



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- II

### Adjudication Division

#### IN THE MATTER OF

#### M/S TRAVEL WIDE SERVICES (PRIVATE) LIMITED

#### ORDER

#### UNDER SECTION 172 OF THE COMPANIES ACT, 2017

Show Cause Notices	No. Adj-II/172/78/IAN-86/Onsite/2023-24 – 108 dated January 18, 2024	
Date on which hearing opportunity provided	<b>Date</b>	<b>Attended by</b>
	January 30, 2024	Sought Adjournment
	February 12, 2024	Sought Adjournment
	February 26, 2024	Mr. Jameel Hussain Qureshi (as Authorized Representative)
	June 6, 2024	Sought Adjournment
	August 27, 2024	Did not appear
	October 03, 2024	Mr. Jameel Hussain Qureshi (as Authorized Representative)

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the '*Commission*') vide the Show Cause Notice No. Adj-II/172/78/IAN-86/Onsite/2023-24 – 108 dated January 18, 2024 (the "*SCN*") to the Directors of **M/s Travel Wide Services (Private) Limited** (the '*Company*') (collectively referred to as the '*Respondents*') under section 172 of the Companies Act, 2017 (the '*Act*').

2. The Company was incorporated with the Commission on June 09, 2006, as a private limited company under the repealed Companies Ordinance, 1984, now the Act. As per record, the paid-up capital of the Company is Rs 7,500,000 divided into 750,000 ordinary shares of Rs 10 each. As per available record, Mr. Sheikh Abdul Quddus (CNIC No. 61101-2111008-1) is the Chief Executive and Director of the Company while, Ms. Zahida Quddus (CNIC No. 61101-2120421-2) and Ms. Amna Quddus (CNIC No. 61101-1951234-4) are the Directors of the Company.

3. The facts leading to the issuance of the Show Cause Notice (the '*SCN*') are that the Commission vide order dated May 05, 2023 conducted investigation into the affairs of the Company under section 256 of the Companies Act, 2017, pursuant to application filed by Mr. Summer Abbas (the "*Applicant*"), a shareholder of the Company holding 16.67% shares in the Company.

4. The investigation team in the Investigation Report dated October 24, 2023 (the "*Investigation Report*") had *inter alia* concluded that: (i) the accounts of the Company are not giving a true and fair view of the state of affairs of the Company, (ii) the general ledgers are not reconciling with the figures in the balance sheet and (iii) the transactions are not appropriately recorded in the general ledgers which shows that the affairs of the Company are not being managed under sound business principles/prudent commercial practices. Furthermore, the Annual Accounts for the years 2016 and 2017 show withdrawals by the management of the Company which show that the resources, assets and profits of the Company are not proportionally available to all shareholders of the Company and the business of the Company was being and had been managed in a manner oppressive of its members/shareholders.

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5. The Investigation team in the Investigation Report in this regard reported as under: -

## Annual Accounts

- (i) Annual Accounts for the years 2016 and 2017 show “Drawings” of Rs 800,000 and Rs 825,000, respectively, for which no further information/explanation is provided in the Accounts. The auditor in his report for the year 2017 has stated that they have compiled the financial statements in accordance with International Reporting Standards as applicable to such engagements.
- (ii) Withdrawals by the management from the company indicate that resources, assets and profits are not proportionally available to all shareholders/members of the Company.

