



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

*Company Law Division*  
**(Enforcement Department)**

**Before Abdul Rehman Oureshi, Commissioner (C.L.D)**

*In the matter of*  
**M/s. Progressive Insurance Company Limited**

Date of hearing	November 06, 2003
Present	Mr. Abdul Majeed Chief Executive

**ORDER**

This Order shall dispose of the proceedings initiated against M/s. Progressive Insurance Company Limited (hereinafter referred to as the “Company”) and its directors for defaults made in complying with the provisions of Sub-section (1) of Section 158 and Sub-section (1) of Section 245 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The facts of the case in brief are that the Company was required to hold its Annual General Meeting (the “AGM”) on or before April 30, 2003 for the financial year ended December 31, 2002 in accordance with the provisions of Sub-section (1) of Section 158 of the Ordinance, but its management failed to comply with this statutory requirement. Therefore, a notice dated September 16, 2003 was issued to the Company, its Chief Executive and directors calling upon them to show cause as to why penalty as provided under Sub-section (4) of Section 158 read with Section 476 of the Ordinance may not be imposed for the aforesaid contravention.



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3. The Company also failed to prepare and transmit to the members and simultaneously file with the Commission quarterly accounts for the quarters ended March 31, 2003 and June 30, 2003. Consequently, a show cause notice dated September 16, 2003 was issued to the Chief Executive and directors of the Company calling upon them to show cause as to why penalty as provided under Sub-section (3) of Section 245 read with Section 476 of the Ordinance may not be imposed for the aforesaid contravention.

4. In reply to the said show cause notices, Mr. Abdul Majeed, Chief Executive of the Company vide his letter dated October 01, 2003, contended that after the suspension of company's business by the Commission with effect from January 01, 2003, the Company had no alternative but to suspend all its business activities and retrenched its office staff due to paucity of funds. In the absence of adequate staff, accounts for the year ended December 31, 2002 could not be finalized timely for submission to the Auditors. It was further contended that M/s. Yousuf Adil Saleem & Co., Chartered Accountants, Auditors of the Company resigned in June 2003 before commencing the audit work for the year ended December 31, 2002 for reasons of their own. The Company, therefore, appointed M/s. S.M Suhail & Co., Chartered Accountants, to conduct the Audit, and being the first year of their assignment, they took longer time to finalize the Audit work. He further, submitted that the new formats of annual accounts required conversion of whole accounting system, which entailed a detailed study and comprehension of new formats and a lot of time was also consumed in this activity. He further stated that AGM for approval of accounts for the year ended December 31, 2002 will be held on October 02, 2003 and shortly thereafter the quarterly accounts for the last two quarters shall be submitted. He further assured that the un-audited accounts for the quarter ended September 30, 2003 would be submitted without any delay i.e. by October 31, 2003. The reply received on behalf of the accused directors was not found satisfactory. Therefore, in order to provide an opportunity of hearing, the case was fixed on October 22, 2003, however it was adjourned on the request of Mr. Abdul Majeed and was refixed on November 06, 2003. On the said date, Mr. Abdul Majeed, Chief Executive appeared.



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5. During the hearing, Mr. Abdul Majeed reiterated the same arguments as were advanced by him in his written reply. He however, informed that the Company has since submitted all the overdue quarterly accounts, and requested for condonation of the defaults. He further submitted that license of the Company has now been restored and it has started underwriting insurance business since September 2003, therefore, the crises being faced by the Company in the past seem to be over. He also assured that in future, the Company and its directors will be careful with regard to compliance of the provisions of the Ordinance.

6. I have given due consideration to the submissions of the respondents and it has been observed that the reasons furnished by him are not tenable as the Company was directed by this Commission to cease underwriting future business only until it meets the minimum paid up capital requirement under the Insurance Ordinance, 2000. This direction, however, had no effect on its status as a Company. It still existed as a public listed insurance company, and hence required to comply with all the requirements of the Companies Ordinance, 1984 and all other applicable laws. It was, therefore, duty of the management to ensure maintenance of the proper record, books of accounts, timely preparation and circulation of accounts and holding of AGM within the prescribed time. Further, the previous Auditors had resigned in June 2003, whereas the Company was required to hold its AGM for the year ended December 31, 2002 by April 30, 2003, and the accounts for the year were required to be submitted/circulated 21 days before the date of AGM i.e. by April 09, 2003. Hence the plea taken that the preparation of accounts and holding of AGM was delayed because of resignation of Auditors is not justifiable. It is pertinent to mention here that the holding of AGM once in a calendar year is a mandatory requirement of law and the meeting must be convened whether or not the annual accounts, the consideration of which is one of the several agenda items, are ready or not for presentation before the shareholders. The past record of the Company with regard to holding of AGMs and submission of quarterly accounts is also not satisfactory.



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7. Taking into consideration all the facts of this case, I am inclined to believe that the defaults under Section 158 and 245 of the Ordinance were intentional and willful. However, in view of the facts that the AGM for the year ended December 31, 2002 has been held on October 02, 2003 and the management has assured to comply with the provisions of the law in future, I impose a fine of Rs.20, 000/- only for non-holding of AGM under Section 158 on the chief executive of the Company. Further, as the Company has also filed its quarterly accounts for the quarters ended March 31, 2003 and June 30, 2003 with the Commission, the delay in submission of these accounts is hereby ignored with a warning to directors.

8. The Chief Executive of the Company is directed to deposit the fine imposed upon him amounting to Rs. 20, 000/- (rupees twenty thousand only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the receipt of this order and furnish the receipted challan to the Commission.

**(Abdul Rehman Qureshi)**  
Commissioner (C.L.D)

**December 03, 2003**  
**ISLAMABAD**