

# Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019

For the Year Ended June 30, 2023

This statement is being presented to comply with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) for establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

Allied Engineering Management Company (Private) Limited (the Modaraba Management Company) is not listed. However, Allied Rental Modaraba is listed at Pakistan Stock Exchange. The Board of Directors (the Board) of the Modaraba Management Company is responsible for managing the affairs of the Modaraba.

Allied Rental Modaraba has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 in the following manner:

1. The total number of directors are 7 as per the following:
  - a. Male: 6
  - b. Female: 1
2. The composition of Board is as follows:

Category	Names
Independent Directors*	Mrs. Saira Nasir (Female Director)
Executive Director	Mr. Murtaza Ahmed Ali
Non-Executive Directors	Mr. Khwaja Ahad Rahman
	Mr. Abdul Rahim Suriya*
	Syed Feisal Ali
	Mr. Ali Akbar
	Mr. Hassan Shahzad Abidi

\*As per regulation 6, it is mandatory that each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors. As of June 30, 2022, the board had two independent members i.e., Ms. Saira Nasir and Mr. Abdul Rahim Suriya.

However, during the current year, on October 27, 2022, Mr. Abdul Rahim Suriya completed his third term as an independent director and became ineligible to be re-elected as an independent director as per section 166 of the Companies Act, 2017. Election of directors was held, resulting in Ms. Saira Nasir's re-election as an independent director, while Mr. Abdul Rahim Suriya was re-elected as a non-executive director. This change reduced the number of independent members on the board to just one.

The change was driven by the board's intention to restructure the Modaraba's existing legal framework under a scheme of arrangement, which is currently awaiting approval from the Honorable Sindh High Court

(SHC). Upon completion of the proposed scheme of arrangement, the entire existing business of the Modaraba would be transferred to two separate legal entities, the license of the Modaraba Management Company would be surrendered to the Registrar Modarabas and the Securities and Exchange Commission of Pakistan, and the Modaraba Management Company would be converted into an ordinary Private Limited Company, and thus the provisions outlined in the Listed Companies (Code of Corporate Governance) Regulations, 2019 would cease to be applicable. The Modaraba Management Company expects to get approval of the SHC before June 30, 2024.

3. The directors have confirmed that none of them is serving as director in more than seven listed companies, including the Modaraba Management Company.
4. The Modaraba has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board as empowered by the relevant provisions of the Companies Act, 2017 and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. All the directors have duly completed the Directors' Training Course and meet the training requirements specified under the Regulations.
10. The board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. However, no new appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit was made during the year.
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below: -

**a) Audit Committee**

**Name of members**

1. Abdul Rahim Suriya (Chairman)\*  
[Non-executive Director]
2. Syed Feisal Ali  
[Non-executive Director]
3. Ali Akbar  
[Non-executive Director]

**b) HR and Remuneration Committee**

**Name of members**

1. Abdul Rahim Suriya (Chairman)\*  
[Non-executive Director]
2. Syed Feisal Ali  
[Non-executive Director]
3. Murtaza Ahmed Ali  
[Executive Director]

\*As per regulation 27, it is mandatory that the audit committee shall have at least three members comprising of non-executive directors and at least one independent director and the chairman of the audit committee shall be an independent director, who shall not be the chairman of the board. However, as of June 30, 2023, there is no independent director in the audit committee due to the reasons stated in paragraph 2 above.

\*\*As per regulation 28, there shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member shall be an independent director. However, as of June 30, 2023, there is no independent director in the human resource and remuneration committee due to the reasons stated in paragraph 2 above.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

14. The frequency of meetings of the committee were as per following:

- a. Audit Committee – 4 (Four) meetings of the committee, on quarterly basis, were held during the year.
- b. HR and Remuneration Committee – 1 (One) meeting of the committee was held during the year.

15. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba.

16. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Modaraba;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with, except for as explained in paragraph 2 and 12 of the statement.

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been given in paragraph 12 of the statement.

On behalf of the Board



**Murtaza Ahmed Ali**  
Chief Executive Officer



**Syed Feisal Ali**  
Chairman

September 13, 2023

# INDEPENDENT AUDITOR'S REVIEW REPORT



A.F.FERGUSON & Co.

## To the Certificate Holders of Allied Rental Modaraba Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Allied Engineering Management Company (Private) Limited, the Management Company of Allied Rental Modaraba (the Modaraba) for the year ended June 30, 2023, in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Modaraba's and the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Regulations require the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, for and on behalf of the Modaraba, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended June 30, 2023.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

	Reference	Description
(i)	Paragraph 2	It is mandatory that each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors. However, as of June 30, 2023, there is only one independent director on the board.
(ii)	Paragraph 12	It is mandatory that: (i) the audit committee shall have at least three members comprising of non-executive directors and at least one independent director; (ii) chairman of the committee shall be an independent director, who shall not be the chairman of the Board.  However, as of June 30, 2023, there is no independent director in the audit committee and the chairman of the audit committee is a non-executive director.

**A. F. Ferguson & Co.**  
**Chartered Accountants**  
**Karachi**

Dated: 27 September 2023  
UDIN: CR202310611tKqEmN4M9

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