

ONE-MAN INQUIRY COMMISSION

THIRD INTERIM REPORT
(04 December 2012)

FEDERAL TAX OMBUDSMAN SECRETARIAT
5-A, Constitution Avenue
Islamabad

ONE-MAN INQUIRY COMMISSION

FEDERAL TAX OMBUDSMAN SECRETARIAT

5-A, Constitution Avenue
Islamabad

No. 7(94)/2012-A-II

Dated: 05.12.2012

To: The Registrar,
Supreme Court of Pakistan,
Islamabad

Subject:- SUO MOTO CASE NO. 05 OF 2012 REGARDING MALIK RIAZ
HUSSAIN AND DR. ARSALAN IFTIKHAR

Enclosed please find herewith 3rd interim report on behalf of
the One-Man Inquiry Commission in the subject matter.

Encl: (As above)



Arshad Mahmood Cheema
(Arshad Mahmood Cheema)
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One-Man Inquiry Commission

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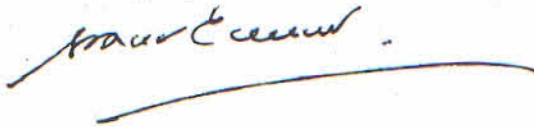
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THIRD INTERIM REPORT ON BEHALF OF THE ONE-MAN INQUIRY COMMISSION (IN THE MATTER OF MALIK RIAZ HUSSAIN, DR. ARSALAN IFTIKHAR AND OTHERS)

One-Man Inquiry Commission submitted its First Interim Report on 05.10.2012. It was mentioned in the report that the inquiry could not be finalized within 30 days due to non cooperation of Malik Riaz Hussain on the pretext that his Review Petition challenging the constitution of the Commission was pending before the Hon'ble Supreme Court of Pakistan, and that because of 'close' relationship of Dr. Arsalan Iftikhar with the Commission, he did not have faith in the latter.

2. Malik Riaz Hussain and his key witness, Mr. Ahmed Khalil, continued their non cooperation, raising an additional plea that since the time given to the Commission to complete its task had not been extended by the Supreme Court beyond 06.10.2012, the Commission had become *functus officio*. This position was reflected in the Second Interim Report submitted by the Commission on 02.11.2012.

3. The Hon'ble Supreme Court of Pakistan, vide order dated 06.11.2012, was pleased to extend the time limit for the completion of inquiry up to 06.12.2012. The Commission issued 5th notice to Malik Riaz Hussain on 07.11.2012, stating that if he failed to file his concise statement, with supporting evidence, it would be presumed that he had no evidence in support of his contentions, and the Commission would finalize its proceedings on the basis of available evidence. In response, Malik Riaz Hussain appeared on 13.11.2012, along with his counsel: Syed Zahid Hussain Bokhari, and others, including Haji Muhammad Nawaz Khokhar, ex-Deputy Speaker National Assembly, Col (R) Khalil-ur-Rehman, his Security Officer and Ch. Amjad, Director Lands, Bahria Town (Pvt) Ltd. Instead of filing his concise statement, he contended that the Commission's proceedings be suspended till the decision of his Review Petition pending before the Supreme Court. He further contended that if inquiry from NAB could be taken back on the



plea that some of the members of the inquiry team were favorably inclined towards Malik Riaz Hussain, why inquiry from the Commission should not be transferred on the identical ground that the Commission was inclined in favour of Dr. Arsalan Iftikhar. The Commission told him that while he was free to pursue his matter in the Supreme Court, the Commission would not suspend its proceedings in the absence of any restraining order. He was also asked to produce evidence, if any, in support of his contention that the Commission had any conflict of interest in this case or its integrity had been compromised in any manner, whatsoever. Malik Riaz Hussain also contended that he had already filed his concise statement in the Supreme Court, along with supporting documents, and also a statement before the NAB. The Commission could take further action on that basis.

4. After refusal of Malik Riaz Hussain to cooperate with the Commission, Dr. Arsalan Iftikhar was asked to file his concise statement on the basis of Malik Riaz Hussain's concise statement submitted in the Supreme Court of Pakistan and his statement in NAB, which he did on 19.10.2012, denying all allegations leveled by Malik Riaz Hussain, and stating, inter-alia:

- (i) *"As explained by me in my reply to Malik Riaz Hussain's concise statement, Mr. Ahmed Khalil had ingratiated himself with me starting from latter half of the year 2009 by frequenting my house, frequently inviting me to his own, and floating various business proposals for joint ventures both locally and with foreign collaboration.*
- (ii) *During this period I found him to be a man of considerable means and quite well travelled.*
- (iii) *Hence when 2010 I was to travel to London, I consulted him as regards the travel and stay plans, and he voluntarily offered to provide full facility by arranging the stay in London through the help of his friends.*
- (iv) *The trip in 2010 to London: Mr. Ahmed Khalil represented that the apartment which had been proposed by him was on nominal rent as it belonged to a friend of his. It was in this context that I, accordingly, remained under the impression that since the apartment belonged to his friend, I was not required to get through any formalities and everything was arranged by one Mr. Zaid Rehman*

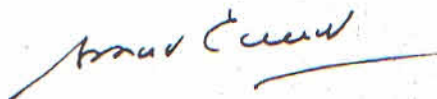
Dr. Arsalan Iftikhar

who was represented by Mr. Ahmed Khalil to be his relative.

- (v) On my return I did ask Mr. Ahmed Khalil for the bill for my stay in London, but he kept giving me the impression that it was too nominal for him to ask from me to pay anything, and that he will ask his friend for the final figure, however, due to my other pre-occupations I could not persistently pursue the matter.
- (vi) As regards the second occasion, I took a short trip to London in the first quarter of 2011, and this time I arranged the trip and paid all the expenses myself.
- (vii) Before the third trip, in June, 2011, however, I did consult Mr. Ahmed Khalil again, but only for purposes of facilitating the booking and possible discount of my self-chosen apartment. As noted above, Mr. Ahmed Khalil did help me with that and subsequently I paid for all the trips through my cousin Mr. Aamir Nawaz Rana."

