

Before Dr. Sajid Qureshi, 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 notice	EMD/Enf-II/231/2003 dated November 24, 2005
Date of hearing	December 23, 2005
Present	No one appeared
Date of Order	December 27, 2005

Order

This Order shall dispose of the proceedings initiated against the directors of M/s. 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 1st quarter ended September 30, 2005 by October 31, 2005. 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 notice dated November 24, 2005 was served on all the directors including the Chief Executive of the Company calling



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet -1 -

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. The Chief Executive and other directors, however, did not respond to the show cause notice. In order to provide an opportunity of personal hearing the matter was fixed on December 23, 2005. However, no one appeared on the date of hearing. This leads me to believe that the Chief Executive and directors of the Company have nothing in their defence, and they are deliberately avoiding appearance in the hearing. Therefore, I proceed to adjudicate this case on its merits.

3. Before proceeding to decide this case, I consider it necessary to highlight the importance of the strict observance of the aforesaid mandatory provisions of the law. The protection of the investors/shareholders is one of the primary objectives of the Ordinance. It is investors/shareholders who provide seed for capital formation. If the interest of the investors is protected, they will save and invest more. Their interest is protected by transmission of timely, adequate and meaningful information to them. It is the annual and interim accounts, which provide information to the investors about the affairs of the companies. It has unfortunately been noted that the directors of M/s. Service Fabrics Limited are not observing these compulsory requirements of law.

4. From the aforesaid discussion, it is clear that the directors and Chief Executive have intentionally avoided appearance before me. The default, therefore, is considered willful and deliberate. In the circumstances, it can be legitimately inferred that the Chief Executive and directors have failed to protect the interest of the shareholders. The aforesaid state of affairs is a cause of great concern for the Commission. The track record of the Company with regard to filing of annual and quarterly accounts is also 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



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet -2-

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 hearings held for the previous defaults under the same provisions of the Ordinance, Mr. Nazirullah, the Company Secretary had committed that no default would occur in future. The repetition of default clearly shows that the Company is not making any serious efforts to comply with the provisions of the law. For the foregoing reasons, the default under Sub-section (1) of Section 245 of the Ordinance regarding non-submission of quarterly accounts for the quarter ended on September 30, 2005 stands 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 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	30,000
3.	Mr. Muhammad Hameed, Director	30,000
4.	Mr. Aamer Hameed, Director	30,000
5.	Mr. Tariq Hameed, Director	30,000
6.	Mr. Sajid Salim Minhas, Director	30,000
7.	Mr. Muhammad Salim, Director	30,000
	Total	2,10,000

6. The Chief Executive and directors of M/s. Service Fabrics Limited are hereby directed to deposit the aforesaid fines aggregating to Rs.210,000/- (Rupees two hundred and ten 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



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet -1 -

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.

Dr. Sajid Qureshi

Executive Director (Company Law)