



Securities and Exchange Commission of Pakistan
Enforcement Department

Before Ashfaq Ahmed Khan, Director

ORDER

In the matter of

M/s. Frontier Sugar Mills & Distillery Limited
(Under Rule 5 of the Companies (Audit of Cost Accounts) Rules, 1998)

Number and date of notices	EMD/CO.258/67/2002 Dated April 21, 2004
Date of hearing	May 20, 2004
Present	Mr. Muhammad Haroon, Advocate
Date of Order	May 24, 2004

This Order shall dispose of the proceedings initiated against the directors of M/s. Frontier Sugar Mills & Distillery Limited (the “Company”) for default made in complying with the requirements of Sub-rule (3) of rule 3 of the Companies (Audit of Cost Accounts) Rules, 1998 (the “Rules”).

2. The facts relevant to this case, briefly stated, are that sub-rule (2) of rule 3 of the Rules requires that the cost auditor shall be appointed by the directors with the prior approval of the Securities and Exchange Commission of Pakistan (the “Commission”) within sixty days of the close of financial year of the company. Further sub-rule (3) of rule 3 of the Rules requires that the company shall apply to the Commission in the form set out in Appendix I for appointment of cost auditor not later than thirty days before the date on which cost auditor is to be appointed. Accordingly, the Company was required to prefer an application to Commission on or before October 31, 2003 for approval of the appointment of the cost auditor for the year ended September 30, 2003, but the application was received in the Commission on December 03, 2003 i.e. with a delay of 33 days. The failure of the Company and its directors to comply with the aforesaid mandatory requirements necessitated action in terms of rule 5 of the Rules.

3. Consequently, a notice dated April 21, 2004 was issued to the Chief Executive and all the directors of the Company to show cause as to why fine may not be imposed on them, in term of rule 5 of the Rules, for the contravention of sub-rule (3) of rule 3 of the said Rules. In response to the notice, a reply was received from the Company’s authorized representative, Mr. Muhammad Haroon of M/s Munawar Associate, Chartered Accountants vide his letter dated May 05, 2004. He, while admitting the default, stated that the mistake occurred due to the technical work involved in the appointment of the Cost Auditors and misunderstanding on their part regarding the provisions of the law. In order to provide an opportunity, the case was fixed for hearing on May 20, 2004 on which



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date Mr. Muhammad Haroon, Advocate appeared before me and argued the case on behalf of the Chief Executive and directors of the Company.

4. In the reply to the show cause notice as well at the time of hearing, it was contended that it was a bonafide mistake which occurred due to misunderstanding in interpretation of relevant provision of law. He assured that the Company will comply with the requirements of law in time in future. Mr. Harroon, requested for a lenient view of default.

5. I have given due consideration to the arguments of the respondents and feel that contentions of the respondents are not tenable as the requirement of law with regard to filing the application for appointment of cost auditor, to the Commission, are very clear and unambiguous. The provisions are laid down in rule 3 of the Rules, which clearly state that a cost auditor shall be appointed with prior approval of the Commission within sixty days of the close of the financial year of the Company and application for such approval shall be made not later than thirty days before the date on which cost auditor is to be appointed.

6. In view of the foregoing, although the default is established and admitted however, keeping in view the assurance of the respondents that the requirements of law shall be complied with in time in future, I am inclined to take a lenient view of the default and instead of imposing a maximum penalty of Rs. 2,000/- and Rs. 100 per day for the continuous failure on all the directors of the Company, impose a fine of Rs. 2,000/-, under rule 5 of the Rules read with Section 476 of the Ordinance, on the Chief Executive of the Company only. The other directors of the company are advised to be careful in future.

7. The Chief Executive of the Company is hereby directed to deposit the aforesaid fine of Rs.2,000/- in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the receipt of this order and furnish receipted challan to the Commission.

(Ashfaq Ahmed Khan)
Director (Enforcement)

Announced:

May 24, 2004
ISLAMABAD