5. From perusal of statements of Malik Riaz Hussain and Dr. Arsalan Iftikhar, the role of the following witnesses appeared central to the inquiry at hand:

- a. **Mr. Ahmed Khalil:** According to Malik Riaz Hussain, Mr. Ahmed Khalil is a common friend of Dr. Arsalan Iftikhar and his son-in-law, Mr. Salman Ahmed Khan. Dr. Arsalan Iftikhar also admits his relationship with Mr. Ahmed Khalil.
- b. **Mr. Zaid Rehman:** According to Dr. Arsalan Iftikhar, Mr. Zaid Rehman, a relative of Mr. Ahmed Khalil, actually arranged his two foreign visits on behalf of Mr. Ahmed Khalil. Dr. Arsalan Iftikhar also claims to have made a payment of Rs4,500,000/- to Mr. Zaid Rehman, through a cheque, to settle the expenses pertaining to his foreign visits.
- c. **Mr. Aamir Nawaz Rana:** He is a cousin of Dr. Arsalan Iftikhar. He actually remitted a sum of Rs4,500,000/- in favour of Mr. Zaid Rehman to settle the outstanding amount Dr. Arsalan Iftikhar owed to Mr. Ahmed Khalil.



- d. **Mr. Salman Ahmed Khan:** He is son-in-law of Malik Riaz Hussain and resides in the UK. According to Malik Riaz Hussain:

".... Dr. Arsalan Iftikhar continuously blackmailed and extorted money from my son in law on different pretexts, misusing his position as a son of the Honourable Chief Justice of Pakistan. I have been victimized and blackmailed by him. It so happened that Dr. Arsalan Iftikhar is a close friend of Ahmed Khalil, who happens to be a friend of my son-in-law Salman Ahmed. He cheated and defrauded me and my son-in-law and also got illegal benefits under pressure, coercion and intimidation."

Dr. Arsalan Iftikhar claims that he never met Mr. Salman Ahmed Khan, as alleged.

- e. **Mr. Sajid Bashir:** He is Chief Executive, M/s Copperstones (Private) Limited, 505, Siddiq Trade Centre, Main Gulburg, Lahore. As per tenancy agreement dated 18.06.2011 signed between M/s Copperstones Ltd (2, Crowford Place, London) and Dr. Arsalan Iftikhar, the latter lived in Flat 18, 68 North Row, London, W1K 7DU, from 18.06.2011 to 18.07.2011.

6. The Commission issued notices to all the witnesses mentioned at para 5 above, to record their statements.

7. **Mr. Aamir Nawaz Rana** appeared and furnished his statement on 19.10.2012. Corroborating the contention of Dr. Arsalan Iftikhar, he stated that on the direction of Dr. Arsalan Iftikhar, he had sent a cheque amounting to Rs4,500,000, to Mr. Zaid Rehman in settlement of outstanding liabilities concerning Dr. Arsalan Iftikhar's foreign visits. He further confirmed that this amount was originally intended for buying a plot of land for Dr. Arsalan Iftikhar. To verify his statement, bank statements of Mr. Amir Nawaz Rana and Mr. Zaid Rehman were checked. It was found that an amount of Rs4,500,000 was transferred from the account of Mr. Aamir Nawaz Rana maintained with Standard Chartered Bank, Lahore, to the account of Mr. Zaid Rehman with Meezan Bank Limited, Gulburg Branch, Lahore, on 15.08.2011, and withdrawn by Mr. Farid Rehman, brother of Mr. Zaid Rehman on 06.09.2011.

Amir Nawaz Rana

8. Mr. Ahmed Khalil did not appear in response to the two notices issued to him on the ground that the apex Court had not extended the Commission's mandate. However, on third notice dated 07.11.2012, he appeared on 19.11.2012, along with his counsel: Dr. A. Basit, and sought time for submission of his statement. Copies of concise statement of Malik Riaz Hussain submitted in the apex court as well as his statement recorded by the NAB, along with concise statement of Dr. Arsalan Iftikhar before the Commission, were duly provided to him. His request for adjournment was also allowed till 21.11.2012. However, on the said date, neither Mr. Ahmed Khalil nor his counsel appeared. Another notice was issued for submission of his concise statement by 26.11.2012. On 26.11.2012, Mr. Sukrat Mir Basit, Advocate / Associate of Dr. A. Basit and counsel of Mr. Ahmed Khalil, submitted the following four applications:

- i. Application to extend the date for submission of concise statement.
- ii. Application to conduct the proceedings of the Commission, in public view and to permit the electronic media to cover the same.
- iii. Application for release and return of tax files of Mr. Ahmed Khalil; and
- iv. Application for withdrawal of directions for placing the name of Mr. Ahmed Khalil on the ECL.

The first application was allowed, extending time for filing of concise statement till 03.12.2012. Arguments on the remaining three applications were also fixed for the same date. On 03.12.2012, Dr. A. Basit, counsel, appeared and sought yet another adjournment, supported by a medical certificate that Mr. Ahmed Khalil was not well.

Mad Counsel

The adjournment was granted till 11.12.2012. Arguments on three applications were also re-fixed for 11.12.2012.

9. Notices could not be served on Mr. Zaid Rehman at his available address in Pakistan. Hence, a notice was sent to him at his UK address (39, Heathdale Avenue Hounslow, West London, TW4 7HD), for appearance on 19.11.2012, which also was returned unserved. He is now being contacted through email of his wife.

10. Notice sent to Mr. Salman Ahmed Khan for appearance on 19.11.2012 at his UK address (Flat 31, 31 Sussex Square, Paddington, London, W2 2SP), however, was delivered at the given address on 13.11.2012.

11. Mr. Sajid Bashir was summoned for 19.11.2012 to appear in person, along with original tenancy agreement, rent invoice and other supporting documents. The notice, however, could not be served upon him at his Lahore address. Notice is now being sent at his London address.

12. After Malik Riaz Hussain's refusal to record his statement or produce any supporting documents, on one pretext or the other, the Commission was left with no option but to try to test the veracity of his allegations by analyzing the money flow of all concerned on the basis of their bank statements / tax records and other relevant record.

