub-section (1) section 73 is not reduced in writing the company shall within thirty days after the allotment particulars of the contract stamped with the same stamp duty as would have been payable of the contract had been reduced to writing should file.
86(4)	Further increase of capital of the company by the issue of further shares to the members in proportion to the existing shares held by each member.	Notice of offer of new shares accompanied by a circular duly signed by the directors or an officer of the company authorised by them in their behalf in the form prescribed by the authority containing material information about the affairs of the company, latest statement of the accounts shall be filed with the registrar before the circular is sent to the shareholders.
94	Increase of share capital or of members.	Notice of increase of capital and number of its members within fifteen days of resolution authorising the increase shall be given. The notice shall include particulars of the shares to be affected and the conditions, if any, subject to which the new shares are to be issued.

BEST AVAILABLE DOCUMENT

SECTION	CORPORATE ACTION/EVENT	COMPLIANCE TARGET
121	Every mortgage, charge, or other interest created after the commencement of Company Ordinance, 1984 by a company or any security on the company property for purpose of securing any issue of debentures, uncalled share capital, etc.	All the particulars of the mortgage or charge, together with a copy of the instrument, if any, verified in the prescribed manner, be filed within twentyone days after the date of its creation.
142(2)	Having a registered office, situation and every change thereof.	Within twenty eight days after the incorporation or the change as the case may be notice of the situation of the registered office be filed with the registrar.
146	Commencement of business after issuing prospectus inviting public to subscribe where a prospectus has been issued in case prospectus has not been issued a statement in lieu of prospectus. This section does not apply to a private company or to a company limited by guarantee and not having a share capital.	A duly verified declaration by one of the directors or chief executive or secretary be filed.
156	Annual list of members by a company having share capital and by a company not having share capital.	i) In case of a company having share capital: Once in each year, prepare and file a return containing the particulars specified in Form A of the Third Schedule as on the date of the Annual General Meeting where no Annual General Meeting is held, or if held not

BEST AVAILABLE DOCUMENT

SECTION	CORPORATE ACTION/EVENT	COMPLIANCE TARGET
		concluded, on the last day of the calendar year. ii) Not having a share capital, should file a return containing the particulars specified in Form B of the Third Schedule. Where no Annual General Meeting is held or had not concluded on the last day of the calendar year. The return shall be filed with the Registrar: a) in the case of a listed company within fortyfive days. b) in the case of any other company - within thirty days. In the case of a listed company, the Registrar may for special reasons extend the period of filing by a period not exceeding fifteen days.
157	Statutory meetings and statutory reports. This section does not apply to private company.	The directors shall cause a list showing the names,. addresses and occupation of the members of the company together with their holdings etc. duly certified, at least five copies be delivered to the registrar after sending the report to the members of the company.

BEST AVAILABLE DOCUMENT

SECTION	CORPORATE ACTION/EVENT	COMPLIANCE TARGET
172	Registration of Resolutions - Every special Resolution passed by the company.	Within fifteen days from the passing thereof, a printed or typed copy and duly authentication by the chief executive or secretary of the company be filed with the registrar.
184	Consent to act as director or chief executive. This section shall not apply to a private company.	1) Consent in writing to such appointment is to be filed by the company with the registrar before such appointment. 2) Within seven days of the issue of certificate of incorporation of company the subscribers to the memorandum of association shall file with the registrar a list of persons who have consented to act as directors of the company alongwith their consent.
195	Particulars of loan taken by or guarantee or security obtained by a director or chief executive prior to his becoming a director or chief executive of lending company.	Within fourteen days of his appointment shall file with the registrar particulars of loan.
205	Register of Directors, Officers, Chief Executive etc.	Within fourteen days from the date of incorporation of the company or within fourteen days of a change a notification must be filed with the Registrar.

BEST AVAILABLE DOCUMENT

SECTION	CORPORATE ACTION/EVENT	COMPLIANCE TARGET
		A return in duplicate in the prescribed form containing the particulars specified in the said register shall be filed with registrar.
230	Books of Account to be kept by company.	If the books of account are not kept at the registered office within seven days of the decision of the directors for keeping books of accounts at place other than registered office, file with the registrar a notice in writing giving the full address of the other place.
233(5)	Balance-sheet and Profit and Loss Account together with the reports of Auditors.	Five copies of balance sheet and profit and loss account duly audited together auditors' report and other documents be sent to the authority and the registrar before the meeting of the share-holders.
242	Copy of balance sheet.	After the balance sheet and profit and loss account or the income and expenditure account as the case may be, have been laid before the company at the annual general meeting, five copies in the case of the listed company and three copies in the case of any other company, signed by the Chief Executive, Directors, Chairman of Directors or the Auditors of the

BEST AVAILABLE DOCUMENT

SECTION	CORPORATE ACTION/EVENT	COMPLIANCE TARGET
		Company shall be filed with the registrar within thirty days from the date of meeting.
245	Half yearly accounts of listed company.	Five copies of Half Yearly Account signed by the Chief Executive and atleast one Director of the Company be filed, with the registrar simultaneously with its transmission to the members.
253(5)(6)	Appointment and Removal of Auditors.	Within fourteen days from the date of any appointment or retirement or removal or otherwise ceasing to hold office of an auditor send intimation to the registrar.

BEST AVAILABLE DOCUMENT

FORM 1

THE COMPANIES ORDINANCE, 1984
(Section 30(2) and Rule 4)

DECLARATION OF COMPLIANCE WITH THE REQUIREMENTS OF THE COMPANIES ORDINANCE, 1984 TO BE SUBMITED TO THE REGISTRAR ALONG WITH DOCUMENTS FOR REGISTERATION OF A COMPANY

Name of Company _____

_____

Presented by* _____

Fee paid Rs. _____ in** _____ vide receipt

No. _____ dated _____ (to be attached in original)

I _____ of _____ do solemnly and sincerely declare :-

(i) that I am ***Director entitled to appear before High Court/Supereme Court/a Chartered Accountant/a Cost and Management Accoutant practicing in Pakistan and am engaged in the formation of the proposed

a person named in the Articles as a Director/officer of the proposed

: and

(ii) that all the requirements of the Companies Ordinance, 1984, and the rules made thereunder in respect of matters precedent to the registration of the said company and incidental thereto have been complied with.

And I make this solemn declaration conscientiously believing the same to be true.

Date :

Signature

Place:

(Name in block letters)

Status _____ _____

Designation _____ _____

Address _____

_____

_____
Witness to the Signature
(Name and Address)

BEST AVAILABLE DOCUMENT

FORM 3

THE COMPANIES ORDINANCE, 1984
(Section 73(1))

RETURN OF ALLOTMENT (S)

Name of Company _____

Company's Registration No. _____

Presented by: _____

Fee paid Rs. _____ in: _____ vide receipt

No. _____ dated _____ (to be attached in original).

Return of allotment (s) of the ### _____

made on the following date/dates### _____

Registrar of Companies _____ pursuant to section 73 (1).

PART A. --SHARES ALLOTED PAYABLE IN CASH.

No. of Shares (including) class, (if any)	NOMINAL AMOUNT		AMOUNT PAID UP		AMOUNT OF PREMIUM (DISCOUNT) ON SHARES	
	Per Share Rs.	Total Rs.	Per Share Rs.	Total Rs.	Per Share Rs.	Total Rs.
1	2	3	4	5	6	7

BEST AVAILABLE DOCUMENT

PART B__SHARES ALLOTED FOR A CONSIDERATION OTHERWISE THAN IN CASH.

