



Macro Financial International Consultants (Pvt) Ltd.

NO: MFICL/ FIA-2010/05/340

DATED.02.04.2010

Mr. Liaqat A. Saleemi.
Director . SIU.
FIA. ISLAMABAD.

Dear Sir.

INVESTIGATION OF CASE FIR NO. 09/2009 FIA CRIME CIRCLE LAHORE (E-06/2010 FIA SIU ISLAMABAD).

This has a reference to you letter No. FIA/ SIU/ C-09/LHR/300 dated 16.03.2010 with regard to the engagement of our Company for technical assistance in the subject case.

In this connection, we are pleased to enclose herewith detailed report prepared by Mr. Shahid Mehmood Shakir, ACA, of Maqbool Haroon Shahid Safdar & Co. Chartered Accountants 16/3 B. Eden Homes. Adjacent To MCB House, 16 Main Gulberg, Jail Road Lahore our Associates on the basis of record . i.e FMS of M/S Zarco Exchange Co. (pvt) Ltd and miscellaneous database provided by you under the cover of your letter under reference as well as other relevant record provided to us from time to time .

We hope that the enclosed report will suffice your requirements.

In case you need discussion on the report or any of its area, we and our associated Chartered accountants will be available on contact at a mutual convenient date & time.

Thanking you, we remain for the confidence reposed by you

Yours truly, _____

(MUHAMMAD TARIQ RAANA)
DIRECTOR.

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REPORT ON
RE-INVESTIGATION OF CASE FIR NO 09/2009,
FIA CRIME CIRCLE, LAHORE

[E-06/2010 FIA, SIU ISLAMABAD]

A/C M/S ZARCO EXCHANGE COMPANY [PVT.] LTD

METHODS

Following methods were explored for the investigation of the case:

We have searched and analysed the data in the range from November 2009 to July 2010 of Exchange Transfer program software (FTS) of the Banking Account Codebook.

- Copy of Reports
- Detailed Analysis of Data
- Misc. Evidence
- Cash Ledger extract
- Other financial documents related to the account
- Bank statements and journals related to the above mentioned
- Copying relevant data
- Other supporting documents



MAQBOOL HAROON SHAHID SAFDAR & CO

CHARTERED ACCOUNTANTS

REPORT ON RE-INVESTIGATION OF CASE FIR NO 09/2009, FIA CRIME CIRCLE, LAHORE (E-06/2010 FIA, SIU, ISLAMABAD) A/C M/S ZARCO EXCHANGE COMPANY (PRIVATE) LIMITED

In the wake of letter No. FIA/SIU/C-09/2009/LHR/300 dated 16-03-2010 of the Director (SIU), FIA, Islamabad, addressed to M/s Macro Financial International Consultants [Private] Limited (MFICL), seeking technical assistance in the subject case, we, M/s Maqbool Haroon Shahid Safdar & Company, Chartered Accountants (MHSS & Co.) have been assigned by M/s MFICL vide its letter No. MFICL/FIA-2010/04 dated 17-03-2010 to undertake the subject assignment and to complete the report for onward transmission to the concerned FIA authorities.

We have gone through the record / data provided by the FIA i.e., FMS of M/s Zarco Exchange Company [Private] Limited (Zarco) and miscellaneous database under the cover of their letter dated 17-03-2010, as well as other relevant record provided from time to time.

SCOPE OF WORK

Our scope of work, as discussed by Mr. Liaqat Ali Saieemi, Director FIA (SIU) on 15 March 2010 and 16 March 2010 and verbally communicated to us, is to give our report on the back up data of M/S Zarco Exchange Company (Private) Limited, provided to us by the FIA for the period from November 2006 to July 2009 relating to the following issues:

- a. Whether any amount remitted abroad through TTs in the name of Mr. Lakht-e-Husnain,
- b. Whether any amount was siphoned/ misappropriated by the management or functionaries or employees of M/S Zarco Exchange Company (Private) Limited.
- c. Whether any out of character transaction was accounted for.

