

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Service Fabrics Limited

Date of Hearing

November 22, 2018, December 19, 2018, March 27, 2019, December 19, 2019, January 06, 2020, January 31, 2020, February 18, 2020

Order-Redacted Version

Order dated February 27, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Service Fabrics Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated August 31, 2018
2. Name of Company	Service Fabrics Limited
3. Name of Individual	The proceedings were initiated against the board of directors of the Company i.e. Service Fabrics Limited
4. Nature of Offence	In view of alleged violations of section 228 of the Companies Act, 2017.
5. Action Taken	<p>Key findings of default of Act was reported in the following manner:</p> <p>I have examined and observed that the respondents are in contravention of the provisions of Section 228 of the Act. The sole reason put forward for non-consolidation of accounts for year ended June 30, 2017 is the seizure of records of HK Securities by the Securities Market Division of SECP. The reason is not cogent as the respondents have failed to provide evidence that the records seized were relevant or hampered the Company from preparing and submitting consolidated financial statements. Without prejudice to the above, it has been categorically informed by a relevant officer, of then team conducting inspection of the Company, that utmost caution was observed and a backup was left to the management of the brokerage house while seizure of records with a view to facilitating them in discharge of their</p>



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Adjudication Division
Adjudication Department-I

	<p>normal duties towards their clients and other related aspects. The plea of respondent directors for not submitting their consolidated financial statements on account of impracticalities occurred due to investigation proceedings is simply unwarranted. Moreover, the submissions by Mr. Zahir Shah that winding up of the Company pending in court constrained the Company from complying the statutory requirements is not justifiable nor did Mr. Zahir Shah provide any supporting information that could validate such restriction by court or law. Therefore, it is evident that the Company, being a holding company, has failed to attach consolidated financial statements of the group presented as those of a single enterprise in contravention of the requirements of Section 228 of the Act and the respondents have also failed to provide any cogent justification for the aforementioned default.</p> <p>Penalty order dated February, 2020 was passed by Executive Director (Adjudication-I).</p>
2. Penalty Imposed	A penalty of Rs.200,000/- (Two hundred thousand) was imposed on the board of directors of the Company.
3. Current Status of Order	No Appeal has been filed by the respondents

Redacted version issued on September 01, 2020 for placement of website of the Commission.