## Bank Accounts

- (i) Bank statement of Account # 50127000284255 maintained with HBL, IBB Rizwan Centre Branch, Blue Area Islamabad titled Travel Wide Services Pvt Ltd Hajj 2014, is for the period July 04, 2018 to June 28, 2019. The aforesaid bank account had opening balance of Rs. 711,686.10 as on July 1, 2018 i.e. closing balance as on June 30, 2018 and closing balance of Rs 548,711.49 as on June 28, 2019. Total debit transactions of Rs.27,593,916.46 and total credit transactions of Rs.27,430,941.85, however, the ledgers of cash and banks of the relevant period did not count it and the management hide the bank account and its transactions in the annual audited financial statements for the year ended on June 30, 2018.
- (ii) Similarly, the bank statement for the period July 02, 2019 to June 13, 2020 of the same bank account had opening balance of Rs.548,711/- as on July 1, 2019 i.e. closing balance as on June 30, 2019. Total debit transactions of Rs.12,828,636 and total credit transactions of Rs.12,280,051, however, the ledgers of cash and banks did not count it and the management hide the bank account and its activities in the annual audited financial statements for the year ended on June 30, 2019 and June 30, 2020;
- (iii) Bank Statement of Account # 2000613072 and Account # 2000612572 maintained with Samba Bank Blue Area Islamabad titled Travel Wide Services Pvt Ltd & Travel Wide Services Pvt Ltd Hajj, did not reconcile with the ledgers of cash and cash equivalent and banks of the annual audited financial statements for the year ended June 30, 2020;
- (iv) Bank Statement of Account # 1-4-18-20311-714-114288 maintained with Summit Bank Blue Area Corporate Branch Islamabad titled Travel Wide Services Pvt Ltd, did not reconcile with the ledgers of cash and banks of the annual audited financial statements for the year ended June 30, 2016, 2017, 2018, 2019;

## General Ledger – 2016, 2017 and 2018

- (i) General Ledgers for the years 2016, 2017 and 2018 are not provided;

## General Ledger – 2019

- (i) Ledger of “Cash & Bank Balance” for the years 2019 contains “Adjusting entry to reconcile balances” of Rs 752,951/-;
- (ii) Ledger of “Advances and Security Deposits” for the year 2019 contains unexplained entries which do not seem to be in nature of assets - issue of pay order #318945 of Rs 65,705, swift charges, stamp papers charges recovered, adjusting entry, WHT, return of excess charges, MORA Rs 500,000, Summit Bank Rs 1,500,000/-, Summit Bank Rs 410,000, SPLIT Rs 2,855,022/- and Expenses adjusted Rs 263,712/- etc. with Opening balance as on July 1, 2018; Rs 14,653,204/- and closing balance as on June 30, 2019 of Rs 20,435,543/-;



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- (iii) Ledger of “Property plant & equipment” is not reconciled with balance sheet as on June 30, 2019;
- (iv) Ledger of “Account Payable, Rebate & others” contains “Adjusting entry to reconcile balances” of Rs 5,300,000/-; and
- (v) Ledger of Revenue, Direct Expenses and Administrative Expenses are also not reconciling with balance sheet as on June 30, 2019.

### **General Ledger – 2020**

- (i) Ledger of “Cash & Bank Balance” for the year 2020 contains “Adjusting entry to reconcile balances” of Rs 941,294/-;
- (ii) Ledger of “Advances and Security Deposits” for the year 2020 also contains unexplained entries which do not seem to be in nature of assets – credited transfer by cheque - Summit Bank Rs 500,000/-, break TDR # 639 of Rs 210,000, and Debited Net charges against LG # 553 of Rs 233,620, SECP related Charges Rs 2,500, Cost of stamps documentation charges and adjusting entry of Rs 733,044/- etc. with Opening balance as on July 1, 2019; Rs 20,435,543/- and closing balance as on June 30, 2020; Rs 19,882,647/-;
- (iii) Ledger of “Property plant & equipment” is not reconciled with balance sheet as on June 30, 2020.

### **General Ledger – 2021**

- (i) Ledger of “Cash and cash equivalents” for the years 2021 contains “Adjusting entry” of Rs 407,058/;
- (ii) Ledger of “Advances and Security Deposits” for the year 2021 contains entries which do not seem to be in nature of assets – credited IBFT from SCB Rs300,000/-, debited Cheque 97322440 of Rs.250,000, provincial sales tax DR, low balance charges and adjusting entries of Rs407,058/- and Rs.4,751 etc. with closing balance as on June 30, 2021; Rs.20,292,706/- (Opening as on July 1, 2020; Rs. 19,882,647/-);

