

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Pace (Pakistan) Limited

Dates of Hearing January 20, 2020, January 30, 2020, February 17, 2020, March 10, 2020

Order-Redacted Version

Order dated June 9, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Pace (Pakistan) Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated November 27, 2019
2. Name of Company	Pace (Pakistan) Limited
3. Name of Individual*	The proceedings were initiated against the directors of the Company i.e. Pace (Pakistan) Limited
4. Nature of Offence	Violation of section 217 217 read with section 219 and section 479 of the Companies Act 2017
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have gone through the fact of the case, submission made by the Authorized Representative and relevant provision of the Act. I have observed that one of the main arguments raised by the Authorized Representative is that this amount is in the nature of the advance and not the security deposit. In this regard, it is observed that the Company has both individuals and corporate entities, as its clients. As per copies of agreements made available in case of the individual clients; it is observed that refundable security amounts were obtained from such clients, to be paid at the expiry of the mentioned leased terms. While in case of corporate entities, as per agreements, refundable security deposits were obtained which are adjustable against utilities charges payable by such clients. Besides this, security deposits obtained from corporate entities were adjustable for revamping of floors/shops. Addendum to the agreements were also issued by the Company in certain cases, in terms of which the Company was allowed to use the security deposits at its own discretion.</p> <p>2. In the aforementioned matter, I have also gone through note 13.3 to the Accounts 2018, which states that the security</p>

	<p>deposits of Rs. 52.920 million (2017: Rs. 52.991 million) received against transfer of shops rented out in the plazas. As per given disclosure, none of these amounts is utilizable for other purposes and the Company has not kept this amount in separate bank account and is in process of ensuring compliance with the requirement of section 217 of the Act. In view of this, these deposits cannot be termed as an advance against sale of goods or provision of services in the ordinary course of business and the stance of the Authorized Representative is not acceptable.</p> <p>3. It is very much clear that as per the provisions of Section 217 of the Act, these security deposits are required to be deposited in the separate bank account. The Company also in Note 13.3 to the Accounts 2018 reported that the Company had not kept this amount in separate bank account and was in process of ensuring compliance with the requirements of section 217 of the Act. This statement of the Company is self-admission of non-compliance with the provisions of Section 217 of the Act.</p> <p>A penalty of Rs. 20,000/- only (Rupees twenty thousand only) was imposed non the chief executive of the Company.</p> <p>Penalty order dated June 9, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 20,000/- (Rupees twenty thousand only) was imposed on chief executive officer of the company.
7. Current Status of Order	No Appeal has been filed by the respondents.