



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

(Adjudication Department-II, Adjudication Division)
4th Floor State Life Building No.2, Wallace Road, Karachi.
Website: www.secp.gov.pk

CASE No. 7626/2021

BEFORE THE ADDITIONAL REGISTRAR/ADJUDICATING OFFICER

ORDER UNDER SECTION 218/219 READ WITH SECTION 479 OF THE COMPANIES ACT, 2017

IN THE MATTER OF M/S. INFORMATION SYSTEMS ASSOCIATES LIMITED

Present: Mr. Jawwad Shekha (Authorized Representative – A/R)

Date of hearing: 06-January-2022

Written Submission: 02-March-2022

1. This Order shall dispose of the proceedings initiated under Section-218 of the Companies Act, 2017 ("The Act"), vide Show Cause Notice dated 29-Oct-2021 ["the Notice"].
2. The facts of the case are that while reviewing audited financial statement for the year ending on June 30,2020 (financial statements) of the company filed pursuant to section 233 of the companies Act, 2017 (Act), it was observed that an amount of Rs. 3.31 million (2019: Rs. 2.42 million) was payable on account of "provident fund". The company while responding to the query (vide SECP's letter dated 06-Sep-2021), furnished copies of relevant ledger account for periods 2018 -19, 2019-20 and 2020-21 and made following submissions, vide letter dated 01-Oct-2021.

(i) That the reason why the company has not settled its PF liability completely over the years was due to liquidity issues resulting from the significant decrease in sales patterns from 2019 to 2021. Amount of Revenue and Net Profits/Loss over the period are reproduced in the below table from the audited financial statements.

Head of Accounts	2019	2020	2021
Revenue	357,333,749	291,323,887	243,228,844
Net Profit / (Loss)	6,376,958	638,948	(19,891,701)

(ii) Further it was submitted that the complete disclosures of the provident fund are available in Audited Financial Statements of the Company. Therefore, Company had no intention to conceal or default rather inclined to be transparent and cognitive towards the interest and rights of the employees.

3. Later, on the date of hearing (i.e. 14/12/2021) the A/R of the company also appeared in person and submitted that due to Covid-19 and financial constraints, the default was occurred. He undertook to make good of the default and compensate the employees on account of PF very soon. But, his statement was quite imprecise and without any proper written exercises in respect of fixing the default. Accordingly, he was advised to furnish a proper and updated calculation and company's plan for the remedial action, for which he sought time which was allowed. The case was then re-fixed for hearing on 30th December,2021.

4. No response was received on the given date. However, after several reminders, a written response from the company was eventually received on 02.03.2022, wherein the company made following submissions:

a. *The Profit of PKR 840,501/- was calculated by applying monthly bank profit rate on monthly outstanding PF balances since June 30, 2019. Monthly PF balances were obtained from the ledger balances of the Company and the same balances were also reconciled with the Audited Financial Statements. The shared profit working is reproduced in the below table.*

Particulars	Balance as per Ledger and Audited Accounts	Accumulated Balance (including Profit amount)	Profit Rate per Annum	Profit for the month
Opening Balance 2,420,077				
Jul-19	3,096,363	3,096,362.50	9.31%	24,487
Aug-19	3,790,969	3,815,455.24	11.36%	36,815
Sep-19	2,599,776	2,661,077.02	10.62%	23,999
Oct-19	2,265,901	2,351,200.61	13.48%	26,916
Nov-19	3,059,605	3,171,820.79	11.60%	31,242
Dec-19	3,727,297	3,870,754.35	11.34%	37,289
Jan-20	4,490,380	4,671,126.80	11.35%	45,040
Feb-20	8,327,152	8,552,939.01	12.69%	92,195
Mar-20	6,143,411	6,461,393.15	10.67%	58,563
Apr-20	6,667,053	7,043,597.80	9.57%	57,279
May-20	7,399,414	7,833,238.06	7.48%	49,775
Jun-20	3,319,223	3,802,822.44	5.89%	19,011
Jul-20	3,482,527	3,985,137.93	5.59%	18,906
Aug-20	1,529,100	2,050,616.57	5.40%	9,402
Sep-20	1,546,631	2,077,549.30	5.36%	9,456
Oct-20	2,405,340	2,945,714.36	5.51%	13,782
Nov-20	2,960,069	3,514,225.33	5.49%	16,396
Dec-20	3,509,006	4,079,558.32	5.55%	19,217
Jan-21	4,066,504	4,656,273.28	5.54%	21,913
Feb-21	5,777,130	6,388,812.01	5.53%	29,999
Mar-21	4,434,591	5,076,272.37	5.29%	22,786
Apr-21	5,330,450	5,994,917.67	5.62%	28,599

May-21	6,215,287	6,908,353.97	5.50%	32,287
Jun-21	3,058,480	3,783,834.58	5.58%	17,925
Jul-21	3,285,667	4,028,946.73	5.58%	19,081
Aug-21	2,201,142	2,963,502.43	5.74%	14,436
Sep-21	3,080,869	3,857,665.43	5.58%	18,285
Oct-21	1,371,137	2,166,218.22	6.17%	11,357
Nov-21	2,782,004	3,588,442.14	5.84%	17,802
Dec-21	2,361,769	3,186,009.27	6.01%	16,261
				840,501

- b. *The amount of profit along with the principal amount will be deposited by the Company in the Separate bank account maintained by the fund till June 30, 2022.*
- c. *We hope that you would find the above in order and will help you in taking the lenient view and condone the matter without any penal consequences.*
5. After examination of the afore said facts and submissions made by the company, it is clearly established and also admitted that the default was occurred. However, the submission of a proper proposal and calculation to deposit the principal amount along with profit upto Dec-2021 in the separate account by June, 2020 shows the bona-fide intention and commitment of the company towards making corrective measures. Therefore, keeping in view the undertaking and assurance given by the company and it's A/R for making good of the default, I am convinced to take a lenient view. Hence, an initial penalty of Rs: 25,000/= is hereby imposed on the company.
6. The management of the company is advised to deposit the penalty amount within 30 days from the date of receipt of this order in any designated branches of MCB Bank Limited or UBL Bank and furnish original receipted challan to this office within the above said period positively and also submit the compliance report / evidence of compliance as per the commitment supra, within 15 days from the close of its financial year in June, 2022.
7. A copy of this order be placed on the record of company maintained by the dealing Registrar of the Company Registration Office and the case referring department.



(ZIA UL RASHEED ABBASI)
ADJUDICATING OFFICER /
ADDITIONAL REGISTRAR

Dated: 03-March-2022