### **General Ledger – 2022**

- (i) Ledger of “Cash and cash equivalents” for the years 2022 contains “Adjusting entry passed to reconcile it with audited accounts” of Rs 20,095/-;
- (ii) Ledger of “Advances and Security Deposits- others” for the year 2022 contains entries which do not seem to be in nature of assets - insurance and direct expenses, with closing balance as on June 30, 2022 Rs 13,532,804/- (Opening as on July 1, 2021; Rs 20,292,706/-);
- (iii) Ledger of Revenue and Direct Expenses are not reconciling with balance sheet as on June 30, 2022;

6. Accordingly, a SCN was issued to the Respondents calling upon them to furnish written submissions within ten (10) days of the date of the SCN to explain, as to why the disqualification order may not be passed against the Respondents under section 172(1) of the Act.

7. The respondents were provided several hearing opportunities as following:

#### **Status of Attendance and Submissions at the Hearings:**



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**January 30, 2024:** The Company vide letter dated January 25, 2024 requested for extension for submission of written response and for another hearing opportunity.

**February 12, 2024:** On the day of hearing, Mr. Qureshi, who represented the Respondents sought adjournment again.

**February 26, 2024:** This hearing was attended by Mr. Qureshi on behalf of the Respondents as their Authorized Representative. During the hearing, Mr. Qureshi submitted the written response. The relevant extracts of written reply are as follows:

“....

- (iii) *That it is pertinent to mention here that the financial statements were compiled by the external accountants and auditors were appointed by the company who compiled their reports in accordance with the applicable Reporting Standards. As far as the deficiencies pointed out in the accounts and ledgers by the investigation team are concerned, it is respectfully stated that the directors may kindly be allowed to reassess and revaluation for the same.”*
- (iv) *That it is worth noting here that the company and its directors never defrauded any of the member of the company or its creditors as none of the members or its creditors ever complained thereof.....”*

Mr. Qureshi also sought additional time for re-assessment and detailed response to the allegations raised under the SCN, due to the reason that all such matters relate to accounting and auditing, for which the Respondents have to consult with their accounting consultants and come up with a detailed response. Accordingly, the Respondents vide letter dated March 04, 2024 signed by Mr. Sheikh Abdul Quddus, the CEO requested for 2½ months’ time for this purpose. The next hearing was fixed on June 6, 2024 i.e. after a period of 3 months.

**June 6, 2024:** On the day of hearing, Mr. Qureshi, vide letter dated June 6, 2024 sought further adjournment. The respondents were provided final hearing opportunity vide letter dated September 26, 2024 for hearing to be held on October 03, 2024.

**October 03, 2024:** This hearing was attended by Mr. Qureshi wherein he briefed about some background related to the investigation conducted by the Commission as referred in the SCN, specifically, with respect to the share transfer dispute between the Applicant and shareholders of the Company; however, it was observed that the background as explained by Mr. Qureshi did not have any direct relevance with the allegations raised in the SCN.

When Mr. Qureshi was informed that no detailed response/explanation was received from the Respondents with respect to the allegations raised in the SCN, despite significant lapse of time, he excused and requested for some more time and a final opportunity to submit a detailed written response/explanation against the allegations raised in the SCN. The Respondents were allowed to submit a detailed written response at the earliest but not later than October 21, 2024. The Respondents vide letter dated October 21, 2024 signed by the CEO requested for 7 more working days to submit a detailed written response. Finally, the Respondents through a letter received on November 14, 2024 submitted a detailed and final written response. The detailed written response contained the Company’s Annual Financial Statements for Years 2020, 2021 and 2022, audited by an audit firm namely, “Abdul Basit & Co. Chartered Accountants” (the “**Firm**”). Apart from this, the Respondents also made the following submissions with respect to the drawings of Rs 800,000 and Rs 825,000 as per the Annual Accounts of 2016 and 2017:

*“The annual financial statements for the years 2016 and 2017 were compiled by a non-certified accountant from a law firm. At the time, it was not mandatory to engage a certified chartered accountant for this task. The scope of work for the law firm was limited to the compilation of financial statements. During this process, it appears that the accountant may have reclassified certain current assets as drawings, totaling approximately PKR 800,000 in 2016 and PKR 825,000 in 2017. This adjustment potentially affects the reported balances of current assets for those years.”*



