

Circular No. 14 Reference No.CLD Co./Amend/2001
COMPANIES (AMENDMENT) ORDINANCE 2002

Nov 11 , 2002

The “Companies (Amendment) Ordinance 2002” (Ordinance No. C OF 2002) which has been promulgated on October 26, 2002, and amends the Companies Ordinance, 1984 has been placed on the Commission’s web-site and also sent to you by e-mail. A hard copy of the same is enclosed. Significant amendments in the Ordinance, have been indicated below:

- (i) **Section 2:** Definition of a Financial Institution has been provided.
- (ii) **Section 15, 47, 160, 174 and 305:** A new concept of single member private company (SMC) has been introduced to admit the individual businessmen in the corporate sector as a company having limited liability. Amendment has further been made in sections 47, 160, 174 and 305 with respect to the SMC.
- (iii) **Sections 15 and 174:** The minimum number of seven members and directors of a public company is reduced to three. However, the listed companies shall continue to have at least seven directors.
- (iv) **Section 19, 27, 73 and 205:** The particulars of subscribers, allottees and officers shall be prescribed.
- (v) **Section 78-A:** Amendment has been made to provide a right of appeal to the shareholder before the Commission against refusal of directors or delay in registration of transfer of shares within prescribed period.
- (vi) **Section 84:** The maximum limit of 10% on issue of shares at discount has been omitted.
- (vii) **Section 131:** Power to grant extension for the delay in registration, modifications and satisfaction of a mortgage or charge created by companies has been entrusted to the Commission.
- (viii) **Section 157:** A public company that has been converted from a private company after one year of its incorporation has been exempted to hold statutory meeting.
- (ix) **Sections 158 and 233:** Amendments have been made to hold the annual general meeting of the companies, for consideration and approval of audited accounts within a period of four months from the closure of accounts. The Commission has given a

general extension of sixty days in holding of the annual general meeting to all the companies whose financial years have closed before October 26, 2002, the date of promulgation of the amending ordinance.

(x) **Section 160:** Quorum of a general meeting of a public listed company is increased from three members to ten members present in person representing not less than 25% of total voting power either of their own account or as proxies. In case of SMC the quorum shall be single member present in person or by proxy.

(xi) **Section 160-A:** Section has been shifted from 161(8).

(xii) **Section 170:** Power to call meeting has been entrusted to the Commission.

(xiii) **Section 173:** Amendments has been made to circulate the minutes of the meetings to members of the Board of Directors of companies within 14 days of the meeting.

(xiv) **Section 178:** Amendment provides for procedure of election of directors of companies not having shares capital to be provided in the articles of association of the company and provisions of section 178 shall not apply in such cases.

(xv) **Section 184:** The period of filing of list of persons consenting to act as directors of companies and their consent to do so has been increased to 14 days.

(xvi) **Section 187:** Defaulters of financial institutions declared by the court of competent jurisdiction and stock exchange members engage in business of brokerage or spouse of such members have been made ineligible to be directors of listed companies.

(xvii) **Section 204:** Appointment of a whole time qualified company secretary is made mandatory both for a listed and a single member company. Qualifications of company secretary would be prescribed in the rules.

(xviii) **Section 208:** Members of a company shall now be able to make final decision for investment in associated companies through special resolution, after having full disclosure of the investments. The maximum limit of thirty per cent of the paid up capital plus free reserves of the investing company has been removed and the role of the regulator to grant waiver to certain companies has been done away with.

(xix) **Section 234:** The private and non-listed public companies that are subsidiaries of the listed companies are also made liable to prepare their accounts in accordance with requirements of Fourth Schedule. The statutory provisions are made in conformity with the International Accounting Standards. All companies are now required to prepare their accounts in accordance with IAS.

(xx) **Section 245:** Listed companies are now required to prepare quarterly accounts.

(xxi) **Section 252:** Change has been made so that a company can remove its auditors through special resolution. However, appointment of new auditor would require approval of the Commission.

(xxii) **Section 237:** Amendment has been made for preparation of consolidated financial statements for holding and subsidiary companies.

(xxiii) **Sections 321, 323, 364:** Amendment has been made to restrict the appointment of any official liquidator up-to three companies at a time and no remuneration to be paid if winding up proceeding are not complete within the prescribed period.

(xxiv) penalties for various defaults, wherever applicable have been revised.

2. The Companies (Amendment) Ordinance, 2002 has introduced many other changes in addition to those mentioned above. It is therefore, necessary that all officers in your office thoroughly study the amendments and take note of the changes for enforcement as the Ordinance has already come into force from October 26, 2002.

(Nazir Ahmad Shaheen)
Additional Registrar of Companies

Additional / Joint/ Deputy/ Assistant Registrar of Companies,
Company Registration Office,
Karachi, Lahore, Islamabad, Faisalabad,
Peshawar, Multan, Quetta, Sukkur.