

Corporate Governance Compliance [F. Y. ended 30 June 2018]

CORPORATE & FINANCIAL REPORTING:

The Company is determined to ensure good governance by complying with all the applicable rules and regulations of Corporate Governance Guidelines of Bangladesh Securities & Exchange Commission. It has complied with all the requirements of Corporate Governance and the Directors are pleased to confirm the following:

- a) The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 1994 and Bangladesh Securities and Exchange Rules 1987. These statements present fairly the Company's state of affairs, the result of its operations, cash flow and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate Accounting Policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- d) The International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements.
- e) The systems of internal control are sound and have been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There are no significant deviations in operating result of the business of the company compared to last year.

Status of compliance with the conditions imposed by the Commission's Notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969:

(Report under condition number 7.00)

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
1	Board of Directors:			
1.1	Board's Size (Number of Directors – minimum 5 and maximum 20)	✓		
1.2	Independent Directors:			
1.2 (i)	At least one fifth of Directors should be Independent Directors;	✓		
1.2.(ii)	"Independent Director" means a director-	✓		
1.2 (ii) a)	Independent Director does not hold any share or holds less than 1% shares of the total paid-up capital;	✓		
1.2 (ii) b)	Non connectivity with the Company's sponsor or director or shareholder who holds one percent or more shares on the basis of family relationship;	✓		
1.2 (ii) c)	Does not have any other relationship, whether pecuniary or otherwise, with the Company or its subsidiary/associated companies;	✓		
1.2 (ii) d)	Not a member, director or officer of any member of stock exchange;	✓		
1.2 (ii) e)	Not a shareholder, Director or officer of any member of stock exchange or an intermediary of the capital market;	✓		
1.2 (ii) f)	Not is or was a partner or an executive during the preceding 3 (three) years of the company's statutory audit firm;	✓		
1.2 (ii) g)	Shall not be an Independent Director in more than 3 listed companies;	✓		
1.2 (ii) h)	Not convicted by court of competent jurisdiction for defaulting any loan payment to a bank / non bank financial institution;	✓		
1.2 (ii) i)	Non convicted for a criminal offence involving moral turpitude;	✓		
1.2 (iii)	Appointment of Independent Director shall be by board of Directors and subsequently approved by shareholders in the Annual General Meeting;	✓		
1.2 (iv)	The post of Independent Director(s) cannot remain vacant for more than 90 (ninety) days.			No such incidence
1.2 (v)	Code of conduct for all Board members and compliance matter;	✓		
1.2 (vi)	Tenure of office of an Independent Director for a period of 3 (three) years, may be extended for 1 (one) term only.	✓		

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Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
1.3	Qualification of Independent Director :			
1.3 (i)	Shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business;	✓		
1.3 (ii)	Should be a Business /Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/ Professionals like Chartered Accountants, Cost & Management Accountants and Chartered Secretaries. Must have at least 12 (twelve) years of corporate management/ professional experiences;	✓		
1.3 (iii)	Relaxation of qualifications of Independent Directors subject to prior approval of the Commission;			Not applicable
1.4	Chairman of the Board & Chief Executive Officer (CEO) Chairman to the Board and the Chief Executive Officer shall be different individual with clearly defined respective roles and responsibilities;	✓		
1.5	The Director's Report to shareholders:			
1.5 (i)	Industry outlook and possible future developments in the industry;	✓		
1.5 (ii)	Segment-wise or product-wise performance;	✓		
1.5 (iii)	Risks and concerns;	✓		
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin;	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss;	✓		
1.5 (vi)	Disclosure on related party transactions;	✓		
1.5 (vii)	Utilization from public issues, rights issues and/or through any others instruments;			Not applicable
1.5 (viii)	Explanation if the financial results deteriorate after going for IPO, RPO, Rights Offer, Direct Listing, etc;			Not applicable
1.5 (ix)	Significant variance between Quarterly Financial Performance and Annual Financial Statements and explanation thereon;			Not applicable
1.5 (x)	Remuneration to Directors including Independent Directors;	✓		
1.5 (xi)	Fairness of Financial Statements;	✓		
1.5 (xii)	Maintenance of proper books of account;	✓		
1.5 (xiii)	Application of appropriate accounting policies and estimates;	✓		
1.5 (xiv)	Application of International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS),	✓		
1.5 (xv)	Efficiency of Internal control system;	✓		
1.5 (xvi)	Going concerns (ability to continue as going concern);	✓		
1.5 (xvii)	Deviations in operating results (highlighting significant deviations from last year in operating result);	✓		
1.5 (xviii)	Key operating and financial data (summarized financial data at least preceding five years);	✓		
1.5 (xix)	Reason for non declaration of dividend ;			Not applicable
1.5 (xx)	Number of Board meetings (number of Board Meetings held and attendance by each Director);	✓		
1.5 (xxi)	The pattern of shareholding:	✓		
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	✓		
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	✓		
1.5 (xxi) c)	Executives;	✓		

