

Certificate on Compliance of Conditions of Corporate Governance Guidelines to the Shareholders of MIDAS Financing Limited for the year ended 31st December 2017.

We have examined the compliance of condition of corporate governance guidelines of the Bangladesh Securities and Exchange Commission ("BSEC") by MIDAS Financing Limited (the "Non-Banking Financial Institution") as stipulated in the BSEC notification no SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 and subsequent modification SEC/CMRRCD/2006158/147/Admin/48 dated 21 July 2013.

Management's Responsibilities

Those charged with governance and management of MIDAS Financing Limited are responsible for complying with the conditions of corporate governance guidelines as stated in the aforesaid notification and reporting of the status of compliance in the annual report.

Our Responsibilities

Our examination for the purpose of issuing this certification was limited to the checking of procedures and implementations thereof, adopted by MIDAS Financing 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.

Conclusion

To the best of our information and according to the explanations given to us, we certify that MIDAS Financing Limited has complied with the conditions of corporate governance stipulated in the above mentioned BSEC notification and reported thereon.



Howlader Maria & Co.,
Chartered Accountants

Dhaka, 17th May 2018

BSEC guidelines for Corporate Governance: Compliance Status

Annexure-I

Status of Compliance with the conditions imposed by Bangladesh Securities and Exchange Commission (BSEC)'s notification no. SEC/CMRRCD/2006-158/134/Admin/44, dated August 07, 2012, issued under section 2CC of the Securities and Exchange Ordinance, 1969, is presented below:

(Report under Condition Number 7.00)

Condition No.	Title	Compliance Status		Remarks
		Complied	Not Complied	
1.	Board of Directors			
1.1	Board Size (number of Directors - minimum 5 and maximum 20)	✓		
1.2	Independent Directors			
1.2 (i)	Independent Director(s) (at least one fifth of total number of Directors shall be Independent Director)	✓		
1.2 (ii)	Independent Director means-			
1.2 (ii) (a)	Who either does not hold any share in the company or hold less than one percent (1%) shares of the total paid-up shares of the company	✓		
1.2 (ii) (b)	Who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds 1% or more shares of the total paid up shares of the company, and his/her family members should not mention shares of the company	✓		
1.2 (ii) (c)	Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associate companies	✓		
1.2 (ii) (d)	Who is not a member, director or officer of any stock exchange	✓		
1.2 (ii) (e)	Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	✓		
1.2 (ii) (f)	Who is / was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm	✓		
1.2 (ii) (g)	Who shall not be an Independent Director in more than 3 (three) listed companies	✓		

1.2 (ii) (h)	Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI)	✓		
1.2 (ii) (i)	Who has not been convicted for a criminal offence involving moral turpitude	✓		
1.2 (iii)	The Independent Director(s) shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting (AGM)	✓		
1.2 (iv)	The post of Independent Director(s) cannot remain vacant for more than 90 (ninety) days	✓		
1.2 (v)	The Board of Directors shall lay down a code of conduct for all the members of the Board of Directors and annual compliance of the code to be recorded	✓		
1.2 (vi)	The tenure of office of an Independent Director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only	✓		
1.3	Qualification of Independent Director			
1.3 (i)	Independent Director 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)	The person should be a Business Leader/Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professional like Chartered Accountant, Cost & Management Accountant, and Chartered Secretary. The Independent Director must have at least 12 (twelve) years of corporate management/professional experiences	✓		
1.3 (iii)	In special cases, the above qualifications may be relaxed subject to prior approval of the Commission			N/A
1.4	Chairman of the Board of Directors & Chief Executive Officer should be different person. The BOD should clearly define the roll and responsibilities of the Chairman and CEO	✓		
1.5	The Directors' Report to Shareholders shall include			
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			N/A
1.5 (vi)	Basis for related party transactions- a statement of all related party transactions should be disclosed in the annual report	✓		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments			N/A
1.5 (viii)	An explanation, if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			N/A
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements, the management shall explain the variance on their Annual Report	✓		
1.5 (x)	Remuneration to directors including independent directors	✓		
1.5 (xi)	The Financial Statements prepared by the management of the company presence fairly its financial position, the result of its operations, cash flows and changes in equity	✓		
1.5 (xii)	Proper books of account of the company have been maintained	✓		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment	✓		
1.5 (xiv)	International Accounting Standards (IAS) /Bangladesh Accounting Standards (BAS) /International Financial Reporting Standards (IFRS) /Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure from those standards has been adequately disclosed	✓		
1.5 (xv)	The system of Internal Control is sound in design and has been effectively implemented and monitored	✓		
1.5 (xvi)	There is no significant doubt upon the company's ability to continue as a going concern. If company is not considered to be a going concern, the fact along with reasons thereof should be disclosed	✓		
1.5 (xvii)	Significant deviation from the last year's operating results of the company shall be highlighted and the reasons thereof should be explained	✓		

