



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

[Islamabad]

Before Ejaz Ishaq Khan, Executive Director

Order

In the matter of

Service Industries Textiles Limited

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

Number and date of show cause notices	(i). EMD/Enf-II/190/2003-6503-6511 dated April 08, 2004 (ii). EMD/Enf-II/190/2003-283-289 dated July 06, 2004
Date of hearing	July 28, 2004
Present	Mr. Ralph Nazirullah, Authorized Representative
Date of Order	August 12, 2004

This is a case of violation of the provisions of Section 245 of the Companies Ordinance, 1984 (the “Ordinance”) by M/s. Service Industries Textiles 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 read with Circular No. 9 of 2003, 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 quarters ended on March 31, 2003, June 30, 2003, December 31, 2003 and March 31, 2004 by May 31, 2003, July 31, 2003, January 31, 2004 and May 31, 2004 respectively. The failure of the Company to comply with the aforesaid mandatory requirement necessitated action against the responsible directors of the Company in terms of Sub-section (3) of Section 245 of the Ordinance. Consequently, two show cause notices dated April 08, 2004 and July 06, 2004 were served on all the directors including the Chief Executive of the Company calling



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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.

3. The Chief Executive and directors of the Company failed to respond to the notice dated April 08, 2004. However, notice dated July 06, 2004 was responded by Mr. Mohammad Hameed, the Chief Executive of the Company who contended vide his letter dated July 12, 2004 that late appointment of new auditors delayed the audit of the annual accounts for the year ended September 30, 2003 and consequently the accounts for the quarters ended 31-12-03, 31-03-04 and 30-06-04 could not be prepared within the prescribed time. It was argued that the previous auditors due to their internal problems were delaying the audit of accounts for the last 2/3 years, therefore, the Company has changed its auditors and it is hoped that such delay will not occur in future. It was further stated that the said quarterly accounts are ready and will be published and filed with the Commission as soon as the accounts for the quarter ended 31-03-04 are reviewed by the auditors. He requested for one week's time to file the said accounts and also promised that in future all the requirements will be fulfilled within time prescribed.

4. In order to provide an opportunity of personal hearing the matter was fixed on July 28, 2004, on which date Mr. Ralph Nazirullah, the Company Secretary appeared before me to argue the case on behalf of all the respondents. Mr. Nazirullah admitted the default and reiterated almost the same arguments as were earlier offered by the Chief Executive of the Company in his written reply. He assured to be careful and compliant in future and prayed for a lenient view in the matter.

5. I have given due consideration to the written as well as verbal submissions of the respondents advanced for defaults, 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 holding of AGMs and filing of annual and interim accounts is also very poor. The Company is committing defaults in holding of AGMs and filing of annual accounts since September 2000 and in filing of quarterly accounts since



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December 2002. When Mr. Nazirullah was asked as to why they did not take timely action against the auditors for delaying the audit of the accounts since 2/3 years, he failed to give any justifiable excuse. This led me to believe that the directors have intentionally deprived the shareholders of their statutory right to receive the quarterly accounts of the Company. Had there been serious efforts on the part of the directors to manage the timely finalization and audit of accounts, there would have been no delay in preparation/circulation of annual and interim accounts. The responsibility for preparation/circulation of quarterly accounts rests with the directors of the Company and in case they do not take appropriate action at appropriate time the default is considered willful. Moreover, at the time of hearing the authorized representative stated that all overdue accounts will be finalized in 3 days, however, the said accounts have not been filed with this Commission till the date of this order. For the foregoing reasons, the default under Sub-section (1) of Section 245 of the Ordinance stands established.

6. In view of the established default, I impose the following penalties on the Chief Executive and the directors of the Company under Sub-section (3) of Section 245 of the Ordinance:-

S.#	Name	Penalty(Rs)				
		For the period ended				Total
		31.03.03	30.06.03	31.12.03	31.03.04	
1.	Mr. Muhammad Hameed , Chief Executive	5,000	5,000	5,000	5,000	20,000
2.	Mr. Ijaz Hameed , Director	5,000	5,000	5,000	5,000	20,000
3.	Mr. Farooq Hameed, Director	5,000	5,000	5,000	5,000	20,000
4.	Mr. Aamer Hameed, Director	5,000	5,000	5,000	5,000	20,000
5.	Mr. Tariq Hameed, Director	5,000	5,000	5,000	5,000	20,000
6.	Mr. Abid Hussain, Director	5,000	5,000	5,000	5,000	20,000
7.	Ms. Mariam Hameed, Director	5,000	5,000	5,000	5,000	20,000
	Total	35,000	35,000	35,000	35,000	140,000



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7. The Chief Executive and directors of the Company are hereby directed to deposit the aforesaid fines 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 failing which proceedings for recovery of the fines as arrears of land revenue will be initiated. It should also be noted that the said penalties are imposed on the Chief Executive and the directors in their personal capacity and they are required to pay the said amounts from their personal resources.

Ejaz Ishaq Khan
Executive Director

Announced:
August 12, 2004
ISLAMABAD