1. Number of shares (indicating class, if any) allotted_____

2. Nominal amount of shares allotted Rs._____

3. Amount treated as paid-up (a) on each share Rs._____

(b) Total Rs._____

4. The consideration for which such shares have been alloted is as follows:-

(a) Property and assets acquired (give description)_____Rs._____

(b) Good will_____Rs._____

(c) Services (give nature of services)_____Rs._____

(d) Other items (to be specified) _____Rs._____

(e) Total of (a) to (d)

5. Amount, if any, received in cash against shares alloted partly for consideration other than cash. Rs._____

PART C.__ALLOTMENT OF BONUS SHARES

1. Number of shares (including class, if any) alloted_____

2. Nominal amount of shares alloted RS._____

3. Amount treated as paid-up :

a) on each share Rs._____

b) Total_____

(An attested copy of the resolution authorizing the issue of the bonus shares should be attached).

BEST AVAILABLE DOCUMENT

PART D. NAMES, ADDRESSES, OCCUPATIONS, ETC. OF THE ALLOTTEES.

Date of allotment	Name of allottee in full	Father's/husband's Name	Occupation of the allottee	Address of allottee	Number of shares allotted
1	2	3	4	5	6

Signature _____

Name _____
(in block letters)

Designation _____
(Chief Executive, Director or Secretary)

BEST AVAILABLE DOCUMENT

Note: 1. When a return includes several allotments made on diffreent dates, the actual dates of all such allotment shold be entered at the top of the front page and the return should be filed within one month of the first date.

Note: 2. Where allotment of shares at a discount is reported, a duly authenticated copy of the resolution for the issue of shares at a discount with a copy of authorisation of the Corporate Law Authority, whether required, should be attached.

Note: 3. (a) Where shares have been allotted for a consideration otherwise than in cash, there shall, at a time of filing of the return of allotment, be.-

(i) produced for the inspection and examination of the Registrar a contract in writing constituting the title of the allotee to be allotment ogether with a contract of sale, or of for services or other c nsideration in respect of which that allottment has made, such contracts being duly stamped ; and

(ii) filed with the Registrar copies verified in the manner prescribed in rule 13 for the verification of such contracts ; and ;

(iii) Where such contract is not reduced to writing, particulars of such contracts in Form 4 duly stamped properly.

Note : 4. A certificate signed by the Chief Executive/director/Secretary to the effect taht the conditions, if any , imposed by the Controller of Capital Issues in the order consenting to the issue of the capital represgnted by the shares comprised in this return have been duly compiled with, shall acompany this return. Where no such consent has been obtained due to exemption available under the Capital Issues (Exemption) Order, 1967, a statement to this effect shall be appended together with a similar certificate as to compliance with the conditions of the said Order.

Note :5. Allotments of shares in consequence of the exercise of the option for conversion in terms of an agreement for participation term certificates, term finance certificates, redeemable capital, musharika or hire-purchase shall be reported in Part-B and copies of the relevent documents submitte with the return.

* State the name and designation of the officer signing the document.
** State the name and address of the Treasury Bank.
*** Insert name of the company.
**** Insert date or dates of the allotment(s).
***** State whether Chief Executive/Director or Secretary.

BEST AVAILABLE DOCUMENT

FORM 4

fd

THE COMPANIES ORDINANCE, 1984
[Section 73 (2)]

PARTICULARS OF ORAL CONTRACT
RELATING TO SHARES

(The particulars must be stamped with the same duty as would have been payable if the contract had been reduced to writing)

Name of Company _____

Companys Registration No. _____

Presented by* _____

Fee paid Rs. _____ in** _____ vide receipt

No. _____ dated _____ (to be attached in original).

To,

The Registrar of Companies _____

PARTICULARS OF CONTRACT RELATING TO SHARES ALLOTTED AS FULLY OR PARTLY PAID-UP OTHERWISE THAN IN CASH

---

(1) Total number of shares allotted as fully or partly paid-up otherwise than in cash ... Rs. _____

(2) Nominal amount of each such share ... Rs. _____

(3) Amount to be considered as paid-up on each such share otherwise than in cash ... Rs. _____

(4) Total amount to be considered as paid-up on all such shares. ... Rs. _____

(5) If the consideration for the allotment of such shares is services, or any consideration other than that mentioned below in (6), state the precise nature of such consideration & the number of shares so alloted.

BEST AVAILABLE DOCUMENT

(6) If the allotment is made in satisfaction or part satisfaction of the purchase price of property, give a brief description of such property, and full particulars of the manner in which the purchase price is to be satisfied.

(a) Brief description of property.

(b) Purchase price :-

(i) Total amount considered as paid on _____ shares alloted, otherwise than in cash..... Rs._____

(ii) Redeemable Capital/debentures issued..... Rs._____

(iii) Cash..... Rs._____

(iv) Amount of debt released or liabilities assumed by the purchaser (including mortgages on property acquired)... Rs._____
Total purchase price..... Rs._____

---

7) Give full particulars of the property which is the subject of the sale, showing in detail how the total purchase price is apportioned between the respective heads :

(a) Immovable property held in absolute ownership by the Company and fixed plant and machinery and other fixtures thereon* _____

(b) Leasehold property* and fixed plant and machinery on leasehold property (including tenants, the trade and other fixtures). _____

(c) Other interest in immovable property*

_____

(d) Loose plant and machinery, stock-in-trade & other chattels** _____

(e) Goodwill and benefit of contracts _____

(f) Patents, designs, trade marks, licences, copyrights, etc. _____

(g) Book and other debts _____

(h) Cash in hand & at Bank on current accounts, bills, notes, etc. _____

(i) Cash on deposit at Bank or elsewhere

_____

(j) Shares, Modaraba Certificate, participation term certificates/debentures and other securities _____

(k) Any other property ... ... _____

BEST AVAILABLE DOCUMENT

8) Name, occupation, address and other particulars of the person with whom contract made.

9) Mode and date of making the contract.

10) Mode and basis of valuation of the property, etc. _____

_____

_____

_____

Date :

Signature_____

Name _____

(in Block letters)

Place:

Designation*** _____

BEST AVAILABLE DOCUMENT

FORM 6

THE COMPANIES ORDINANCE, 1984
[Section 92/93]

NOTICE OF CONSOLIDATION, DIVISION OR SUB-DIVISION OF SHARES, SPECIFYING THE SHARES SO CONSOLIDATED, DIVIDED OR SUB-DIVIDED OR OF THE CANCELLATION OF SHARES (OTHERWISE THEN IN CONNECTION WITH A REDUCTION OF SHARE CAPITAL UNDER SECTION 96 OF THE COMPANIES ORDINANCE, 1984).

Name of Company _____

Companys Registration No. _____

Presented by* _____

Fee paid Rs. _____ in** _____ vide receipt No. _____ dated _____ (to be attached in original).

To

The Registrar of Companies _____

*** _____ hereby gives you notice in accordance with section 92/93 of the Companies Ordinance, 1984, that

(i) _____ shares of Rs. _____ each (_____) have been consolidated and divided into _____ shares of Rs. _____ each (of larger amount than the shares consolidated (_____)

(ii) _____ shares of Rs. _____ each (_____) on which Rs. _____ per share is paid up have been sub-divided into _____ shares of Rs. _____ each (of smaller amount than the shares sub-divided) (_____).

