

Directors' Report to the Shareholders

The Directors of MIDAS Financing Limited (MFL) have pleasure in presenting their Report along with the audited financial statements for the year ended on December 31, 2022 to the honorable shareholders of the Company.

This Report has been prepared in keeping with the provisions of the Companies Act 1994, the Financial Institutions Act 1993, the Dhaka Stock Exchange (Listing) Regulations 2015, the Chittagong Stock Exchange (Listing) Regulations 2015, related Notifications, Rules, Regulations, Codes and Guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank, as applicable to MFL. Disclosures and explanations have been made herein have been in order to ensure compliance, transparency and good governance practices.

Industry outlook

A report titled "Report on Economic Scenario, Industry Outlook and Possible Future Developments in the Industry" has been incorporated in this annual report at page no: 67

Segment-wise Performance

(a) Lease, Loans and Advances:

The core business of MFL comprises Lease Finance, Term Loans, Housing Finance, Working Capital Financing, etc. MFL is one of the pioneers of SME financing and women entrepreneurs financing. The

Board is fully aware of the fact that over the last several years MFL has been suffering owing to its increased NPL which is common to most of the Banks and NBFIs operating in the finance industry in Bangladesh. However, relentless efforts are being made and strong recovery drives as well as preventive and remedial measures are being taken for reduction of its NPL.

(b) Investments:

MFL has been taking part in the capital market operations through its investment in the securities of Companies listed with stock exchanges. Such investment is within the limit prescribed by Bangladesh Bank.

(c) Deposits and borrowings:

Deposits, borrowings from banks and financial institutions and Shareholders' Equity are the main sources of fund of MFL. The Company also avails of various low-cost funds under Bangladesh Bank refinance schemes and funds from SME Foundation, etc. Appropriate policies are followed to keep the cost of fund low.

The segment-wise and product-wise performance of the Company for the year ended December 31, 2022 is stated below:

Taka in crore

Segments	Portfolio			Income		
	2022	2021	% Increase (Decrease)	2022	2021	% Increase (Decrease)
Lease	93.38	89.62	4.20%	6.24	4.88	27.96%
Term	810.28	746.31	8.57%	72.88	98.43	(25.96%)
Housing	106.52	124.32	(14.32%)	12.33	17.69	(30.32%)
Investment	23.69	23.99	(1.25%)	1.10	7.29	(84.96%)
Portfolio				Expense		
Deposits	598.81	615.20	(2.66%)	50.78	60.81	(16.49%)

Details of Segment-wise financial position may be seen under Note-7 of the Notes to the Financial Statements at page no: 26

Financial Results and Performance

A comparative statement of the Consolidated Financial Results of the company for the year ended on December 31, 2022 and for the year ended December 31, 2021 is provided below:

Particulars	2022 (Taka in crore)	2021 (Taka in crore)
Net interest income	26.02	47.29
Other operating income	8.56	13.81
Total operating income	34.58	61.10
Total operating expenses	21.35	18.74
Profit before provisions	13.24	42.35

Provision for loans and investments	10.78	32.35
Profit before tax	2.45	10.00
Provision for tax	1.59	1.56
Net profit after tax	0.86	8.44
Transfer to statutory reserve	0.24	1.64
Transfer from statutory reserve	-	-
Retained earnings at the beginning	10.94	11.08
Dividend paid (Bonus & Cash)	2.85	6.95
Proposed bonus share	-	-
Net Retained Surplus (on consolidated basis)	8.71	10.94
EPS (Restated)	0.06	0.59

The above statement shows that the financial performance during the year compared to that for the previous year has deteriorated. Total operating income decreased to 43.40% of that of the last year and total operating expenses also increased slightly from the previous year. Details are described in the Management's discussion and analysis included in this annual report.

Declaration of dividend

Board of Directors has recommended 1.5% cash dividend for the financial year ended on December 31, 2022, subject to approval of the Shareholders at the 27th Annual General Meeting of the Company. The dividend will be applicable for the shareholders whose names will appear in the depository register of CDBL as on Record Date i.e., November 07, 2023.