1.5 (xviii)	Key operating and financial data of at least 05 (five) preceding years shall be summarized	✓		
1.5 (xix)	If the company has not declared dividend (cash or stock) for the year, the reason shall be given			N/A
1.5 (xx)	Number of board meetings held during the year and attendance by each director shall be disclosed	✓		
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares.	✓		
1.5(xxi) (a)	Parents/Subsidiary/Associate Companies and other related parties (name wise details)	✓		
1.5(xxi) (b)	Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Head of Internal Audit and their spouse and minor children (name wise details)	✓		
1.5(xxi) (c)	Executives (top 5 (five)) salaried employees of the Company, other than the Directors, CEO, CFO, Company Secretary and Head of Internal Audit	✓		
1.5(xxi) (d)	Shareholders holding 10% (ten percent) or more voting interest (name wise details)	✓		
1.5 (xxii)	Appointment/Reappointment of Directors-	✓		
1.5(xxii)(a)	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 (Internal Control & Compliance) and Company Secretary (CS)			
2.1	The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control & Compliance) and a Company Secretary (CS). The Board of Directors should clearly define the respective roles, responsibilities, and the duties of the CFO, Head of Internal Audit and CS	✓		
2.2	CFO and the Company Secretary shall attend the meeting of the Board of Directors	✓		

3	Audit Committee			
3 (i)	The company shall have an Audit Committee as sub-committee of the Board of Directors	✓		
3 (ii)	The Audit Committee shall assist the Board of Directors to ensure that the financial statements reflect true and fair view of the financial position of the company and a good monitoring system within the business are in place	✓		
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing	✓		
3.1	Constitution of the Audit Committee			
3.1 (i)	The Audit Committee should be composed of at least 3 (three) members	✓		
3.1 (ii)	The Board of Directors shall appoint the members of the Audit Committee who shall be Directors of the company and shall include at least 1 (One) Independent Director	✓		
3.1 (iii)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience	✓		
3.1 (iv)	When the term of service of the committee members expires or there is any circumstances causing a committee member to be unable to hold office until expiration of the term of services, thus making the number of the committee members lower of the prescribed number of 3 (three) member, the Board of Directors shall appoint the new committee member(s) to fill up the vacancy(ies) immediately or not later than 1 (One) month from the date of the vacancy(ies) in the committee to ensure continuity of the performance of work of the Audit Committee			N/A
3.1 (v)	The Company Secretary shall act as the Secretary of the Committee	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) Independent Director	✓		
3.2	Chairman of the Audit Committee			
3.2 (i)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Committee, who shall be an Independent Director	✓		
3.2 (ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM)	✓		

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, along with the management, the annual financial statements before submission to the Board of Directors for approval	✓		
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board Directors for approval	✓		
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)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO) / Rights issue, the company disclosed to the Audit Committee about the uses/ applications of funds by major categories (Capital Expenditure, Sales & Marketing Expenses, Working Capital etc.), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company prepares a Statement of Fund utilized for the purposes other than those stated in the office documents/ prospectus			N/A
3.4	Reporting of the Audit Committee			
3.4.1	Reporting to the Board of Directors			
	The Audit Committee shall report on its activities to the Board of Directors	✓		
	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-			
3.4.1 (a)	Conflict of interest			N/A
3.4.1 (b)	Suspected or presumed fraud or irregularity or materials defect in the internal control system			N/A

