



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Shahzad Afzal Khan –Director/ Head of Adjudication Department-1

In the Matter of

S.G Allied Businesses and its Chief Executive/ Directors

Number and Date of SCN: CSD/ARN/258/2016
dated May 24, 2024

Hearing(s) Dates: August 26, 2024

ORDER

Under Section 223 of the Companies Act, 2017 read with Section 192 and 236 thereof and Circular No. 11 of 2023 and the Listed Companies (Code of Corporate Governance) Regulations, 2019

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the “Commission”) through Show Cause Notice No. CSD/ARN/258/2016/333 dated May 24, 2024 (the SCN) under Section 223 of the Companies Act, 2017 (the Act) read with Section 192 and 236 thereof and Circular No. 11 of 2023 (Circular No. 11) and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Corporate Governance Regulations) against the board of directors and Chief Executive Officer (CEO), hereinafter collectively referred to as the Respondents, of S.G Allied Businesses Limited (the Company).

2. Brief facts of the case are that review of annual audited financial statements for the Financial Year (FY) ended June 30, 2023 of the Company was carried out which were disseminated through PSX on October 05, 2023 and issued/e-filed with the Commission and the Company Registration Office (CRO) on October 04, 2023 and October 03, 2023 respectively wherein it was transpired that the Company failed to circular/ file the Chairman Review Report, and the Statement of Compliance with the Corporate Governance Regulations.

3. The Commission vide letter dated March 13, 2024 sought clarification from the Company with respect to the afore-said violation, in response to which the Company submitted the following through its letter dated April 02, 2024:

“As the printer was taking longer time to supply the printed reports, the Director’s reports, the Director’s report and statement of compliance could not be sent earlier”

4. In view of the above, the Company and its Board of Directors have, *prima facie*, contravened the provisions of Section 223 of the Act read with Section 192(4) thereof, and Circular No. 11 and Clause 36(1) of the 2019 Code. The said non-compliance attracts applicability of the penal provisions contained in Section 236 of the Act.

5. The Respondents via Consultant letter dated August 26, 2024 provided written response to the SCN, the relevant extract of which is provided as:



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1. **"ALLEGED CONTRAVENTION OF SECTION 192 OF THE COMPANIES ACT, 2017"**
- The Chairman's Review Report was part of the annual report circulated to the members, PSX and SECP. Copy of the Review Report is attached for your ready reference at Annexure-I.*
 - The Statement of Compliance under the Listed Companies (Code of Corporate Governance) Regulations, 2019 was also part of the annual report that was sent to the members, PSX and SECP. This report appeared on page 16 & 17 of the Annual Report for the year ended June 30, 2023. Copy of the same is attached at Annexure-II.*
 - In the Show Cause Notice it has been alleged that Chairman was not appointed as required under section 192 of the Act. This assumption is not correct as Mrs. Saba Sohail is the Chairperson and had signed the Review Report on Board's overall performance.*
 - The annual financial statement has been circulated in accordance with the requirements of the law and there has been no contravention to attract the penal action.*
 - It has not been established that there was improper issue, circulation of financial statements as laid down in section 236 of the Act. As such notice under Section 223 read with sections 192 & 236 may kindly be withdrawn.*

2. **APPLICABILITY OF CIRCULAR 11 OF 2023**

Under Circular No. 11 of 2023 dated August 11, 2023, the Commission had directed listed companies to file electronically annual and quarterly financial statements together with the reports within stipulated time period. The annual accounts of the Company for the year ended June 30, 2023 were adopted in the AGM of the Company held on October 27, 2023. The Circular in question was not received by the Company through SECP that is why the Company could not comply with the requirement of the said Circular. We assure that the Company will comply with the requirement in future and the default being inadvertent may kindly be condoned."

6. To provide an opportunity for personal representation, hearing in the matter was scheduled for August 26, 2024 during which Mr. Amir Khan Afridi (Consultant) appeared as the authorized representative (**the Representative**) on behalf of the Respondents. During the hearing, the Representative submitted that the Chairman Review Report was part of Annual Report pg. 3 and Compliance of Code of Corporate Governance (CCG) was also made part of the Annual Report pg. 16 & 17.