13. Details of alleged expenditure / payments made on behalf of Malik Riaz Hussain: Malik Riaz Hussain alleges to have incurred, mainly through Mr. Salman Ahmed Khan, a sum of Rs342,501,254 on three foreign visits of Dr. Arsalan Iftikhar, including cash payments made to him. According to Malik Riaz Hussain, the break-up of the entire expenditure is as follows:

Mr. Arsalan Iftikhar

Expenses during 1st visit to London (and Monte Carlo) in July 2010:

Airline Tickets	£1,011.51	(Rs146,669)	(p/3 of CS)
Monte Carlo Trip	€18,120	(Rs2,138,160)	(p/4 of CS)
Flat & Shopping			
Expenses	£40,000	(Rs5,800,000)	(p/4 of CS)
Vehicle Lease	£5,350	(Rs775,750)	(p/2 of CS)

Total (Rs8,860,579)

Expenses during 2nd visit to London in March 2011:

Stay in Hilton Park Lane (25.03.2011 to 03.04.2011)	£4,778.96	(Rs6,92,949)	(p/5 of CS)
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Expenses during 3rd visit to London in June/July 2011:

Cash, Vehicle lease & Hotel	£23,676.8	(Rs3,433,136)	(p/7 of CS)
Apartment for family	£17,342	(Rs2,514,590)	(p/6 of CS)

Total (Rs5,947,726)

Cash Payments in different Installments:

Rs157,000,000	}	(p/1 of CS)
Rs20,000,000		
Rs80,000,000		
Rs70,000,000		
Total Rs327,000,000		

Grand Total Rs342,501,254

Imad E. Ahmad

14. Break-up of alleged expenditure / payments:

(i) 1st Visit to London (and Monte Carlo):

Nature of alleged expenditure / payments	Amount spent	Evidence provided
Three air tickets from London to Monte Carlo and back in respect of Dr. Arsalan Iftikhar, Mr. Ahmed Khalil and a female companion who the Commission has since identified as Ms. Sara Hanif, wife of Mr. Ahmed Khalil	£1,011.51 (Rs146,699)	Payment made through Visa Debit Card of Mr. Salman Ahmed Khan
Hiring of Range Rover	£5,350 (Rs775,750)	Payment made through two cheques amounting to £3,000 & £2,350 by Mr. Salman Ahmed Khan
Payment of rent of two rooms of Hotel D' Paris, Monte Carlo, for Dr. Arsalan Iftikhar, Mr. Ahmed Khalil and his wife, Ms. Sara Hanif	€8,120 (Rs958,160)	Payment made through electronic transfer by Mr. Salman Ahmed Khan
Cash payment to Dr. Arsalan Iftikhar for gambling in Hotel D' Paris	€10,000 (Rs11,80,000)	No evidence provided
Hiring of a three bedroom Flat No.63, Fitz Harding House, 12-14 Portman Square, London	£40,000 (Rs5,800,000)	No evidence provided

Expenses / payments for which evidence provided £6,361.51 & €8,120
(Rs1,880,609)

Expenses / payments for which no evidence provided £40,000 & €10,000
(Rs6,979,970)

Dr. Arsalan Iftikhar, in his concise statement admits to have travelled to Monte Carlo from London along with Mr. Ahmed Khalil and his wife, Ms. Sara Hanif, whose identity was willfully

Dr. Arsalan Iftikhar

concealed by Malik Riaz Hussain in the concise statement submitted before the Supreme Court. He denies to have gambled in the Casino of Hotel D' Paris in Monte Carlo and terms these allegations as false and scandalous. The relevant portion of concise statement of Dr. Arsalan Iftikhar reads as follows:

".....while I was still in London, Ahmed Khalil along with his wife Sara Hanif, came to London, and they used to meet me quite frequently during my stay in London.On one such meeting he told me that he was planning to go to France (Monte Carlo) and insisted that I must accompany him. Initially I refused but he persisted and on his repeated offers, I agreed for the proposed tour and inquired about the relevant dates in order to get reservations in the same flight as well as same hotel. On this Ahmed Khalil got annoyed and said that since he had planned that trip so he would get reservations of the plane and the same hotel at Monte Carlo as a friendly gesture.

I went along with Ahmed Khalil and his wife to Monte Carlo, stayed there for three to four days and came back to London. As to the false allegation of spending heavily for gambling is concerned, that is vehemently denied, being false, scandalous, just to damage my reputation. This can be verified and checked by Honourable Commission by video footages of the said casino. The false, frivolous and self contradictory documents have been annexed by Malik Riaz Hussain in his concise statement with regard to 2010 visit which proves that a treacherous conspiracy to entrap me was planned by the aforementioned co-conspirators."

(ii) **2nd Visit to London:**

Malik Riaz Hussain in his concise statement alleges that a sum of £4,778.96 (Rs692,949) was spent during the second visit of Dr. Arsalan Iftikhar to London in March 2011, where, according to him, he stayed in Hotel Hilton, Park Lane, London, from 25.03.2011 to 03.04.2011. Malik Riaz Hussain has also annexed with his concise statement copies of stamped cash receipts, bearing a stamp of Hilton, dated 25.03.2011. According to Malik Riaz Hussain, this amount was paid to the Hotel in cash. However, he has not provided any evidence in support of

Arsalan Iftikhar

his claim that the payment was actually made on his behalf.

Dr. Arsalan Iftikhar in his concise statement before the Commission has denied any such expenditure by Malik Riaz Hussain during his second visit to London. His contention is that he himself bore the entire expenses. He has also termed the copy of Hotel bill annexed by Malik Riaz Hussain with his concise statement as fake and fraudulent. The relevant para of Dr. Arsalan Iftikhar's concise statement reads as follows:

"As far as allegations regarding second visit in March 2011 are concerned, the same are also maliciously false and motivated. Interestingly, the material attached to support this false allegation of Malik Riaz Hussain is self-contradictory and proves the malafides of conspirators beyond any doubt. For example, the bill attached of my stay in "London Hilton" shows my stay from 25th March to 3rd April 2011, whereas, I stayed in the said hotel from 25th March to 5th April 2011. Shockingly in Annexure D1, there is a forged/sham bill, as the stamp on it says 25th of March, whereas it contains the details till 3rd of April, as there is "Information bill" written on its left corner, whereas, the original bill which I have attached has a copy of "VAT Invoice" written on it."