Quarterly and annual financial performance:

The quarterly performance of the Company can be noted clearly from the table below:

Particulars	Q1 (Jan-March)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)	Annual (2022)
Interest income	16.81	20.52	14.90	40.86	93.09
Interest expenses	20.38	20.68	18.14	7.87	67.07
Net interest income	(3.57)	(0.17)	(3.24)	33.00	26.02
Other operating income	2.86	2.35	1.68	1.67	8.56
Total operating income	(0.71)	2.18	(1.56)	34.67	34.58
Total operating expenses	4.66	5.57	5.44	5.68	21.35
Profit before provisions	(5.38)	(3.39)	(7.00)	29.00	13.24
Provision for loans/ investments	11.34	2.72	2.25	(5.52)	10.78
Profit before tax	(16.71)	(6.11)	(9.25)	34.52	2.45
Provision for tax	0.59	0.06	0.51	0.44	1.59
Net profit after tax	(17.30)	(6.16)	(9.76)	34.08	0.86

Unlike the prior years and as expected, the quarterly performance of the Company was unsteady in nature, which is clearly observable from the table above. The operating expenses remained almost same over the year and reduced requirement for provision for loans/ investment resulted in a substantial consolidated net profit after tax of BDT 0.86 crore.

Operation of Subsidiaries

MIDAS Financing Limited is the owner of 99.9992% of the shares (2,49,99,800 number of shares of Taka 10

each) in the equity of MIDAS Investment Limited (MIL). MIL is a private Limited Company, incorporated on April 09, 2012 (bearing Registration No C-100772/12) under the Companies Act 1994 and licensed by BSEC on September 06, 2016 as Merchant Bank.

MIDAS Centre

MIDAS Centre, a 13 storied building, greatly contributes the confidence of depositors, clients and shareholders in the financial standing of the Company and serves as a symbol of pride for the stakeholders of MFL and MIL. The Head offices of MFL and MIL are located at MIDAS Centre.

Related Party Transactions

As per IAS 24 "Related Party Disclosure", related parties are those who have the control, joint control or have significant influence over the Company. The details of contracts and transactions executed with related parties during 2022 are described under Note 39.4 of the Notes to the Financial Statements for the year ended on December 31, 2022. Transactions with related parties are executed on the same terms, including interest rate and collateral, as those prevailing at the time of comparable transactions with other customers of similar credential and do not involve more than normal risk.

During the year, MFL carried out a number of transactions with related parties in the ordinary course of business. The details of transactions are summarized below:

Taka in crore

Name of the Party	Nature of Relationship	Nature of Transaction	Classification Status	Amount in Tk.	
				2022	2021
MIDAS	Sponsor shareholder	Term deposits	N/A	80,000,000	100,000,000
MIDAS Investment Ltd.	Subsidiary	STL & LTD	Standard	228,875,922	236,145,983
MIDAS Investment Ltd.	Subsidiary	Term deposits	N/A	205,000,000	205,000,000
LankaBangla Securities Ltd.	Shareholder	Investment (un-listed)	N/A	5,000,000	5,000,000
LankaBangla Securities Ltd.	Shareholder	Maintenance of investment (Share) portfolio through BO A/C	N/A	214,923,874	273,104,159
Total				733,799,796	819,250,142

Risk and Concerns

The Directors believe that proper risk management is an essential part of the Company's business. Identification, evaluation and elimination (or at least minimization) of risks constitute the core of risk management system. In view thereof, different committees, sub-committees, departments and units are in place to manage various risks associated with staffing, operation, finance, credit, liquidity, market, etc. MFL has established an Asset Liability Committee (ALCO), a Credit Risk Management (CRM) Department, a Credit Disbursement Department (CDD) and an

Internal Control and Compliance (ICC) Department as a part of the risk management framework of MFL. A report titled "Report on Management of Risks and Concerns" has been furnished separately.

Internal Control and Compliance

Strong internal controls are essential for sound management. The Board of Directors is responsible for instituting an effective internal control system and reviewing the effectiveness of the system. The Audit Committee monitors the Internal Audit and Compliance process to ensure that it is adequately resourced, approves the Internal Audit and Compliance Plan and reviews the Internal Audit and Compliance Report. Internal Control and Compliance (ICC) Department is now as a separate department. Development of an internal control system is an ongoing process and it should be responsive to the changes in external and internal operating environment for achieving sustainable growth and creating a long-term source of competitive advantages. The Board of Directors is satisfied with the effectiveness of the company's internal control system for the period under review.