7. As regards the matter at hand, I have analyzed the facts of the case on the basis of the relevant provisions of the Act, and the available record. In this regard, it is observed that:

i. **Whether the Respondents' claim regarding the annexures, including the Chairman's Review Report, being disseminated along with the Annual Report for the period ended June 30, 2023 through PSX is valid?**

No, the Respondents' claim regarding the annexures, including the Chairman's Review Report, being disseminated along with the Annual Report is not valid. While the Respondents have provided annexures in their reply, the version of the Annual Report uploaded on the PSX website on October 05, 2023, does not include the Chairman's Review Report. The report available via the link (<https://financials.psx.com.pk/lib/DownloadPDF.php?id=216788>) lacks the required annexures, thus invalidating the Respondents' claim and constituting a violation of Sections 223(6) and 192(4) of the Companies Act, 2017.

ii. **Whether the Respondents' claim regarding the dissemination of the Statement of Compliance with the Code of Corporate Governance (CCG) through PSX along with the Annual Report for the period ended June 30, 2023, is valid?**

No, the Respondents' claim regarding the dissemination of the Statement of Compliance with the Code of Corporate Governance (CCG) through PSX along with the Annual Report is not valid.



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Although the Respondents assert that the Statement of Compliance was included, the version of the Annual Report uploaded on the PSX website on October 05, 2023, does not contain the Statement of Compliance. The report accessible via the following link (<https://financials.psx.com.pk/lib/DownloadPDF.php?id=216788>) shows that the Statement of Compliance was omitted, thereby violating Clause 36(1) of the Code of Corporate Governance Regulations, 2019.

iii. **Is it mandatory under Section 192(4) of the Companies Act, 2017, for the Chairman's Review Report to be included in the financial statements circulated to shareholders, the PSX, and SECP?**

Yes, it is mandatory. Section 192(4) of the Companies Act, 2017 requires every listed company to include a Chairman's Review Report as part of the financial statements circulated to the company's members, PSX, and SECP. The report must cover the overall performance of the board and the effectiveness of its role in achieving the company's objectives. Failing to include this report violates the provisions of Section 192(4). As per the Annual Report for the period ended June 30, 2023 uploaded on PSX website on October 05, 2023, the Chairman Review Report was omitted and hence, contravention of Section 192(4) has been established against the Respondents.

iv. **Is it obligatory for the Chairman's Review Report to be disseminated through PSX in addition to being provided to SECP and CRO, as per the requirements of Section 223 and related regulations?**

Yes, dissemination through the PSX is obligatory. Section 223(6) specifies that audited financial statements, along with the Chairman's Review Report, must be sent to members and filed with the Commission, registrar, and securities exchange (PSX). Therefore, the Chairman's Review Report should be included when disseminating the financial statements via PSX. Omitting it from the PSX dissemination constitutes a violation of the law. The omission constitutes a contravention. Section 223 of the Act mandates that all relevant financial reports, including the Chairman's Review Report, must be disseminated to the members, the PSX, and the Commission. Additionally, Clause 36(1) of the Code of Corporate Governance Regulations requires listed companies to publish a compliance statement regarding the company's adherence to corporate governance principles. Failure to include these reports in the PSX dissemination breaches both Section 223 and the Code of Corporate Governance.

v. **Is the failure to disseminate the Statement of Compliance with CCG through PSX a violation of the Code of Corporate Governance Regulations, specifically Clause 36(1)?**

Yes, it is a violation. Clause 36(1) of the Code of Corporate Governance Regulations, 2019 explicitly requires companies to publish a Statement of Compliance regarding their adherence to the Code and include this in the company's annual reports. The omission of this statement in the reports disseminated via PSX constitutes a breach of the Code of Corporate Governance Regulations and subjects the company to penalties for non-compliance. The scrutiny of the Annual Report for the period ended June 30, 2023 uploaded on PSX on October 05, 2023, transpired that the Statement of Compliance was omitted.