(iii) **3rd Visit to London:**

According to Malik Riaz Hussain, Dr. Arsalan Iftikhar and his family travelled to London on 19.06.2011 and stayed there till 21.07.2011. The necessary boarding and vehicle arrangements were made by Mr. Salman Ahmed Khan, his son-in-law. The details of expenditure allegedly made on behalf of Malik Riaz Hussain are as follows:

Grand Total

Nature of alleged expenditure / payments	Amount spent	Evidence provided
Rent of Marriott Hotel apartment (Park Lane, London)	£17,342 (Rs2,514,590)	Payment of £10,000 and £7,342 totaling to £17,342 made from the bank account of Mr. Salman Ahmed Khan
Rent of Marriott Hotel	£3,376.80 (Rs489,636)	Payment of £3,376.80 made from the account of Mr. Salman Ahmed Khan's credit card
Leasing of Range Rover from M/s THECO LTD	£4,800 (Rs696,000)	Payment of £4,800 made by Mr. Salman Ahmed Khan through bank transfer
Cash payment to Dr. Arsalan Iftikhar	£15,500 (Rs2,247,500)	No evidence of payment provided

Expenses / payments for which evidence provided	£ 25,518.8 (Rs3,700,226)
Expenses / payments for which no evidence provided	£15,500 (Rs2,247,500)

Dr. Arsalan Iftikhar in his concise statement before the Commission has admitted to have sought the help of Mr. Ahmed Khalil and Mr. Zaid Rehman in negotiating the deal with M/s Copperstones (Pvt) Ltd, the dealer of the apartment, and also in making other arrangements. He however, contends that on his return to Pakistan, he cleared all the outstanding dues. The relevant para of Dr. Arsalan Iftikhar's concise statement reads as follows:

"On my return to Pakistan I met Ahmed Khalil and inquired about the total bill. However, Ahmed Khalil again exhibited reluctance to apprise me of the amount payable by me and attempted to procrastinate further discussion on this issue, but this time I persisted with him and asked him to include the amount for this visit, as also of the previous year's visit for which he had expressed reluctance to

Arsalan Iftikhar

accept money on the pretext that the said stay was not commercial and he had obtained that apartment and vehicle from some friend on very nominal rates. It was pursuant to this insistence on my part to apprise me of all the expenditures, including my share in Monte Carlo trip, and my asking him to mention the exact figure of the total bill, that Ahmed Khalil finally gave me the figure of Rs. 4.5 million approximately for the trips. I asked for his account number on which he said that since all the arrangements were done by Mr. Zaid Rehman so he told me to deposit said amount in the account of Mr. Zaid Rehman (account number 020502000003244) and having NIC number 35201-9148350-9 and gave me the details of his account in Meezan Bank of Pakistan. As I had given some amount to my cousin, Aamir Rana to purchase a plot at Lahore as in those days my cousin himself was looking for some plot for himself, so when Ahmed Khalil told me that amount I asked my cousin to withhold the purchase of plot for the time being and to deposit the Rs. 4.5 M from the said amount in the account of Zaid Rehman, on which he gave a cross cheque (deposit slip is attached)."

(iv) **Cash payments in different installments:**

Malik Riaz Hussain, besides the expenditure allegedly made on account of three foreign visits of Dr. Arsalan Iftikhar, also alleges to have made cash payments to Dr. Arsalan Iftikhar in four different instalments.

- (1) Rs157,000,000
- (2) Rs20,000,000
- (3) Rs80,000,000
- (4) Rs70,000,000
- Total Rs327,000,000**

However, no evidence with regard to dates, places, etc, of making above cash payments has been indicated, as yet, by Malik Riaz Hussain.

No verification with regard to cash amounts can possibly be made unless Malik Riaz Hussain provides further evidence in support of his claim, either through documents or credible witnesses.

Amir Rana

15. Summary of alleged expenditure / payments claimed by Malik Riaz Hussain:

	Total alleged expenditure / payments claimed to have been made by Malik Riaz Hussain	Expenditure for which documentary evidence provided	Expenditure for which no evidence provided
1 st Visit	Rs8,860,579	Rs1,880,609	Rs6,979,970
2 nd Visit	Rs692,949	Nil	Rs692,949
3 rd Visit	Rs5,947,726	Rs3,700,226	Rs2,247,500
Cash payments in four installments	Rs327,000,000	Nil	Rs327,000,000
Total	Rs342,501,254	Rs5,580,835	Rs337,452,458

16. Preliminary analysis of alleged expenditure / payments claimed to have been made by Malik Riaz Hussain: A perusal of documents annexed with the concise statement of Malik Riaz Hussain reveals that the expenditure incurred by him for Dr. Arsalan Iftikhar's trip to Monte Carlo includes £1,011.51 (Rs146,669) on account of air tickets for three persons, and €8,120 (Rs958,160) for payment of rent of two rooms of Hotel D' Paris. As the amount was actually spent on three persons i.e. Dr. Arsalan Iftikhar, Mr. Ahmed Khalil and his wife, Ms. Sara Hanif, Dr. Arsalan Iftikhar could not be held responsible for the expenses incurred on Mr. Ahmed Khalil and his spouse. Taking into account, the rent of Hotel room occupied by Dr. Arsalan Iftikhar @ €650/night for four nights, 1/3rd of the other expenditure incurred on three of them, and also one air ticket, the actual share of Dr. Arsalan Iftikhar comes to Rs572,820, instead of a sum of Rs1,104,859, unduly and wrongly attributed by Malik Riaz Hussain. If the expenditure broadly incurred on Mr. Ahmed Khalil and his spouse is deducted from the relevant expenditure, the actual figure for which the evidence has been made available reduces to Rs5,048,796 whereas the figure for which no evidence is available increases to Rs337,452,458. The former amount is 1.47% of total alleged expenditure / payments claimed by Malik Riaz Hussain.