WORK METHODOLOGY

Following methodology was employed for the execution of our work:

We have extracted and analyzed the data for the period from November 2006 to July 2009 of Zarco's financial management software [FMS] of the following Accounts Codes/data:

- CDA for Networks Account Code 060800 0080
- Doubtful receivables (Bad Debts) Account Code 251514
- Misc. Expenses Account Code 251501
- Cash Ledger account Account Code 190201
- Other ledger accounts related to above account codes
- Some cash and Journal vouchers related to the above ledger accounts
- Strong room register
- Other supporting documents



DELIVERABLES

- Conclusive summary (Annexure A)
- We have filtered and analyzed the transactions according to the following criteria:
 - o Movement of Rs. 80 Million. (Annexure B)
 - o Amounts that were paid in cash to Mr. Lakht-e-Hasnain (Annexure C)
 - o TTs including rectified/ reversal entries in the form of JVs and INVs. (Annexure D)
 - o Adjustment entries that were rectified and reversed. (Annexure E)
 - o Other local payments charged to CEO A/c Head (060800 0080). (Annexure F)
 - o Receipts from Mr. Lakhat-e-Hasnain (Annexure G)
 - o Net TTs remitted outward as per ledger. (Annexure H)
 - o Copy of Minute Book dated 24-12-2003 (Annexure I)
 - o Certified copy of Form A and Form 29 dated 05-03-2009 (Annexure J)

AMOUNT TRANSFERRED ABROAD THROUGH TELEGRAPHIC TRANSFERS (TTs) TO MR. SYED LAKHAT-E-HASNAIN

The accounting record relating to Mr. Syed Lakhat-e-Hasnain shows that net amount of Rs. 158.01 million was remitted abroad through telegraphic transfer (TT) (Annexure A) summarized as below:

<u>PARTICULARS</u>	(Rs. in million)
Amount remitted abroad through ledger account of Mr. Lakhat-e-Husnain	211.34
Less amount injected into the company by Mr. Lakht-e-Hasnain	53.33
Net amount sent abroad through TT	158.01

However, the company's Board of Directors, vide Resolution No. 19 of 24 December 2003 approved re-imbusement of expenses incurred for the business purpose in USA. Copies of relevant pages of Minute Book are enclosed (Annexure I).

OBSERVATIONS ON EXAMINATION OF CERTAIN LEDGER ACCOUNTS:

- a) Ledger account (doubtful receivables a/c code 251514) shows Cash payment of Rs. 80 million to Mr. Lakhat-e-Hasnain (Annexure B). This amount was narrated as having been paid through Mr. Asghar. However, our further examination of record



revealed that this amount was received back through miscellaneous expense account through seven cash receipt vouchers (Annexure B).

Cash payments of Rs. 80.00 million was reported to have been made to Mr. Lakht-e-Hasnain on 24 February 2009, whereby copy of passport (Annexure B-1) provided to us reflects that he was not personally present in Pakistan on the said date of payment.

- b) The ledger account of the company shows that an amount of Rs. 70.73 million (Annexure C) was paid to Mr. Lakht-e-Husnain. However, our examination revealed the following details regarding the said transactions:
- Narrations of three cash payment vouchers (CPVs) are showing "Mufasil cash paid to CEO (on one CPV), Shahbaz Shah paid cash to CEO (on two CPVs)", aggregate amount of which comes to Rs. 13.70 million (Details at serial No. 1 to 3 of Annexure C).
 - Narration of other thirteen Journal Vouchers (JVs) for aggregate amount of Rs. 50.73 million shows "cash paid to CEO (Details at serial No. 4 to 16 of Annexure C). These amounts have not been paid in cash but somehow these transactions appear to have been made through the Branch Activity Current Account (F-10 pd Nayyar ISD-Account Code 159170), which shows that the cash was transferred to Islamabad Branch from Lahore location through Mr. Sharjeel.

The above mentioned sixteen vouchers are not made available to us. However, these were traced out from the data provided in soft form. Due to non-availability of these vouchers, we are unable to verify the signatures for authorization and receipt of money.

It is pertinent to mention that the said Cash payments of Rs. 70.73 million were made to Mr. Lakht-e-Husnain in the months of February and March 2009, whereas copy of his passport provided to us reflects that he was not personally present in Pakistan on the dates of payment except for the period from 01 March 2009 to 04 March 2009, during which transactions aggregating Rs. 5.50 million were affected.

- c) Perusal of the certified copy of Form 29 dated 05-03-2009 (Annexure J) revealed that Mr. Lakht-e-Hasnain was neither director nor office bearer of the company.

ADJUSTMENT / RECTIFICATION / REVERSAL OF ENTRIES:

A large number of accounting entries were passed for the purpose of adjustment / rectification / reversal aggregating to Rs. 59.65 million (Annexure E).



Purpose of the said entries by Zarco functionaries/employees appears to be as under:

- To conceal the facts / accounting record by the functionaries of Zarco Exchange Company (Private) Limited.
- Misappropriation of funds.
- To route the out of character transactions by the company management / employees through different ledgers to achieve the ulterior motives.

