



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

[Islamabad]

Before Ali Azeem Ikram, Director Enforcement

In the matter of

M/s. Frontier Ceramics Limited

Under Sub-Section (6) of Section 218 read with Section 476 of the Companies Ordinance, 1984

Number and date of notice	EMD/233/584/2002-2643 dated: October 13, 2010
Date of hearing	December 7, 2010
Present	Mr. Muhammad Atif Mirza, Deputy Manager Finance Mr. Noor Khan, Assistant Company Secretary
Date of Order	December 08, 2010

## ORDER

This order will dispose of the proceedings initiated against the Chief Executive and Directors of Frontier Ceramics Limited (the "Company") under Sub-Section (6) of Section 218 read with Section 476 of the Companies Ordinance, 1984 (the "Ordinance").

2. Facts leading to the case are that examination of Annual Accounts of the Company for year ended June 30, 2009 revealed that the annual managerial remuneration of Chief Executive Officer was increased from Rs. 258,064/- in 2008 to Rs. 580,644/- in 2009. It was observed that in respect of the aforesaid, the Company had failed to comply with the requirements of Sub-Section (2) of Section 218 of the Ordinance which provides that:

*(2) Where a company appoints or enters into a contract for the appointment of a chief executive of the company, or varies any such contract already in existence, the company shall send an abstract of the terms of the appointment or contract or variation to every member of the company within twenty-one days from the date of the appointment or of entering into the contract or varying of the contract, as the case may be, and if any other director of the company is concerned or interested in the appointment or contract or variation, a memorandum clearly specifying the nature of the concern or interest of such other director in the appointment of contract or variation shall also be sent to every member of the company with the abstract.*

Proceedings were therefore initiated against all the directors of the Company vide Show Cause Notice (SCN) dated October 13, 2010 requiring them to show cause as to why penal action as provided in the aforesaid legal provisions may not be taken against them.

3. The reply to the SCN was received from the Company Secretary vide his letter dated November 3, 2010 on behalf of all the directors. He admitted the default and submitted that "we have not complied with the provisions of Section 218 of the Ordinance, but same was neither willful nor intentional. It is therefore, requested that while taking merciful action the default may very kindly be condoned and penalty in this regard may not be imposed on the company or its officers and oblige."

*Ali Azeem Ikram*



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4. In order to provide an opportunity of personal hearing, the case was fixed on November 23, 2010 which was adjourned on the request of the Company the respondents were finally heard on December 07, 2010. Mr. Muhammad Atif Mirza (Deputy Manager Finance) and Mr. Noor Khan (Assistant Company Secretary) appeared before me on behalf of all the directors of company at the time of hearing. They reiterated the Company's earlier stance as was given through the written submissions in response to the SCN and requested for a lenient view of default.

5. In view of the foregoing, the default is established and admitted, however, keeping in view the assurance given by the Company that the requirements of law shall be complied with in future, I am inclined to take a lenient view of the default. Therefore, instead of imposing a maximum penalty as stated in Section 218 of the Ordinance, I impose a penalty aggregating to Rs.14,000/- (Rupees Fourteen Thousand only) under sub-Section (6) of Section 218 read with Section 476 of the Ordinance on the Chief Executive and each of the directors of the Company. The detail of the penalties imposed is as follows:-

S. No.	Name	Penalty (Rupees)
1	Mr. Omer Khalid, Chief Executive	2,000
2	Mr. Zia Khalid, Director	2,000
3	Mrs. Shazia Khalid, Director	2,000
4	Mr. Raja Ghazanfar, Director	2,000
5	Ms. Farhat, Director	2,000
6	Ms. Sana Khalid, Director	2,000
7	Mrs. Pervez Aslam, Director	2,000
	<b>Total</b>	<b>14,000</b>

6. The Chief Executive and directors of M/s. Frontier Ceramics Limited are hereby directed to deposit the aforesaid fines aggregating to Rs.14,000/- (Rupees Fourteen Thousand only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty days from the receipt of this Order and furnish receipted vouchers or pay by a DD/pay order issued in the name of Commission for information and record, failing which proceedings under the Land Revenue Act, 1967 will be initiated which may result in the attachment and sale of movable and immovable property. It may also be noted that the said penalties are imposed on the Chief Executive and other directors in their personal capacity who are required to pay the said amount from their personal resources.

**Ali Azeem Ikram**  
Director (Enforcement)