

## Statement of Compliance

### (Code of Corporate Governance) Regulations, 2019

#### Modaraba Al - Mali

**Year Ended June 30, 2023**

The Board of Directors (the Board) of LSE Capital Limited, the Modaraba Management Company (here after referred to as the Company) is responsible for the management of affairs of Modaraba Al-Mali (the Modaraba). The Modaraba has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are Seven (7) as per the following:

	Nos.		Nos.
Executive Directors	01	Male Directors	06
Non-Executive Directors	04	Female Director(s)	01
Independent Directors	02		

2. The composition of board is as follows:

• Mr. Usman Hassan	Chairman/ Independent Director
• Mr. Siddique-ur Rehman Khurram	Chief Executive Officer
• Ms. Aasiya Riaz	Non-Executive Director
• Mr. Hafiz Mudassir Alam	Non-Executive Director
• Mr. Muhammad Usman	Non-Executive Director
• Mr. Aoun Muhammad	Non-Executive Director
• Mr. Hussain Ahmed Ozgen	Independent Director

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Modaraba.
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 Management Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Modaraba.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act 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 and recording, however, the circulation of minutes of meeting of board was not complied with.
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. 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.
10. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
11. The board has formed committees comprising of members given below:

1. Audit Committee		2. Human Resource and Remuneration Committee	
Mr. Muhammad Usman	Chairman	Mr. Hussain Ahmed Ozgen	Chairman
Mr. Hafiz Mudassir Alam	Member	Mr. Siddique Ur Rehman Khurram	Member
Mr. Aoun Muhammad	Member	Mr. Muhammad Usman	Member
Mr. Mansoor Ahmed Soomro	Secretary	Mr. Rashid Matin Khan	Secretary

3. Risk Committee		4. Nomination Committee	
Mr. Usman Hassan	Chairman	Mr. Usman Hassan	Chairman
Mr. Hussain Ahmed Ozgen	Member	Mr. Hafiz Mudassir Alam	Member
Mr. Siddique Ur Rehman Khurram	Member	Mr. Siddique Ur Rehman Khurram	Member
Mr. Rashid Matin Khan	Secretary	Mr. Rashid Matin Khan	Secretary

12. The terms of reference of the Board audit committee and Human Resource and Remuneration committee have been formed, documented, and advised to the committee for compliance.
13. The frequency of meetings (quarterly/half yearly/ yearly) of the committee was as follows:
- |                                    |                                 |
|------------------------------------|---------------------------------|
| i. Audit Committee:                | Four quarterly meetings         |
| ii. HR and Remuneration Committee: | One annual meeting              |
| iii. Risk Management Committee:    | No meeting held during the year |
| iv. Nomination Committee:          | No meeting held during the year |

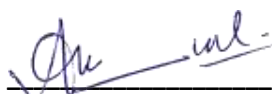
14. The Board has outsourced the internal audit function to M/s Junaidy Shoaib Asad Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba.
15. The statutory auditors of the Modaraba have confirmed 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 and its Management Company.

16. 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.

17. Explanation for non-compliance as highlighted by the Statutory Auditors is as follows:

S. No.	Requirement	Explanation for Non-Compliance	Regulation No.
1	Board of directors are responsible for the governance of risk and for determining the company's level of risk tolerance by establishing risk management policies. Also, do the board undertake at least annually, an overall review of business risks to ensure that the management maintains a sound system of risk identification, risk management and related systemic and internal controls to safeguard assets, resources, reputation and interest of the Company and shareholders.	The Board has not formalized and published any policy in respect of risk management. However, when a situation / transaction arises which requires them to undertake the review of business risks, the Board analyzes the related risk and decision is made considering the relevant factors which might impose threats to the entity. Furthermore, the Board has implemented proper governance structure and ensures that the management maintains a sound system for identification of risks.	10(2)
2	The Board of the company shall ensure that a formal and effective mechanism is put in place for an annual evaluation of the Board's own performance, members of the Board and of its Committees.	The Board has adopted a policy of formal evaluation, but no evaluation was conducted during the year. Since the Board, has not completed a full year due to reconstitution, therefore annual evaluation of directors was not conducted.	10(3)(v)
3	The Chairman shall ensure that minutes of the meetings of the Board are kept in accordance with the requirements of section 178 and 179 of the Companies Act, 2017.	Section 178(4) of the Companies Act, 2017 require that draft minutes of meeting of board shall be furnished to every director within fourteen days of the date of meeting. The minutes were not circulated, however, the same were discussed in the next meeting and approved by the Board.	12(1)
4	All companies shall make appropriate arrangements to carry out orientation for their directors to acquaint them with these Regulations, applicable laws, their duties and responsibilities to enable them to effectively govern the affairs of the listed company for and on behalf of shareholders.	Noted for compliance	18
5	<b>Head of Internal Audit</b> a) has three years of relevant experience in audit or finance or compliance function and is a member of the Institute of Chartered	Internal Audit Function is outsourced due to limited Modaraba activities.	23

	<p>Accountants of Pakistan or Institute of Cost and Management Accountants of Pakistan or;</p> <p>b) has five years of relevant experience in audit or finance or compliance function; and</p> <ul style="list-style-type: none"> <li>i. is a Certified Internal Auditor; or</li> <li>ii. is a Certified Fraud Examiner; or</li> <li>iii. is a Certified Internal Control Auditor; or</li> <li>iv. has a post graduate degree in business, finance from a university or equivalent recognized and approved by the HEC and is a member of a professional body relevant to such qualification, if applicable; or;</li> </ul> <p>c) has at least seven years of managerial experience in fields of audit or accounting or in managing financial or corporate affairs functions of a company and has a suitable degree from a university in Pakistan or abroad equivalent to graduate degree, recognized and approved by the HEC. The SECP, on application from the company, shall determine the suitability of such candidate</p>		
6	<p>No person shall be appointed as the company secretary unless he holds the qualification as specified under the relevant Regulations by the Commission:</p> <p>Provided, the same person shall not simultaneously hold office of chief financial officer and the company secretary of a listed company.</p>	Noted for compliance	24
7	<p>All companies shall ensure that internal audit reports are provided for the review of external auditors.</p>	Noted for compliance	31(7)



**Aoun Muhammad**  
Chairman Board of Directors

## INDEPENDENT AUDITOR'S REVIEW REPORT

### Modaraba Al-Mali (the 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 LSE Capital Limited, the Modaraba Management Company of Modaraba Al-Mali (the Modaraba) for the year ended 30 June 2023, in accordance with the requirements of regulation 36 of the aforesaid Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Modaraba Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Modaraba Management Company'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 Modaraba Management Company's personnel and review of various documents prepared by the Modaraba 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 Modaraba Management Company's corporate governance procedures and risks.

The Regulations require the Modaraba 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 Modaraba Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba Management Company for the year ended 30 June 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:

S. No.	Paragraph reference	Description
1.	7	The Board has not complied with the requirements of the Regulations with respect to circulation of minutes of the meetings of audit committee.

Lahore

Date: 27 October 2023

UDIN: CR202310269o0VZ1CxBb

  
Kreston Hyder Bhimji & Co.  
Chartered Accountants