

**Before Javed K. Siddiqui, Executive Director (Company Law)**

*In the matter of*

**M/s. Service Fabrics Limited**

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

No. & date of show cause notices	EMD/Enf-II/231/2003 dated May 20, 2005 & July 14, 2005
Date of hearing	August 04, 2005
Present	Mr. Ralph Nazirullah, Company Secretary
Date of Order	August 11, 2005

## **Order**

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This Order shall dispose off the proceedings initiated against the Directors of Service Fabrics Limited (hereinafter referred to as the "Company") for default made in complying with the provisions of Sub-section (1) of Section 245 of the Companies Ordinance, 1984 (the "Ordinance").

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 Registrar and the Commission its quarterly accounts for the 1<sup>st</sup> quarter ended December 31, 2004 and 2<sup>nd</sup> quarter ended March 31, 2005 by January 31, 2005 and May 31, 2005 respectively. Failure of the Company to comply with the aforesaid mandatory requirements within the prescribed time necessitated action against the responsible Directors of the Company in terms of Sub-section (3) of Section 245 of the Ordinance. Consequently, show cause notices dated May 20, 2005 and July 14, 2005 were served on all the Directors including the Chief Executive of the Company calling upon them to 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 for the aforesaid contravention. However, no reply was received to the said show cause notices.

3. In order to provide an opportunity of personal hearing the matter was fixed for hearing on July 19, 2005. No one appeared on the date of hearing. However, a written reply was received wherein the Company Secretary contended that they are in the process of preparing pending quarterly accounts



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which were delayed due to late completion of annual audit. It was further stated that the said accounts would be ready in the next 10 days for circulation. Request was also made to re-fix the date of hearing at the end of July 2005 to provide them an opportunity to submit the quarterly accounts by then. The hearing was, therefore, adjourned on the request of the Company and re-fixed for August 04, 2005. On the date of hearing, Mr. Ralph Nazirullah, the Company Secretary appeared before me to argue the case on behalf of all the Directors. He, while admitting the default, contended that due to delay in audit, the accounts for the 1<sup>st</sup> quarter ended December 31, 2004 and 2<sup>nd</sup> quarter ended March 31, 2005 could not be prepared and filed in time. He further stated that there was no staff to prepare quarterly accounts. He again promised to file these accounts within next 10 days. He also assured to be careful and compliant in future and prayed for a lenient view in the matter.

4. I have given due consideration to the submissions of the representative of the Directors advanced for non filing of quarterly accounts, however, the circumstances and facts placed before me do not prove that the defaults were beyond the control of the management. The track record of the Company with regard to filing of annual and interim accounts is not satisfactory. The Company is committing defaults in filing of annual accounts since September 2000 and in filing of quarterly accounts since December 2002 for which the Directors were penalized earlier also. It has been noticed that the Directors have also failed to deposit the amount of penalties imposed for the previous defaults. This led me to believe that the Directors have no respect for the law and they have again deprived the shareholders of their statutory right to receive the quarterly accounts of the Company within the prescribed time limit. The responsibility for preparation/circulation of quarterly accounts rests with the Directors of the Company and they have to take appropriate action at appropriate time. Moreover, at the time of hearing held for the previous defaults under the same provisions of the Ordinance, Mr. Nazirullah had committed that no default would occur in future. In his letter dated July 16, 2005 also he committed that the accounts will be ready within 10 days and requested adjournment for that reason. However, even after lapse of 25 days from the date of said letter, no accounts were provided to the Commission. Rather the representative of Company repeated the same statement that the accounts will be ready within 10 days. This clearly shows that the Company is not making any serious effort to comply with provisions of the law and is trying to buy time only. For the foregoing reasons, the defaults under Sub-section (1) of Section 245 of the Ordinance regarding non- submission of quarterly accounts for the quarters ended on December 31, 2004 and March 31, 2005 stand established.

5. However, 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 the following penalties on the



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Chief Executive and the Directors of the Company under Sub-section (3) of Section 245 of the Ordinance:-

S. No	Name	Penalty Rs.
1.	Mr. Farooq Hameed, Chief Executive	30,000
2.	Mr. Ijaz Hameed, Director	10,000
3.	Mr. Muhammad Hameed, Director	10,000
4.	Mr. Aamer Hameed, Director	10,000
5.	Mr. Tariq Hameed, Director	10,000
6.	Mr. Sajid Salim Minhas, Director	10,000
7.	Ms. Muhammad Salim, Director	10,000
	<b>Total</b>	<b>90,000</b>

6. The Chief Executive and Directors of M/s. Service Fabrics Limited are hereby directed to deposit the aforesaid fines totalling to Rs.90, 000/- (Rupees Ninety thousand only) 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 vouchers or pay by a DD/pay order issued in the name of Commission for information and record, failing which proceedings under the Land Revenue Act,1967 will be initiated which may result in the attachment and sale of movable and immovable property. It may also be noted that the said penalties are imposed on the Chief Executive and other Directors in their personal capacity who are required to pay the said amount from their personal resources.

**Javed K. Siddiqui**  
Executive Director (CL)