



**Before Tariq Bakhtawar, Director Enforcement**

**In the matter of**

**M/s. Flying Cement Company Limited**

**Under Rule 5 of the Companies (Audit of Cost Accounts) Rules, 1998 read with Sections 259 and 476 of the Companies Ordinance, 1984**

Number and date of show cause notice	EMD/C.O.258/119/2007 June 10, 2008
Date of hearing	July 14, 2008
Present	Mr. Musarrat Mahmood Sheikh, FCA
Date of Order	July 21, 2008

**ORDER**

This order shall dispose of show cause proceedings in the matter of Show Cause Notice (SCN) bearing No. EMD/C.O.258/119/2007 dated June 10, 2008 under Rule 5 of the Companies (Audit of Cost Accounts) Rules, 1998 (the "Cost Audit Rules) read with Sections 259 & 476 of the Companies Ordinance, 1984 (the "Ordinance") issued to M/s Flying Cement Company Limited (the "Company") and its Directors and Cost Auditor for the year ended June 30, 2007.

2. SCN was issued to the Company and its directors and cost auditor requiring each of them to explain their position in writing within seven days of the date of the notice in respect of non-compliance of provisions of rule 3(3) & 4(3) of the Cost Audit Rules read with provisions of Section 258 of the Ordinance for late submission of application for approval of the Securities and Exchange Commission of Pakistan (the "Commission") for the appointment of cost auditor and late submission of the Cost Audit Report (the "Report).

3. In terms of provisions of sub-rule (2) of rule 3 of the Cost Audit Rules, the Directors of the company were required to appoint cost auditor for the year ended June 30, 2007 within sixty days of the close of financial year of the company i.e. by August 29, 2007. The following non-compliance of the provisions of the Cost Audit Rules was observed:-

- that in terms of provisions of sub-rule (3) of rule 3 of the Cost Audit Rules, the company was required to apply to the Commission in the form set in Appendix-I, for appointment of cost auditor not later than thirty days before the date on which cost auditor was required to be appointed. Application in this regard should have received in the Commission latest by July 31, 2007 but the same was received on September 17, 2007 with a delay of 48 days and



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
*Enforcement Department*

*Continuation Sheet - I -*

- that in terms of Sub-rule (3) of rule 4 of the Cost Audit Rules, the Report was required to be submitted to the Commission by November 25, 2007 i.e. within sixty days of the appointment of cost auditor but the same was received on May 20, 2008 with a delay of 177 days.
4. SCN dated June 10, 2008 was served upon the Directors of the Company and the Cost Auditor appointed for the aforesaid defaults. In response to SCN, the Company in its reply informed that its management intends to be heard personally and requested for fixation of a date of hearing.
5. The Cost Auditor in reply to SCN submitted that their Cost audit report was submitted to the management within stipulated period and that they have not contravened any provisions of the Cost Audit Rules knowingly and willfully. They have done their duty diligently and faithfully by submitting the Report well in time to the management and the delay in submission was not intentional and willful but for the circumstances beyond their control. However, the delay caused in the submission of cost audit report was due to the delayed availability of cost statements by the management of the company, which was also admitted by the management of the company. At the end, the Cost Auditor prayed for exclusion of the name of their firm from the show cause notice.
6. A hearing in the matter was held before the undersigned on July 14, 2008. Mr. Musarrat Mahmood Sheikh, FCA authorized representative of the Chief Executive and Directors of the Company appeared on the date of hearing. He admitted the default and stated that this was their first year of listing and the company has to comply with the additional requirements of law. The management of the affairs of the Company, being new, took additional time and resultantly cost audit was delayed. He regretted the delay and assured to comply with the provisions of the Cost Audit Rules within stipulated timeline in the future.
7. The authorized representative of the Directors of the Company regretted the delay and assured to comply with the provisions of the Cost Audit Rules within prescribed time in the future. Considering the facts that it was the first year of the listing of the Company and they have to manage the affairs of a new listed Company, I, under Section 259 of the Companies Ordinance, 1984 read with rule 5 of the Cost Audit Rules, instead of imposing maximum penalty of Rs. 26,500 on each of the directors, for default under sub-rule (3) of Rule 3 of the Cost Audit Rules and under Sub-rule (3) of Rule 4 of the Cost Audit Rules, proceed as follows;



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Enforcement Department

Continuation Sheet - 2 -

(Amount in Rupees)

S No.	Name of Director	Penalty for default of sub-rule (3) of Rule 3 of the Cost Audit Rules	Penalty for default of sub-rule (3) of Rule 4 of the Cost Audit Rules	Total
1	Mr. Kamran Khan, Chief Executive	2,000	2,000	4,000
2	Mr. Imran Qamar, Director	2,000	2,000	4,000
3	Mr. Momin Qamar, Director	2,000	2,000	4,000
4	Mr. Yousaf Kamran Khan, Director	2,000	2,000	4,000
5	Mr. Bilal Qamar, Director	2,000	2,000	4,000
6	Ms. Samina Kamran, Director	2,000	2,000	4,000
7	M/S Flying Cement Company Limited	2,000	2,000	4,000
	<b>Total</b>	<b>14,000</b>	<b>14,000</b>	<b>28,000</b>

8. The Company, its Chief Executive and directors are hereby directed to deposit, within thirty days of the date of receipt of this Order, the aforesaid fines totaling to Rs.28,000 (Rupees Twenty Eight thousand rupees only) in the Commission's designated bank account No. 75010-6 maintained at Habib Bank Limited, Central Branch, 102/ 103, Upper Mall, Lahore or pay by a DD/Pay order issued in the name of Commission and send a copy of the receipted vouchers to the Commission for information and record, failing which proceedings under the Land Revenue Act, 1967 will be initiated which may result in the attachment and sale of their movable and immovable property. It should also be noted that the said penalty is imposed on the Chief Executive and the Directors in their personal capacity; therefore, they are required to pay the said amounts from their personal resources.

**Tariq Bakhtawar**  
Director Enforcement

Announced on:  
July 21, 2008