(iii) _____ shares of Rs. _____ each, being unissued capital have been cancelled. and the amount of the authorized capital has been correspondingly diminished.

Signature _____

Date : Name _____
(in Block letters)

Place: Designation***** _____

BEST AVAILABLE DOCUMENT

FORM 7

THE COMPANIES ORDINANCE, 1984
[Section 92/94]

NOTICE OF INCREASE IN NOMINAL
SHARE CAPITAL

Name of Company _____

Company Registration No. _____

Presented by* _____

Memorandum of fee :

(i) Total amount payable on capital as increased Rs. _____

(ii) Amount which would have been payable by reference to its capital immediately before the increase. Rs. _____

(iii) Difference of (i) and (ii) now paid Rs. _____ in _____

_____ vide receipt No. _____ dated _____
(to be attached in original).

To,

The Registrar of Companies _____

*** _____ hereby gives you notice pursuant to section 94 of the Companies Ordinance, 1984, that by*** _____ resolution of the company, dated _____ day of _____ 19 _____ or in pursuance of an obligation of the company under an agreement, dated the _____ day of _____ 19 _____ with _____ referred to in section 92, the share capital of the company has been increased by the addition thereto of the sum of Rs. _____ beyond the present authorized capital of Rs. _____.

BEST AVAILABLE DOCUMENT

The additional capital is divided as follow :-

Number of shares indicating class, if any ;	Nominal amount of each share

The conditions subject to which the new shares have been or are to be issued are as follows :-

As specified in the Memorandum and Articles of Association of the Companies.

Signature _____

Date :

Name _____
(in Block letters)

Place:

Designation##### _____

Note :- Where necessary , this form should bear Stamps of the value as required under the Stamp Act, 1899.

BEST AVAILABLE DOCUMENT

FORM 10

THE COMPANIES ORDINANCE, 1984
[Section 121, 129 and 463]

PARTICULARS OF MORTGAGES, CHARGES, ETC.

Name of Company _____

Company Registration No. _____

Presented by * _____

Fee paid Rs. _____ on** _____ vide receipt

No. _____ dated _____ (to be attached in original).

To,

The Registrar of Companies _____

Particulars of mortgage, charge, etc., created by the *** _____

_____ being-

(a) a mortgage or charge for the purpose of securing any issue of debentures.

(b) a mortgage or charge on uncalled share capital of the company.

(c) a mortgage or charge on any immovable property wherever situate, or any interest therein.

(d) a mortgage or charge on any book debts of the company.

(e) a mortgage or charge, not being a pledge, on any movable property of the company.

(f) a mortgage or charge on the undertaking or property of the company, including stock-in-trade.

(g) a mortgage or charge on a ship or any share in a ship.

(h) a mortgage or charge on goodwill, on a patent or license under patent, on a trade mark, or on a copyright or a license under a copyright.

(i) a mortgage or charge or other interest based on agreement for the issue of any instrument in the nature of redeemable capital.

(j) a mortgage or charge or other interest based on a musharika agreement.

(k) a mortgage or charge or other interest based on a hire-purchase or leasing agreement for acquisition of fixed assets.

BEST AVAILABLE DOCUMENT

(Strike out the sub-heads which do not apply).

1. Date and description of the instrument- creating or evidencing the mortgage or charge or other interest (to be specified).

2. Amount secured by the mortgage or charge, etc.

3. Short particulars of the property- mortgaged, charge or other interest.

4. Gist of the terms and conditions and extent & operation of the mortgage, charge or other interest.

5. Names, addresses and description of the mortgagees or persons entitled to the charge or other interest.

6. Amount or rate per cent of the commission,allowance or discount discount (if any).

Signature _____

Name _____
(in Block letters)

Date:

Designation**** _____

Place:

---

*State the name and status/designation of the person signing the document.
**State name and address of the Treasury/Bank.
***Insert name of the company.
****State whether Chief Executive/Director/Secretary/position in relation to the Company or person authorized to accept service of process under section 451(1) (e).

BEST AVAILABLE DOCUMENT

FORM 13

THE COMPANIES ORDINANCE, 1984
(Section 123, 124 and 463)

REGISTRATION OF ENTIRE SERIES OF DEBENTURES/
REDEEMABLE CAPITAL

Name of Company _____

Company Registration No. _____

Presented by* _____

Fee paid Rs. _____ in** _____ vide receipt

No. _____ dated _____ (to be attached in original).

To

The Registrar of Companies _____
Particulars of a series of debentures/reddemable capital, containing, or giving by reference to any other instrument; any charge to the benefit of which the Redeemable Capital/ debenture-holders of the said series are entitled pari passu, created by** _____

1. Total amount secured by the whole series.

2. Amount of the present issue of the series.

3. Date of the resolutions authorising the issue of the series.

4. Date and description of the covering deed (if any) by which the security is created or defined :or if there is no such deed the first issue of any redeemable capital or debenture of the series.

5. General description of the property charged.

BEST AVAILABLE DOCUMENT

6. List of the terms and conditions and extent and operation of the mortgage, charge or other interest.

7. Names and addresses of the trustees (if any) for the redeemable Capital/debenture holders.

8. Amount or rate percent of the commission ,allownce or discount (if any).

Signature_____

Date :

Name_____
(in Block letters)

Place:

Designation*****_____

Note:-

A copy of the deed verified in the prescribed manner containing the charge or ,if there is no such deed, any other document evidencing terms of the issue or one of the debentures/instruments of the series must be filed with these particulars with the Registrar.

BEST AVAILABLE DOCUMENT

FORM 16

THE COMPANIES ORDINANCE, 1984
[Section 129 (3) and 463]

PARTICULARS OF MODIFICATION OF
MORTGAGE, CHARGE, ETC.

Name of Company_____

Companys Registration No._____

Presented by* _____

Fee paid Rs._____in**_____vide receipt

No._____dated_____(to be attached in original).

To

The Registrar of Companies_____

1. Date (s) and brief description of instrument (s) creating the *** original mortgage, charge, etc.

2. Date (s) and brief description of instrument(s) modifying the mortgage, charge,etc.

3. Particulars of the modification specifying the terms or conditions or extent or operation and the details of the modification

Signature_____

Date :

Name_____
(in Block letters)

Place:

Designation****_____

BEST AVAILABLE DOCUMENT

FORM 17

THE COMPANIES ORDINANCE, 1984
[Section 132 and 463]

MEMORANDUM OF COMPLETE SATISFACTION
OF MORTGAGE, CHARGE, ETC.QS

Name of Company_____

Companys Registration No._____

Presented by* _____

Fee paid Rs._____in**_____vide receipt

No._____dated_____(to be attached in original).

To,

The Registrar of Companies_____

***_____

hereby gives you notice that the registered mortgage/charge/hypothecation/ redeemable capital / debenture / series of debentures, musharika / leasing authorised by resolution dated_____for Rs._____of which particulars were registered with the Registrar of Companies on the_____ day of _____19_____was satisfied in full on the_____day of _____19_____the debts for which the charge, etc was given having been paid or satisfied.

The name(s) and address(es) of the mortgagee(s) /trustee(s) for the redeemable capital/ debenture holders, etc, are_____ (give description).

