



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

| ORDER | |
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| Name of Company: | M/s. Olympia Mills Limited |
| Show Cause Notice No. & Date: | CSD/ARN/213/2015-636 dated July 09, 2025 |
| Name of Noticee/Auditor: | Mr. Nouman Arshad, ACA, Partner of M/s. Mushtaq & Co. Chartered Accountants |
| Date of Hearing: | August 12, 2025 |
| Case represented by: | (i) Mr. Nouman Arshad, ACA, the Engagement Partner; and (ii) Mr. Muhammad Sarfaraz, Manager Corporate Affairs (Both of M/s. Mushtaq & Co. Chartered Accountants) |
| Provision of law involved: | Section 249 of the Companies Act, 2017 read with sub-section (1) of Section 253 thereof and Regulation 3(1) of the Auditors (Reporting Obligations) Regulations, 2018 read with Regulation 7 thereof and Section 512(2) of the Act |
| Date of the Order: | October 16, 2025. |

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through Show Cause Notice No. CSD/ARN/213/2015-636 dated July 09, 2025 ("SCN") against Mr. Nouman Arshad, ACA, (the "Auditor"), Partner of M/s. Mushtaq & Co. Chartered Accountants (the "Audit Firm") issued under Section 249 of the Companies Act, 2017 (the "Act") read with sub-section (1) of Section 253 thereof and Regulation 3(1) of the Auditors (Reporting Obligations) Regulations, 2018 (the "Regulations") read with Regulation 7 thereof and Section 512(2) of the Act.

2. The provisions of sub-section (1) of Section 249 of the Act provide that a company's auditor shall conduct the audit and prepare his report in compliance with the requirements of International Standards on Auditing (ISAs) as adopted by the Institute of Chartered Accountants of Pakistan (ICAP).

3. Para 13 of ISA 700, 'Forming an Opinion and Reporting on Financial Statements', ("ISA 700") requires that in particular, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements. Moreover, para 14 of ISA 700 provides that when the financial statements are prepared in accordance with a fair presentation framework, the evaluation required by paragraphs 12-13 shall also include whether the financial statements achieve fair presentation. The auditor's evaluation as to whether the financial statements achieve fair presentation shall include consideration of the overall presentation, structure and content of the financial statements; and whether the financial statements, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation. Furthermore, para 18 of ISA 700 Provides that if financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor shall discuss the matter with management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, shall determine whether it is necessary to modify the opinion in the auditor's report in accordance with ISA 705 (Revised).

4. The provisions of sub-regulation (1) of Regulation 3 of the Regulations provide that the auditor of a company other than a banking company, shall make out a report to the members of the company on its financial statements as required under section 249 of the Act, on the format as provided in Annexure-I of the Regulations.

Handwritten signature and date:
16-10-2025

5. The brief facts of the case are that the review of the Annual Audited Financial Statements for the year ended June 30, 2024 (the "Accounts") of M/s. Olympia Mills Limited (the "Company") revealed that the Auditor performed the statutory audit of the Company for the year ended June 30, 2024. During the review, it was revealed that the Company had repaid loan to directors amounting to Rs. 89 million during the year ended June 30, 2023 and Rs. 151 million during the year ended June 30, 2024 as evident from Statement of Changes in Equity. However, the Company failed to report the party-wise details of loan transactions with directors under related party disclosure (Note 31 to the Accounts). Moreover, the Company had not disclosed the names of common directors with its related parties namely M/s. Olympia Power Generation (Pvt.) Limited and M/s. Super Packages (Pvt.) Limited, contrary to the disclosure requirements of International Accounting Standard-24 'Related Party Disclosures' ("IAS 24") and Clause VI(1)(v) of Fourth Schedule of the Act

6. Further review of the said Accounts revealed in respect of investment property amounting to Rs. 617.99 million, the Company had not determined and disclosed the fair value of investment property as on reporting date i.e., June 30, 2024 (Note 15 to the Accounts), contrary to the requirements of para 79 of International Accounting Standard 40 'Investment Property' ("IAS 40").

7. In order to probe the matter, the Commission vide email dated May 16, 2025 sought comments from the Auditor with regards to the aforementioned non-disclosures of the Company in the Accounts. The Auditor in its response vide letter dated June 20, 2025, *inter alia*, submitted as under:

"We acknowledge that the breakdown of loan transactions with directors, including party-wise details and outstanding balances, has not been disclosed in Note 31 to the Accounts. While aggregate amount of directors' loans is presented on the face of the balance sheet and explained in Note 6 to the Accounts, we understand that this does not meet the disclosure requirements under IAS 24 and Fourth Schedule of the Act. We noted for future compliance.

The Company applies the cost model for investment property as per IAS 40 and has recognized the carrying amount of Rs. 618 million as of the reporting date. In accordance with IAS 40, we understand that fair value disclosure is mandatory even when cost model is used.

