



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Before Tariq Bakhtawar, Director (Enforcement)

In the matter of
M/s. Service Fabrics Limited

(Under Sub-section (4) of Section 158 of the Companies Ordinance, 1984)

Number and date of show cause notice	EMD/Enf-II/231/2003 dated March 15, 2005
Date of hearing	May 19, 2005
Present	Mr. Ralph Nazirullah, Company Secretary
Date of Order	June 29, 2005

Order

This order shall dispose of the proceedings initiated against M/s Service Fabrics Limited (the “Company”) and its Directors for default made in holding of Annual General Meeting (the “AGM”) of the Company under the provisions of Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (“the Ordinance”).

2. The facts of the case in brief are that in terms of the provisions of Sub-section (1) of Section 158 of the Ordinance, the Company was required to hold its Annual General Meeting (the “AGM”) for the year ended September 30, 2004 on or before January 31, 2005. The failure of the Company to comply with the aforesaid mandatory requirement necessitated action against the Company and its Directors in terms of Sub-section (4) of Section 158 of the Ordinance. Accordingly, a show cause notice dated March 15, 2005 was served on the Company and its Directors including the Chief Executive calling upon them to show cause as to why penal action may not be taken against them under Sub-section (4) of Section 158 read with Section 476 of the Ordinance for the aforesaid contravention. The Company or any of the respondents failed to respond the aforesaid notice.

3. In order to give an opportunity of hearing the case was fixed for May 19, 2005. On the date of hearing Mr. Ralph Nazirullah, Company Secretary, appeared before me to argue the case on behalf of all the Directors of the Company. Mr. Nazirullah while admitting the default argued that due to their internal disputes the previous auditors were delaying the audit of annual accounts, therefore, the Company has changed its auditors who have finalized the audit and now the AGM will be held very



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soon. He contended that at present all operations of the Company are closed and the management is negotiating with Habib Bank Limited and other banks for revival of the Company. It was because of this reason that the Company could not hold the AGM for the year ended September 30, 2004 within the stipulated time. He requested for a lenient view and assured that the Company and its Directors would ensure strict compliance of the provisions of the Ordinance in time in future.

4. Considering the circumstances of the case and the submissions of the respondents for non-holding of AGM, I am of the view that the contentions of the Directors do not carry any merit to justify the default. It is the responsibility of the Directors of the Company to hold the AGMs within prescribed time as this is the only forum available to the shareholders where they can discuss, speak and vote on the significant matters like approval of accounts, appointment of auditors, election of directors and other important issues relating to the performance of the Company. A perusal of the record reveals that in the past too the management had committed similar defaults for which penalties were imposed on the Company and its management. The repetition of the default shows that the management of the Company does not take the provisions of law seriously. Accordingly, the default under Section 158 is considered willful and deliberate, which attracts the provisions of Sub-section (4) of Section 158 of the Ordinance.

5. Though the default is considered willful, yet, in view of the respondent's assurance for future compliance, I am inclined to take a lenient view in the matter and instead of imposing the maximum fine of Rs. 50,000 on the Company and every Director and a further fine of Rs. 2,000 per day for continuous default, I impose a fine of Rs. 25,000 (Rupees twenty five thousand only) each on the Company, its Chief Executive and each of the Directors under Sub-section (4) of Section 158 read with Section 476 of the Ordinance. The detail of the penalties imposed is as follows:

S. #	Name	Penalty (Rupees)
1.	M/s. Service Fabrics Limited	25,000
2.	Mr. Farooq Hamid, Chief Executive	25,000
3.	Mr. Muhammad Hameed, Director	25,000
4.	Mr. Ijaz Hameed, Director	25,000
5.	Mr. Sajid Salim Minhas, Director	25,000
6.	Mr. Aamer Hameed, Director	25,000
7.	Mr. Tariq Hameed, Director	25,000



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8.	Mr. Muhammad Salim, Director	25,000
	Total	200,000

6. The Company, its Chief Executive and other Directors of the Company are hereby directed to deposit within 30 days of the date of receipt of this Order, the aforesaid fines totaling to Rs.200, 000/- (Rupees two hundred thousand only) in the Commission's designated bank account No. 75010-6 maintained at Habib Bank Limited, Central Branch-102/103, Upper Mall, Lahore, or pay by a DD/Pay order issued in the name of Commission and send a copy of the receipt to the 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 penalties imposed on the Chief Executive and other Directors are in their personal capacity who are required to pay the said amount from their personal resources.

Tariq Bakhtawar
Director (Enforcement)