



**SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
SPECIALISED COMPANIES DIVISION**

BEFORE THE COMMISSIONER (SCD)

IN THE MATTER OF ENGLISH LEASING LIMITED

IN RESPECT OF

SHOW CAUSE NOTICE UNDER SECTION 282 J (1) OF THE COMPANIES ORDINANCE, 1984 (THE ORDINANCE) READ WITH SECTION 282 M (1) OF THE ORDINANCE FOR VIOLATION OF RULE 7 OF THE NON-BANKING FINANCE COMPANIES (ESTABLISHMENT AND REGULATION) RULE, 2003 (THE NBFC RULES)

Date of Hearing: March 7, 2005

Present: Waseem Ahmed, Company Secretary
M. Younas Khan, Director

ORDER

1. This Order shall conclude the show cause proceedings initiated against English Leasing Limited (hereinafter referred to as the "Company") for violation of Rule 7 of the NBFC Rules. The company was incorporated in Pakistan as a Public Limited Company on February 01, 1992 and is listed on the Karachi, Lahore and Islamabad Stock Exchanges.. Brief facts leading to the initiation of the aforesaid proceedings are as under:

2. The examination of audited annual accounts of the company for the year ended June 30, 2004 revealed that the statutory auditors of the company, namely, M/s Avais Hyder Zaman Rizwani, Chartered Accountants in their auditor's report to the members have given an adverse opinion and have also indicated various qualifications which are as follows:

- (a) (i) *The company has not, yet able to increase its paid-up capital as required by Non Banking Finance Companies Rules, 2003. The Securities and Exchange Commission of Pakistan (SECP) has cancelled the leasing license of the company therefore; the Company cannot make new investment in leasing business. The Company's normal operations have been abandoned since long and balance sheet shows total accumulated losses amounting to Rs. 68.042 million as at June 30, 2004. However, the net equity of the company is Rs. 61.67 million as at June 30, 2004.*
- (ii) *During the year the Company did not pay the installment of loan obtained from Asian Development Bank (ADB) amounting to US \$ 72,771 along with mark-up of US \$ 99,618 and total outstanding balance of Rs. 7.5 million of Pak Libya Holding Company (Pvt) Ltd,*

(PLHCL), being overdue since December 2002, remained un-paid. Further the short-term loan from PLHCPL amounting to Rs. 15 million, being overdue since June 2001, also remained unpaid.

- (iii) *SECP has directed the Company's management for encashment of the certificates of investment, which were issued during 1996 to 2001. However, the company has not complied with the said directions.*

The management of the company has prepared these financial statements under the going concern basis and the company has planned to go into financial and other services. However, in the opinion of statutory auditors the above events indicate doubts of the Company's ability to continue as a going concern.

- (b) *There is an outstanding balance of Rs.40.287 million in the head of misappropriation account being receivable from previous management for which no provision has been made in the accounts;*
- (c) *In terms of provision for the staff gratuity, auditors have also stated that the valuation of staff gratuity (defined benefit plan) plan has been carried out last year but the disclosure of same has not been made in these financial statements as required by IAS-19 "Employees Benefits".*

3. Rule 7 of NBFC Rules states that a NBFC shall maintain such books of accounts and other records as shall depict a true and fair picture of its state of affairs. As per the qualifications in the Company's audited annual accounts for the year ended June 30, 2004. the books of account do not confirm to the International Accounting Standards as applicable in Pakistan and also do not give a true and fair view of the state of the company's affairs .

4. Keeping in view the aforesaid state of affairs a notice dated January 26, 2005 was served upon the Company, its Chief Executive and its directors under sub-section (1) of 282 J of the Companies Ordinance 1984 calling upon him to explain as to why penal proceedings may not be initiated against him for the aforesaid contravention.

5. In order to provide an opportunity of making representation and of being heard the case was fixed for hearing on March 7, 2005. Mr. M. Younus Khan, Director and Mr. Waseem Ahmed, Company Secretary represented the Company in the hearing. Mr. M. Yunus did not resist the show-cause notice. However he gave a few verbal submissions regarding the revival of the Company. The proposal was not supported by any documentary evidence or time based deadlines.

6. From the above discussion and after careful examination of all facts and circumstances of the case, I am of the view that the default has been admitted and established. The issue in question is not the revival of the Company. The instant case involves an established default in the preparation of the Company's annual accounts. The books of accounts of the Company do not depict a true and fair picture of the Company's affairs which is a very serious breach. The Company has violated the statutory requirements, which attracts the provisions of sub-section (1) of Section 282 (J) of the Ordinance.

7. For the foregoing reasons, the directors of the Company have made themselves liable for the penalties provided under Sub-section (1) of Section 282 (J) of the Ordinance. As the

Company Secretary has undertaken that there will be no violation in future, I take a lenient view of the default and, instead of imposing a maximum fine of Rs. 5 million on every director of the Company, hereby impose a fine of Rs. 24,00,000/- (Rupees twenty-four lac only) on the directors of the Company under Sub-section (1) of Section 282 (J) of the Ordinance read with Section 282 (M) (1) of the Ordinance.

8. **Ms. Naz Afreen, Mr. Fazal Ahmad, Mr. Gul Nawaz, Mr. M. Younus Khan, Mr. K. M. Aminullah and Mr. Rashid Ahmed** the directors of M/s. English Leasing Limited are hereby directed to deposit the fine amounting to 4,00,000/- (Rupees four lack only) each (aggregating Rs. 24,00,000/- Rupees twenty-four lac only) 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 date of this Order and furnish receipted challan to this office.

(Salman Ali Shaikh)
Commissioner (SCD)

Announced at Islamabad
On March 09, 2005