Travis C. Cunniff

17. Dr. Arsalan Iftikhar has provided documentary evidence to the effect that he paid a sum of Rs4,500,000 to Mr. Zaid Rehman, through banking channels, on 06.09.2011, which, prima facie, lends support to his contention that from his side he had made sure that broadly speaking no outstanding amount on account of his foreign trips was pending as on 06.09.2011.

18. Here it is relevant to point out that Dr. Arsalan Iftikhar has produced copy of an email forwarded to him by Mr. Ahmed Khalil and apparently received from Ms. Nadia Rehman, wife of Mr. Zaid Rehman. This email, prima facie, establishes link between Mr. Ahmed Khalil and Mr. Zaid Rehman and his family.

19. As regards net worth of the individuals involved, record from different sources, i.e. FBR, SECP, Banks, etc. has been collected for forensic analysis. The independent financial experts, after thoroughly examining the record so far received, have furnished their preliminary findings, which are given in paras 20 to 38.

MALIK RIAZ HUSSAIN:

20. Income / expenditure statement:

	Tax Year 2010	Tax Year 2011	Tax Year 2012	Total
Declared Income in Rs (a)	Rs 30,012,545	Rs 36,000,000	Rs 76,732,380	Rs 142,744,925
Personal expenditure in Rs (b)	Rs 17,651,202	Rs 31,892,459	Rs 200,370,598	Rs 249,914,259
Savings in Rs (a) - (b)	Rs 12,361,343	Rs 4,107,541	Rs 123,638,218	Rs 107,169,334

Inflow analysis of income / expenditure statement of Malik Riaz Hussain, prima facie, shows that his declared income for tax years 2010-12 is Rs142,744,925, whereas, his declared personal expenditure is Rs249,914,259, showing that his total inflow fell short by Rs107,169,334 during the period. For Tax Year 2012, his personal expenses exceeded his declared income by Rs123,638,218. This

True & correct

situation reflects that Malik Riaz Hussain in the last three years didn't have enough income even to meet his personal expenditure. The question that needs to be settled, therefore, is what was the source of cash payments of over Rs337 million to Dr. Arsalan Iftikhar in four instalments.

21. Malik Riaz Hussain's assets claimed by him in CNN interview:

Malik Riaz Hussain in a televised interview on CNN to Mr. Richard Quest on August 31st, 2010 announced that he would like to donate 75% of his total wealth to the flood affectees of Pakistan. When Mr. Quest asked Malik Riaz Hussain to quantify 75% of his wealth he stated it was more than \$2 billion. In other words, his personal net worth in 2010 was at least \$2.5 billion. In rupee terms, this would come to at least Rs225 billion (as reported in Business Recorder on August 5, 2010). A comparison of declared assets and assets claimed in the interview is given in the table below:

Assets claimed on 31 st August 2010 in CNN interview (date of interview falls in Tax Year 2011) (a)	Rs225 billion
Assets declared in wealth statement as on 30.6.2011 (Tax Year 2011) (b)	Rs0.58 billion
Difference (a) – (b)	Rs224.415 billion
Income tax implications @ 25% (c)	Rs56.103 billion
Penalty (d)	Rs56.104 billion
Total Income Tax Implications (c) + (d)	Rs112.208 billion

Prima facie, the under declaration of assets by Malik Riaz Hussain warrants legal action under the Income Tax Ordinance, 2001.

22. Undeclared bank deposits of Malik Riaz Hussain: During investigation, three bank accounts in the name of Malik Riaz Hussain have been detected which apparently have not been declared by him in the wealth statement. Details are given in the table:

Arsalan Iftikhar

Bank	Account No
Bank of Punjab, Bazar Area, Chaklala Scheme III, Rawalpindi	0198-PLS-901554-000-0
UBL, Cantt. Branch, Rawalpindi	105-9890-7
Joint Account (Malik Riaz Hussain and Ms. Mariam Rehman) HBL, DHA, Business Bay, Block 8, Sector F, Islamabad	A/C No. 2301-7900548-03

23. **Declared bank deposits of Malik Riaz Hussain:** Examination of declared and un-declared bank accounts shows that total amount of deposits made into these accounts for the last three tax years are disproportionate to the declared income of Malik Riaz Hussain for tax years 2010-12, as reflected in the following table:

Rs				
	Tax year 2010	Tax year 2011	Tax year 2012	Total
1	2	3	4	5
Total declared income from all sources (a)	30,012,545	36,000,000	76,732,380	142,744,925
Deposits made into declared and un-declared bank accounts (b)	365,819,000	261,592,416	12,080,100,912	12,707,512,328
Bank deposits disproportionate to declared income. (a) - (b)	335,806,455	230,391,916	12,003,368,532	12,564,767,403
Income tax chargeable on disproportionate deposits @ 25% (c)	83,951,614	57,597,979	3,000,842,133	3,141,191,850
Penalty (d)	83,951,614	57,597,979	3,000,842,133	3,141,191,850
Total income tax implications (c) + (d)	167,903,228	115,159,958	6,001,684,266	6,282,383,700

24. **Malik Riaz Hussain's interview on Dunya News Channel:** Malik Riaz Hussain in an interview on 13th June, 2012 with Mr. Mubashar Luqaman on Dunya News Channel stated that about 1,50,000 people

for a period

were being served meals on daily basis. Interview date falls in tax year 2012. Annual quantum of expenditure on this account has been conservatively estimated in the table below:

Total persons served meals per day (a)	1,50,000
Estimated expenditure on one meal (b)	Rs20
Total expenditure on 1,50,000 persons per day (a) X (b) = (c)	Rs3,000,000
Annual expenditure (c) X 365 = (d)	Rs1,095,000,000
Income declared for Tax Year 2012 (e)	Rs76,732,380
Un-explained expenditure (d) - (e)	Rs1,018,267,620
Income tax @ 25% (f)	Rs254,565,905
Penalty (g)	Rs254,565,905
Total income tax implications (f) + (g)	Rs509,133,810

Analysis of expenditure on 'Dastarkhan' has been made for one year only. With further inquiry, after it is established that Malik Riaz Hussain has been incurring expenditure on this account in previous years as well, similar comparison of his declared income and expenses for the relevant years would need to be made accordingly.

