



Securities and Exchange Commission of Pakistan  
*Enforcement Department*

Before Ashfaq Ahmed Khan, Director

**ORDER**

*In the matter of*

**M/s. Faran Sugar Mills Limited**

(Under Rule 5 of the Companies (Audit of Cost Accounts) Rules, 1998)

Number and date of notices	EMD/CO.258/82/2002 Dated April 21, 2004
Date of hearing	May 20, 2004
Present	No one appeared
Date of Order	May 26, 2004

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This Order shall dispose of the proceedings initiated against the directors of M/s. Faran Sugar Mills 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 01, 2003 i.e. with a delay of 31 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 Mr. Iqbal A. Rehman, Company Secretary vide his letter dated April 26, 2004. He, while admitting the default, stated that the mistake was unintentional which occurred due to oversight because of pressure of work. He further stated that the Company made the application on November 25, 2003 instead of December 01, 2003. In order to provide an opportunity, the case was fixed for hearing on May 20, 2004, however no one appeared on the date of hearing



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instead a letter dated May 18, 2004 was received from M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants on behalf of the respondents and in their reply the same arguments were repeated as were already submitted by the Company. However, it was assured that the Company will comply with the requirements of law in time in future.

4. I have given due consideration to the arguments of the respondents and feel that contentions of the respondents are not tenable as ignorance of law can not be considered as an excuse. Further, the respondents have argued that the application was submitted on November 25, 2003 instead of December 01 2004. In this regard, attention is invited toward Rule 8 & 9 of the Companies (General Provision and Forms) Rules, 1985, wherein the receipt of document in the Commission shall be deemed to have been received on the date on which it was received in Commission. As the application was received in Commission on December 01, 2003 it can not be assumed to be received on November 25, 2003. Even otherwise the application was required to be submitted by October 31, 2003.

5. 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.

6. 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 26, 2004  
ISLAMABAD