

Press Release

SEC Penalises Moonlite (Pak) Ltd

ISLAMABAD – 8 November 2004: The Securities and Exchange Commission of Pakistan (SEC) has imposed a penalty of Rs 5,000 on the chief executive of M/s Moonlite (Pak) Limited for unlawfully utilizing the provident fund amounts of the employees of the company.

Section 227 of the Companies Ordinance, 1984 requires a company to pay employees' contributions, along with its own contributions, to the provident fund within fifteen days from the date of deduction. The trustees are responsible to invest the fund's money in securities specified in the Ordinance.

An examination of the accounts of Moonlite (Pak) Limited for the year ended 30 June 2002 revealed that an amount of Rs. 2,180,280, which increased to Rs. 4,656,182 as of 30 June 2004, was payable by the company to the Moonlite (Pak) Limited Employee's Provident Fund Trust. On an enquiry, the company took the plea that due to liquidity problems it had been utilizing the provident fund amounts on mark up at a rate higher than the government securities under an agreement between the company and the Fund. The plea taken by the company was not found cogent as the law does not permit companies to use employees' money under the pretext of liquidity problems or payment of higher returns to the fund.

The SEC, in addition to imposing a penalty on the Chief Executive, directed the company to repay all outstanding amounts to the Fund.