



Corporate Supervision Department  
Company Law Division

Before Mr. Imran Iqbal Panjwani – Executive Director / HoD (CSD)

*In the matter of*

**Nimra Textile (Pvt.) Limited**

Number and date of notice: EMD/242/F/47/11-243 dated October 13, 2014  
Date of hearing: April 9, 2015  
Present: Mr. Kashif Sattar, Authorized Representative

**ORDER**

**UNDER SECTION 218 READ WITH 476 OF THE COMPANIES ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against directors including chief executive (together referred to as "respondents") of **Nimra Textile (Pvt.) Limited** (the "Company"). The proceedings against the respondents were initiated through show cause notice (the "SCN") dated October 15, 2014 issued under the provisions of section 218 read with section 476 of the Companies Ordinance 1984 (the "Ordinance").

2. The brief facts of the case are that examination of the annual audited financial statements of the Company for the years ended June 30, 2011, June 30, 2012 and June 30, 2013 (the "Accounts") filed with the Registrar of Companies pursuant to the provisions of section 242 of the Ordinance revealed that, the remuneration of the directors of the Company changed in the following manner:

Description	2013 Amount in Rs	2012 Amount in Rs	2011 Amount in Rs.	2010 Amount in Rs
Directors' Remuneration	960,000	Nil	Nil	840,000
No. of Directors	1	1	1	2

The Company did not attach to the directors' report referred to in section 236 of the Ordinance an abstract of the terms of the appointment, contract or variation thereto, together with a memorandum clearly specifying the nature of the concern or interest of the director in such appointment or contract or variation. Consequently, the SCN was issued to the respondents as the Company, prima facie, contravened the provisions of section 218 the Ordinance.

3. In response to the SCN, the respondents vide letter dated October 27, 2014 submitted that the remuneration of directors was increased in the directors meeting. They emphasized that the



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Company has only two directors and shareholders who are all family members, the change in remuneration was in their knowledge, therefore, non-disclosure of the change in directors' report was not willful and intentional. They assured of compliance with relevant legal provisions in future. The case was fixed for hearing on December 10, 2014 which was adjourned on respondents' request and was later held on April 9, 2015 before the undersigned. The respondents were represented through their authorized representative Mr. Kashif Sattar. They reiterated their earlier stance and requested for a lenient view.

4. Relevant provisions of sub-section (1) of section 218 of the Ordinance state as under:

*"Where a company-*

*(a) appoints, or enters into a contract for the appointment of, a chief executive, managing agent, whole-time director or secretary of the company, in which appointment or contract any director of the company is in any way, whether directly or indirectly, concerned or interested: or*

*(b) varies any such contract already in existence;*

*the company shall make out and attach to the report referred to in section 236 an abstract of the terms of the appointment or contract or variation, together with a memorandum clearly specifying the nature of the concern or interest of the director in such appointment or contract or variation."*

Sub-section (6) of section 218 prescribes penalties for contravention of the provisions of section 218.

5. I have analyzed the facts of the case, relevant provisions of the Ordinance, and submissions made by the respondents. It is clear that provisions of sub-section (1) of section 218 have been contravened because the required disclosures in directors' report were not made by the respondents. However in view of the fact that the Company is private limited company with only three shareholders who are family members, I hereby conclude the case with a warning to the respondents to be careful in future regarding compliance with applicable legal provisions.

  
**Imran Iqbal Panjwani**

Executive Director / Head of Department (CSD)

**Announced:**

April 22, 2015

Islamabad