3.4.1 (c)	Suspected infringement of laws, including securities related laws, rules and regulations			N/A
3.4.1 (d)	Reporting of any other matter which shall be disclosed to the Board of Directors immediately			N/A
3.4.2	<p>Reporting to Authorities</p> <p>If any report which has material impact on the financial position & results of operation which has been discussed with the Board of Directors and the management that any rectification is necessary and which is unreasonably ignored, the Audit Committee shall report such findings to the Commission upon reporting of such matters to the Board of Directors three times or completion of a period of 6 (six) month from the date of first reporting to the Board of Directors whichever is earlier</p>			N/A
3.5	<p>Reporting to Shareholders and General Investors</p> <p>Report on activities carried out by the Audit Committee including any report made to the Board of Directors under condition 3.4.1 (ii) above during the year, shall be signed by the Chairman of the Audit Committee and disclosed in the annual report of the Company</p>	✓		
4	External/Statutory Auditors shall not be engaged to perform the following services of the company:			
4 (i)	Appraisal or valuation services or fairness opinion	✓		
4 (ii)	Financial Information System Design and implementation	✓		
4 (iii)	Book Keeping or other services related to the accounting records or financial statements	✓		
4 (iv)	Broker-Dealer services	✓		
4 (v)	Actuarial services	✓		
4 (vi)	Internal Audit services	✓		
4 (vii)	Any other services that the Audit Committee determines	✓		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the Company they audit at least during the tenure of their audit assignment of that Company	✓		
4 (ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition No. 7	✓		

5	Subsidiary Company			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company	✓		
5 (ii)	At least 1 (one) Independent Director on the Board of Directors of the holding company shall be Director on the Board of Directors of the subsidiary company	✓		
5 (iii)	The minutes of the Board of Directors meeting of the subsidiary company shall be placed for review at the following Board of Directors meeting of the holding company.	✓		
5 (iv)	The minutes of the respective Board of Directors meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company too	✓		
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	✓		
6	Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
	The CEO and CFO shall certify to the Board of Directors that:			
	They have reviewed financial statements for the year and that to the best of their knowledge and belief:			
6 (i) (a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	✓		
6 (i) (b)	These statements together present a true and fair view of the company's' financial position and are in compliance with existing accounting/reporting standards and applicable laws	✓		
6 (ii)	There are, to the best of knowledge and belief, 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)	The Company shall obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/Cost & Management Accountants/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis	✓		
7 (ii)	The Board of Directors of the company shall state, in accordance with the Annexure of notification Number: SEC/CMRRCD/2006-158/134/Admin/44, dated 07 August 2012 in the Directors' Report whether the company has complied with these conditions	✓		

Compliance Report on BSEC's Notification

Annexure -II

Compliance of Section 1.5(xx)

Board of Directors meeting held during the year 2017 and attendance by each Director:

Sl. No.	Composition of the Board	Meeting held	Attended
1	Ms. Rokia Afzal Rahman (Chairman)	13	13
2	Mr. M. Hafizuddin Khan (Director)	13	11
3	Mr. Ali Imam Majumder (Independent Director)	13	13
4	Mr. Siddiqur Rahman Choudhury (Independent Director)	13	12
5	Mr. Abdul Karim (Director)	13	11
6	Mr. Mohammed Nasir Uddin Chowdhury (Director)	13	8
7	Mr. S. M. Azad Hossain (Director)	13	13
8	Mr. Md. Shamsul Alam (Director)	13	13
9	Mr. Md. Shahedul Alam (Director)	13	11
10	Mr. Bazlur Rahman Khan (Director)	13	2
11	Mr. Md. Ikramullah (Director)	13	6

Notes:

- ▶ Mr. M. Hafizuddin Khan, was appointed as Representative Director of Micro Industries Development Assistance and Services (MIDAS) with effect from 28.02.2017. Mr. Khan replaced Late Mr. Mirza Ali Behrouze Ispahani.
- ▶ Mr. Abdul Karim was appointed as Representative Director of MIDAS with effect from 28.02.2017. Mr. Karim replaced Mr. Bazlur Rahman Khan.

