



SECP

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN INSURANCE DIVISION

[Karachi]

Before Nasreen Rashid, Executive Director (Insurance)

In the matter of

Pakistan General Insurance Company Limited

Date of Show Cause Notice: April 23, 2010

Date of Second Hearing: July 27, 2010

Attended by: Azhar Hafeez, Chief Financial Officer- Pakistan General Insurance Company Ltd.

Date of Order: August 31, 2010

ORDER

(Under Section 158, Circular 2 of 2001, Circular No. 5 of 2002 read with Section 476 of Companies Ordinance, 1984)

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This Order shall dispose of the proceedings initiated against Pakistan General Company 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"), Circular 2 of 2001, Circular No. 5 of 2002 read with Section 476 of the Ordinance.

Background Facts

2. The relevant facts for the disposal of this case, briefly stated are that while examining the relevant documents of the Company it was revealed that the Company had failed to provide the Commission with newspaper cuttings of the Notice of AGM within 07 days of its publication, five copies of audited Balance Sheet and Profit and Loss account, together with a copy of the Auditor's report at least 21 days before the holding of AGM.

3. Section 158 of the Ordinance, states that:

"(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.

(3) The notice of an annual general meeting shall be sent to the shareholders at least twenty-one days before the date fixed for the meeting and, in the case of a listed company, such notice, in addition to its being dispatched in the normal course, shall also be published at least in one issue each of a daily newspaper in English language and a daily newspaper in Urdu language having circulation in the Province in which the stock exchange on which the company is listed is situate."

Further to the aforesaid provision, Circular No. 5 of 2002 dated March 14, 2002 clearly states that:

"(2)(ii) Copies of the newspaper in which the notices of AGM or EOGM are published may be sent to the Commission within 07-days of their publication."

Further to the aforesaid provision, Circular 2 of 2001 clearly states that:

"(2) To keep a watch on the timely issuance and publication of notices of the meetings, all listed companies are once again directed to transmit the copies of notices of AGM/EOGM to the Commission at fax No. 051-9204915 (attention Commissioner Enforcement) on the same date on which the notices are issued to the shareholders."

4. In pursuance of Section 233 of the Ordinance, states that:

Every company shall in the form and manner specified by the Commission send a copy of such balance-sheet and profit and loss account or income and expenditure account so audited together with a copy of the auditor's report and the director's report to every member of the company at least twenty-one days before the meeting at which it is to be laid before the members of the company, and shall keep a copy at the registered office of the company for the inspection of the members of the company during a period of at least twenty-one days before that meeting.

Show Cause Notice

5. It was observed that the company was in default with regard to the aforesaid provisions of the Ordinance and therefore a Show Cause Notice ("SCN") dated April 23, 2010 under Section 158 read with Circular 2 of 2001, Circular No.5 of 2002 and 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.

Company Reply

6. Vide their letter dated April 26, 2010, the Company, filed the annual accounts for the year ended 31st Dec, 2010 with SECP Islamabad. Subsequently the company replied in its letter dated April 27, 2010 and received by the Commission on May 3, 2010, that the company had published the Notice of Annual General Meeting on April 8, 2010 in two newspapers but the



company failed to dispatch the cuttings to SECP in time, due to oversight. Hence, the company requested, that, keeping a lenient view, the SCN may be withdrawn, since this mistake according to them had occurred for the first time.

Hearing Proceedings

7. Therefore a hearing was scheduled at 12:30 p.m. on July 27, 2010 for which a hearing notice was sent to the Chief Executive and Directors of the Company, first on June 21, 2010 and then on July 14, 2010, since the company could not appear for its first date of hearing, to explain the circumstances which had led to such a non-compliance.

8. The said hearing was attended by Azhar Hafeez, Chief Financial Officer of the Company on behalf of the Chief Executive and Directors of the Company. He accepted the default in submitting the Notice of AGM copies as well as published financial accounts and emphasized that the year 2009 was quiet turbulent and there were significant printing issues due to which the copies could not be circulated on time and that there was no other motive to dispatch the copies with a delay. He also assured of full compliance in the future and requested the Commission to condone the penalty in this instance.

Conclusion

9. 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 of the Ordinance, Circular 2 of 2001 and Circular No. 5 of 2002 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

10. In exercise of powers conferred on me under section 476 of the Ordinance, instead of imposing a fine on the company, I am taking a lenient view with regard to this non-compliance of the company and condoning the aforesaid default this time since the company has assured of full compliance in the future. Hence the CEO and Directors of the Company are hereby **WARNED** to comply with the aforesaid provisions in the future.

Nasreen Rashid
Executive Director (Insurance)