



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

[Islamabad]

*Before Rashid Sadiq, Executive Director*

Order

*In the matter of*

**M/S. Service Fabrics Limited**

(Under Sub-section (3) of Section 245 Of the Companies Ordinance, 1984.)

Number and date of notice	EMD/Enf -II/231/2003 dated September 16, 2003
Date of hearing	April 05, 2004
Present	Mr. Ibrahim Hanif Malik, G. M. Finance
Date of Order	April 06, 2004

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This is a case of violation of the provisions of Section 245 of the Companies Ordinance, 1984 (the “Ordinance”) by M/S Service Fabrics Limited (the “Company”).

2. The facts leading to this case, briefly stated, are that in terms of the provisions of Section 245 of the Ordinance, the Company was required to prepare and transmit to the members and simultaneously file with the Commission its quarterly accounts for the period ended March 31, 2003 and June 30, 2003 by May 31, 2003 and July 31, 2003 respectively. The failure of the Company to comply with the aforesaid requirement necessitated action against the responsible directors in terms of Sub-section (3) of Section 245 Of the Companies Ordinance, 1984.)

3. Consequently, a notice dated September 16, 2003 was served on all the directors including the Chief Executive of the Company calling upon them to



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show cause as to why penalties as provided under Sub-section (3) of Section 245 read with Section 476 of the Ordinance may not be imposed on them. No response was received from the directors of the Company to the aforesaid show cause notice.

4. In order to give an opportunity of personal hearing, the case was initially fixed on November 10, 2003. On the said date, Mr. Ralph Nazirullah, Company Secretary and Mr. Ibrahim Hanif Malik, G. M. Finance appeared before the Commissioner (CLD) and submitted that the said quarterly accounts could not be prepared due to non-finalization of annual accounts for the year ended September 30, 2002. They promised to submit the overdue quarterly accounts by December 31, 2003. The Company, however, failed to honour the commitment made by its representatives by filing the overdue quarterly accounts. The case, therefore, was fixed on January 05, 2004. On the date of hearing, Mr. Ralph Nazirullah appeared before the Commissioner (CLD) and requested for further time for submission of said accounts till February 15, 2004, which was allowed. In the meantime, the Commission vide its notification No. S.R.O. 162 (1)/2004 dated March 17, 2004 delegated the powers under Section 245 of the Ordinance to the undersigned. The case, therefore was fixed for hearing on April 05, 2004. On the date of hearing, Mr. Ibrahim Hanif Malik appeared on behalf of all the directors and submitted a written reply along with copies of the draft balance sheet and profit and loss account for the periods ended March 31, 2003 and June 30, 2003. He averred that the delay occurred due to resignation of Chief Accountant and late finalization of annual accounts for the year ended September 30, 2002. He admitted the default and prayed for condonation of the delay in submission of quarterly accounts. He also requested for a lenient view in the matter and assured that no such lapse shall occur in future



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5. Considering the circumstances of the case and the submissions of the respondents, I am of the view that the contentions of the directors do not carry any merit as the delay in finalization of the annual accounts is not a justifiable excuse for delaying the circulation and filing of quarterly accounts which is a separate mandatory requirement under Section 245 of the Ordinance. The Company has also failed to prepare its annual accounts for the year ended September 30, 2002 and 2003 within the prescribed time. The reason stated for non-compliance is the absence of the Chief Accountant who had left for Canada. A perusal of the record reveals that in the past too the management had committed similar defaults and similar excuses i.e., “termination of Chief Accountant”, “Chief Accountant has proceeded on marriage leave” and “corruption of accounting data due to virus strikes” have been offered during the proceedings initiated by the Commission on such defaults. The record also indicates that the Commission has always taken a lenient view of such defaults and minor penalties were imposed. It appears that imposition of minor penalties has made the management careless and they have started taking the mandatory provisions of law very lightly. Keeping in view, the management’s inattention and complete disregard to the mandatory provisions of the Ordinance, the default is considered deliberate and intentional. However, on the assurance of the directors to comply with the mandatory requirements in future, I am again inclined to take a lenient view of the default.

6. For the forgoing reasons, instead of imposing the maximum fine of Rs. 100,000 on every director and a further fine of Rs. 1,000 per day for the continuous default, I impose a penalty of Rs. 20,000 (Rupees twenty thousand only) on the Chief executive for each default and Rs. 10,000 (Rupees ten thousand only) on every of the directors for each default under Sub-section (3) of Section



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245 of the Ordinance read with Section 476 of the Ordinance. The detail of the penalties imposed is as follows:

Name	Penalty (Rupees)		
	March 31, 2003	June 30, 2003	Total
Mr. Farooq Hameed, Chief Executive	20,000	20,000	40,000
Mr. Aamer Hameed, Director	10,000	10,000	20,000
Mr. Sajjad Saleem Minhas, Director	10,000	10,000	20,000
Mr. Tariq Hameed, Director	10,000	10,000	20,000
Mr. Muhammad Salim, Director	10,000	10,000	20,000
Mr. Ijaz Hameed, Director	10,000	10,000	20,000
Mr. Muhammad Hameed, Director	10,000	10,000	20,000
<b>Total</b>	<b>80,000</b>	<b>80,000</b>	<b>160,000</b>

7. The Chief Executive and directors of the Company are hereby directed to deposit the aforesaid fine 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 receipted challans to the Commission.

**Rashid Sadiq**  
Executive Director (Enforcement)

**Announced:**  
April 06, 2004  
**ISLAMABAD**