



Securities and Exchange Commission of Pakistan
Enforcement and Monitoring Division

[Islamabad]

Before Rashid Sadiq, Executive Director

In the matter of
M/S Standard Insurance Company Limited

Number and date of show cause notice	19(18)CF/ISS/2001-II Dated: September 27, 2001
Date of hearing	April 22, 2003
Present	No one appeared
Date of Order	April 30, 2003

Order

(Under Clause (b) of Sub-Section (1) of Section 245 of the
Companies Ordinance, 1984)

This order will dispose of the proceedings initiated against M/S Standard Insurance Company Limited (the “Company”) for failure to prepare and transmit the half yearly accounts for the period ended June 30, 2001.

Jurisdiction

2. The Commission brings this action pursuant to the provisions of Sub-Section (3) of Section 245 of the Ordinance read with Section 476 of the Ordinance. The powers under the aforesaid provisions have been delegated to the undersigned through S.R.O. No. 386(1)/2002 dated June 18, 2002

Background Facts

3. The salient facts for better understanding and disposal of this case, briefly stated, are that the Company is a listed Company and its financial year



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starts on July, 01 and ends on June, 30 and as per the requirements of Sub-section (1) of Section 245 of the Companies Ordinance, 1984 the Company is required to prepare and transmit within two months of close of the first half of its year of account, a profit and loss account for and balance sheet (“half yearly accounts”) as at the end of that half year to the members, stock exchange on which its shares are listed and as per Sub-section (2) of Section 245 it was required to file its half yearly accounts with the Registrar and the Commission simultaneously with the transmission thereof to the members and stock exchanges. As per record of the Commission the Company failed to file the half yearly accounts for the period ended June 30, 2001 with the Commission and failure of the Company to comply with the aforesaid mandatory requirements necessitated action as provided under the Ordinance.

Show Cause Notices

4. A show cause notice No.19 (18)CF/ISS/2001-II dated September 27, 2001 therefore, was issued to the Chief Executive and directors of the Company calling upon them to show cause on October 03, 2001 as to why penalties provided under Sub-section (3) of Section 245 may not be imposed upon them. The management filed its reply to the show cause notice vide letter dated April 12, 2002 alongwith a copy of the half yearly accounts for the period ended June 30, 2001.

Hearing of the Case

5. In order to give opportunity to the directors including the Chief executive for personal hearing, the case was fixed several times, the final date of hearing being April 22, 2003. No one appeared for the hearing instead a



letter was received at the Commission signed by the secretary of the Company reiterating the stance taken earlier in the written reply to the notice.

Submissions of the Directors

6. In reply to the show cause notice the Company Secretary, on behalf of directors, contended that the delay in preparation and transmission of half yearly accounts is caused due to the fact that major banks have removed the name of the company from their lists of underwriters, which resulted in 95 % decline in the company's underwriting business whereas the remaining 5% is automatically crushed due to worst economic conditions of the country. As a result of loss of business the management retrenched its staff and closed down the branch and zonal offices of the company, which resulted in non-preparation and non-circulation of half yearly accounts within time.

Consideration of the Submissions

7. The provisions of Section 245 of the Ordinance are binding on the Directors of the Company and cannot be avoided on the premise of shortage of staff or decline in business. The directors including chief executive of the Company are responsible for preparation and circulation of half yearly accounts and they should make serious efforts to ensure the compliance of the relevant provisions of law. It appears from the circumstances that they have not taken serious attempts to prepare and transmit the half yearly accounts. Furthermore, the management's attitude towards the Commission's calls for personal hearing was also insolent.



Order

8. As the directors are supposed to be aware of the legal requirements and the consequences of the default, therefore, it could be legitimately inferred that the default was committed willfully and deliberately. This is also strengthened from the fact that the Chief Executive of the Company was also penalized for similar default the past, however, no efforts appeared to have been made to ensure the compliance of this statutory requirements. The Chief Executive and directors have, therefore, made themselves liable for fine under Sub-section (3) of Section 245 of the Ordinance. I, however, impose a fine of Rs 20,000 (Rupees twenty thousand only) on the Chief Executive and taking a lenient view no fine is imposed on the other directors. I hope that the directors would react positively to the lenient view by ensuring that no default is made in future in respect of this statutory requirement.

9. The Chief Executive is hereby directed to deposit the fine amounting to Rs. 20,000/- (twenty thousand only) in the bank account of the Commission within 30 days of the receipt of this order and submit a copy of the receipted challan to the Commission.

RASHID SADIQ

Executive Director (Enforcement and Monitoring)

Announced
April 30, 2003
ISLAMABAD