



Corporate Supervision Department  
Company Law Division

Say No To Corruption

Before Ms. Amina Aziz – Director (CSD)

*In the matter of*

**Martin Dow Limited**

Number and date of SCN: No. CSD/ARN/290/2016-3670-73, dated March 16, 2016

**ORDER**

**UNDER SECTION 218 READ WITH SECTION 236 OF THE COMPANIES ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against directors including chief executive (together referred to as "respondents") of **Martin Dow Limited** (the "Company").

Through show cause notice (the "SCN") dated March 16, 2016, issued under the provisions of section 218 read with section 236 of the Companies Ordinance, 1984 (the "Ordinance").

2. The brief facts of the case are that the examination of the annual accounts of Martin Dow Limited ("Company") for the year ended December 31, 2014 ("Accounts"), revealed that the remuneration of chief executive of the Company increased from Rs. 76.352 million to Rs. 343.225 million in financial year 2014. The Directors' Report annexed to the Accounts did not include abstract as required under Sub-Section (1) of Section 218 of the Ordinance, furthermore, the Company also failed to circulate an abstract relating to increase in chief executive's remuneration to the members, within twenty one days from the date of the increase.

3. Consequently, the SCN dated March 16, 2016 was issued to the respondents whereof they were called upon to show cause in writing as to why penal action may not be taken against them under section 218 of the Ordinance. They submitted that this was mistakenly omitted from the Director's Report. They further contended that this was fixed and amended in the Director's Report and have attached a copy as well. They also contended that the abstract relating to increase in chief executive's remuneration had been circulated to the members of the company in April, 2015 and was duly approved.

4. A hearing was held on April 14, 2016, wherein Mr. Muqtadir M.A. Jawad, the Company Secretary and Director appeared in person and submitted that the major increase was related to an



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increase in retirement benefits which is merely a provision. He also stated that this is a family business, where the majority shares are held by Mr. and Mrs. Akhai. They stated that this increase was for terminal benefits, which was unintentionally omitted.

5. Before proceeding further, it is necessary to produce the relevant provisions of section 218 of Sub-Section-1 of Section-218 of the Companies Ordinance, 1984 ("Ordinance") :

*"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.

6. 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 the Chief Executive was materially increase during the year 2014 and the required disclosures in the Director's Report were not made. However, taking into consideration the fact that the Company is a public unlisted company with only four shareholders, all of whom were aware of this increase, instead of imposing a fine under sub-section (6) of section 218 of the Ordinance, I hereby conclude the proceedings with a stern warning to the respondents to be careful in future regarding compliance with applicable legal provisions.



Amina Aziz  
Director (CSD)

**Announced:**  
May 5, 2016  
Islamabad