



Securities and Exchange Commission of Pakistan

Adjudication Division Adjudication Department-I

Before

Amir M. Khan Afridi - Director/ Head of Department

In the matter of Show Cause Notice issued to Colony Textile Mills Limited

Dates of Hearings

December 15,2021

Order-Redacted Version

Order dated February 08, 2022 was passed by Head of Department (Adjudication-I) in the matter of Colony Textile Mills Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated September 27, 2021
2. Name of Company	Colony Textile Mills Limited
3. Name of Individual*	The proceedings were initiated against the Company .
4. Nature of Offence	<p>Proceedings were initiated in terms of the Sections 218 & 219 and Section 479 of Companies Act, 2017 (the Act)</p> <p>Brief facts of the case are that note 43.01 to the annual audited financial statements of the Company for the year ended June 30, 2020 (the 2020 Accounts), discloses the following: <i>"The related party status of outstanding balances as at 30 June 2020 related to employees provident fund trust are included in trade and other payables amounting to Rs. 58.427 million (2019: Rs. 46.821 million). These are to be settled in the ordinary course of business."</i></p> <p>In view of the response of the Company, it is pointed out that in terms of Section 218(1) of the Act, the amounts of contributions of the Company and of the employees shall be kept or deposited by the Company within fifteen days from the date of deposit in a special account opened for the purpose, however, the Company did not ensure compliance in this regard. Hence, proceedings were initiated through the SCN dated September 27, 2021.</p>
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have gone through the facts of the case, relevant provisions of the law and record placed before me and observed that the Respondent through the Authorized Representative has admitted</p>



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	<p>that due to financial crunch faced by the Company, the amounts of contributions of EPF could not be timely deposited within fifteen days in a special account. It may be noted that in terms of note 43 to the 2020 Accounts of the Respondent, the contribution of EPF of Rs. 58,427,000 (2019: Rs. 46,821,000) was outstanding which was required to be kept or deposited in a special account. I have also observed that the Respondent Company has paid Rs. 250,000 per working day during the year 2019-20 (total amount of Rs. 53,016,597/-) yet, a sizeable amount of Rs. 58,427,000 remained outstanding as on June 30, 2020. The Respondent has also admitted the default for not depositing the contributions of the amounts of EPF in special account within the specified time period of fifteen days from the date of deductions, hence, violation of Section 218(1) of the Act, has been established for which penalty is provided in terms of Section 219 of the Act. However, keeping in view the fact that now the outstanding contribution is being paid regularly, I hereby close the proceedings initiated through the SCN without imposing any monetary penalty, and the Company is advised to pay the whole outstanding contribution according to plan as mentioned in para 7 above.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission, violation of the Act.</p>
6. Penalty Imposed	No penalty was imposed.
7. Current Status of Order	No Appeal was filed.