



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

**BEFORE APPELLATE BENCH NO. II**

In the matter of

**Appeal No. 60-A, 60-B, 60-C, 60-D and 70 of 2006**

1. Farooq Hameed, Chief Executive
2. Muhammad Hameed, Director
3. Ijaz Hameed, Director
4. Aamer Hameed, Director
5. Tariq Hameed, Director
6. Sajid Salim Minhas, Director
7. Muhammad Salim, Director  
of Service Fabrics Limited

..... APPELLANTS

Versus

Executive Director (CLD)  
Securities and Exchange Commission of Pakistan

..... RESPONDENT

**ORDER**

Date of hearing

28-07-10

**Present:**

**For the Appellants:**

Muhammad Pervaiz Tahir  
G.M Finance, Service Fabrics Limited

**Departmental representative:**

Sumaira Siddiqui  
Joint Director (Enforcement)



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1. This order shall dispose of appeal No. 60-A, 60-B, 60-C, 60-D and 70 of 2006 filed under section 33 of the Securities and Exchange Commission of Pakistan (the "Commission") Act, 1997 against:

- a) the order dated 26-08-04 passed by the Respondent (Appeal No. 60-A).
- b) the order dated 21-03-05 passed by the Respondent (Appeal No 60-B).
- c) the order dated 11-08-05 passed by the Respondent (Appeal No 60-C).
- d) the order dated 27-12-05 passed by the Respondent (Appeal No 60-D).
- e) the order dated 16-08-06 passed by the Respondent (Appeal No 70).

collectively referred to as "Impugned Orders".

2. In terms of the provisions of section 245(1) of the Companies Ordinance, 1984 (the "Ordinance"), Service Fabrics Limited (the "Company") was required to prepare and transmit its quarterly accounts respectively to the shareholders, stock exchanges, Registrar and the Commission within one month of the close of the quarters ending 31-12-03, 31-03-04, 30-06-04, 31-12-04, 31-03-05, 30-09-05 and 31-03-06. The Company, however, failed to comply with the aforementioned requirements.



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3. Show cause notices ("SCNs") were issued to the Appellants under section 245(3) read with section 476 of the Ordinance. The Appellants replied to the SCN and hearing in the matter was held. The Respondent, after hearing the parties, took a lenient view and instead of imposing maximum penalty of Rs. 100,000 on each Appellant for each quarter, imposed the following penalties through the Impugned Orders:

In Rupees							Total Penalties
Serial No.	Penalty imposed on	Order dated 26-08-04	Order dated 21-03-05	Order dated 11-08-05	Order dated 27-12-05	Order dated 16-08-06	
		Quarter ending 31-12-03, 31-03-04	Quarter ending 30-06-04	Quarter ending 31-12-04, 31-03-05	Quarter ending 30-09-05	Quarter ending 31-03-06	
1.	Farooq Hameed, Chief Executive	10,000	25,000	30,000	30,000	5,000	100,000
2.	Muhammad Hameed, Director	10,000	5,000	10,000	30,000	5,000	60,000
3.	Ijaz Hameed, Director	10,000	5,000	10,000	30,000	5,000	60,000
4.	Aamer Hameed, Director	10,000	5,000	10,000	30,000	5,000	60,000
5.	Tariq Hameed, Director	10,000	5,000	10,000	30,000	5,000	60,000
6.	Sajid Salim Minhas, Director	10,000	5,000	10,000	30,000	5,000	60,000
7.	Muhammad Salim, Director	10,000	5,000	10,000	30,000	5,000	60,000



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4. The Appellants have preferred the instant appeals against the Impugned Orders. The Appellants were represented by Muhammad Pervaiz Tahir (the "representative"). The representative at the outset admitted the defaults for non filing of the quarterly accounts within the prescribed time and pleaded that lenient view may be taken by reducing the penalties. The representative informed the Appellate Bench (the "Bench") that the Company ceased its operations in the year 2004 and is in the process of voluntarily winding up. It was argued that the Company has no assets and under the present circumstances cannot pay the penalties to the Commission. The representative also informed the Bench that one of the Appellant namely Muhammad Salim has passed away in the year 2008.
5. The departmental representative argued that the Commission has already taken a lenient view by imposing lesser penalties as compared to the maximum penalty of Rs. 100,000 each for every default provided under section 245 of the Ordinance. The Appellants failed to provide quarterly accounts in timely manner to the shareholders, stock exchanges, Registrar and the Commission as required by the Ordinance. It was argued that the Impugned Orders should, therefore, be upheld.
6. We have heard the parties and have perused the record. The penalties imposed on the Appellants are paltry compared to the penalties provided under the Ordinance. The directors are responsible for preparation and circulation of the quarterly accounts in order to provide timely information to all stakeholders and the Appellants cannot be let off scot free for having failed to provide the necessary information within the prescribed time. The recurrence of defaults shows that the Appellants did not make serious efforts to comply with the provisions of the Ordinance. We have been informed that



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one of the Appellants has passed away in the year 2008. The penalties have been imposed on the Chief Executive and directors in their personal capacity and they are directed to deposit the penalties from their own resources and not from the coffers of the Company.

In view of the foregoing, the penalty to the extent of Muhammad Salim is being set aside. The other Appellants are directed to deposit the fine within (15) days of receipt of this Order.

(SALMAN ALI SHAIKH)

Chairman

(S. TARIQ ASAF HUSAIN)

Commissioner (LD)

Announced on: 13 August 2010