



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 notice	19(18) CF/ISS/2001-I dated: September 27, 2001
Date of hearing	April 22, 2003
Present	No one appeared
Date of Order	April 30, 2003

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## 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 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 2001 on or before June 30, 2001 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.19 (18) CF/ISS/2001-I dated September 27, 2001 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.

### Submissions of the Company and its directors

5. 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 major banks had removed the name of the Company from their lists which resulted in substantial decline in the Company’s underwriting business. The management, therefore, decided to retrench its staff and closed down the zonal offices of the Company. As a result



of retrenchment of the staff, it was not possible for the company to prepare its accounts and hold the AGM within prescribed time limit. It was, however, informed that the Company has held its AGM on September 29, 2001 i.e., with a delay of 91 days.

### Hearings of the Case

6. In order to give opportunity to the Company and its directors for personal hearing, the case was fixed a number of times, the final date being April 22, 2003. However, no one appeared on behalf of the Company or its directors in these proceedings. I, therefore, proceed to decide this case on the bases of the submissions contained in reply to the show cause notice.

### Consideration of the Submissions

7. I have given careful consideration to the 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. 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. The importance of holding an AGM can be best judged by looking into the mechanism whereby a company is formed and managed as provided in the company law. The capital required for the business of a



company is contributed by its shareholders who may not necessarily be the persons managing the company. In the case of a listed company, the general public also contributes towards the equity of the company. Such persons do not have any direct control over the company except that they elect directors for a period of three years and entrust the affairs of the company to them in the hope that they will manage the company for their benefits. The shareholders are, although, the ultimate beneficiaries but practically they do not have any control over the way the directors appointed by them manage their company. It was, therefore, necessary that there must be some forum wherein the shareholders are able to discuss the affairs of the company, question the directors of the company and gauge its performance during the past year while approving the accounts and more importantly appoint the auditors of the company as a watchdog on their behalf. The provisions of Section 158 of the Ordinance ARE binding on the Company and cannot be avoided on the premise of shortage of staff or closure of business. The contentions of the Company and its directors are, therefore, not sustainable and they have made themselves liable for penal action under Sub-section (4) of Section 158 of the Ordinance.

## Order

8. In view of 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 the past, however, no effort appears to have been made to ensure the compliance of this statutory requirement. The Company, its Chief



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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.

9. 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.

*Announced*  
*April 30, 2003*  
*ISLAMABAD*

***RASHID SADIQ***  
Executive Director (Enforcement and Monitoring)