



Securities and Exchange Commission of Pakistan
Company Law Division
(Enforcement Department)

Before Ali Azeem Ikram, Director (Enforcement)

In the matter of

Progressive Insurance Company Limited

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

Number and date of Show cause notice	EMD/Enf-II/57/2007-1639-45-1 Dated 23.10.2007
Date of hearing	4.12.2007
Present	Mr. Naseem A. Khan, Executive Director
Date of Order	17.12.2007

Order

This Order shall dispose of the proceedings initiated against the Directors of Progressive Insurance Company Limited (“Company”) for default made in complying with the provisions of Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (“Ordinance”).

2. The facts leading to this case, briefly stated, are that in terms of the provisions of Sub-section (1) of Section 158 of the Ordinance, the Company was required to hold its Annual General Meeting (“AGM”) for the year ended 31.12.2006 on or before 30.04.2007. The failure of the Company to comply with the aforementioned provisions of the Ordinance necessitated action against the Company and its Directors in terms of Sub-section (4) of Section 158 of the Ordinance. Consequently, a show cause notice (“SCN”) dated 23.10.2007 was served on the Company and its Directors including the Chief Executive calling upon them to show cause as to why penalties as provided under Sub-section (4) of Section 158 read with Section 476 of the Ordinance may not be imposed on them.

3. In response to the SCN, the Company furnished written explanation vide letter dated 1.11.2007. The Company made the following submissions:

i. Company was fully aware of the fact that as per Ordinance, it was required to hold AGM for the



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year ended 31.12.2006 within four months i.e. up to 30.04.2007. However, since it was finding it difficult to hold AGM before the above date, therefore, much in advance, it requested vide letter dated 12.4.2007 for extension of holding AGM up to 31.05.2007 wherein it had elaborated in detail genuine difficulties and also enclosed necessary documents along with application fee paid challan of Rs.15,000.

- ii. In anticipation of a favourable response from S.E.C.P, the Company started completing the necessary arrangements for holding the AGM. The Company informed that it had booked Muslim Gymkhana Karachi, to hold AGM on 30.05.2007 (copy of advance payment made to them was attached).
- iii. SECP had given extension to hold AGM up to 31.05.2007 but the letter from SECP was issued on 23.05.2007 leaving the Company just 7 days time to hold AGM which was impossible due to mandatory / statutory requirements which could have never been completed within the short span of 7 days due to following reasons:
 - (a) 21 Days notice is required to be sent to the share holders of the company before the AGM along with the printed balance sheet.
 - (b) In the balance sheet, the Company had to mention date of issuance of the audited accounts.
 - (c) Karachi Stock Exchange is required to be provided balance sheet before 21 days of AGM.

The above formalities could have only been completed after receipt of extension from S.E.C.P which we received so late as mentioned above.

- iv. Thereafter the Company sought for further extension, which was based on justification as elaborated above. However, vide Assistant Director, S.E.C.P. letter No. ID/1.0-51/Pr.lc/2007 dated 18.06.2007 the Company was informed that our request for extension cannot be acceded by the Commission. The Company was further advised in the said letter to attend the meeting with Dr. Mumtaz Hashmi, Advisor (Insurance) and the Assistant Director on 26.06.2007 at Karachi office of the Commission. The Chief Executive attended this meeting and explained the factual position.
 - v. The delay in holding of AGM has not been intentional rather due to circumstances beyond control. The Company requested to withdraw the SCN and allow it to hold AGM upto 5.12.2007.
 - vi. The company requested date and time to appear before this Commission and clarify its position.
4. In response to Company's request, hearing was arranged on 4.12.2007 before Director (Enforcement) of this Commission. On the date of hearing, Mr. Naseem A. Khan, Executive Director of the Company appeared before the undersigned on behalf of all the respondents and explained the delay in holding of AGM which occurred due to some unavoidable circumstances and admitted the said default. He further submitted that the management of the Company is committed that no such default would occur in future. He requested for a lenient view in the matter to support an insurance company, which is under revival stage. It was further informed that the management has now completed the accounts and has finalized the program for holding the AGM. It is pertinent to mention that direction has been given vide letter 6.12.2007 by this Commission under Section 170 of the Ordinance to hold AGM within 30 days of the said letter.



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5. In view of the above, the default under Section 158 exists. Keeping in view the position of the Company, I am inclined to take a lenient view and instead of imposing the maximum fine of Rs.50,000/- on every Director of the Company, I impose a penalty of Rs.20,000/- (Rupees twenty thousand only) under Sub-section (4) of Section 158 read with Section 476 of the Ordinance on the Executive Directors of the Company only. However, no penalty is imposed on the Non-Executive Directors of the Company, however, advised to remain careful and comply with the provisions of law in future. The details of the penalties imposed are as follows:

S. No	Name	Penalty (in Rs.)
1.	Mr. Khalid Mahmood, Chief Executive	20,000
2.	Mr. Naseem Ahmed Khan, Director	20,000
	Total	40,000

6. The Chief Executive and Director of Progressive Insurance Company Limited are hereby directed to deposit the aforesaid fine of Rs.40,000/- (Rupees forty thousand only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited or pay through a demand draft in the name of Securities and Exchange Commission of Pakistan within thirty days from the receipt of this Order and furnish receipted vouchers to this Commission failing which proceedings for recovery of the fine under the Land Revenue Act, 1967 would be initiated. It should also be noted that the said penalty is imposed on the Chief Executive and Director of the Company in their personal capacity therefore they are required to pay the said amount from their personal resources.

Ali Azeem Ikram
Director (Enforcement)

Announced
17.12.2007
Islamabad