

Before Amir Saleem, Additional Director/Head of Wing (Adjudication-I)

In the matter of Show Cause Notice issued to Paramount Spinning Mills Limited

Dates of Hearing

October 2, 2020, November 18, 2020, January 21, 2021 & February 12, 2021

**Order-Redacted Version**

Order dated April 01, 2021 was passed by Additional Director/Head of Wing (Adjudication-I) in the matter of Paramount Spinning Mills Limited. Relevant details are given as hereunder:

| <b>Nature</b>          | <b>Details</b>   |
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| 1. Date of Action      | Show cause notice dated August 31, 2020  |
| 2. Name of Company     | Paramount Spinning Mills Limited   |
| 3. Name of Individual* | The proceedings were initiated against the directors including the CEO & CFO of the Company  |
| 4. Nature of Offence   | In view of alleged violation of Section 237 read with Section 479 of the Companies Act, 2017   |
| 5. Action Taken        | <p>Key findings were reported in the following manner:</p> <p>I have analyzed the facts of the case, relevant provisions of the Act and the arguments set forth over the course of hearing. The aforementioned provisions of the law are unambiguous and explicit. The fact that timing of interim financial statements is of essence, the disclosure requirements of these accounts have been kept to a bare minimum. Interim financial statements prepared accurately and in a timely manner provide to its users a reliable source of information regarding a Company's financial position and performance, besides illustrating the results of the management's stewardship of resources entrusted on to it.</p> <p>In order to ensure transparency, all companies must meticulously adhere to the law for preparation and circulation of interim financial statements. Moreover, directors have fiduciary duties towards the Company and its shareholders while providing information to various stakeholders concerning their performance as to how diligently and ethically they are discharging their fiduciary duties and responsibilities. Directors are obliged to ensure that such mechanisms are in place, and appropriate actions be taken, whereby financial and operational reporting of the</p> |

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|                            | <p>Company is timely achieved, whilst ensuring due compliance of the law.</p> <p>It is pertinent to note that Respondents have deprived the shareholders of their statutory right to receive the interim financial statements of the Company within the prescribed time. The preparation and circulation of quarterly accounts rests with the Board of Directors and CFO of the Company who are required to take appropriate action within the time stipulated under the law. The Company's unsatisfactory compliance history with respect to filing of quarterly accounts, corroborated by current defaults, evidently exhibits that its directors are not making any genuine efforts to adhere to the legal framework.</p> <p>Moreover, it has been observed that the Company failed to electronically transmit its interim financial statements for the periods ended December 31, 2019 and March 31, 2020 within the statutory timeframes. In addition, the said interim financial statements are neither available on the website of the Company nor at the PSX website, and the same have been filed with the Commission with an inordinate delay in February 2021.</p> <p>In view of the preceding facts, I have come to the conclusion that the pertinent provisions of the law have been violated, which renders Respondents liable to penal action in terms of Section 237 of the Act as a result of failing to electronically transmit the Company's interim financial statements for the periods ended December 31, 2019 and March 31, 2020 within the statutory timeframes pursuant to Section 237 read with Circular No. 24 of 2017 dated October 19, 2017. However, the Company made subsequent compliance by emailing the subject quarterly accounts to the Commission on February 22, 2021.</p> <p>Therefore, in exercise of powers conferred under sub-section (4) of Section 237 of the Act, I hereby impose fines of Rs. 10,000/- each on the CEO and CFO of the Company.</p> <p>I also warn all the remaining Respondents to be careful in the future and ensure meticulous compliance of the law in letter and spirit.</p> |
| 6. Penalty Imposed         | Penalty aggregating Rs. 20,000/- (Rupees twenty thousand only) was imposed on the Chief Executive and Chief Financial Officer of the Company   |
| 7. Current Status of Order | No Appeal has been filed by the Company  |

**Redacted version issued for placement on website of the Commission.**