



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

*Company Law Division
(Enforcement Department)*

Before Abdul Rehman Qureshi, Commissioner (CLD)

In the matter of
M/S Johnson & Phillip (Pakistan) Limited

Date of hearing October 14, 2003

Present Mr. Shehryar Anwar Saeed,
Chief Executive

Order

This order shall dispose of the proceedings initiated against the directors of M/S Johnson & Phillip (Pakistan) Limited under Section 186 of the Companies Ordinance, 1984 (“the Ordinance”) for non-holding of election of directors of the Company as required under Section 177 of the Ordinance.

2. The facts of this case briefly stated are that the Company was required to hold its election of directors on or before June 28, 2002 under Section 177 of the Ordinance. The continuing directors, however, failed to hold the election within the prescribed period and they even did not report the impediments to the Registrar within fifteen days as required under Section 177 of the Ordinance. Consequently, a notice dated July 30, 2003 was served upon the directors of the Company to show cause as to why penalty as provided under Section 186 read with Section 476 of the Ordinance, may not be imposed and why they may not be debarred from continuing or becoming the director of the Company for a period of three years.

3. In reply to the show cause notice, Mr. Shehryar Anwar Saeed, Chief Executive of the Company vide his letter dated August 20, 2003 stated that the Company was facing difficult time and various banks had instituted cases against the Company. The management was trying to resolve the problems to avoid liquidation of the Company in the best interest of the shareholders. In fact the directors were always trying to ensure



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timely holding the election of directors but their efforts were focused to resolve the issues with banks, therefore the contravention of the law was neither knowingly nor willfully. It was also stated that the Company is holding election of directors on September 15, 2003. Mr. Saeed further stated, that he and Mr. Qureshi, being the executive directors, should not be debarred from the office of the director, otherwise the company will effectively be left with no management personnel. Mr. Firasat Ali on behalf of the directors nominated by NIT namely Mr. Fayaz A. Longi and Ms. Shahnila Parekh replied that they have withdrawn their directors from the Board due to failure to comply with the Company Law and its inability to continue as going concern. He further stated that this has already been informed to the Commission through various correspondence in the past for which copies of the correspondence were also placed on record. Mr. Abbas Shaikh, nominee director of Muslim Commercial Bank also submitted that he has already resigned from the Board on May 12, 2003. In order to provide an opportunity of personal hearing, the case was fixed for October 14, 2003. On the said date, Mr. Shehryar Saeed, Chief Executive of the Company appeared and pleaded the case.

4. Mr. Shehryar Saeed submitted that the Company has held the election of directors in the general meeting held on September 15, 2003 and requested a lenient view of the default. He also provided copies of the notice of meeting, minutes of meeting and returns (Form 27, Form 28 and Form 29) filed with CRO, Karachi in support of his contentions.

5. Taking into consideration, all the relevant facts of the case, past record of compliance of statutory provisions of law and the fact that the respondents have admitted their default, I consider that the default was committed willfully and intentionally because holding of election of directors cannot be linked with the financial problems which were faced by the Company. All the above circumstances also reflect the respondents' disregard towards the provisions of law and require a strict view of the default. However, keeping in view, the management's assurance to be careful in future and the fact that the management has subsequently held the election of directors, I am



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inclined to take a lenient view and instead of debarring the directors from becoming or continuing a director of the company for a period of 3 years, impose a fine of Rs. 10,000/- each on Mr. Shehryar Anwar Saeed, CEO Mr. Nadeem S. Qureshi and Mr. Obaidullah Khawaja. The other directors of the company taking a lenient view are warned to be compliant of all the provisions of law in future.

6. The directors of the company are directed to deposit the total fine of Rs. 30,000/- imposed upon them in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the receipt of this order and furnish the receipted challan to the Commission.

(Abdul Rehman Qureshi)
Commissioner (C.L.D)

November 10, 2003
ISLAMABAD