25. In the same interview Malik Riaz Hussain also claims to have injected an amount of Rs850 million in the Ashiyana Housing Scheme launched by the Government of Punjab. He has not declared this investment/expenditure in his wealth statement for 2012. This undeclared investment of Malik Riaz Hussain also warrants legal action under the Income Tax Ordinance, 2001. Total income tax implications on this undeclared investment, including penalty, come to Rs425 million.

26. **Total Income Tax Implications in respect of Malik Riaz Hussain:**

As explained in paras 21 to 25, total estimated income tax implications in respect of Malik Riaz Hussain in his individual capacity come to Rs119.42 billion.

27. **Other Corrupt practices of Malik Riaz Hussain:** During scrutiny of record received from the apex court and other sources, a number of other corrupt practices of Malik Riaz Hussain have come to the notice of the Commission:

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- (i) **Blackmailing and extortion:** Findings of the inquiry ordered by the apex court in Human Rights Case pertaining to P.S. Sihala were startling, in the context of Malik Riaz Hussain's blackmailing and extortion. Malik Riaz Hussain and his associates entangled the local land owners in false and concocted cases and coerced them to agree to their terms with the help of local police and revenue administration. The observations of Enquiry Officer, District & Sessions Judge Islamabad Mr. Mazhar Hussain Minhas, are relevant:

"Islamabad Police, particularly of PS Sihala was completely under the influence and control of Malik Riaz Hussain, Chairman Bahria Town (Pvt) Ltd. Mr. Muhammad Idress Rathore, Inspector / SHO and Mr. Ahmed Kamal, SI acted as his personal servants and instead of performing their lawful duties kept on playing with the liberties of innocent people by involving them in false and baseless cases. In certain incidents, even police officials accompanied the security personnel of Bahria Town (Pvt) Ltd for taking over possession of the land. The conduct of both the above officials shows that either they were acting under the command of their high ups or they were committing atrocities upon the poor people for their own vested interests".

The phenomenon of extortion continued till the apex court took notice of this blackmailing.

- (ii) **Land grabbing:** Punjab Forest Department has been the primary victim of Malik Riaz Hussain's land grabbing. In the revenue estates of Lohi Bhir, Takh Pari and Murree. Over 11000 kanals of valuable land has been allegedly grabbed by Bahria Town. Price of the grabbed land is over Rs6 billion at its lowest market value.

28. In a writ petition in the Islamabad High Court, counsel for CDA is on record saying that Bahria Town has illegally occupied over 1200 kanals of CDA land for construction of road to its newly launched project "Bahria Enclave". Value of this land is said to be no way less than Rs1.25 billion.

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- (iii) **Merger of Revenue Employees Cooperative Housing Society (RECHS) with Bahria Town:** Contrary to cooperative laws, Bahria Town is believed to have maneuvered merger of RECHS with Bahria Town (Pvt) Ltd in 2005, by influencing the Punjab Government. Through this merger, Bahria Town is said to have made good fortune. However, thousands of the members of this society were deprived of their right to get a residential plot of their choice.
- (iv) **Cheating and fraud:** "Margallah Enclave", a scheme launched by Bahria Town (Pvt) Ltd near CDA's "Margallah Retreat" was a project apparently to swindle the hard earned money of the general public. Securities Exchange Commission of Pakistan, on the basis of an inquiry into the scam, penalized all the directors of Bahria Town with maximum penalty to Malik Riaz Hussain.
- (v) **Influence over Revenue Administration:** Para 67 of the enquiry report by Mr. Mazhar Hussain Minhas, District & Session Judge, Islamabad, says:

"Like Police, Revenue department is completely under the thumb of Malik Riaz Hussain. Revenue officers / officials of his choice are posted in the areas where Housing Projects of Bahria Town (Pvt) Ltd. have been established and they are blindly following his dictates. Imtiaz Pervez Janjua, has admitted that he is posted as Tehsildar Islamabad since May, 1998. Revenue Officials of Rawalpindi / Islamabad are committing illegalities with impunity and are not paying any heed even to the directions of the courts."

The judge further reiterates in his concluding remarks:

"Revenue department of District Rawalpindi and Islamabad are under complete influence and control of Malik Riaz Hussain, Chairman Bahria Town Pvt Ltd. In the areas where he established housing projects, officers/officials of his choice are posted and they are blindly following his dictates and facilitating him in land grabbing and tax evasion".

29. Further evidence about the alleged illegal activities of Malik Riaz Hussain is being collected from various sources. Commission is not

For Mr. Hussain

inclined to give its conclusive findings at this stage. What seems apparent is that critical state institutions have been fatally compromised, resulting in virtually nonexistent writ of law. Non-cooperative public officials and hapless litigants/witnesses are routinely subjected to intimidation and blackmail. Fraud, deceit and land grabbing causing loss worth billions of rupees both in relation to state and private lands seem to be the order of the day.

BAHRIA TOWN (PVT) LTD:

30. **Double accounting:** In the case of M/s Bahria Town (Pvt) Ltd also serious anomalies have been, prima facie, detected in audited accounts presented to FBR and SECP. The following table is indicative of such double accounts:

Profit before taxation of M/s Bahria Town for tax year 2006 as per audited accounts presented to FBR (a)	Rs78,134,064 Loss
Profit before taxation of M/s Bahria Town for tax year 2006 as per audited accounts presented to SECP (b)	Rs688,045,867
Difference (a) + (b)	Rs766,179,931
Income tax @ 35% (c)	Rs268,162,975
Penalty (d)	Rs268,162,975
Total income tax implications (c) + (d)	Rs536,325,950/-

31. **Dubious computation of income:** M/s Bahria Town, according to their statement filed before the FBR, have received advances from customers against future sale of plots and constructed houses to the tune of Rs83.6 billion from 1998 to 2011. Out of these advances, the company has recognized only Rs39.5 billion as sales, and balance amount of Rs44.1 billion as liability. The nature of business of the company requires it to compute its income according to International Accounting Standards. The company in its audited accounts filed with the FBR states that it recognizes its advances from customers on the basis of percentage of work done. The company has not disclosed the computation of income in its accounts on the basis of percentage of work done. It gives only a lump sum figure of income in the audited accounts and return of income. Prima facie, Section 36 of the Income Tax Ordinance 2001 is applicable in this case. In the absence of proper

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33. The above table highlights that the company purchased total land for Rs21.1 billion during 1997-98 to 2011. Against these purchases, the company was required to produce documentary evidence of mutation deeds reflecting transfer of ownership in the hands of Bahria Town. However, hardly any verification through mutation deeds has ever been done. This un-vouched sum of Rs5.8 billion has income tax implications of Rs2.03 billion for succeeding years, excluding penalty.

