



Corporate Laws

Final Examination
Summer 2013
Module E

5 June 2013
100 marks - 3 hours
Additional reading time - 15 minutes

- Q.1 (a) AVZ Limited has recently been converted into a listed company. Mr. Haq, representing minority shareholders, has submitted his papers to contest the election of the directors to be held after 30 days.
- Based on the regulations of the Code of Corporate Governance, 2012 you are required to advise the company in respect of:
- (i) Composition of the Board. (05)
 - (ii) Steps that the company should take with regard to the request submitted by Mr. Haq. (03)
- (b) State the circumstances specified under the Code of Corporate Governance, 2012 in which a director is not considered as an independent director. (04)
- Q.2 Al-Saad Investment Limited (ASIL) is a non-banking financial company (NBFC) listed on all the stock exchanges in Pakistan. ASIL has been incurring substantial losses and its shareholders, not being satisfied with the performance of the Chief Executive, have referred the matter to the Commission for removal of the Chief Executive. Moreover, the shareholders have also expressed the apprehension 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 Companies Ordinance, 1984 you are required to state:
- (a) The grounds on which the Commission may order removal of the Chief Executive. (04)
 - (b) The course of action available to the Commission if it wants to address the shareholders' apprehension regarding procedural delays. (04)
- Q.3 (a) Explain the terms "Book building process" and "Free float" as defined in the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited. (04)
- (b) Explain the following under the Listing Regulations of the Karachi Stock Exchange:
- (i) Issue of bonus shares (05)
 - (ii) Sale or purchase of the company's shares by its chief executive. (03)
- Q.4 On 11 April 2013, Naveed had made a public announcement of his offer to acquire 10% voting shares of Seldom Industries Limited, a listed company, from Maqbool. Arshad is also desirous of making a competitive bid for purchase of shares to Maqbool.
- In the light of the provisions of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002:
- (a) State the conditions which Arshad would need to comply with while making a competitive bid. (03)
 - (b) What would be the status of the offer made earlier by Naveed and the rights available to Naveed, if Arshad makes a valid competitive bid? (05)

Q.5 Briefly explain the restrictions imposed under NBFC Rules, 2003 as regards:

- (a) Purchase or sale transaction with a director.
- (b) Sale or transfer of ownership of shares in subsidiary or associated company.
- (c) Investment in subsidiary.
- (d) Transactions with a broker.

(08)

Q.6 Planet International (PI), a listed company, has planned to buy-back 10% of PI's outstanding shares from its minority shareholders. The board of directors has approved the buy-back of shares at a premium of 10 per cent above the current market price of Rs. 40 per share.

The summarized statement of financial position as on 31 March 2013 is as follows:

	2013	2012		2013	2012
	Rs. in million			Rs. in million	
Share capital (Rs. 10 each)	11,500	11,500	Non-current assets	35,195	34,486
Accumulated profit	10,960	4,899	Current assets	40,990	28,124
	22,460	16,399			
Long term liabilities	20,428	19,292			
Current liabilities	33,297	26,919			
	76,185	62,610		76,185	62,610

Required:

In the context of Companies (Buy-back of shares) Rules, 1999 and Companies Ordinance, 1984:

- (a) Evaluate and explain whether Planet International is eligible to buy-back the shares held by the minority shareholders.
- (b) State the requirements with regard to auditor's certification in the above situation.

(05)

(03)

Q.7 For the last three months, ANF Limited (ANFL) has been experiencing liquidity crisis and is unable to meet its financial obligations within the due date.

In the light of Companies Ordinance, 1984 narrate the circumstances under which ANFL would be deemed to be unable to pay its debts.

(05)

Q.8 (a) SECP has the powers to appoint one or more persons as inspector(s) to investigate the affairs of a company. Such investigation may be initiated on receiving a request from any concerned person(s) or by the SECP on its own motion.

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

- (i) List the parties on whose request SECP may appoint a person as inspector to investigate the affairs.
- (ii) Narrate the circumstances in which SECP may appoint an inspector on its own motion.

(03)

(07)

(b) Mr. Jameel was appointed as an inspector to carry out the investigation into the affairs of AM Limited. After preliminary investigations, Mr. Jameel is of the view that in order to verify certain related matters, it is necessary to extend the scope of investigation into the affairs of certain other related entities/persons.

In the light of Companies Ordinance, 1984 identify the entities or the individuals whom the inspector may include in his investigations and what measures would be required to be taken prior to issuance of notices in this regard.

(05)

- Q.9 On declaration of the result of voting in the Annual General Meeting (AGM) by the chairman of AS Limited, a public company, few shareholders demanded a poll. The chairman refused to hold the poll and declared the result of voting on show of hands.

In the light of Companies Ordinance, 1984,

- (a) How would you assess whether or not the Chairman's decision of not holding a poll was valid? (04)
- (b) Explain whether the Chairman can delay the holding of poll to a date subsequent to the date of AGM. (03)

- Q.10 The election of directors of Nihal Motors Limited (NML), a listed company, was held at the Extraordinary General Meeting where seven out of nine candidates were to be elected as directors. After the meeting was over, an email was received at NML that Mr. Nihal had expired in a hospital in England. However, the time of Mr. Nihal's death was not mentioned. The result of the meeting shows that Mr. Nihal had received the sixth highest number of votes in the election.

In the light of Companies Ordinance, 1984 state how the directors should deal with the above situation (06)

- Q.11 State the criteria which the Key Executives of Non-Banking Finance Companies are required to fulfill under the Notified Entities Regulations, 2008 with regard to:

- (a) Competence and capability. (05)
- (b) Conflict of interest. (06)

(THE END)