



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	EMD/233/66/2002-1052-59 Dated: August 13, 2002
Date of hearing	April 22, 2003
Present	No one appeared
Date of Order	April 30, 2003

Order

(Under Clause (a) of Sub-Section (4) of Section 158 of the
Companies Ordinance, 1984)

This Order shall dispose of the proceedings initiated against M/S Standard Insurance Company Limited (hereinafter referred to as the “Company”) and its directors for default made in complying with the provisions of Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (the “Ordinance”).

Jurisdiction

2. The Commission brings this action pursuant to the provisions of Sub-Section (4) of Section 158 of the Ordinance read with Section 476 of the



Securities and Exchange Commission of Pakistan
Enforcement and Monitoring Division

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 relevant facts for the disposal of this case, briefly stated, are that the Company was required to hold its Annual General Meeting (the “AGM”) for the calendar year 2002 on or before June 30, 2002 under Sub-section (1) of Section 158 of the Companies Ordinance, 1984. The failure of the Company to comply with the aforesaid mandatory requirements necessitated action against the Company and its directors as provided under the Ordinance.

Show Cause Notices

4. A notice No.EMD/233/66/2002-1052-59 dated August 13, 2002 was issued to the Company, its Chief Executive and directors calling upon them to show cause as to why penalties as provided under Clause (a) of Sub-section (4) of Section 158 may not be imposed upon them for making default in complying with the mandatory requirements of Sub-section (1) of Section 158 of the Ordinance. The reply to the show cause notice was received on August 28, 2002 vide Company’s letter dated August 20, 2002 alongwith a copy of financial statements for the year ended December 31, 2001. It was also informed that the Company would be holding its overdue AGM on August 29, 2002.

Hearings of the Case

5. In order to give opportunity to the Company and its directors for personal hearing, the case was fixed on April 22, 2003. However, no one appeared on behalf of the Company or its directors in these proceedings. A



letter, however, was received from the Company Secretary on the date of hearing to condone the defaults. In the circumstances, I proceed to decide this case on the bases of the submissions contained in reply to the show cause notices.

Submissions of the Company and its directors

6. In the written submissions in response to the show cause notice, the Company Secretary on behalf of the Company and its directors has tried to justify the default by stating that the Company was trying to raise its capital as per the requirements of Insurance Ordinance, 2000; it was not doing any business at this time. It was also averred that the Company had held its last AGM on September 29, 2001 and, therefore, it could hold its next AGM within fifteen months from the said AGM as allowed under Sub-Section (1) of Section 158 of the Ordinance. As the Company has held its AGM on August 29, 2002, therefore, no major violation was committed. A lenient view of the default, however, was also requested.

Consideration of the Submissions

7. I now take up for consideration the issue raised by the Company that the Company is holding its AGM for the Calendar year 2002 within fifteen months of the date of the last AGM, which was held on September 29, 2001 and no major violation of the provisions was committed. For ease of reference, the provisions of Sub-section (1) of Section 158 of the Ordinance are, to the extent relevant, reproduced as follows:

“ Every company shall hold, in addition to any other meeting, a general meeting, as its annual general meeting, within eighteen months from the date of its incorporation



Securities and Exchange Commission of Pakistan
Enforcement and Monitoring Division

and thereafter once at least in every calendar year within a period of six months following the close of its financial year and not more than fifteen months after the holding of its last preceding annual general meeting.”

A careful reading of the above-referred provision of law clearly suggests that the date on which the AGM is to be held is determined by the following three factors:

- i) the meeting should be held once in each calendar year;*
- ii) the meeting should be held within six months from the close of the financial year;*
- iii) the meeting should be held within fifteen months from the date of holding of last preceding annual general meeting.*

The combined effect of the above three time factors is that the AGM of a company should be held on the earliest of the aforesaid time limits otherwise there would be breach of one or more conditions. In my considered view, this appears to be the clear intention of the above-referred legal provision. Applying this interpretation to the circumstances of the case in hand, it has been observed that the financial year of the Company was closed on December 31, 2001. The last preceding AGM was held on September 29, 2001 for the Calendar year 2001. For determining as to what should be the last date for holding of AGM for the calendar year 2002, one has to look at each time factor independently. These are:

- i) the last date of the calendar year, which is **December 31, 2002.***
- ii) within 15 months from the date of holding of last AGM, September 29, 2001, which is **December 28, 2002.***
- iii) within six months following the close of its financial year, which is **June 30, 2002.***



Securities and Exchange Commission of Pakistan
Enforcement and Monitoring Division

The AGM of the Company, therefore, should be held not later than the earliest of the aforesaid relevant dates i.e., *December 31, 2002, December 28, 2002 and June 30, 2002*. Obviously, the earliest date is ***June 30, 2002***. In view of whatever has been discussed above, I am left with no doubt that the Company was required to hold its AGM on or before June 30, 2002.

Conclusion

8. I have also given careful consideration to the other submissions advanced for delay in holding of AGM within the mandatory time period, however, none of them justify the delay in holding of AGM. Besides, the past record of the Company in compliance of this statutory requirement is also quite unsatisfactory. It has regrettably been noticed that neither the directors nor their representatives have appeared before me to explain their position in response to the successive hearing notices issued at their convenience. I am dismayed to note that for the third successive year the Company and its Directors have defaulted in complying with this highly important mandatory provision of law. This led me to believe that the directors had no respect for the law and they have intentionally deprived the shareholders of their statutory rights to attend, speak and vote on the affairs of the Company.

Order

9. For the foregoing, the default under Sub-section (1) of Section 158, of the Companies Ordinance, 1984 is established. 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 delay in holding of AGM in



Securities and Exchange Commission of Pakistan
Enforcement and Monitoring Division

the past, however, no efforts appeared to have been made to ensure the compliance of this statutory requirements. The Company, its Chief Executive and directors have, therefore, made themselves liable for fine under Clause (a) of Sub-section (4) of Section 158 of the Ordinance. I, however, impose a fine of Rs 20,000 (Rupees twenty thousand only) on the Company and its 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 holding of AGM within prescribed time.

10. The Company and its Chief Executive namely Mr. Saeed-ur-Rahman are hereby directed to deposit the fine amounting to Rs 40,000/- (Forty 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