Compliance of Section 1.5(xxi)

The Pattern of Shareholding

a) Parent/Subsidiary/Associated companies and other related party:

Name	Number of Share	Shares Held
Parent/Subsidiary/Associated companies and related party	0	0.00%

b) (i) Directors and their spouse and minor children:

Name	Designation	Number of share	Amount (Taka)	Shares Held
Ms. Rokia Afzal Rahman	Nominated By MIDAS	1,192,554	11,925,540	0.99%
Mr. Ali Imam Majumder	Independent Director	0	0	0.00%
Mr. Siddiqur Rahman Choudhury	Independent Director	0	0	0.00%
Mr. Abdul Karim	Nominated By MIDAS	0	0	0.00%
Mr. Mohammed Nasir Uddin Chowdhury	Nominated by Lanka Bangla Finance Limited	6,831,000	68,310,000	5.68%
Mr. S. M. Azad Hossain	Representative of general shareholders group	2,00,000	2,000,000	0.17%
Mr. Md. Shamsul Alam	Representative of general shareholders group	10,946	109,460	0.01%
Mr. Md. Shahedul Alam	Representative of general shareholders group	1,909,320	19,093,200	1.59%
Ms. Parveen Mahmud FCA	Nominated By MIDAS	0	0	0.00%
Mr. M. Hafizuddin Khan	Nominated By MIDAS	0	0	0.00%
Mr. Shafique-ul-Azam	Managing Director	0	0	0.00%

- ▶ Mr. Mohammed Nasir Uddin Chowdhury was appointed as Representative Director of LankaBangla Finance Ltd. Instead of Mr. Mohammad Khairul Anam Chowdhury with effect from 28.02.2017.
- ▶ MIDAS withdraw its nomination of Mr. Md. Ikramullah and nominated Ms. Parveen Mahmud FCA with effect from 28.12.2017.

Executive Committee meeting held during the year 2017 and attendance by each Director:

Sl. No.	Composition of the Committee	Meeting held	Attended
1	Mr. Mohammed Nasir Uddin Chowdhury	13	8
2	Ms. Rokia Afzal Rahman	13	12
3	Mr. Ali Imam Majumder	13	12
4	Mr. Md. Shamsul Alam	13	13
5	Mr. Md. Ikramullah	13	6
6	Mr. M. Hafizuddin Khan	13	1

Notes:

- ▶ MIDAS withdraw its nomination of Mr. Md. Ikramullah and nominated Ms. Parveen Mahmud FCA with effect from 28.12.2017.

Audit Committee meeting held during the year 2017 and attendance by each Director:

Sl. No.	Composition of the Committee	Meeting held	Attended
1	Mr. Ali Imam Majumder (Independent Director)	4	4
2	Ms. Rokia Afzal Rahman (Chairman)	4	4
3	Mr. M. Hafizuddin Khan (Director)	4	4
4	Mr. Siddiqur Rahman Choudhury (Independent Director)	4	4
5	Mr.Md Ikramullah	4	1

Notes:

- ▶ MIDAS withdraw its nomination of Mr. Md. Ikramullah and nominated Ms. Parveen Mahmud FCA with effect from 28.12.2017.

b) (ii) Chief Financial Officer, Company Secretary, Head of Internal Audit and their spouse and minor children:

Name	Designation	Number of share	Amount (Taka)	Shares Held
Ms. Nasreen Ahmed	Chief Financial Officer	737	7,370	0.00%
Md. Abdul Wadud	Company Secretary	0	0	0.00%
Mr. Ahmed Ibne Majid Khan	Head of Internal Audit	0	0	0.00%

c) Executives (Top five salaried employees of the company, other than Directors, CEO, CFO and Head of Internal Audit)

Name	Designation	Number of share	Amount (Taka)	Shares Held
Mr. Atiar Rahman Ansary	GM, Monitoring and Recovery	2,908	29,080	0.00%
Mr. Monirul Islam	GM, Business Development	0	0	0.00%
Ms. Morshed Hasin	AGM, CAD	0	0	0.00%
Mr. Shameem Ahmed	AGM	0	0	0.00%
Mr. Sk Monirul Alam	AGM, In charge of Khulna Branch	0	0	0.00%

d) Shareholding ten percent (10%) or more voting interest in the company:

Name	Designation	Number of share	Amount (Taka)	Shares Held
MIDAS	Sponsor	36,139,766	361,397,660	30.05%
Lanka Bangla Investment Limited	General Shareholder	16,000,000	160,000,000	13.30%