



Corporate Supervision Department
Company Law Division

Before Amina Aziz-Director

In the matter of

Shafi Spinning Mills Limited

Number and date of notice: EMD/244/L/180/2011-1743 dated June 9, 2014
Date of hearing: November 20, 2015
Present: Mr. Arshad Raheem Authorized Representative

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 ("respondent") of Shafi Spinning Mills Limited (the "Company") through show cause notice (the "SCN") dated June 9, 2014 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 year ended 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 chief executive and directors of the Company has been changed in the following manner;

Description	2013	2012
Chief executive remuneration	Rs. 2,400,000	Rs. 576,000
Directors remuneration	Rs. 2,400,000	Rs. 576,000

3. Section 218(1) of the Ordinance provides that *"where a company 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 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."*

4. The Company did not attach to the directors' report 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.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

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Continuation Sheet - 1 -

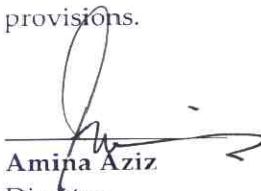
Consequently, the SCN dated June 9, 2014 was issued to the respondent as the Company, *prima facie*, contravened the provisions of section 218 the Ordinance.

5. The reply to SCN was submitted by the company secretary vide letter dated January 26, 2015 on behalf of respondent and stated that the directors were elected by the shareholders in extra ordinary general meeting held on March 31, 2011 for a term of three years and the chief executive was appointed by the directors on the same date. The remuneration was revised by the shareholders with effect from July 1, 2012 in the annual general meeting held on October 31, 2012 due to expansion of business and more involvement in the affairs of the Company. However this change could not be reported in director's report erroneously. Since it is a family business and all shareholders are well aware of this change so it has no significant impact on eth affairs of the Company.

6. In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 218 have been delegated to Director (Corporate Supervision).

7. In order to provide opportunity of personal hearing; the case was fixed before the undersigned on November 20, 2015. Mr. Arshad Raheem, authorized representative on behalf of respondents appeared and reiterated the earlier stance and requested for a lenient view.

8. I have analyzed the facts of the case, relevant provisions of the Ordinance, and submissions made by the respondent and representative. It is clear that provisions of sub-section (1) of Section 218 have been contravened because the required disclosures in director's report were not made by the respondent. However in view of the fact that the Company is family owned and change of remuneration was approved by the shareholders, I hereby conclude the case with a warning to the respondent to be careful in future regarding compliance with applicable legal provisions.


Amina Aziz
Director

Announced:
December 4, 2015
Islamabad