34. Advances from customers in contravention of Memorandum of Association of Bahria Town: Article 41 of the Memorandum of Association of Bahria Town reads as follows:

"It is undertaken that the company shall not, by advertisement, pamphlets, other means or through negotiation, offer for sale or take advance money for the further sale of plots, houses, flats, etc., to the general public or individuals unless such plots, houses or flats etc. are owned and have been developed by the Company."

In contravention of Article 41, as per Note No. 9 to the audited accounts for 2007 filed with SECP, the company has received advances for future sale of plots without undertaking any development work.

MR. SALMAN AHMED KHAN:

35. Mr. Salman Ahmed Khan has declared income up to tax year 2012. His latest wealth statement has been filed for tax year 2009. According to this statement he owns assets to the tune of Rs15.261 million only. Analysis of bank statements shows that there is net inflow of Rs41.3 million and outflow Rs42.7million during the period 2009 to 2012 in the bank accounts of Mr. Salman Ahmad Khan. A person who has withdrawn Rs42.7 million from bank accounts cannot pay cash of over Rs337 million to Dr. Arsalan Iftikhar, from his own sources.

Arsalan Iftikhar

MR. AHMED KHALIL:

36. Mr. Ahmed Khalil has not filed any personal income tax return from tax year 2009 to 2012. However, record has been requisitioned from the FBR in respect of companies in which Mr. Ahmed Khalil has made an investment of Rs370 million. Further, bank accounts in the name of Mr. Ahmed Khalil have also been detected. Analysis of bank statements from 2009 to September 2012 shows that deposits of Rs306,345,595 have been made into these accounts. Total cash withdrawals out of these bank accounts have been quantified at Rs103,985,393. In the absence of any clarification on the part of Mr. Ahmed Khalil, the Commission, at this stage, would not like to comment as to where this cash was spent, as no return of income and personal expenditure statement appears to have been filed by him, as yet. Without any declared income, Mr. Ahmed Khalil has been found owner of assets worth Rs677,137,138. Income tax implications on these assets come to Rs169,284,284. However, these preliminary findings are subject to review, after plausible explanation, if any, by Mr. Ahmed Khalil.

MR. ZAID REHMAN:

37. Mr. Zaid Rehman reportedly has not filed income tax return for any tax year in his individual capacity. As reported by the FBR, there are two businesses namely M/s Rehman Sons (AOP) and Icon Builders in which Mr. Zaid Rehman has an interest. Reportedly M/s Rehman Sons have filed income tax return only for tax year 2008 in which nil income has been declared. Icon Builders have not filed any income tax return. However, bank records as requisitioned by the Commission show that Mr. Zaid Rehman is maintaining two bank accounts in his name with Meezan Bank, and two with Union Bank Ltd. Except in one account with Meezan Bank, three other bank account are dormant since April, 2010. Summary of inflows and outflows into these accounts shows that total deposits of Rs6.111 million have been made into these four accounts. nAs stated by Dr. Arsalan Iftikhar, he had

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paid some money to his cousin, Mr. Aamir Nawaz, to purchase a plot in Lahore. But then he asked his cousin to withhold the purchase of plot and pay the estimated cost of foreign tours amounting to Rs4,500,000 to Mr. Zaid Rehman. As per bank statement an amount of Rs4,500,000 from the account of Mr. Aamir Nawaz was transferred into the account of Mr. Zaid Rehman on 25.8.2011.

DR. ARSALAN IFTIKHAR:

38. Dr. Arsalan Iftikhar has provided evidence about his income tax returns. Evidence from other sources on his bank accounts, F&A Enterprises and FAE has also been collected. Dr. Arsalan Iftikhar has declared income, as a salaried person, only for two years i.e. tax year 2010 and 2011 for Rs2.8 million. Prima facie, investigation into the bank accounts shows deposits of Rs58.9 million which means that deposits of Rs56.1 million are disproportionate to his declared income. However, further investigation into the transactions of these accounts shows that cash payments into the bank accounts have been made to the tune of Rs1.1 million only. These cash deposits don't match with the alleged cash payment of over Rs337 million allegedly made to Dr. Arsalan Iftikhar on behalf of Malik Riaz Hussain.

39. **Assets of Rs900 million allegedly possessed by Dr. Arsalan Iftikhar:** Malik Riaz Hussain has alleged that Dr. Arsalan Iftikhar, in a TV interview, admitted that he had assets worth Rs900 million. Malik Riaz Hussain has alluded that Dr. Arsalan Iftikhar's assets included the over Rs337 million that the latter extorted through his son-in-law, Salman Ahmed Khan, in cash, during the year 2010 and 2011. According to Dr. Arsalan Iftikhar, claiming assets of Rs900 million was totally false and misconceived. What he actually meant was that his business: F & A Enterprises and FAE (Pvt) Ltd had entered into various telecom contracts worth Rs900 million. Some work on these contracts had been completed and the rest of the work was under way. Total worth of these contracts was Rs900 million. Actual profit on the completed work was yet to be determined on the basis of work

Dr. Arsalan Iftikhar

FAE (Pvt) Ltd.

