



Corporate Supervision Department
Company Law Division

Before Amina Aziz – Director (CSD)

In the matter of

Flying Board and Paper Products Limited

Number and date of notice: EMD/242/L/102/10-753, dated December 16, 2014
Date of hearings: March 10, 2016
Present: Mr. Musarrat Mehmood Sheikh, FCA and Mr. Mubashar Asif

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 **Flying Board and Paper Products Limited** (the “Company”). The proceedings against the respondent were initiated through show cause notice (the “SCN”) dated December 16, 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 directors increased as under:

Year	2012	2011
Directors’ Remuneration	Rs.800,000	Nil

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 director, 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 respondent as the Company, prima facie, contravened the provisions of section 218 the Ordinance.

3. With reference to the contents of the SCN, the respondent through letters dated December 29, 2016 submitted reply. A brief of contents of the reply subsequent to the SCN combined with statement made by the respondent prior to the SCN is given below:

- The remuneration of a director was fixed at Rs.800,000 per month in the year ended June 30, 2012 and it was approved in the board of directors’ meeting held on August 15, 2011.



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and thereafter the same was circulated to all the concerned (Copy of information sent to all shareholders on August 15, 2011 enclosed).

- However, the information could not be included in the directors' report attached to the Accounts for the year ended June 30, 2012 due to inadvertent omission.

The case was fixed for hearings on February 15, 2016 and February 24, 2016, but each time the respondent requested for adjournment. The hearing was finally held on March 10, 2016 before the undersigned and the respondents were represented by Mr. Musarrat Mehmood Sheikh, FCA and Mr. Mubashar Asif. They mainly reiterated the earlier written submissions and stated that the omission of information with regard to remuneration of the director was inadvertent but the information was circulated to shareholders on the date of decision. Based on the submission they requested for a lenient view.

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 disclosure regarding change in remuneration of the director was not made in the directors' report. I take into account the fact that the Company is a closely held public unlisted company with only eleven and the information was circulated to all shareholders at the date of decision of director, as submitted by the respondent. Keeping in view these facts and submissions made by the



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respondent, I hereby conclude the proceedings with a warning to the respondent to be careful in future regarding compliance with applicable legal provisions.

Amina Aziz
Director (CSD)

Announced:
April 7, 2016
Islamabad