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Condition No.	Title	Compliance Status		Remarks (if any)
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1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details);	✓		
1.5 (xxii)	In case of the appointment/ re-appointment of a director the company shall disclose the following information to the shareholders:-	✓		
1.5 (xxii) a)	Brief resume of the Director;	✓		
1.5(xxii) b)	Nature of his/her expertise in specific functional areas;	✓		
1.5 (xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board;	✓		
2.	Chief Financial Officer(CFO), Head of Internal Audit (HIA) and Company Secretary (CS)			
2.1	Appoint of CFO, HIA and CS. The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the HIA and the CS.	✓		
2.2	Presence of the CFO and CS in the Board Meeting;	✓		
3.	Audit Committee			
3 (i)	Should have an Audit Committee as a sub-committee of the Board of Directors;	✓		
3 (ii)	Assisting Board of Directors in ensuring true and fair presentation of financial statements and also to monitor systems;	✓		
3 (iii)	Reporting and duties of the Audit Committee;	✓		
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	✓		
3.1	Constitution of the Audit Committee			
3.1 (i)	Composition of Audit Committee (should be composed at least 3 [three] members.)	✓		
3.1 (ii)	Audit Committee Members Appointment (members should appointed by the Board with at least one Independent Director);	✓		
3.1 (iii)	Financially literacy of committee members (members should be financially literate;	✓		
3.1 (iv)	Terms of Service of Audit Committee (Board to ensure continuity of minimum prescribed number of members);	✓		
3.1 (v)	Secretary of the committee;	✓		
3.1 (vi)	Quorum of the Audit Committee meeting (at least one Independent Director must present);	✓		
3.2	Chairman of the Audit Committee			
3.2 (i)	Chairman of Audit Committee(Board to select Chairman from audit committee who shall be an Independent Director);	✓		
3.2 (ii)	Presence of Chairman of the audit committee Annual General Meeting;	✓		
3.3	Role of the Audit Committee			
3.3 (i)	Oversee the financial reporting process;	✓		
3.3 (ii)	Monitor choice of accounting policies and principles;	✓		
3.3 (iii)	Monitor Internal Control Risk management process;	✓		
3.3 (iv)	Oversee hiring and performance of external auditors;	✓		
3.3 (v)	Review of annual financial statements before submission to the board;	✓		
3.3 (vi)	Review of quarterly and half yearly financial statements before submission to the board;	✓		
3.3 (vii)	Review the adequacy of internal audit function;	✓		
3.3 (viii)	Review statement of significant related party transactions submitted by the management;	✓		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors;	✓		
3.3 (x)	Declaration to Audit Committee by the Company regards utilization of IPO/RPO, Right issue money			Not applicable

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Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
3.4	Reporting of the Audit Committee:			
3.4.1	Reporting to the Board of Directors;			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-			
3.4.1 (ii) a)	Report on conflicts of interests;	✓		
3.4.1 (ii) b)	Report on defect in the internal control system to the Board of Directors;	✓		
3.4.1 (ii) c)	Suspected infringement of laws to the Board of Directors;	✓		
3.4.1 (ii) d)	Any other matter (out of the above a-c).	✓		
3.4.2	Reporting to the Authorities- BSEC (if any material impact on the financial condition & results of operation, unreasonably ignored by the management).			
3.5	Reporting to the shareholders (disclosure of the activities of the audit committee in the annual report).	✓		
4.	External/Statutory Auditors			
4 (i)	Appraisal or valuation services (none by the external/ statutory auditor);	✓		
4 (ii)	Financial information system (none by the external/ statutory auditor);	✓		
4 (iii)	Book-keeping or other services (none by the external/ statutory auditor);	✓		
4 (iv)	Broker-dealer services; (none by the external/ statutory auditor);	✓		
4 (v)	Actuarial services (none by the external/ statutory auditor);	✓		
4 (vi)	Internal audit services (none by the external/ statutory auditor);	✓		
4 (vii)	Any other services (none by the external/ statutory auditor);	✓		
4 (viii)	Not to possess any share of the company (none by the external/ statutory auditor);	✓		
5.	Subsidiary Company:			
5 (i)	Composition of the Board of Directors of the subsidiary Company;	✓		
5 (ii)	Presence of Independent Director of holding company in the Board of subsidiary company;	✓		
5 (iii)	Review the Board meeting minutes of subsidiary company in the Board meeting of the holding company;	✓		
5 (iv)	Reflection in the holding company's Board meeting minutes about review of the affairs of subsidiary company;	✓		
5 (v)	Review the financial statements of subsidiary company, in particular the investments made by the subsidiary company.	✓		
6.	Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO):			
6 (i) a)	Financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	✓		
6 (i) b)	Financial statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;	✓		
6 (ii)	No transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	✓		
7.	Reporting and Compliance of Corporate Governance:			
7 (i)	Certification on compliance of condition of Corporate Governance Guidelines of BSEC and reporting to the shareholders;	✓		
7 (ii)	Directors' report should state about the compliance with the conditions of the Corporate Governance Guideline of the Commission.	✓		

ATIK KHALED CHOWDHURY
Chartered Accountants

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**Certificate of Compliance of Conditions of
Corporate Governance Guidelines to the Shareholders of
Aftab Automobiles Limited**

We have examined the compliance of conditions of corporate governance guidelines of the Bangladesh Securities and Exchange Commission(BSEC) by Aftab Automobiles Limited for the yearended on June 30, 2018 as stipulated in clause 7(i) of the BSEC notification no BSEC/CMRRCD/2006-158/134/Admin/44, dated 07 August 2012.

The Compliance of conditions of corporate governance guidelines as stated in the aforesaid notification and reporting of the status of compliance is the responsibility of the management of Aftab Automobiles Limited. Our examination for issuing this certification was limited to the checking of procedure and implementations thereof, adopted by Aftab Automobiles Limited for ensuring the compliance of conditions of Corporate Governance and correct reporting of compliance status on the attached statement on the basis of evidence gathered and representation received.

To the best of our information and according to the explanations given to us, we certify that, as reported on the attached status of compliance statement, Aftab Automobiles Limited has complied with condition of corporate governance stipulated in the above mentioned BSEC notification dated August 07, 2012.

Dated: Dhaka
October 18, 2018

Sd/-
Atik Khaled Chowdhury
Chartered Accountants