

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement & Monitoring Division
NIC Building, Jinnah Avenue, Islamabad

Before Rashid Sadiq, Executive Director

In the matter of
M/s Associated Industries Limited

Number and date of notice	EMD/ C.O. 258/23/2002 dated April 05, 2002
Date of final hearing	May 23, 2002
Present	Mr.Imran Sheikh, ACA

ORDER

Through this order, I intend to dispose of the proceedings initiated against M/s Associated Industries Limited (the “Company”) for violation of Sub-rules (1) & (4) of rule 4 of the Companies (Audit of Cost Accounts) Rules, 1998 (the Rules) read with Clause (e) of Sub-section (1) of Section 230 of the Companies Ordinance, 1984 (the Ordinance).

2. The relevant facts for disposal of this case, briefly stated, are that M. A. Tabussum & Co. Chartered Accountants were appointed as Cost Auditors of M/s Associated Industries limited for the year ended June 30, 2000. The Cost Auditors submitted their report signed on November 10, 2001 to the Commission on November 13,2001. The examination of the Cost Audit Report revealed the following qualifications:

- proper cost accounting record as required by Clause (e) of Sub-section (1) of Section 230 of the Ordinance and as required by Companies (Audit of Cost Accounts) Rules, 1998 have not been kept by the company;
- the records kept do not give a true and fair view of the cost of production, processing, manufacturing, and marketing of Vegetable Ghee, Cooking Oil and Soap; and

- the said books and records do not give the information required by the rules in the manners so required.

3. From the above report of the Cost Auditors, it appeared that the company has not kept proper cost accounting record violating the provisions of Sub-rule (1) of rule 4 of the Rules read with Clause (e) of Sub-Section (1) of Section 230 Of the Ordinance. The company has also failed to furnish explanation on the reservations and qualifications made by the Cost Auditors in the Cost Audit Report for the year ended June 30, 2000 in violation of the provisions of Sub-rule (4) of rule 4 of the Rules.

4. Consequently, a show cause notice dated April 05, 2002 was served upon directors including Chief Executive of the company to show cause in writing as to why penalties as provided under rule 5 of the Rules read with Section 476 of the Ordinance may not be imposed upon them and a complaint may not be filed in the Court of Session for the aforesaid defaults. The show cause notice was responded by the Company vide letter dated April 10, 2002. In order to provide an opportunity of personal hearing, the case was fixed on May 13, 2002. Mr. Imran Sheikh, ACA appeared on the date of hearing and argued the case.

5. In the written submission as well at the time of hearing, it was contented that the year 2000 was the first year in which the Company was required to get its cost accounts audited. The management made best effort to comply with all the statutory requirements regarding maintenance of books of accounts, however, the same could not satisfy the cost auditors. On the basis of recommendations and suggestions made by the Cost Auditors in their report, they have prepared the required books and record for the next year ended June 30, 2001. The subsequent Cost Audit Report substantiated improvement in cost accounting records. The management was also bringing further improvements in the cost audit system to fully meet all the statutory requirements. No reason, however, was given for not submitting explanation to the reservation and observation of the auditors.

6. Having carefully considered the arguments advanced by Mr. Imran Sheikh, ACA, I am of the view that the Company has failed to comply with the provisions of Clause (e) of Sub-section (1) of Section 230 of the Ordinance, Paragraph 2 of the Cement Industry (Cost Accounting

Records) Order, 1994, Sub-rules (1) & (4) of rule 4 of the Rules. The company's plea that the year 2000 was the first year in which the company was required to get its cost accounts audited is incorrect and not based on facts. The record of this office indicates that the company has got approval for appointment of cost auditors for the years ended June 30, 1998 and June 30, 1999. However, Cost Audit Reports for these years were not submitted to the Commission. Furthermore, the company has also failed to maintain and keep proper cost accounting records as required under the aforesaid provisions of law. The Company also failed to furnish to the Commission its explanation on reservations and qualifications contained in the Cost Audit Report for the year ended June 30, 2000. As the company has not given any valid reason for the aforesaid violations, therefore, the default is considered deliberate and willful. I, therefore, impose a fine of Rs. 2,000/- (Rupees two thousand only) on each of the directors namely: Sh. Ahsan Rashid, Sh. Ahmar Rashid, Sh. Aizaz Rashid, Mrs. Fatima Rashid, Mrs. Almas Amjad Rashid, Mr. Mohammad Ayub and Sh. Amjad Rashid, Chief Executive of the Company under rule 5 of the Rules. As the subsequent Cost Audit Report has shown improvement, therefore, I am giving another opportunity to the directors and Chief Executive of the Company to submit Cost Audit Reports for the years ended June 30, 1998, 1999 and 2000 within 60 days of this order. I hope that they will react reasonably. In case of non-compliance, the Commission shall consider filing a complaint in the Court of Session for the aforesaid contravention under Sub-section (7) of Section 230 of the Ordinance.

7. The above named Chief Executive and directors of the Company are hereby directed to deposit the fine amounting in aggregate to Rs.14,000/- (Rupees fourteen thousands only) in the designated bank account of Securities & Exchange commission of Pakistan maintained with Habib Bank Limited within 30 days of the date of this order and furnish a receipted challan to this Commission.

(RASHID SADIQ)

Executive Director (Enforcement & Monitoring)

Announced
June 28, 2002
Islamabad