



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION**

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BEFORE THE COMMISSIONER (SCD)

**IN THE MATTER OF M/S INTERASIA LEASING COMPANY LIMITED (ILCL)**

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

Date of Hearing: March 7, 2005

Present: Mr. M. Younas Khan, Chairman, Inter Asia Leasing  
Company Limited;

Mr. Sharjeel Siddiqui, Company Secretary, Inter Asia  
Leasing Company Limited;

Mr. Shoaib Qureshi, Director (NBFC-I)

**ORDER**

This Order shall conclude the proceedings initiated against M/s Inter Asia Leasing Company Limited (hereinafter referred to as "the Company") and its directors under section 282(J)(1) of the Companies Ordinance, 1984 (hereinafter referred to as "the Ordinance") read with section 282(M) of the Ordinance for violation of Rule 7 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (hereinafter referred to as "the Rules"). Brief facts leading to the initiation of the aforesaid proceedings are as under:

2. The company was incorporated as a public limited company on November 30, 1992 and was granted license to commence leasing operations on April 26, 1993 in terms of SRO 520(1)/92 dated May 27, 1992. After the promulgation of the Rules, every company which was engaged in any one or more forms of businesses as specified under section 282 (A) of the Ordinance was required to apply in writing to the Commission for grant of a licence in terms of Rule 5 (6) of the Rules. Pursuant to aforementioned provision, the Company on May 9, 2003 submitted an application for grant of licence in terms of Rule 5 of the Rules. However the application was rejected as the Company was equity deficient in terms of Rule 5 (2).

3. The examination of audited annual accounts of the Company for the year ended June 30, 2004 revealed that the auditors have placed certain qualifications in their auditors report as follows:

- (a)
  - (i) the financial statements states that the company continues to be in loss situation from past several years. The company has incurred accumulated losses of Rs.133,613,389 (2003: Rs.140,755,335) as against the paid-up-capital and reserves of Rs.128,884,872 (2003: Rs.127,099,385) which leaves the negative shareholders equity of Rs.4,728,517 (2003: Rs.13,655,950). Further more the current liabilities exceed the current assets by Rs.6,626,845.
  - (ii) Financial statements have not been prepared on going concern assumption. Assets have been recorded at net realizable values and liabilities recorded at the amounts required to be settled, except for fixed assets which are stated at cost less accumulated depreciation.
  - (iii) Therefore, on such premise deferred tax asset, which was created in prior years on the assumption that future taxable profits will be available after the merger, which will be utilized against the deferred tax asset has been reversed during the years.
- (b) The management of the company has reversed accumulated interest of Rs.23.215 million appearing under the head 'Accrued Financial Charges' for the balance payable to Trust Investment Bank, as they are of the opinion that the amount is not due or payable.

Had the accumulated interest of Rs.23.215 million not being reversed and taken to income, there would have been a negative equity of Rs.27.944 million. Furthermore, the current liabilities exceed the current assets by Rs.29.843 million;
- (c) We have not received confirmation for balance payable to Trust Investment Bank Limited amounting to Rs.22.336 million as detailed in note 16.1 to the financial statements;
- (d) We have neither received confirmation as at June 30, 2004 nor bank statements for the year from Trust Investment Bank Limited. Therefore, we are unable to verify completeness of transaction with Trust Investment Bank Limited and the balance with them as at June 30, 2004 amounting to Rs.110,650;
- (e) Investments as at June 30, 2004 include TFCs of Pakland Cement Limited (PCL) amounting to Rs.3,778,000 offered by Long Term Venture Capital Modaraba (LTVCM) to ILCL against amount receivable from LTVCM. However, these TFC's are neither in the name nor in the custody of ILCL. Further no details regarding number, face value, redemption amount, maturity date and other necessary documents of the certificates transferred has been provided. Consequently we are unable to verify these balances at year end;

- (f) We have not received confirmation for Rs.23.697 million receivable from Bankers Equity Limited, which is under liquidation;
- (g) The company has a scheme of registered PLS Certificates of Investment (COI) for raising funds directly from local resources. These certificates have been issued for maturity periods of three months to five years with the facility of premature encashment after minimum period of three months. The return on these certificates ranges from 16.90 percent to 18.25 percent per annum depending upon the period of maturity.

4. 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

5. 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 section 282(J)(1) of the Ordinance read with section 282(M) of the Ordinance for violation of Rule 7 of the Rules was served on the directors including the Chairman of the Company calling upon them to explain as to why penal proceedings may not be initiated against them for the aforesaid contravention

6. In order to provide an opportunity of being heard the case was fixed for hearing on March 7, 2005. Mr. M. Younas Khan, Chairman of the Company and Mr. Sharjeel Siddiqui, Company Secretary appeared in front of the undersigned and argued that the accounts of the Company had not been prepared on the going concern assumption. Furthermore, they were in the process of seeking legal advise on voluntary winding up of the Company.

7. Having heard the Chairman and after examination of the relevant provisions of law, I am of the opinion that the arguments advanced by him are totally unsatisfactory and deficient. The issue in question is not as to whether or not the Company is a going concern. Furthermore, legal advice on voluntary winding up should have been taken much earlier if the accounts of the company had not been prepared on the going concern basis. This case involves an established default in the preparation of the Company's annual accounts. The Company's audited annual accounts for the year ended June 30, 2004 do not depict a true and fair picture of the Company's affairs

8. 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. However, as this is the first default and the Chairman has undertaken that there will be no violation in the 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.

9. Mr. M. Younus Khan, Chairman; Mr. Abdul Ghafoor, Chief Executive Officer; Mr. M. A Jumra, Director; Mr. M. Azam Khan, Director; Mr. Abdul Naseer, Director; and Mr. Farooq Farooqui, Director of M/s. Inter Asia Leasing Company Limited are hereby directed to deposit the fine amounting to Rs. 4,00,000/- (Rupees four lac only) each (aggregating to Rs. 24,00,000/- (Rupees twenty-four lac only) in the designated bank account maintained in the name of the 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