



Corporate Supervision Department  
Company Law Division

Before Abid Hussain – Executive Director (CSD)

In the matter of

**S.G Power Limited**

Number and date of SCN: CSD/ARN/201/2015-3196 dated March 28, 2017  
Date of hearing: May 4, 2017, June 1, 2017, July 17, 2017, August 18, 2017,  
August 28, 2018 and January 4, 2018  
Present for Respondent: Mr. M. J. Panni, Chief Executive M.J Panni & Associates  
("Authorized Representative")

**ORDER**

**UNDER SECTION 495 (1) READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against the Chief Executive (the "respondent") of S.G Power Limited (the "Company"). The proceedings against the respondent were initiated through show cause notice dated March 28, 2017 (the "SCN") issued under the provisions of section 495 (1) read with section 476 of the Companies Ordinance, 1984 (the "Ordinance").

2. The brief facts of the case are that the respondent was directed under the provisions of section 473 of the Ordinance vide Commission's order dated February 19, 2015 to conduct impairment testing of property, plant and equipment in accordance with the International Financial Reporting Standards and incorporate its impact if any, in annual audited accounts for the year ended June 30, 2015. However, review of the financial statements of the Company for the year ended June 30, 2015 and June 30, 2016 revealed that no impairment testing has not been carried out. The auditors also qualified their report to the members dated October 6, 2016 for not performing impairment testing as follows:

*"The net book value of property, plant and equipment as at June 30<sup>th</sup>, 2016 amounts to Rs. 44.23 million (2015; 46.61 million). Due to absence of revenue during the year and recurring yearly losses, the company should perform impairment testing of its property, plant and equipment. As at June 30, 2016 the company did not perform impairment testing of its property, plant and equipment in accordance with requirement of IAS-36 –Impairment of Assets. We are unable to quantify the effects of potential impairment, if any, of property, plant and equipment."*



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3. The chief executive of the Company failed to comply with the Commission's directions issued vide Order dated February 19, 2015 by not performing impairment testing of property, plant and equipment. Consequently, the respondent was called upon to show cause in writing as to why penal action may not be taken against him.

4. Hearings in the matter were fixed for May 4, 2017, June 1, 2017 and July 17, 2017, which were adjourned on the Company's requests. A written reply dated August 16, 2017 in the matter was submitted by Mr. M. J. Panni, Chief Executive M. J. Panni & Associates, (the "Authorized Representative"), the relevant part of which is reproduced as hereunder:

*"The Auditors had qualified their report and one of the qualification was about nonperforming of impairment testing of the property plant and equipment in accordance with the requirement of IAS-36. As per requirement of Company Law the qualification has been answered in the Directors' Report stating that due to present condition of the Company, it has not been possible to perform the impairment testing of the property, plant and equipment as the management foresees revival of the Company in foreseeable future. It was further stated that the requirement will be complied with by next year.*

*Our sister company M/s S.G. Fibre is being revived with new line of business and our Company revival is based on revival of the sister company. The management is confident that the Company will be going concern once again by June 30, 2018 and the requirement of IAS-36 would be complied with during the accounting year ended 30<sup>th</sup> June, 2018."*

5. Next hearing in the matter was held on August 28, 2017, wherein Mr. M. J. Panni appeared as authorized representative of the respondent. He reiterated the facts stated in the written response submitted earlier and assured that due compliance would be made during the following accounting year. The final hearing was held on January 4, 2018 wherein the authorized representative reiterated the same stance as submitted earlier. The authorized representative also submitted written reply which once again stated that the requirement will be complied with by next year.



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6. In terms of the Commission's notification SRO 751(I)/2017 dated August 2, 2017, the powers to adjudicate cases under section 495 (1) of the Ordinance have been delegated to the Executive Director (Corporate Supervision Department).

7. I have gone through the facts of the case and submissions of the respondent. The direction for impairment testing according to IAS-36 was issued vide Order dated February 19, 2015, and the respondent was directed to incorporate its impact, if any, in annual audited accounts of the Company for the year ended June 30, 2015. It has been noted that considerable time has elapsed and the Company is still in default. The submission of the respondent that the direction will be complied with and impact incorporated in the financial year ended June 30, 2018 does not absolve him of the default committed under section 495(1) of the Ordinance as the impairment testing was to be carried out and impact of impairment, if any, was to be incorporated in the annual audited accounts of the Company for the year ended June 30, 2015 as per the direction of the Commission in this regard dated February 19, 2015. Therefore, I am of the considered view, that the default in compliance with direction of the Commission has been committed and the respondent is liable to be penalized under the provisions of section 495(1) of the Ordinance. Considering the assurance that compliance will be made during the financial year ending June 30, 2018, I hereby impose a penalty of Rs.10,000 on the chief executive of the Company, Mr. Asim Ahmed, instead of the maximum penalty provided in law.

The aforesaid fines must be deposited in the designated bank account maintained with MCB Bank Limited in the name of the "Securities and Exchange Commission of Pakistan" within thirty days from the receipt of this order and receipted bank vouchers must be furnished to the Commission. In case of non-deposit of the fine, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the aforesaid fines are imposed on the respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

**ABID HUSSAIN**  
Executive Director  
Corporate Supervision Department

**Announced:**  
May 31, 2018  
Islamabad

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