



Corporate Supervision Department  
Company Law Division

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

*In the matter of*

**Royal Leather Industries Limited**

Number and date of notice: EMD/242/L/136/11-925 dated January 12, 2015

**ORDER**

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

This order shall dispose of the proceedings initiated against the chief executive (the “respondent”) of **Royal Leather Industries Limited** (the “Company”). The proceedings against the respondent were initiated through show cause notice (the “SCN”) dated January 12, 2015 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, 2010 and 2011 (the “Accounts”) filed under section 242 of the Ordinance revealed that the remuneration of the directors increased from Rs1.320 million in the year 2010 to Rs2.460 million in the year 2011. 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 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 respondent submitted reply vide letter dated January 19, 2015. With reference to the contents of the SCN, it was submitted that Mr. Agha Saiddain was appointed as director in 1986 and Mr. Imdad Hussain was appointed as director in 2001. The appointments of the two directors were continuing and their salaries were being increased as per annual increment policy without any change in contract or terms and conditions. Based on the submissions the respondent requested for closing the proceedings.) (



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

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Continuation Sheet - I -

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, relevant provisions of the Ordinance, and submissions made by the respondent. It transpires that provisions of sub-section (1) of section 218 have been contravened because the remuneration of directors was materially increased during the year 2011 and the required disclosures in directors' report were not made. However, taking into consideration the fact that the Company is a public unlisted company with only six shareholders, instead of imposing fine under sub section (6) of section 218 of the Ordinance, I hereby conclude the proceedings with a stern warning to the respondent to be careful in future regarding compliance with applicable legal provisions.

**Imran Iqbal Panjwani**

Executive Director / Head of Department (CSD)

**Announced:**

July 9, 2015

Islamabad