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### Issue to be determined:

8. It was alleged through the instant SCN that: (i) the accounts of the Company are not giving a true and fair view of the state of affairs of the Company, (ii) the general ledgers are not reconciling with the figures in the balance sheet and (iii) the transactions are not appropriately recorded in the general ledgers which shows that the affairs of the Company are not being managed under sound business principles/prudent commercial practices. Furthermore, the Annual Accounts for the years 2016 and 2017 show withdrawals by the management of the Company amounting to Rs 800,000 and Rs 825,000, respectively, which leads to a conclusion that the resources, assets and profits of the Company are not proportionally available to all shareholders of the Company and the business of the Company was being and had been managed in a manner oppressive of its members/shareholders, *prima facie*, resulting in violation as per (d), (e) and (f) of Section 172(1) of the Act. In order to arrive at a decision, the facts of the case; record of the Company; documents available with the Commission including findings of the investigation team and relevant provisions of law have been considered. Before analyzing the allegations, it is appropriate to discuss the relevant provisions of law on the subject-matter and reproduce the same hereunder:

### Legal Framework:

9. Section 172 of the Act lays down powers of the Commission to disqualify a director in certain circumstances. Applicable provisions of Section 172(1) are reproduced hereunder for ease of reference:

*Section 172. Disqualification orders.—(1) In any of the circumstances stated hereunder, the Commission may pass a disqualification order against a person to hold the office of a director of a company for a period up to five years beginning from the date of order—*

*(d) the business of the company in which he is or has been a director, has conducted to defraud its creditors, members or any other persons or for a fraudulent or unlawful purpose, or in a manner oppressive of any of its members or that the company was formed for any fraudulent or unlawful purpose; or*

*(e) the person concerned in the formation of the company or the management of its affairs have in connection therewith been guilty of fraud, misfeasance, breach of trust or other misconduct towards the company or towards any of its member; or*

*(f) the affairs of the company of which he is a director have been conducted in a manner which has deprived the shareholders thereof of a reasonable return; or*

### Analysis of the issue:

10. In order to establish the violation of (d), (e) and (f) of Section 172(1) of the Act, following points are noted:

- i) The basis of the allegations raised in the SCN can be summarized as following:
  - a) Scrutiny of various bank accounts of the Company by the investigation team revealed that the bank balances and the transactions taking place in the bank accounts of the Company during the years from 2016 to 2020, did not reconcile with the general ledgers of the Company.
  - b) Review of the General Ledgers by the investigation team for the years 2019 to 2022, revealed various discrepancies in the ledger such as unexplained entries and non-reconciliation of the



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ledger balances with the financial statements, while the general ledgers for the years 2016, 2017 and 2018 were never provided to the investigation team.

- c) Annual Accounts for the years 2016 and 2017 show “Drawings” of Rs 800,000 and Rs 825,000, respectively, for which no further information/explanation was provided in the Accounts.
- ii) Accordingly, the Respondents, through the issuance of the instant SCN and multiple hearings convened in this regard, were afforded ample opportunities and sufficient time to present their defense and/or rectify the aforementioned discrepancies. The submissions tendered by the Respondents in response thereto have been duly examined and are analyzed in detail as following:
- a) The Respondents have failed to address the specific discrepancies outlined in the SCN concerning bank statements and general ledgers for the financial years 2016, 2017, 2018, 2019, 2020, 2021, and 2022, as referenced in para 10(i)(a) & (b) above. Neither in their written submissions nor during the hearings convened for this purpose, did the Respondents provide any satisfactory explanation or documentary evidence to rectify the identified inconsistencies.
- b) Instead of addressing the specific discrepancies highlighted in the SCN, the Respondents submitted copies of the Company’s Annual Financial Statements for the years 2020, 2021, and 2022, audited by 'Abdul Basit & Co. Chartered Accountants' (the “*Firm*”). However, these financial statements failed to correlate with or resolve the discrepancies identified in relation to the bank statements and general ledgers for the said years.