	Tax Year 2010	Tax Year 2011
Turnover as per income tax returns (a)	Rs22,888,883	Rs5,770,022
Deposits as per bank statements (b)	Rs19,807,856	Rs11,077,468
Cash deposits		Rs7.0million
Disproportionate bank deposits (a) - (b)	Nil	Rs5,307,446
Income tax implications @ 25% (c)	Nil	Rs1,857,606
Penalty (d)	Nil	Rs1,857,606
Total income tax implications (c) + (d)	Nil	Rs3,715,212

F & A Enterprises

	Tax Year 2010 and 2011
Turnover as per income tax returns (a)	Rs86,421,808
Deposits as per bank statements (b)	Rs125,789,279
Cash deposits	Rs20.1 million
Disproportionate bank deposits (a) - (b)	Rs39,367,471
Income tax implications @ 25% (c)	Rs9,841,867
Penalty (d)	Rs9,841,867
Total income tax implications (c) + (d)	Rs19,683,734

43. Total income tax implications in respect of Dr. Arsalan Iftikhar, F & A Enterprises and FAE (Pvt) Ltd come to Rs51.3 million, including penalty. However, these preliminary findings are subject to review, after explanation, if any, on the part of Dr. Arsalan Iftikhar, in the like manner as for others who are subject to this inquiry.

SUMMING UP:

44. The Commission, despite serious impediments, has completed much of the task assigned to it. The Commission's work has been particularly hampered due to non cooperation of Malik Riaz Hussain, his son-in-law: Mr. Salman Ahmed Khan, and other key witnesses.

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45. Malik Riaz Hussain in his concise statement submitted before the apex Court alleged that Dr. Arsalan Iftikhar had cheated and defrauded him through his son-in-law, and had also availed illegal benefits under pressure, coercion and intimidation, misusing his position as son of the Hon'ble Chief Justice of Pakistan, to the extent of Rs342 million. Malik Riaz Hussain, however, contended that he did not get any relief, whatsoever, in the pending Suo Moto and Human Rights cases, contrary to the 'assurance and promises' made by Dr. Arsalan Iftikhar. It is widely believed that real motive behind Malik Riaz Hussain's 'plan' was to defame the Chief Justice, and to bring the higher judiciary into disrepute.

46. Dr. Arsalan Iftikhar claims to have availed logistic support through Mr. Ahmed Khalil, to the extent of roughly estimated amount of Rs.4.5 million. He further claims to have settled what he owed to Mr. Ahmed Khalil. The payment was made through a cheque issued in favour of Mr. Zaid Rehman who is said to have actually provided all logistic support to Dr. Arsalan Iftikhar on behalf of Mr. Ahmed Khalil.

47. No supporting evidence has been tendered by Malik Riaz Hussain, as yet, except for a total amount of Rs5 million. This comes to 1.47% of the total amount (Rs342 million) that Malik Riaz Hussain claims to have 'invested' in Dr. Arsalan Iftikhar. The Commission, therefore, had no option but to try to assess the net worth of all parties involved and also scrutinize their cash inflows and outflows into and from their known bank accounts. The picture that has emerged so far does not lend much credence to the allegations made by Malik Riaz Hussain.

48. The Commission has also approached the relevant authorities in the UK, seeking mutual legal assistance to ascertain the correct net worth including money held in bank accounts in the UK, by all concerned. Their response is likely to take several weeks.

49 As to the preliminary findings given in this interim report, it is important to add a caveat that the documents relied upon by the

Amir C. Ahmed

Commission are subject to further verification / scrutiny as per requirements of due process.

50. Should Malik Riaz Hussain assist the Commission in establishing probable cause that Dr. Arsalan Iftikhar had taken even a fraction of the money, as alleged, the Commission shall do all it can to bring Dr. Arsalan Iftikhar to justice. There will be Zero Tolerance for any misconduct on his part, as being son of the Chief Justice it is absolutely critical that the highest standards of integrity set by the Chief Justice are not allowed to be compromised under any circumstances. Here the Commission would also like to add that it has to base its conclusions on available evidence, not on people's deeply-held perceptions about particular individuals. The Commission, in the interest of transparency, will allow media access on days when both parties record their statements and confront each other.

51. In the meanwhile, the Commission hopes that Malik Riaz Hussain's Review Petition in the Supreme Court will be decided, one way or the other, to set his excuse for not appearing before the Commission, at naught.

52. Of late, according to media reports Malik Riaz Hussain is said to have decided to present his 'evidence' about extortion of about Rs340 million in cash before the UK authorities. The question is, why in he is not prepared to provide the same evidence to the Commission, or to the media in Pakistan?

53. The Commission is doing its utmost to act impartially and independently, without fear or favour to any party. It is determined to provide equal opportunity to all parties. Nevertheless, it cannot keep its final report pending indefinitely due to non appearance of the complainant party, on one pretext or the other.

54. The Commission is not giving its final word at this stage as it still hopes that Malik Riaz Hussain, being a complainant in the case, would feel able to lay all his evidence before the Commission, enabling it to

Mr. C. C. C.

reach a fair, and just conclusion, after giving sufficient opportunity to both parties to rebut each other's contentions.

55. The Commission would like the Hon'ble Supreme Court to finally direct Malik Riaz Hussain to produce all his evidence, along with witnesses, at the earliest. In case he fails to do so, the Commission may be allowed to conclude its findings, on the basis of available evidence, within a time-line the apex court may like to fix.

56. Before parting with the subject, the Commission considers it appropriate to bring to the apex court's notice that despite its clear orders that all state functionaries when called upon to do so shall provide necessary assistance to the Commission, the relevant departments under the Ministry of Interior have continued to defy virtually every order issued by the Commission. Even routine attachment orders of two FIA officials whose services were requisitioned by the Commission in early September were unduly referred to the Law Division for 'opinion'. The Law Division advised the Ministry of Interior to do the needful, as directed. However, in the efforts to further impede the Commission's work, the matter was needlessly and mischievously diverted to the Establishment Division, where it is believed to be still pending. The defiance of Interior Division was duly brought to the notice of the Minister for Interior vide letter No. 7(94)/2012-A-II dated 12-11-2012, but to no avail. The Commission is unable to understand why the Minister of Interior rather than acting in support of the Commission is blatantly and persistently continuing to act in aid of one party. This obviously cannot happen without the approval of the Minister. The conduct of the Minister of Interior is tantamount to contempt of the lawful authority of the Commission, as also of the apex court.


(Arshad Mahmood Cheema)

Registrar

One-Man Inquiry Commission

Dated: 04.12.2012