Signature_____

Date : Name_____
(in Block letters)

Place: Designation*****_____

BEST AVAILABLE DOCUMENT

71

FORM 21

THE COMPANIES ORDINANCE, 1984
[Section 142]

NOTICE OF SITUATION OF REGISTERED OFFICE
OR OF ANY CHANGE THEREIN

Name of Company_____

Companys Registration No._____

Presented by+ _____

Fee paid Rs._____in++_____ _____vide receipt

No._____dated_____(to be attached in original).

To,

The Registrar of Companies
Karachi

_____Ltd.,

hereby gives you notice , in accordance with section 142 of the Companies Ordinance 1984, that the registered office of the company is situated at_____

_____

/was removed from_____

_____

to _____ _____

_____

on the _____day of _____19

Signature_____

Name _____
(in Block letters)

Designation+++++_____
(State whether Chief Executive,Director or secretary).

Date ; the__ __day of _____

Place:

BEST AVAILABLE DOCUMENT

72

FORM 22

THE COMPANIES ORDINANCE, 1984

[Section 146(1) (d)]

DECLARATION OF COMPLIANCE WITH CONDITIONS OF SECTION 146 OF THE COMPANIES ORDINANCE , 1984 BEFORE COMMENCING BUSINESS IN CASE OF A COMPANY ISSUING PROSPECTUS

Name of Company.....

Company Registration No.....

Presented by*.....

Fee paid Rs.....in**.....vide Receipt No.....dated.....

(to be attached in original)

To

The Registrar of Companies.....

I/We***.....of.....being the Chief Executive ****/ Director and the Secretary of****.....do solemnly and sincerely declare as follows : -

1. That the amount of the share capital of the company offered to the public for subscription is Rs.....

2. That the amount stated in the prospectus as the minimum amount which in the opnion of the Directors, must be raised by the issue of share capital in order to provide for the matters specified in clause 5 of section 1 of Part I of the Second Shedule to the Companies Ordinance, 1984, is Rs.....

3. That shares held subject to the payment of the whole amount thereof in cash has been alloted to the amount of Rs.....

4. That every Director of the Company has paid to the Company full amount on each of the shares taken or contracted to be taken by him and for which he is liable to pay in cash.

5. That no money is, or may become , liable to be repaid to the applicants for any shares or participation term certificate /term finance-certificate / debentures which have been offered for public subscription by reason of any short subscription, failure to apply for, or to obtain, permission for the shares or participation term certificates/term finance certificates/debentures to be dealt on any stock exchange.

Verified that the forgoing statements are true to the best of my / our knowledge and belief and that nothing has been concealed.

Date :

Place:

Signature_____

Name _____

(in block letters)

Designation_____

BEST AVAILABLE DOCUMENT

FORM 23

THE COMPANIES ORDINANCE, 1984
[Section 146 (1)(e)]

DECLARATION BEFORE COMMENCING BUSINESS IN CASE OF A COMPANY FILING STATEMENT IN LIEU OF PROSPECTUS

Name of Company _____

Companys Registration No. _____

Presented by* _____

Fee paid Rs. _____ in** _____ vide receipt No. _____ dated _____ (to be attached in original).

To

The Registrar of Companies _____

I/We*** _____ of being the Chief Executive/Director and the Secretary of**** _____ do solemnly and sincerely declare as follows:-

1. That the amount of the share capital of Company subject to the payment of the whole amount thereof in cash is Rs. _____.

2. That the Company has not issued prospectus inviting the public to subscribe for its shares, and that it has filed with the Registrar a statement in lieu of prospectus on _____

3. That the amount fixed by the Memorandum or Articles and specified in the statement in lieu of prospectus as the minimum subscription upon which the directors may proceed to allotment is Rs. _____.

4. That shares held subject to the payment of the whole amount thereof in cash have been alloted to the amount of Rs. _____.

5. That every Director of the Company has paid to the Company full amount on each of the shares taken or contracted to be taken by him , and for which he is liable to pay in cash.

Verified that the foregoing statements are true to the best of my/our ***knowledge & belief and that nothing has been concealed

Signature (s) _____

Date :

Name(s) _____
(in Block letters)

Place: Karachi

Designation***** _____

BEST AVAILABLE DOCUMENT

74

FORM 25

THE COMPANIES ORDINANCE, 1984

(Section 157)

STATUTORY REPORT

Name of Company

Company Registration No.

Presented by*

Fee paid Rs. in** vide receipt No. dated
(To be attached in original)

Nominal share capital of the company is Rs. divided into shares of Rs. each.

To

The Registrar of Companies

Statutory Report of the ***

duly certified pursuant to Section 157 (6).

1. Date of notice of holding statutory meeting
2. Date of the meeting.
3. Place where meeting is to be held
4. The Director's report to the members is as follows :-

(1) Shares alloted and cash received up to day of
(the date should be within 7 days of the date report)

Particulars	Number and class (if any) of shares	Nominal value of each share	Cash received
(a) Alloted subject to payment thereof in cash			
(b) Alloted as fully paid up otherwise than in cash and the consideration for which they have been so alloted being :- (to be specified)			Nil
(c) Alloted at a discount of Rs. per share.			
Total:			

BEST AVAILABLE DOCUMENT

75

2. Abstract of receipts and payments of the Company upto the aforesaid date:

Receipt	Rupees	Payment	Rupees
Shares Advance payment for shares/ redeemable Capital/debenture		Preliminary expenses Commission on issue or sale of shares / redeemable Capital / debentures	
Loans Depsits		Discount on issue or sale of shares / redeemable Capital / debentures	
Other Sources (to be specified).		Capital expenditure: Land Building Plant Machinery Other Items (to be specified)	
		Balances in hand at Banks	
Total:		Total:	

Preliminary Expenses as estimated in the Prospectus / Statement in lieu of Prospectus Rs.

Preliminary Expenses actually incurred up to the aforesiad date :-

(a) Law charges

(b) Printing expenses of Memorandum & Articles.

(c) Stamp and Registration Fees

(d) Advertisement.

(e) Commission on issue or sale of shares/ redeemable capital / debentures

(f) Discount on issue or sale of shares / redeemable capital / debentures

(g) Other initial Expenses (to be specified)

Total Rs.

BEST AVAILABLE DOCUMENT

BEST AVAILABLE DOCUMENT

(4) Names, addresses and occupations of the Directors, Chief Executive, Secretary, Auditors and Legal Advisers of the Company and the changes, if any , which have occurred since the date of the incorporation :

Directors

Name	Address	Occupation	Particulars of changes, (if any)

Chief Executive

Name	Address	Occupation	Particulars of changes, (if any)

Secretary

Name	Address	Occupation	Particulars of changes, (if any)

Auditors

Name	Address	Occupation	Particulars of changes, (if any)

Legal Advisors

Name	Address	Occupation	Particulars of changes, (if any)

(5) Particulars of any contract the modification of which is to be submitted to the meeting for its approval together with the particulars of the modification or proposed modification.

(6) The extent to which under writing contract, if any, has been carried out. If contract not carried out fully, extent to which it has not been carried out and reasons therefor.

(7) The particulars of any commission or brokerage paid or to be paid in connection with the issue or sale of shares to any director, chief executive , secretary or officer or to a private company of which he is a director.

