



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

*Enforcement Department*

**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 notice	EMD/Enf-II/231/2003 dated September 24, 2004
Date of hearing	March 16, 2005
Present	Mr. Ralph Nazirullah, Authorized Representative

## **ORDER**

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 3<sup>rd</sup> quarter ended on June 30, 2004 by July 31, 2004. 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, a show cause notice dated September 24, 2004 was 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 notice.



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3. In order to provide an opportunity of personal hearing the matter was fixed for hearing on October 28, 2004, which was adjourned and re-fixed on November 04, 2004. However, on the request of the Company, the hearing was again adjourned and re-fixed on March 16, 2005 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 contended that they had promised in the last meeting to be on time but un-intentionally and due to late appointment of new auditors which delayed the audit of the annual accounts for the last three years, the accounts for the 3rd quarter ended 30.06.04 could not be prepared and filed. It was argued that the previous auditors were delaying the audit of the annual accounts for the last three years, therefore, the Company has changed its auditors. He 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 respondents advanced for non filing of quarterly accounts, however, the circumstances and facts placed before me do not prove that the default was 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 not satisfactory. The Company is committing defaults in holding of AGMs and 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 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 on July 28, 2004 for the previous defaults, Mr. Nazirullah had promised that no default would occur in future. 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 June 30, 2004 stands established.

5. However, in view of the assurance given by the respondents for timely compliance in future, I am inclined to take a lenient view in the matter and, instead of imposing the



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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:-

<b>S. No</b>	<b>Name</b>	<b>Penalty Rs.</b>
1.	Mr. Farooq Hameed, Chief Executive	25,000
2.	Mr. Ijaz Hameed , Director	5,000
3.	Mr. Muhammad Hameed, Director	5,000
4.	Mr. Aamer Hameed, Director	5,000
5.	Mr. Tariq Hameed, Director	5,000
6.	Mr. Sajid Salim Minhas, Director	5,000
7.	Ms. Muhammad Salim, Director	5,000
	<b>Total</b>	<b>55,000</b>

6. 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 or pay through a demand draft in the name of Securities and Exchange Commission of Pakistan 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, therefore, they are required to pay the said amounts from their personal resources.

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

**Announced:**  
**March 21, 2005**  
**ISLAMABAD**