Furthermore, concerns arise regarding the reliability and admissibility of these financial statements in light of the statutory requirements governing appointment and conduct of audits. In particular, compliance with legal provisions such as Section 246 of the Act, which mandates the appointment of an auditor in the Annual General Meeting (AGM), and Section 247, which stipulates the qualification and disqualification criteria for auditors, remains unsubstantiated. The Respondents have failed to furnish any documentary evidence demonstrating adherence to these legal requirements.

- c) The submissions made by the Respondents concerning the drawings of Rs. 800,000 and Rs. 825,000, as reflected in the Annual Accounts for the financial years 2016 and 2017, are found to be unsatisfactory. The Respondents have attempted to attribute the discrepancies to the accountant, asserting that these amounts may have been erroneously classified due to the wrongful reclassification of certain current assets. However, such an argument does not absolve the directors of their fiduciary duty to ensure the accuracy, completeness, and integrity of the Company’s financial statements.

Pursuant to the applicable legal framework, the Annual Accounts of a Company must present a true and fair view of its financial position. Moreover, as per the statutory requirements under the Act, the Annual Accounts must be duly authorized by the Chief Executive Officer (CEO) and at least one director of the Company. Accordingly, the ultimate responsibility for the correctness and completeness of the financial statements rests with the signatories, who are obligated to ensure compliance with the relevant legal provisions.

### Decision:

11. In view of the foregoing, action against the directors under Section 172(1) (d), (e) and (f) of the Act are warranted however, prior to reaching a conclusive determination in the present matter, it is imperative to consider certain material facts pertaining to the Company. The Company is a closely held private entity with a paid-up capital of Rs. 7,500,000/-, wherein 83.33% of the shareholding is concentrated among family members, while the remaining 16.67% is held by another shareholder. Notably, the ownership of this minority shareholding is currently under dispute, with litigation pending adjudication before the Honorable Islamabad



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High Court as informed by the Respondents during the adjudication proceedings and as confirmed by the Legal Department of the Commission. Therefore, given the private nature of the Company and the predominant familial ownership, the alleged default or non-compliance did not prejudice the rights of majority of the shareholders of the Company except for the shareholder member outside the family, holding 16.67% shareholding in the Company which is disputed till date.

Furthermore, in this context, it is imperative to underscore that the role of the Chief Executive Officer (CEO) is more critical than that of other directors, as the CEO holds executive authority, strategic decision-making power, and primary legal responsibility for managing the company's affairs. The CEO's fiduciary duties and accountability extend beyond those of the board, reinforcing their obligation to ensure transparency, regulatory adherence, and sound corporate governance.

12. In view of the foregoing, I, therefore, in exercise of the powers under section 172 of the Act, delegated to the undersigned vide S.R.O. 129 (I)/2020 dated 24<sup>th</sup> February, 2020 hereby disqualify Mr. Sheikh Abdul (CNIC No. 61101-2111008-1), from becoming Director/CEO of any company a **period of 6 months from the date of this Order**, while Ms. Zahida Quddus (CNIC No. 61101-2120421-2) and Ms. Amna Quddus (CNIC No. 61101-1951234-4) are hereby strictly warned, without being disqualified, to ensure compliance with all the regulatory frameworks in letter and spirit in future. Further, in light of the provisions of Section 475 of the Act, the remaining directors of the Company are also hereby directed to rectify all the discrepancies with respect to the books and accounts of the Company as highlighted in the SCN including the drawings of Rs. 800,000 and Rs. 825,000, as reflected in the Annual Accounts for the financial years 2016 and 2017 respectively, to be properly accounted-for to the satisfaction of all the shareholders of the Company, within a period of 6 months from the date of this order.

13. This order is being issued without prejudice to any other action that the Commission may initiate against the Company in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

(Hammad Javed)

Additional Director / Head of Department  
Adjudication Department-II

Announced: March 21, 2025