vi. **Can the provision of a hard copy of the Chairman's Review Report and Statement of Compliance to the Commission, SECP, and CRO fulfill the statutory requirement under Section 223 if the same reports were not disseminated through PSX?**

No, providing hard copies to SECP and CRO does not fulfill the statutory requirements if the reports were not disseminated via PSX. Section 223 mandates that financial statements, including the Chairman's Review Report and the Statement of Compliance, must be sent to all stakeholders, including shareholders and the PSX, in the specified manner. The provision of hard copies to SECP



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and CRO alone does not meet the requirements for complete dissemination under the law, and failure to disseminate through PSX constitutes non-compliance.

vii. **Does the filing of the annual financial statements and reports through PSX after the mandatory deadlines, without the necessary reports, attract penal consequences under Section 236 of the Act?**

Yes, the filing of incomplete financial statements after the mandatory deadlines attracts penal consequences under Section 236 of the Companies Act, 2017. Section 236 authorizes the imposition of penalties for non-compliance with the provisions of the Act, including failure to circulate or file complete financial statements as required under Section 223. The omission of the Chairman's Review Report and Statement of Compliance, along with the delayed filing, are violations that trigger the application of these penal provisions.

viii. **What are the consequences under Circular No. 11 of 2023 for failing to file the required financial reports electronically within the stipulated time frame, despite hard copies being provided?**

Circular No. 11 of 2023 clearly requires listed companies to file their annual and quarterly financial statements, **along with the relevant reports**, through the SECP's e-Services platform within the stipulated time frame. Failure to comply with this directive, even if hard copies were provided, constitutes non-compliance with the Circular's requirements. The company may face sanctions or penalties for failing to meet this filing obligation, and such non-compliance is not excusable by merely providing physical copies.

ix. **Does the Company's argument that the delay in printing the reports caused the failure to meet legal requirements hold any merit under the Companies Act, 2017 and related regulations?**

The company's argument that the delay in printing the reports caused the failure does not hold merit under the law. The Companies Act, 2017 and related regulations, including Section 223, require timely circulation and filing of financial reports, and it is the company's responsibility to ensure compliance with these requirements. The delay in printing is not a valid legal defense, as the company is expected to take necessary measures to meet its statutory obligations. Furthermore, electronic dissemination via PSX does not depend on physical printing, so this justification is insufficient in the context of non-compliance with the law.

8. Based on the established contraventions of **Section 223 and Section 192** of the Companies Act, 2017, non-compliance with **Clause 36(1)** of the Code of Corporate Governance Regulations, and failure to comply with **Circular No. 11 of 2023**, the penal provisions under Section 236 of the Act are attracted. Therefore, in the exercise of the powers conferred upon me, I hereby impose penalties on the Company and its Board of Directors as detailed below:

S. No	Name of Respondent	Penalty Imposed (PKR)
1	S.G Allied Businesses Limited	20,000
2	Mr. Sohail Ahmed	20,000
3	Mr. Asim Ahmed	20,000
4	Ms. Saba Sohail	20,000
5	Ms. Sana Sohail	20,000
6	Mr. Farhan Sohail	20,000
7	Mr. Salim Razak Tabani	20,000
8	Mr. Mansoor Mubeen	20,000
	Total	160,000



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9. 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 Exchange and Commission of Pakistan within thirty (30) days of the date of this Order and furnish receipted bank challan, to the Commission. In case of failure to deposit the said penalty, the proceedings under section 485 of the Act will be initiated for recovery of the same as arrears of land revenue

10. 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.

Shahzad Afzal Khan
Director/ Head of Department
Adjudication Department – I

Announced:
September 30, 2024
Islamabad

THE UNIVERSITY OF CHICAGO

Department of Chemistry

The following information is provided for your information. It is not intended to be used as a substitute for the actual data or as a basis for any conclusions.

The data were obtained from the following sources:

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