



Corporate Supervision Department
Company Law Division

Before Amina Aziz – Director (CSD)

In the matter of

Premier Formica Industries Limited

Number and date of notice: EMD/242/P/46/11-507-513 dated November 20, 2014
Hearing Held on: February 18, 2016
Present: Syed Haider and Mr. Iftikhar Ahmed, Representatives

ORDER

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

This order shall dispose of the proceedings initiated against the following directors (the “respondents”) of **Premier Formica Industries Limited** (the “Company”):

- | | | | |
|---|------------------------|---|-------------------|
| 1 | Mr. Jamshed Saval, CEO | 5 | Mrs. Kausar Aziz |
| 2 | Mr. Mohsin Aziz | 6 | Mrs. Farhat Saval |
| 3 | Mr. Affan Saval | 7 | Mrs. Huma Mohsin |
| 4 | Mr. Imran Saval | | |

The proceedings against the respondents were initiated through show cause notice (the “SCN”) dated November 20, 2014 issued under section 218 read with section 476 of the Companies Ordinance 1984 (the “Ordinance”).

2. The brief facts of the case are that examination of annual audited financial statements of the Company for the years ended June 30, 2012 (the “Accounts”) filed under section 242 of the Ordinance revealed that the remuneration of the chief executive directors increased as under:

Year	2012	2011
Chief Executive’s Remuneration	Rs1,200,000	Rs790,000

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

3. In response to the SCN, the respondents through letter dated November 11, 2014 (received on December 3, 2014) stated that section 218 of the Ordinance was no applicable in the instant matter as the Company did not appoint new chief executive. The increase in remuneration of the chief executive that was pending for last few years was discussed in meeting of the board of



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

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directors. Based on their submissions, they requested for withdraw the proceedings. Hearings in the matter were fixed on April 9, 2015 and February 9, 2016, however, the respondents requested for adjournment each time. The hearing was finally fixed and held on February 18, 2016 before the undersigned. The respondents were represented by Syed Haider and Mr. Iftikhar Ahmed. With reference to the content of the SCN, it was stated that there was not any material change in the remuneration of the chief executive and compliance of requirements of section 218 was inadvertently overlooked and may be condoned. They also provided copies of resolutions of the BOD dated June 22, 2010 and August 11, 2011 whereof remuneration of CEO was approved.

4. Relevant provisions of sub-section (1) of section 218 of the Ordinance are produced below:

"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) prescribes penalty for contravention of the provisions of section 218.

5. I have analyzed the facts of the case and relevant provisions of the Ordinance. It transpires that provisions of sub-section (1) of section 218 have been contravened because the required disclosures regarding change in remuneration of the chief executive were not made in the directors' report. I take into account the fact that the Company is a closely held public unlisted company with only seven shareholders who are also directors of the Company. Keeping in view these facts and submissions made by the respondents, I hereby conclude the proceedings with a warning to the respondents to be careful in future regarding compliance with applicable legal provisions.

Amina Aziz
Director (CSD)

Announced:
March 3, 2016
Islamabad