The Company had obtained a fair valuation as of June 30, 2022, from independent valuers, and based on our assessment based on management estimate, there have been no significant changes in the market condition or property-specific factors that would materially impact the fair value as of June 30, 2024. However, we acknowledge the requirement of annual fair value disclosure and will ensure to disclose the fair value."

8. Taking cognizance in the matter, a SCN was served upon the Auditor to show the cause in writing as to why a penal action may not be taken against him for non-compliance of the requirements of the Act and Regulations. In response to SCN, the Audit Firm vide letter dated nil received on July 23, 2025 requested an extension of fifteen (15) days for submitting the reply to SCN which was duly granted.

9. Subsequently, the Auditor vide letter dated August 11, 2025, *inter alia*, made the following written response:

"1. Loan from directors and Associated Companies

• IAS 24.18 Compliance:

- Loans from directors and related movements have been disclosed on the face of the balance sheet, in Note 6, the statement of changes in equity, and Note 31.

Handwritten signature and date: 16-10-2025

- *These meet the minimum disclosure requirements under IAS 24.18 (amount of transactions and outstanding balances).*
- **Fourth Schedule Compliance:**
 - *Names of associated companies and basis of relationship (common directorship/shareholding) are disclosed in Note 31.*
 - *Names of individual directors were not included; noted for compliance in future disclosures*
- **Nature of Loan:**
 - *Interest-free loans from directors as disclosed in Note 6-beneficial to shareholders and without adverse impact on their rights.*
- **Commitment to Transparency:**
 - *Will incorporate names of individual/common directors in future disclosures if directed by the Commission.*
- **IAS 24-Related Party Disclosures**
 - **Para 18 (Extract):**
"If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments.

At a minimum, disclosures shall include:

- (a) the amount of the transactions,*
- (b) the amount of outstanding balances, including commitments...*

Interpretation:

- *The standard requires disclosure of nature, amount, and outstanding balances-all of which have been disclosed.*
- *There is no explicit requirement to name individual directors in connection with loans, except in relation to key management personnel compensation under Para 17.*

● **Fourth Schedule to the Act-Part II (Disclosure Requirements):**

- **Clause VI(1)(v) (Extract):**
"Name of associated companies or related parties or undertakings, with whom the company had entered into transactions... along with the basis of relationship describing common directorship and percentage of shareholding."

Interpretation:

- *The requirement is to state name of the related party/associated company and basis of relationship (e.g., "common directorship").*
- *It does not require naming the individual common directors.*

● **Market Practice Consideration:**

- *In practice, interest-free loans from directors are disclosed in aggregate without naming individual directors, as these are beneficial to shareholders and have no adverse financial impact on them.*

2. Investment property disclosure:

The Company applies the cost model for investment property as per IAS 40 and has recognized the carrying amount of Rs. 618 million as of the reporting date. In accordance

Handwritten signature and date: 16-10-2025

with IAS 40, we understand that fair value disclosure is mandatory even when the cost model is used.

The Company had obtained a fair valuation as of June 30, 2022, from independent valuers, and based on our assessment based on management's estimate, there have been no significant changes in the market conditions or property-specific factors that would materially impact the fair value as of June 30, 2024, However, we acknowledge the requirement of annual fair value disclosure and will ensure to disclose the fair value.

• **Commitment & Request:**

We assure the Commission that we will exercise greater care and vigilance to ensure complete compliance with all applicable disclosure requirements in future audits as directed.

As the matter relates primarily to the presentation of disclosures, without any element of intentional omission or misstatement, we respectfully request that the Commission consider our explanation and our commitment to corrective measures, and kindly withdraw the SCN issued in this regard.

We reaffirm our commitment to the highest standards of professional diligence, transparency, and regulatory compliance and will ensure such matters do not recur.”

10. In order to provide an opportunity for personal representation and to meet the ends of justice, a hearing in the matter was fixed for August 12, 2025, wherein the Auditor, assisted by Mr. Muhammad Sarfaraz, Manager Corporate Affairs of M/s. Mushtaq & Co., Chartered Accountants, appeared. During the course of the hearing, the Auditor reiterated the stance earlier submitted vide letter dated August 11, 2025. Further, the Auditor explained that loan balances had been disclosed along with the outstanding balance on the balance sheet, whereas, in his understanding, such disclosures were required to be made in the Notes to the Accounts. The Auditor acknowledged the mandatory requirements of the Fourth Schedule to the Act and committed to ensure meticulous compliance with the same in future. With respect to investment property, the Auditor submitted that the fair market value would be disclosed in the 2025 financial statements with a commitment to ensure compliance in term of better disclosure and requested leniency in the matter.