(8) Brief account of the Company's affairs since its incorporation and the business plan, including any change affecting the interest of shareholders and business prospects of the Company.

We hereby certify this report as correct , and that nothing has been concealed or withheld in this regard.

1.
(Name in Block letters)
Director

Date :

2.
(Name in Block letters)
Director

Place:

3.
(Name in Block letters)
Chief Executive

We hereby certify that so much of the report as relates to the shares alloted by the Company, to the cash received in respect of such shares and to the receipts and payment of the company is correct. We further certify that the said payments were made for the purposes of the Company.

Date :

BEST AVAILABLE DOCUMENT (Name in block letters)

Place:

Auditors

FORM 26

THE COMPANIES ORDINANCE, 1984
(Section 172)

SPECIAL RESOLUTION

Name of Company _____

Company Registration No. _____

Presented by* _____

Fee paid Rs. _____ in** _____ vide receipt

No. _____ dated _____ (to be attached in original).

To,

The Registrar of Companies _____

Date of despatch of notice specifying the intention to propose the resolution as Special Resolution.

Passed on*** _____

At a general meeting of the members of the said Company, duly convened and held at _____ in the city of _____ on the _____ day of _____ 19____ the following special resolution was passed.

Resolved that

Date :

Place:

Signature _____

Name _____
(in Block letters)

Designation*** _____

---

* State the name and designation of the officer signing the document.
** State the name and address of the Treasury/Bank.
*** If the members entitled to attend and vote at the meeting agreed to the special resolution being proposed and passed at the meeting of which less than 21 days notice was given state the position in this regard.

Note:- A printed or typed copy of every special resolution shall, within fifteen days from the passing thereof, be filed with the Registrar duly authenticated by the Chief Executive or Secretary of the Company.

BEST AVAILABLE DOCUMENT

FORM 27

THE COMPANIES ORDINANCE, 1984
(Section 184)
LIST OF PERSONS CONSENTING TO
ACT AS DIRECTORS

Name of Company_____

Companys Registration No._____

Presented by* _____

Fee paid Rs._____in**_____vide receipt

No._____dated_____(to be attached in original).

To

The Registrar of Companies_____

List of persons who have consented to act as Directors of***_____
_____to be filed with the Registrar pursuant to section 184(2).

We, the undersigned, hereby give you notice, pursuant to section 184(2) of the companies Ordinance, 1984 that the following persons have consented to act as Director of the***_____

Name in full	Father's/Husband's Name	Address	Description

Date :

Place:

BEST AVAILABLE DOCUMENT

Signature_____

Name_____
(in Block letters)

Address_____

Designation****_____

50

FORM 28

THE COMPANIES ORDINANCE, 1984
(Section 184)

CONSENT TO ACT AS DIRECTOR/CHIEF EXECUTIVE

Name of Company_____

Company Registration No._____

Presented by* _____

Fee paid Rs._____ in** _____ vide receipt No._____ dated _____ (to be attached in original).

To,

The Registrar of Companies_____

I/we, the undersigned, have consented to act as Director(s)/Chief Exective of the***_____pursuant to section 184 of the Companies Ordinance, 1984, and certify that I/We am/are not ineligible to become**** Directors(s)/Chief Executive under section 187 or 190 of the Companies Ordinance, 1984.

Name in full	Father's/Husband's Name	Occupation	Address	Signature(s)

Date :

Place: Karachi

Signature of responsible Officer
(Name in block letters)

BEST AVAILABLE DOCUMENT

FORM 29

THE COMPANIES ORDINANCE, 1984
(Section 205)

PARTICULARS OF DIRECTORS AND OFFICERS INCLUDING THE CHIEF EXECUTIVE, MANAGING AGENT, SECRETARY CHIEF ACCOUNTANT, AUDITORS AND LEGAL ADVISER, OR OF ANY CHANGE THEREIN.

Name of Company _____

Company Registration No. _____

Presented by* _____

Fee paid Rs. 100/- in** _____ vide receipt No. _____ dated _____
(to be attached in original).

To

The Registrar of Companies _____

Present name or surnames in full***	Any former name or surname in full	Father's / husband's name	Full usual residential address	Status / Designation	Nationality***	Nationality of origin (if other than present nationality)	Other business occupation & directorships (if any)	Date of present appointment or change	Changes (stating how appointed or changed)**
1	2	3	4	5	6	7	8	9	10

BEST AVAILABLE DOCUMENT

1	2	3	4	5	6	7	8	9	10

Date : Place : Karachi Signature: (Name in block letters: Designation** _____

*State the name and designation of the officer signing the document.
**State name and address of the Treasury.Bank.
***In the case of a corporation, its corporate name and registered or principal office and full name, address and nationality of each of its Director s,should be shown.
****In the case of a firm the full name, address and nationality of each partner and the date of which each became a partner should be given.
@Ine individual's primary business, occupation and particulars of all other directorships held by him must be entered. If a person has no other business occupation and/or directorship, this should be stated.
@@Indicate the nature of charges e.g., in dealing against a new Director's name the words "on behalf of..... and in writing against any former Director, name, "Change caused by death resignation retirement removal disqualification, etc." or change in address, designation, occupation, etc.
@@@State whether Chief Executive Director or Secretary.

Note :-
This statement should be typed or printed.

BEST AVAILABLE DOCUMENT

FORM 30

THE COMPANIES ORDINANCE, 1984

(Section 208 and rule 15)

RESOLUTION PASSED BY MEMBERS PURSUANT TO SECTION 208

Name of Company.....

Company Registration No.....

Presented by*.....

Fee paid Rs.....in.....vide receipt No.....dated.....
(to be attached in original)

To

The.....

.....

Date of despatch of notice of the general Meeting specifying the intention to propose the resolution .

Date of issue of notice in newspapers with names of newspaper and copy of the notice (in case of a listed company).

Date on which resolution passed.....

At a general meeting of the members of the said.....duly convened and held at.....in city of.....on..... the .....19.....the following resolution was passed by a majority of not less than 60% of the members entitled to vote as were present in person or by proxy.

Resolved that.....

A copy of minutes of the general meeting in which the said resolution was passed indicating separately names of members attending personally and by proxy with shares held by each is enclosed.

Place:

Date :

Signature _____

Name _____

(in block letters)

Designation_____

BEST AVAILABLE DOCUMENT

FORM 31

THE COMPANIES ORDINANCE, 1984
(Section 222)

RETURN CONTAINING PARTICULARS OF BENEFICIAL OWNERSHIP
OF LISTED SECURITIES

As at.....

1. Name of the of the director/ chief executive/managing agent/chief accountant/secretary/auditor/share holder

   (Please delete the designation(s) not applicable.....

2. Name of the company whose securities are held.....

3. Fee paid Rs.....in.....vide receipt.....dated.....
   (to be attached in original).

   To

   The Corporate Law Authority / Registrar of Companies.....

   In pursuance of section 222 of the Companies Ordinance, 1984 , I hereby declare that I hold/have obtained the beneficial ownership in..... .....and specify the following particulars, namely :-

A.

Name in full of owner , (a) self (b) Another person (give details)	Father's/ husband's name	Address	National-it/	Number and class (if any) of the securities beneficially owned	Cost in Rs.

