



Corporate Laws

Q.1 The summarised balance sheet of Zahoor Mills Limited (ZML), a listed company, is as under:

	2016 Rs. in million		2016 Rs. in million
Share capital (Rs. 10 each)	200	Non-current assets	350
Accumulated profit	100	Current assets	150
Equity	300		
Long term liabilities	140		
Current liabilities	60		
	500		500

Nadeem, Faheem and Saleem respectively hold 1 million, 2 million and 3 million shares in ZML respectively. They intend to offer their shares to the public at the rate of Rs. 30 per share. The market price of the share is Rs. 33. ZML has not made any divestments during the last six months.

In the light of the provisions of the Companies (Issue of Capital) Rules 1996, you are required to advise:

- (a) whether they can offer their shares to the public individually or jointly. (05)
- (b) the conditions to be complied with in view of the premium being demanded by the investors. (05)

Q.2 (a) List the types of businesses which NBFCs are permitted to carry out under the provisions of the Companies Ordinance, 1984. (03)

- (b) Haider Investment Limited (HIL) is a non-banking financial company (NBFC) listed on Pakistan Stock Exchange. A group of shareholders having 15% voting rights have filed an application with the Commission that affairs of the company are not being managed properly and requested the Commission for removal of the chief executive. Moreover, the shareholders have also expressed the concern that the time required to comply with the necessary procedures would delay the matter which would be detrimental to their interests.

In the light of the Companies Ordinance, 1984 you are required to state:

- (i) the grounds on which the Commission may order removal of the Chief Executive. (04)
- (ii) the course of action available to the Commission if it decides to address the shareholders' apprehension regarding procedural delays. (04)
- (c) Elite Housing Finance Limited (EHFL), a listed NBFC, is in the process of entering into a rental agreement for an office premises owned by Zyan who is the brother of a director of EHFL.

Discuss the validity of the rental agreement in the light of NBFC Rules, 2003. (02)

Q.3 In the light of the provisions of the Companies Ordinance, 1984 you are required to advise in respect of the following matters:

- (a) Junaid was elected as a director of Abid Limited in its last annual general meeting. After a few months, it was found that Junaid's appointment was not valid as votes by certain members were counted twice due to an error. Few directors have challenged the validity of all meetings attended by him and the actions taken therein. (02)
- (b) Duck Limited is engaged in the business of consumable products. The company has appointed distributors throughout Pakistan and has received substantial amounts from them as security deposits. (02)
- (c) On 1 June 2017 it has come to the knowledge of the CFO of Naeem Limited that the charge given to FG Bank Limited against the loan taken on 1 May 2017 has not been filed for registration with the Registrar of companies. (05)

Q.4 (a) Zahid was appointed as liquidator for the purpose of members' voluntary winding-up of Multi Sources Limited (MSL) at a general meeting held on 25 October 2016. After reviewing the realisable value of the company's assets, Zahid is of the opinion that MSL would not be able to pay its debts in full within the period as stated in the declaration made by the directors under section 362 of the Companies Ordinance, 1984.

Under the provisions of the Companies Ordinance, 1984 you are required to state:

- (i) the responsibilities of Zahid in the above situation. (03)
- (ii) the consequences of the above situation on the directors of MSL. (04)
- (b) Zahid wants to resign as the liquidator, because of the difficulties being faced by him in the performance of his responsibilities. He has discussed the matter with some of the directors who have assured him that his request would be considered in their meeting to be held soon.

Comment on the above in the light of the provisions of Companies Ordinance, 1984. (03)

Q.5 Shiraz Limited (SL) is a listed company and operates an employees' provident fund. The size of the fund is Rs. 500 million. The break-up of the investment made by the fund is as under:

	Rs. in million
Government securities	210
Listed debt securities	100
Shares in the listed companies	120
Bank balances	70

The trustees intend to make the following investments:

- (i) Rs. 20 million in listed debt securities of Faizan Limited (FL). Total amount of debt securities issued by FL is Rs. 200 million.
- (ii) Rs. 40 million in the shares of Beta Textiles Limited (BTL), a listed company. Total paid up capital of BTL is Rs. 600 million and market capitalization is Rs. 800 million.

The fund has not made any investment in the above companies previously.

Being the financial consultant of the company, you are required to advise SL regarding the following matters in the light of the provisions of the Employees' Provident Fund (Investment in Listed Securities) Rules, 2016:

- (a) whether the trustees can make the above investments. (06)
- (b) what other conditions have to be met for making the above investments. (04)

- Q.6 (a) Upon receiving information from some reliable sources, the Commission is of the opinion that the affairs of GT Limited are being conducted in a manner unfairly prejudicial to the interest of some of the shareholders. The Commission has made an application against the company to the Court.

Under the provisions of the Securities Act, 2015 describe various actions which the Court may order against the management of GT Limited. (05)

- (b) Under the provisions of the Code of Corporate Governance, 2012 state the duties and responsibilities of the chief executive and the company secretary of a listed company, in case of sale or purchase of shares of the company by the chief executive. (03)

- (c) State the circumstances specified under the Code of Corporate Governance, 2012 in which a director is not considered as an independent director. (04)

- Q.7 Nabil Group of Companies (NGC) in its meeting held on 15 May 2017 has approved buy-back of shares by the following group companies:

- (a) 5% of the total paid up capital of Nabil Earth Limited which was listed on Pakistan Stock Exchange (PSX) on 1 August 2015 with a paid up capital of Rs. 300 million. (02)

- (b) 10% of the total paid up capital of Nabil Sun Limited which was listed on PSX on 1 July 2014 with a paid up capital of Rs. 220 million. (02)

- (c) 15% of the total paid up capital of Nabil Moon Limited which was listed on PSX on 30 July 2010 with a paid up capital of Rs. 400 million. The shares would be purchased through tender offer. However, these shares would be re-sold in the market after a period of three months. (02)

In the light of the provisions of the Listed Companies Buy Back of Shares Regulations, 2016 you are required to advise NGC on the legality of the above transactions.

- Q.8 (a) Javed Ahmed is the head of production department of Folad Cement Limited (FCL), a listed company. He acquired 70,000 shares in FCL 20 days prior to the close of financial year and sold them 12 days after the declaration of annual results at a profit of Rs. 5 million.

An increase of 25% in the share price of FCL has been noted within 10 days of the announcement of the annual results.

In the light of the provisions of the Securities Act, 2015 evaluate whether the above transaction falls within the ambit of insider trading. (05)

- (b) Under the Securities Act, 2015 state the responsibilities of a listed company regarding disclosure of inside information. (05)

- Q.9 (a) Explain the term 'Suspicious Transaction' with reference to Anti-Money Laundering Act, 2010. Also list the names of authorities who are required to report Suspicious transactions and the authority to which these are to be reported. (06)

- (b) Dewan intends to borrow Rs. 1,000,000 from Marhaba Bank Limited (MBL) against pledge of shares as security. The shares are held by Dewan in a sub-account maintained with a participant.

In the light of the provisions of the Central Depository Act, 1997 discuss:

- (i) whether Dewan can pledge his shares in CDC in favour of MBL. (02)

- (ii) the rights of MBL over the pledged shares. (03)

Q.10 Explain the following under the provisions of the Companies (Invitation and Acceptance of Deposits) Rules, 1987:

- (a) Restrictions on acceptance of deposits by private and public companies. **(05)**
- (b) Maintenance of liquid assets. **(04)**

(THE END)