



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

NICL Building, 63 Jinnah Avenue, Islamabad

Before

Shahzad Afzal Khan, Director/ Head of Department

In the matter of

Supernet Limited

Number and date of show cause notice: No. ADJ.I/ARN/46/2023-223 dated September 08, 2023

Date of hearing: October 16, 2023

Present: Mr. Farhan Saeed (Advocate), Senior Associate - Corporate & Legal;
Mr. Ghufuran Shaheer Afaq, Manager - Corporate & Legal, Mr. Fawad Naeem Bhatti, Manager - Corporate & Regulatory Affairs

ORDER

Under Section 218 of Companies Act, 2017 read with Sections 219 and 479 thereof

This order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through Show Cause Notice ("SCN") dated September 08, 2023 issued under Section 218 of the Companies Act, 2017 (the "Act") read with Sections 219 and 479 thereof against Supernet Limited (the "Company"):

2. Brief facts of the case are that examination of the annual audited financial statements of the Company for the year ended June 30, 2022 ("FY 2022"), revealed that the Company is not timely making payment of the deducted Provident Fund ("PF") contributions to the trustees of the PF Trust within fifteen (15) days from the date of collection in contravention of provisions of sub-section (3) of section 218 of the Act. The Commission, vide letter dated June 04, 2023, sought clarification relating to deduction of PF contributions and its payment to the trustees. The Company in its response dated July 25, 2023 submitted month-wise detail of PF deduction, amount transferred to the fund along with dates of each transfer and balance payable w.e.f. July 01, 2021 till July 25, 2022.

3. The analysis of the response and information submitted by the Company revealed that the PF deducted on monthly basis was paid to trustees with a delay as tabulated below:

Date of Deduction of Employee Contribution	Date of Payment of Contribution	Difference (Days)	Delay in Days
30-Jul-21	24-Aug-22	390	375
04-Sep-21	24-Aug-22	354	339
02-Oct-21	24-Aug-22	326	311
03-Nov-21	18-Oct-22	349	334
30-Nov-21	18-Oct-22	322	307
30-Dec-21	18-Oct-22	292	277
31-Jan-22	18-Oct-22	260	245
25-Feb-22	18-Oct-22	235	220
30-Mar-22	18-Oct-22	202	187



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24-Apr-22	26-Jul-22	93	78
30-May-22	26-Jul-22	57	42
30-Jun-22	21-Jul-22	21	6

4. The aforesaid information transpires that the Company, *prima facie*, has contravened the provisions of section 218(3) of the Act by failing to pay the PF contributions to the trustees within fifteen days from the date of collection.
5. In order to take cognizance of the aforesaid contravention, SCN was issued to the Company seeking justification for its failure to pay employees' contributions to the trustees within the stipulated time period. The Company vide letter dated September 22, 2023 admitted the aforesaid non-compliance and made its written submissions, relevant extract thereof is provided hereunder:
- The PF Trust of the Company is maintained by its holding company which also operates as the Trust of its subsidiaries and the delay is attributable to the gathering of contributory amount from all subsidiaries.
 - Delay is regretted and the same has been rectified in succeeding year, therefore, it is requested to condone the delay by taking lenient view. Compliance will be meticulously ensured in future.
6. In order to provide opportunity of personal representation, hearing in the matter was fixed for October 16, 2023 wherein Mr. Farhan Saeed (Advocate), Senior Associate - Corporate & Legal; Mr. Ghufran Shaheer Afaq, Manager - Corporate & Legal, Mr. Fawad Naeem Bhatti, Manager - Corporate & Regulatory Affairs appeared on behalf of the Company as its Authorized Representative (AR) and reiterated aforesaid written response and requested a lenient view as the non-compliance has been rectified in succeeding year.
7. Relevant provisions of the Act are reproduced as under:
- Section 218(3) of the Act:**
- "218. Employees' provident funds, contributory retirement funds and securities.** - (3) *Where a trust has been created by a company with respect to any provident fund or a contributory pension funds or any contributory retirement fund referred to in sub-section (2), the company shall be bound to collect the contribution of the employees concerned and pay such contributions as well as its own contributions, if any, to the trustees within fifteen days from the date of collection, and thereupon, the obligations laid on the company by that sub-section shall devolve on the trustees and shall be discharged by them instead of the company."*
- 219. Penalty for contravention of section 217 or 218.** - *Any contravention or default in complying with requirements of sections 217 or 218 shall be an offence liable to a penalty of level 1 on the standard scale and shall also be liable to pay the loss suffered by the depositor of security or the employee, on account of such contravention."*
8. I have reviewed the facts of the case, considered the written and verbal submission made by the AR in light of the applicable legal provisions and records placed before me and state that the Company is bound to collect the PF contributions of the employees concerned and pay such contribution as well as its own contributions, to the trustees within



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fifteen days from the date of collection as stipulated in Section 218 of the Act and there is no exception provided in the aforesaid section. The Company has cited that the PF Trust of the Company is maintained by its holding company which also operates as the Trust of its subsidiaries and the delay is attributable to the gathering of contributory amount from all subsidiaries however the Company has subsequently made compliance in succeeding year. I am of the view that the provisions of Section 218 are clear and unambiguous. The objective of these provisions is to collect the amount and to secure the amounts collected as contributions for the benefits of the employees. The amount collected are in the nature of trust moneys in the hand of the company and the same must be paid, to the trustees within fifteen days from the date of collection.

In view of the aforesaid, it is noted that the Company failed to pay to the trustees within the stipulated time of fifteen days from the date of collection hence default of the legal provisions at relevant point in time is established and the same has been admitted by the Company in its written submissions as well as by the AR during the hearing. Further subsequent compliance does not absolve the Company from its responsibility to pay the deducted PF contributions to the trustee within the stipulated time.

9. After careful consideration of all the facts of the case, I am of the considered view that the Company has contravened the provisions of subsection (3) of Section 218 of the Act at relevant point in time and is liable for penalty under Section 219 of the Act read with Section 479 thereof. In view of the foregoing I hereby conclude the proceedings initiated through the SCN by imposing a penalty of **Rs. 25,000 (Rupees twenty five Thousand only)** on the Company.

10. The aforesaid penalty must be deposited in the designated bank account maintained with MCB Bank Limited or United Bank Limited in the name of the Securities and Exchange Commission of Pakistan within thirty days from the receipt of this order and furnish receipted bank vouchers to the Commission. In case of non-deposit of the penalties, proceedings for recovery of the fines as arrears of land revenue in terms of Section 485 of the Act will be initiated.

11. Nothing in this Order may be deemed to prejudice operation of any provision of the Act providing for imposition of penalties in respect of any default, omission, violation of the Act.

(Shahzad Afzal Khan)
Director/ HOD
Adjudication Department-I

Announced:
Dated: October 23, 2023
Islamabad