B. Date of allotment / transfer of the shares in the name of the person or each of the persons referred to above.

C. Date of aquisition of the beneficial ownership.

D. Particulars of the person from whom the beneficial interest acquired.

E. Circumstances under which the shares were not registered in my name.

I declare that the information given in respect of my owneself and of the persons mentioned above is correct and complete to the best of my knowledge and belief.

Signature of the person making the declaration

Date :

Place:

BEST AVAILABLE DOCUMENT

Name _____
(in block letters)

Designation _____

FORM 32

THE COMPANIES ORDINANCE, 1984

(Section 222 and 224)

RETURN OF CHANGE OF BENEFICIAL OWNERSHIP
OF LISTED SECURITIES AND MAKING OF GAINS

As at _____

1. Name of the director/chief executive/ managing agent/chief accountant/ secretary/auditor/shareholder. (Please delete the designation(s) not aplicable) .....

2. Name of the company whose securities are held .....

3. Fee paid Rs.....in*.....vide receipt No..... dated..... (to be attached in original).

To
The Corporate Law Authority /Registrar of Companies ...Karachi.....

In pursuance of section 222 of the Companies Ordinance, 1984 I hereby report that the following changes have taken place in the securities beneficially owned by me in**.. .....

Sl No.	Name in full of owner (a) self (b) Any other persons (give details)	Father's / husband's name	Address	Nationality	Number and class (if any of the securities beneficially owned	Cost in Rs.
1	2	3	4	5	6	7

BEST AVAILABLE DOCUMENT

Particulars of purchase or sale

Purchase				Sale			
1	2	3	4	5	6	7	8

C. Details and nature of any other change in beneficial ownership not specified above.

D. Gain made by.....during the half year by the purchase and sale, or the sale and purchase, of any such security by within the six months preceeding the date of a purchase or a sale shown against 'B' showing the following :

Purchases during six months				Sales during six months	
Date	No .of shares	Rate per share	Total Cost	Date	No.of shares
1	2	3	4	5	6

			Tenderable gain during six months		
Rate per share	Total price	Date	No. of shares	Gain per share	Total gain rupees
7	8	9	10	11	12

BEST AVAILABLE DOCUMENT

E. Whether such gain has been reported to the company (the issuer) ? If so, please furnish evidence ....

F. Whether such gain has been tendered to the company (the issuer) ? If so, please furnish evidence, If not whether a demand has been received ....

G. Particulars of such gain not tendered to or recovered by the company (the issuer) within six months of its accural ....

I declare that the information given in respect of my ownself and of the persons mentioned above is correct and complete to the beast of my knowledge and belief.

Signature of the person making the declartion

Date :

Chief Executive

Place :

(Name in Block letters)

BEST AVAILABLE DOCUMENT

FORM 33

THE COMPANIES ORDINANCE, 1984

(Section 230 (1) AND 464)

NOTICE OF ADDRESS AT WHICH BOOKS OF ACCOUNTS ARE MAINTAINED

Name of Company _____

Company Registration No. _____

Presented by * _____

Fee paid Rs. _____ in** _____ vide receipt

No. _____ dated _____ (to be attached in original).

To,

The Registrar of Companies
Karachi.

_____ _____ hereby gives you notice pursuant to the proviso to sub-section (1) of section 230 of the Companies Ordinance, 1984, that the Board of Directors of the Company have decided, vide resolution dated the _____ day of _____ 19 _____ , to keep the books of account of the company at the following address:

Date :

Place:

Signature(s) _____

Name(s) in Block letters _____

Designation***** _____

BEST AVAILABLE DOCUMENT

FORM 34

THE COMPANIES ORDINANCE, 1984

(Section 236)

NAME OF COMPANY.....

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHARE HOLDERS OF*.....

No. of Shareholders	Shareholding	Total Shares held
_____	holding from 1 to 100 shares	
_____	holding from 101 to 500 shares	
_____	holding from 501 to 1000 shares	
_____	holding from 1001 to 5000 shares	
_____	holding from 5001 to 10,000 shares	
_____		

Total :

Categories of shareholders	Number	Share held	Percentage
Individuals.			
Investment companies.			
Insurance Companies.			
Joint Stock companies.			
Financial Institutions.			
Modaraba companies.			
Others(to be specified).			
Total	****	***	

Signature _____

Name _____
(In block letters)

Designation _____

BEST AVAILABLE DOCUMENT

1. Name and address of company.

2. Nature and manner of declaration of dividend with the year to which it pertains.

3. Dates of__

   (i) Directors

   (ii) Books closure.

   (iii) A.G.M. (where applicable).

4. Date upto which dividend__
   (a) is required to be paid in terms of sub-sections(1) of section 251: and
   (b) will be paid, if extension applied for is granted.

5. Dividend payable __

   (a) Rate.
   (b) Total amount.

6. Particulars of shareholders to whom payable :-

   (a) Names and full addresses.
   (b) Numbers of share held.
   (c) Amount payable.
   (d) Precise reason for withholding or deferring payment in case of each sahreholder indicating the clause of proviso to sub-section(2) of section 251 under which withholding or deffering of payment permissible.
   (e) Details of any objection received from persons conncerned.

7. Any other information which may have bearing on the company's request for extension.

8. The following duly attested documents are appended :-

   (a) Last audited duly attested annual balance sheets and profit and loss account and the directors report and, if relevant, statement of sources and application of funds.
   (b) Documents in support of the claim made in item 6(d) above, namely

   .....

Verified that the information give above and in the accompanying documents is true and correct to the best of my knowledge and belief and that nothing has been concealed.

Signature

Dated.....198..

CHIEF EXECUTIVE

BEST AVAILABLE DOCUMENT

FORM 35

THE COMPANIES ORDINANCE , 1984

[Section 251 (2)]

APPLICATION FOR EXTENSION IN PERIOD FOR PAYMENT OF DIVIDEND

Name of Company.....

Company Registeration No.....

Presented by*.....

Fee paid Rs.....in**.....vide.....

(name of treasury)

receipt No.....dated.....(to be attached in origianl)

To

The Corporate Law Authority.
Islamabad

Dear dir,

We..... hereby apply pursuant to sub-section (2) of section 251 of the Companies Ordinance, 1984 for whitholding payment or for extension of.....days in the time within which payment of dividend declared by us on.....may be made , the statutory period for payment whereof expires on.....

Necessary information and documents as required in the Annex to this Form are furnished herewith duly verified and signed by the undersigned.

I affirm and declare that to the best of my knowledge and belsif the information contained in and submitted with this application and the accompanying documents, is, true and correct and nothong has been concealed.

Date :

Place:

Yours faithfully

Signature

(Name in block letters)

BEST AVAILABLE DOCUMENT

THE COMPANIES ORDINANCES, 1984

SECTION 86 (3)

CIRCULAR TO BE SENT TO MEMBERS ALONGWITH THE NOTICE OFFERING NEW SHARES.

PART -I-

MATERIAL INFORMATION ABOUT THE AFFAIRS OF THE COMPANY.

1. Name of the Company .....

2. Status (i.e.whether Public or Private. If Public, Listed or Non-listed). .....

3. Full Address of the Registered Office. .....
.....

4. Date of Incorporation .....

5. Date of Commencement of business .....
.....

6. Names, addresses of the chief Executive/directors (where such person is already a director or chief Executive or other officer of any other company, the name of such other company and office held thereon). .....