RECEIPTS FROM MR. LAKHAT-E-HASNAIN

An amount of Rs. 53.33 million was injected to the Company by Mr. Lakht-e-Hasnain during the period from 11 June 2009 to 15 July 2009 (**Annexure G**), out of which Rs. 35.53 million were received at head office, whereas the balance amount of Rs. 17.80 million was received at different branches/ locations.

Our further findings revealed that the amount of Rs. 53.33 million injected by the Mr. Lakht-e-Hasnain includes encashment of USD \$524,940/- vide encashment certificate dated 28-09-2009 issued by Allied Bank Limited, Canal View Housing Society Branch, Lahore (0810) (**Annexure G-1**).

CONCLUSION

In view of the foregoing we finally conclude as under:

- As per ledger account of Mr. Lakht-e-Hasnain net amount of Rs. 158.01 million (**Annexure A**) was remitted abroad through TTs during the period from November 2006 to July 2009. The amount of Rs. 422.15 million as mentioned in challan of FIA dated 25 January 2010 seems to be incorrect.

Minute Book stating resolution No. 19 dated 24 December 2003 provided to us shows that the board has approved re-imbusement of expenses incurred for the business purposes in USA.

- **Rs. 53.33 million** were injected into the company by Mr. Lakht-e-Hasnain and his family members out of which **USD \$524,940/-** were encashed for injection into the company at different dates (**Annexure G-1**).
- **Total Rs. 80 million** were reported to have been paid to Mr. Lakht-e-Hasnain through Mr. Asghar, which were subsequently received back through Mr. Asghar on different dates in the months of February and March 2009 (**Annexure B**).



Cash payments of Rs. 80.00 million was reported to have been made to Mr. Lakht-e-Hasnain on 24 February 2009, whereby copy of his passport (Annexure B-1) provided to us reflects that he was not personally present in Pakistan on the said date of payment.

- Moreover, Rs. 70.73 million were also said to have been paid to Mr. Lakht-e-Hasnain within Pakistan through Head Office and Islamabad branches (Annexure C), whereas copy of his passport provided to us reflects that he was not personally present in Pakistan on the dates of payment except for the period from 01 March 2009 to 04 March 2009, during which transactions aggregating Rs. 5.50 million were affected.
- In addition to the above, a large number of accounting entries were passed by the Zarco functionaries/employees for the purpose of adjustment / rectification / reversal, aggregate amounting to Rs. 59.65 million (Annexure E) appears to be for the following purposes:
 - To conceal the facts / accounting record by the functionaries of Zarco Exchange Company (Private) limited.
 - Misappropriation of funds.
 - To route the out of character transactions by the company management / employees through different ledgers to achieve the ulterior motives.
 - Further, it was found that major adjusted / rectified / reversed entries were subsequently moved to Account Head "Computer Software and Technology Expense" bearing Account Code 250702. Its relevancy with the business needs to be verified.

LIMITATIONS

We have used our best professional judgment and have exercised due care in rendering our services on the issues referred to here-in-above. Further, findings of our report are solely based on data/documents provided to us for our verification/examination. In no event, however, we shall be liable to any consequential, special, incidental or punitive loss, damage, or expenses in any manner whatsoever.

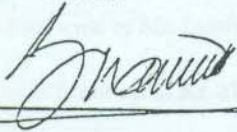
FIA (SIU) shall indemnify and hold M/s MFICL and M/s MHSS & Co. harmless from and against any claims, liabilities, costs and expenses (including without limitation, attorney fees



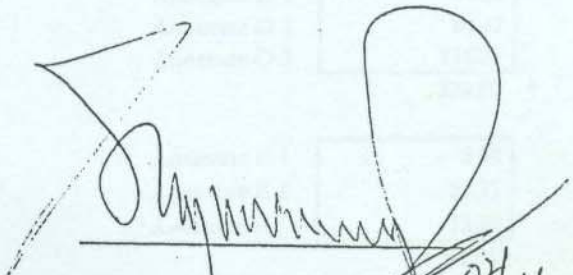
and the time of M/s MFICL and M/s MHSS & Co. at any time and in any way arising out of or relating to the services rendered by M/s MFICL and M/s MHSS & Co.

Our report is solely for the consumption of Federal Investigation Agency (SIU), Islamabad.

Should it needs to be discussed entirely and / or any area of this report, we shall be available on contact.



(Shahid Mehmood, ACA)
For and on behalf of
M/s Maqbool Haroon Shahid Safdar & Co.
Chartered Accountants



02/04/10

Countersigned by
(Pervaiz A. Mughal)
Executive Director
M/s Macro Financial International
Consultants [Private] Limited