



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN INSURANCE DIVISION

[Karachi]

Before Nasreen Rashid, Executive Director (Insurance)

In the matter of

Union Insurance Company of Pakistan Limited

Date of Show Cause Notice: June 01, 2010

Date of Hearing: July 08, 2010

Attended by: Mr. Muneer Hussain, Chief Accountant- Union Insurance Company of Pakistan Ltd.

Mr. Syed Amjad Hussain- Advocate on behalf of M/s Union Insurance Company of Pakistan Ltd.

Date of Order: July 30, 2010

ORDER

(Show Cause Notice Under Section 158 read with Section 476 of Companies Ordinance, 1984)

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This Order shall dispose of the proceedings initiated against Union Company of Pakistan Limited (hereinafter referred to as ("the Company")) for making default in complying with the provisions of Section 158 of the Companies Ordinance, 1984 ("the Ordinance"), read with Section 476 of the Ordinance.

Background Facts

2. The relevant facts for disposal of this case briefly stated that while examining the relevant documents of the Company it was revealed that the Company had requested for an AGM extension till June 30, 2010 which could only be granted for up to one month i.e till May 31, 2010, under Section 158 of the Ordinance. The company was therefore informed of the maximum deadline in the matter and advised to hold its AGM within the time-frame specified in the Ordinance. Hence the Notice of AGM was also supposed to be published latest by 10th



May, 2010 and its copy, to be forwarded to the Commission, within 7 days of its publication. But even the copies were not received.

3. In pursuance of Section 158 of the Ordinance, states that:

"(1) 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 and thereafter once at least in every calendar year within a period of four months following the close of its financial year and not more than fifteen months after the holding of its last preceding annual general meeting:

Provided that, in the case of a listed company, the Commission, and, in any other case, the registrar, may for any special reason extend the time within which any annual general meeting, not being the first such meeting, shall be held by a period not exceeding thirty days.

(2) An annual general meeting shall, in the case of a listed company, be held in the town in which the registered office of the company is situated:

Provided that the Commission, for any special reason, may, on the application of such company, allow the company to hold a particular meeting at any other place."

Show Cause Notice

4. It was observed that the company was in default with regard to the aforesaid provisions of the Ordinance as the company failed to hold its AGM by May 31, 2010 and subsequently held it on June 30, 2010. Therefore a Show Cause Notice ("SCN") dated June 01, 2010 under Section 158(4) read with Section 476 of the Ordinance was served to the Chief Executive and Directors of the Company, calling upon them to explain in writing as to why appropriate action may not be taken against the Company under the law for the aforesaid contravention.

Hearing Proceedings

5. A hearing was called at 11:00 a.m. on July 08, 2010 and a hearing notice was sent to the Chief Executive and Directors of the Company to explain the circumstances which had led to such non-compliance. The said hearing was attended by Muneer Hussain, Chief Accountant of the Company and Mr. Syed Amjad Hussain, an Advocate on behalf of the Chief Executive and Directors of the Company. Mr. Syed Amjad Hussain said that since the company was not in operation, directors were not in Pakistan, the chief accountant was acutely ill and the auditors took a lot of time to compile the accounts, the AGM of the Company could not be held in time. He accepted the default of the said provisions of the Ordinance and requested to take a lenient view in the matter and condone the penalty at this instance. The company representatives also submitted its written reply to the Show Cause Notice during the hearing which pondered over the whole event and requested again to condone the penalty.

Consideration of the Submissions

7. The duties and role of Directors of the Company are very important as far as the day to day running activities of the company is concerned. Hence the directors have to be vigilant and perform their duties and obligations with due care and diligence. In the instant case, however, the directors have failed to perform their duties with care and prudence. As the directors are

is supposed to be well aware of their legal obligations in connection with aforesaid requirements
of law as well as consequences of the said default, therefore, it could be legitimately inferred
that the default was committed knowingly and willfully.

Conclusion

8. After carefully examining the arguments and studying the facts and findings of the case as mentioned in the above paras of this Order, the default of Section 158(4) read with Section 476 of the Ordinance has been established. Therefore action against the Company may be taken by imposing a fine under Section 158(4) of the Ordinance which states that:

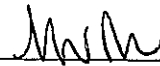
"(4) If default is made in complying with any provision of this section, the company and every officer of the company who is knowingly and willfully a party to the default shall be liable,-

(a) if the default relates to a listed company, to a fine not less than [fifty] thousand rupees and not exceeding five hundred thousand rupees and to a further fine not exceeding two thousand rupees for every day after the first during which the default continues; and"

Order

9. In exercise of powers conferred on me under section 476 of the Ordinance, I, instead of imposing a maximum fine, hereby, in consideration of the financial position of the company and its business, having been ceased, take a lenient view and impose the minimum fine of Rs. 50,000 (Fifty Thousand Only) on the Company.

10. The Company, *M/s. Union Insurance Company of Pakistan Limited* is hereby directed to deposit the aforesaid fine aggregating to Rs.50,000/- (Rupees fifty thousand only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty (30) days from the receipt of this Order and furnish receipted vouchers issued in the name of Commission for information and record.



Nasreen Rashid
Executive Director (Insurance)