7. Existing Capital indicating classes of shares, if any

   (i) Authorised Capital :- Rs. .....
   Divided into .....
   Shares of Rs. ..... each.

   (ii) Subscribed Divided into .....
   Shares of Rs. ..... each.

   (iii) Paid up Divided into .....
   Shares of Rs. ..... each.

   (iv) Redeemable Capital indicating nature thereof or any commitment for issuing it. .....

8. Particulars regarding holding company, if any .....

9. Particulars of the company's existing business operations/ projects / Units .....
.....

BEST AVAILABLE DOCUMENT

10. Particulars regarding subsidiaries, if any. .....

11. Any change expected or planned in item 8 to 10 above. .....

12. Profits/losses of subsidiaries/Bonus declared during the proceeding three years (Or such shorter period for which the company may have issued accounts.

Year	Profit/loss	Cash dividends	Stock Bonus

13. Profits/ losses of subsidiaries if any, not accounted for, or reflected in the holding company s own accounts in the last three years. .....

14. Where the figures of last year s profit/loss are for a period more than six months prior to the issue of the circular, information in regard to profit/loss for the six months following the date of the last accounts should also be provided: and

PART - II

NECESSITY FOR THE ISSUE OF THE CAPITAL

15. Amount of the proposed issue. Rs. _____ divided into _____ _____ Shares of Rs. _____ each.

16. Whether consent of the Controller of the Capital issues obtained, if not necessary statement to this effect. .....

17. Proportion of new issue to existing shares with any condition applicable thereto. .....

18. Purpose of the present issue specifying the main projects / objects for which additional funds required. .....

19. Expected benefits in profitability or otherwise likely to accrue from the proposed issue. .....

20. Date by which offer to be accepted and mode of acceptance. .....

21. Any other material information having bearing on the issue. .....

Signature _____

Name _____
(in block letters)

Designation _____

Date:- _____ .

Place:- _____

BEST AVAILABLE DOCUMENT

4. The name of the representative the Managiang Agency proposed to nominate/has nominated to serve on the Board of Directors of the managed company; his technical, engineering and other qualification and experience which make him suitable for appointment to the Board of Directors of the managed company; and the details of qualifications and experience of any other experts assigned for service in the managed company at the expense of the Managing Agency.

Prior capital issues :

a) Number, date and amount of consent orders previously issued with indication of the number, type and amount of shares/bonus shares/ debentures/any other security authorised for issue under each order.

b) Number of shares/Bonus shares/ debentures/any other security with type and amount actually offered for issued on the authority of each Consent Order mentioned above with indication of the amount actually subscribed under each type of issue

c) Classification of the subscription mentioned above by:

i) The Directors with names and amount subscribed by each under each type of issue

ii) The Director's friends and relations with names and amount subscribed by each under each type of issue

iii) The general public with amount subscribed under each type of issue.

iv) The National Investment Trust with amount subscribed under each type of issue.

BEST AVAILABLE DOCUMENT

APPLICATION FORM FOR ISSUE OF CAPITAL UNDER
CAPITAL ISSUES (CONTINUANCE OF CONTROL) ACT, 1947

Name or proposed name of the Company

Incorporation

a) Place of registration of the Company

b) Public or Private

c) Place of Head Office of the Company

d) Place of actual operations of the Company if carried on at a different place than the Head Office

e) If subsidiary, name of the parent Company and the extent of its interest in the subsidiary company

f) Place of the parent Company's Head Office

Business

Business or proposed business of the Company with particular reference to the issue now proposed

Directors

a) Names and nationality of the directors/Managing Director and their business address with names of other Companies with which they are associated

i) Directors with an indication of the amount invested by each in each of such companies; and

BEST AVAILABLE DOCUMENT

ii) The amount invested by the Managing Director and by each director of the Managing Agency and the Agency itself in each of the other companies with which they are associated and the amount of remuneration drawn by them from such companies

b) Have the Directors agreed in writing to serve as Directors of the Company

Managing Agency:
In the case of Managing Agent/Managing Agency, if any proposed/appointed, indicate:

1. The justification for appointment of a separate Managing Agency in the place of the Managing Director to manage the affairs of the Company

2. The name and address of the Managing Agent proposed/ appointed with proposed terms of remuneration and duration of appointment; his engineering and other technical qualifications, if any, which make him suitable for such appointment the amount investment by him in the capital of the managed company and the number of other companies managed by him together with the amount of remuneration drawn by him from them.

3. In the case of private public companies proposed/ appointed as Managing Agent specify the name, nature and address of the Managing Agency; the names of its Directors and Managing Directors; the amount invested by each in the capital of the Managing Agency and in the capital of the managed company; the remuneration proposed/fixed for payment to the Managing Agency with duration of its appointment, the number of other companies managed by it together with the amount of remuneration drawn by it from them.

BEST AVAILABLE DOCUMENT

v) The managing Agent/Agency with amount subscribed under each type of issue.

vi) Other corporate institutions with amount subscribed under each type of issue.

vii) Vendors by transfer of assets and cash, if any, with value/ amount set off against each type of issue.

viii) foreign associates, foreign non-resident participants/ foreign participants resident in Pakistan with amounts subscribed by them under each type of issue indicating details of :

1. Transfer of cash in foreign currency with amount and local currency equivalent

2. Transfer of cash in local currency with amount.

3. By consideration other than cash with amount giving details of the transaction.

4. Terms of repatriation of capital and profits.

ote: The names of underwriters, if any, with the type and amount of isse underwritten by them together with the rate of commission allowed should be given at the end of the answer of this question.

Present capital issue :

Indicate the total amount of capital now proposed for issue classified under :

BEST AVAILABLE DOCUMENT

tes: The answer to this question should specify at the end :

(1) whether the amount permissible under the general exemption limit is inlcuded or excluded in the total amount of capital proposed for issue.

(2) The voting rights to be granted.

(3) the premium, entrance fee and discount, if any. included in the proposed issue price of shares/ debentures or any other type of security.

(4) The name of underwriters, if any. and the commission proposed to be paid to them with type & amount of capital proposed to be underwritten by them.

(5) The loan. if any, that is proposed to be raised by hypothecation of the assets of the Company.

(6) The reserves to be drawn upon for issue of bonus shares, indicating the amount under each reserve and the balance left in each after drawal.

(7) Indicate whether the offer of shares/bonus shares/ debentures/any other security in the capital issue proposed above will be private or public or both.

BEST AVAILABLE DOCUMENT

i) Cash issue with indication of the number of shares. the value of each share and the amount intended for issue.

ii) Bonus issue with indication of the number of shares proposed for issue, the value of each share, and the amount intended for issue.

iii) Debentures with indication of the number of debentures proposed for issue on redeemable/non-redeemable basis, the value of each type of debentrure, the period of redemption and the amount intended for issue under each type of debenture. The name of the institution with which the arrangement for taking up the proposed issue of debentures has been made together with the amount proposed to be taken up by each such institution should also be indicated.

iv) Any other security with indication of the terms of issue and the amount intended for issue.

v) For consideration other than cash with indication of the nature of the transaction by major heads as transfer of assets/supply of machinery/cash transfer/technical knowhow etc., with value of the consideration to be received/ received under each class of transaction. the type and amount of compensation proposed for each item of the transaction and the total amount of capital proposed for issue as cover.