11. I have gone through the relevant provisions of Section 249, ISA 700 and Regulation 3(1) of the Regulations as well as IAS 24, IAS 40 and the provision of Clause VI(1)(v) of Fourth Schedule of the Act, and considered the facts of the case, as well as the written and the verbal submissions made by the Auditor. I have also perused Section 253(1) of the Act and Regulation 7 of the Regulations read with Section 512(2) of the Act, which stipulate penal provisions for contravention of the afore-referred provision of law. It is pertinent to observe that Section 249 of the Act imposes a statutory obligation upon auditors to conduct audits and prepare their reports strictly in accordance with the ISAs. The responsibility of an auditor is cardinal in nature and extends beyond a mechanical verification of figures disclosed by management, and an auditor is mandated to undertake comprehensive audit procedures and render a reasonable assurance as to whether the financial statements, taken as a whole, present a true and fair view and contain the disclosures necessary for users to understand the impact of material transactions and events. Any lapse in ensuring compliance with these disclosure requirements may undermine the reliability of the audited financial statements and also the confidence of shareholders.

12. Furthermore, ISA 700 is of critical importance. Paras 13 and 14 of ISA 700 require auditors to evaluate whether financial statements provide adequate disclosures, are appropriately structured, and fairly present the underlying transactions and events. This obligation is not confined to confirming the minimum disclosure requirements; rather, it necessitates the application of

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professional skepticism and judgment to ensure that the accounts convey a true and fair view. Moreover, para 18 of ISA 700 clearly provides that if the financial statements fall short of fair presentation, the auditor must engage with management to seek corrective disclosures and, if thereafter considered necessary, must appropriately modify the audit opinion under ISA 705. In addition, Regulation 3(1) of the Regulations prescribes the mandatory format and content of the auditor's report issued under Section 249 of the Act, ensuring uniformity, reliability, and completeness of audit reporting so that stakeholders may make informed decisions based on audited accounts.

13. The argument put forth by the Auditor that IAS 24 and Clause VI(1)(v) of Fourth Schedule of the Act do not explicitly require disclosure of names of individual directors does not hold any admissible basis, as IAS 24 mandates disclosure of the *nature* of related party relationships in addition to transaction amounts and outstanding balances. Clause VI(1)(v) of Fourth Schedule to the Act further reinforces this requirement by mandating disclosure of the names of associated companies/related parties along with the basis of relationship. The omission of the names of common directors evidently deprived the users of the financial statements of essential information required to evaluate the extent of influence and control exercised in related party dealings. Further, it is pertinent to observe here that during the course of hearing held on August 12, 2025, the Auditor has himself admitted the default on his part and assured future compliance with the questioned obligatory requirements of law.

14. Similarly, the Auditor's justification for omission of fair value disclosure of investment property by placing reliance upon a valuation carried out in June 2022 and management's estimates is not cogent, since para 79 of IAS 40 unambiguously requires disclosure of the fair value of investment property as at each reporting date. Reliance on a two-year-old valuation and management estimates cannot be considered a substitute for this mandatory disclosure. By rendering 'clean' audit report on the financial statements lacking such disclosure, without requiring corrective measures or modifying the audit opinion, the Auditor failed to discharge his professional obligations as stipulated under ISA 700.

15. The contention of the Auditor that the omission was unintentional and merely related to 'presentation' aspect of the financial statements cannot altogether absolve him of his duties and obligations expressly pronounced under the law and ISAs. The statutory framework sketched under Section 249 of the Act and Regulation 3(1) of the Regulations does not predicate responsibility on intent but on compliance. The obligations imposed on auditors are strict in nature and require complete adherence. Lack of oversight, or vigilance in ensuring compliance constitutes contravention of the Act and Regulations, regardless of whether the omission was deliberate or inadvertent. Nevertheless, an absence of intentionality or existence of inadvertency in conceding the default may be considered for a leniency in punitive action.

16. In view of the aforesaid, I am of the considered view that the contravention of Section 249 of the Act and Regulation 3(1) of the Regulations has been established beyond doubt which attracts penal action in terms of Section 253(1) of the Act and Regulation 7 of the Regulations read with Section 512(2) of the Act. Due consideration has also been given to the commitment of the Auditor to ensure future compliance. I, therefore, in exercise of the powers conferred under Section 253 of the Act and Regulation 7 of the Regulations read with Section 512(2) of the Act and S.R.O. 1545(I)/2019 dated December 06, 2019, conclude the instant proceedings by imposing a penalty of **Rs. 50,000/- (Rupees Fifty Thousand only)** on the Auditor on account of the established default. The Auditor is further advised to remain vigilant and ensure compliance with the requirements of law in future.

17. The Auditor is hereby directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited or United Bank

Handwritten signature and date:
16-10-2025

Limited within thirty (30) days from the date of this Order and to furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under Section 485 of the Act will be initiated for recovery of the fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997 ("SECP Act").

18. Without prejudice to the above, in case the Auditor is aggrieved by this Order may, within thirty days of the Order, may prefer to file review application in terms of Section 32B of the SECP Act or may file an appeal to Appellate Bench of the Commission in terms of Section 33 of the SECP Act in accordance with the procedure for filing an appeal as laid down under the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003.



1-16-10-2025

(Sohail Qadri)
Director/ Head of Department
Adjudication Department-I

Announced:
Dated: October 16, 2025
Islamabad