BEST AVAILABLE DOCUMENT

8. Cash Expenditure :

The exact manner in which the proceeds of the cash issue is proposed to be utilised should be indicated against each item shown below specifying separately the immediate and ultimate money requirements and proposed period of adjustment : (Local Currency)

i) Purchases of plant and machinery and Import exp.

ii) Purchases of land and construction of building

iii) Expenses for installation of Plant and machinery and electric fittings

iv) Purchase of accessories of auxiliaries

v) Purchase of office equipment, transport vehicles, furniture, etc.

vi) Acquisition of assets of other companies.

vii) Purchase of raw materials.

viii) Working capital(including interest during construction, preliminary expenses & contigencies)

Notes: (1) In case of concerns undertaking various businesses the expenditure for each businesses should be shown separately against the relevant business giving brief description of the business.

BEST AVAILABLE DOCUMENT

(2) In case of import of machinery from abroad, indicate the source of supply, the country of origin, the value of machinery; the foreign currency supply source with a copy of the letter of sanction issued by a complent authority, if obtained, alongwith statement whether the CCI & E has permitted the import of the item by the company.

(3) Furnish similar details for import of raw materials and goods other than capital goods required by the Company.

(4) Furnish an estimate of the annnual foreign exchange requirements of the company for import of both capital goods and goods other than capital goods.

9. New Insurance Companies :

In the case of application for issue of capital by New Insurance Companies certified copies of the agreements, if any, between the Company and its officers and its Managing Director should be enclosed with each copy of the application.

Karachi
Dated:

BEST AVAILABLE DOCUMENT

FORM A KAR NO.

AS REQUIRED BY PART VIII OF THE COMPANIES ORDINANCE, 1984
(See Section 156)

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 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

Nomainal share capital Rs._____ divided into_____

(Number) Share of Rs._____ each

(b) Issued Share Capital and Debentures.

	Number	Class of Shares
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).		
Number of shares issued subject to payment wholly in cash.		
Number of Bonus shares issued as fully paid-up.		
Number of shares issued as fully paid-up for a consideration other than cash.		
Number of shares (if any) issued at a discount.		

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

BEST AVAILABLE DOCUMENT

Amount paid up on shares of each class. Rs._____per share on_____Shares

Rs._____per share on_____ Shares

Rs._____per share on _____ Shares

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. per share	CLASS	NUMBER

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 (if any) paid by way of premium on shares. Rs. _____

Total amount of sums (if any) allowed by way of discount in respect of any debenture 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.

The amount of indebtedness of the company on the day 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

NIL

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

Name and address of registered office.	Extent of shareholding.
NOT APPLICABLE	

BEST AVAILABLE DOCUMENT

'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 dis-used before the person bearing the name attained the age of eighteen years or has been changed or dis-used 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 previuos 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 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 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 executivesnips, managing agencies, or secretary ship,etc should be listed on a separate statement attached to this return which should be similarly certified and signed.
Certificate to be given by 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.

Signed_____ Chief Executive

Dated_____ 19_____ _____ Secretary

or Directors:-

1_____

2_____

BEST AVAILABLE DOCUMENT

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 annual return was submitted, issued anyy invitation to the public to subscribe for any shares or debentures of the company.

Dated_____19_____ Signed _____ Chief Executive

_____secretary

or Directors

1_____

2_____

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

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

Dated_____19___ Signed_____ Cheif Executi

_____ Secretary

or Directors:-

1_____

2_____

Notes: Names of signatories should also be stated, under their signature , in Block letters

BEST AVAILABLE DOCUMENT

LIST OF PAST AND PRESENT MEMBERS AND DEBENTURE HOLDERS A 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 on the year end of persons who by a signed transfer at any time since the _____ day of _____ 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 or ledger	NAMES, ADDRESS, NATIONALITY AND OCCUPATION				ACCOUNT OF SHARES				REMARKS
	Names, with Father's/Husband's Name	Address	Nationality	Occupation	Particulars of shares transferred since the date of the previous annual general meeting or in the case of the members at date of first return since the incorporation of the company, of the members who by a signed transfer at any time since the last date specified in column 6 ceased to be members		Numbers of shares held by members at the close of the year of the last annual general meeting held	Names, Father or Husband's Name, Address, Nationality and Occupation of any of the members	
					Numbers	Date of registration of transfer			
1	2	3	4	5	6	7	8	9	10
Share holders/Members/Debenture holders.									

BEST AVAILABLE DOCUMENT

101

1	2	3	4	5	6	7	8	9	10
	Share Holders/Members/Debenture Holders.								

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

*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 shown in the summary of share 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.

Superfluous should be deleted.

BEST AVAILABLE DOCUMENT

108

PARTICULARS OF DIRECTORS, CHIEF EXECUTIVE, MANAGING AGENTS, (IF ANY), SECRETARY, AUDITORS AND LEGAL ADVISERS, (SEE S.S PRESS)

4. 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 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.

The present name or names and surname in full(a)	Any former name or names or surname in full	Nationality and nationality of original 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

Notes :-

(a) Also give Father's name and in case of married woman or widow, the name or her or husband's or deceased husband

(b) The individuals primary business, occupation and particulars of all other directs ships held by him must be entered.

(c) 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.

BEST AVAILABLE DOCUMENT

2. Particulars of the censor and the chief executive or managing agents, 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 nearly the _____ day of _____ 19____ and of those who cease to hold such office on or before the date and since the date of the annual general meeting of the last, date of the year with reference to which the last return was submitted, namely: the _____ day of _____ 19____, in the case of the first return, since the incorporation of the company.

The present name or names and surname in full (a) (b) (c)	Any former name or names and surname in full	Nationality and nationality of origin of different from present nationality.	Usual residential address in the case of a firm or body corporate state the registered or principal office	Particulars of managing agencies, directorships, office of chief executive and secretary in the case of individuals; held in other companies besides corporate	Date of appointment as chief executive or managing agent in the company in the year	Date of cessation, if any
1	2	3	4	5	6	7
1. Chief Accountant						
2. Managing Agents :-						

Notes :-

(a) In the case of individual his Father's name, in the case of a married woman or a widow, the name of her husband should be mentioned.

(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.

(d) The individual's primary business, occupation and particulars of all other directorships held by him must be entered.

BEST AVAILABLE DOCUMENT

2. Particulars of the person who are chief accountant or secretary of the company, on the day of the last annual general meeting held, the _____ day of _____ 19____ or where no annual general meeting held, the last date of the year and of the persons who ceased to be Chief Accountant/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 submitted, namely :- the _____ day of _____ 19_____ or, in the case of the first return, since the incorporation of the company.

The 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. (b) or (c)	Date of appointment	Date of cessation if any.
1	2	3	4	5	6	7

2. Secretary

+ Also give Father's name, and in case of married woman or widow, the name of her husband or deceased husband

3. Particulars of the auditors and 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 of _____ 19____ and of the person(s) who ceased to hold such offices on or before that date and since the date of 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.

The present name or names and surname if any	Any former name or names or surname if any	Nationality and nationality of origin, (if different from present nationality.)	Usual residential address	Professional Qualification	Date of appointment	Date of cessation if any.
1	2	3	4	5	6	7
Auditors **						

NOTES :-

* Also give father's name and in case of married women or widows, the name of her husband or deceased husband.

** In the case of a firm, give name of the firm and full particulars of each partner and the date on which each became a partner (which to be indicated).