Going Concern

Going concern is one of the fundamental assumptions in accounting practices and underlines the preparation of financial statements of companies. Under the going concern concept, it is assumed that a Company will continue in operation and that there is neither the intent nor the need to either liquidate it or to cease trading. It is the responsibility of the management of a Company to determine whether the going concern assumption is appropriate in the preparation of financial statements. The management of MFL has calculated all the ratios related to the maintenance of regulatory capital and

liquidity such as CRAR, CRR & SLR and liquidity profile. All the ratios and results thus calculated reveal that MFL is running well above the level of different parameters set by the respective guidelines of Bangladesh Bank.

Financial Reporting Framework and Disclosures

The Directors are pleased to confirm the following-

- The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements of the Company;
- The accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in the preparation and presentation of financial statements and any departure there-from has been adequately disclosed;

- The system of internal control is sound in design and has been effectively implemented and monitored;
- There is no significant doubt about the Company's ability to continue as a going concern;
- Significant deviations from the last year's operating results of the Company have been highlighted and the reasons thereof have been explained under Consolidated Financial Results and Performance;
- There was no extraordinary gain or loss during the year;
- No bonus share or stock dividend has been declared during the year, or shall be declared in future, as interim dividend.

Board Meetings and Attendance of Directors therein

The Board of Directors of MFL met 12 (twelve) times during the financial year ended on December 31, 2022. Other than Directors, the CS, CFO and Head of ICC of the Company attended the Board meetings. Attendance by the Directors at the Board Meeting during the reporting year and at the last Annual General Meeting is shown in the table below:

Name	Status with the Board	No. of Board Meetings		Attended at the last AGM (held on 21.07.2022)
		Held	Attended	
Ms. Rokia Afzal Rahman	Chairman	12	10	Yes
Mr. M. Hafizuddin Khan	Director	12	7	Yes
Mr. Ali Imam Majumder	Director	12	12	Yes
Mr. Abdul Karim	Director	12	12	Yes
Mr. Mohammed Nasir Uddin Chowdhury	Director	12	12	Yes
Mr. Ghulam Rahman	Independent Director	12	12	Yes
Ms. Nazneen Sultana	Independent Director	12	12	Yes
Mr. Md. Shamsul Alam	Director	12	12	Yes
Mr. Md. Shahedul Alam	Director	12	11	Yes

Note: Leave of absence was granted to the Directors those who could not attend the meetings.

Mr. Ali Imam Majumder elected as the Chairman of the Company on April 2023.

Remuneration paid to the Directors

The Directors of MIDAS Financing Limited do not receive any facilities except other than Board meeting and committee meeting attendance fees. Each Director was paid Tk. 8,000/- (Taka Eight Thousands only) for attending each meeting of the Board or Committee and total fees paid to the Directors of the Company amount to BDT 1,112,000 after deducting 10% VAT during the reporting financial year. A statement of remuneration paid to the Directors including Independent Directors is provided below:

Name of Director	No. of Meetings Attended				Remuneration Paid (Tk.)
	BM	ECM	ACM	Total	
Ms. Rokia Afzal Rahman	10	03	N/A	13	104,000
Mr. M. Hafizuddin Khan	07	03	N/A	10	80,000
Mr. Ali Imam Majumder	12	N/A	05	17	136,000
Mr. Abdul Karim	12	N/A	05	17	136,000
Mr. Mohammed Nasir Uddin Chowdhury	12	04	N/A	16	128,000
Mr. Ghulam Rahman	12	N/A	05	17	136,000
Ms. Nazneen Sultana	12	N/A	05	17	136,000
Mr. Md. Shamsul Alam	12	04	N/A	16	128,000
Mr. Md. Shahedul Alam	11	N/A	05	16	128,000

Note: BM denotes Board Meeting, ECM denotes Executive Committee Meeting and ACM denotes Audit Committee Meeting.

Remuneration paid to the Directors for attending meetings are exclusive of VAT.

Retirement and Re-election of Directors

In accordance with the provisions of the Companies Act, 1994 and clause no. 108-110 of the Articles of Association of the Company, at least one-third of the Directors are required to retire by rotation at each AGM and a retiring Director is eligible for re-election/ re-appointment by the Shareholders.

Accordingly, the following Directors will retire by rotation from the Board in the 27th AGM :

1. Mr. M. Hafizuddin Khan - Director, nominated by MIDAS
2. Mr. Md. Shahedul Alam - Director, elected by General Shareholders Group

Being eligible, the Retiring Directors have offered themselves for re-election which has been recommended by the Board of Directors for approval by the shareholders in the 27th AGM. Brief profiles of the Directors who are going to retire and be re-elected are disclosed at page no: 20-27. The interest of the retiring Directors in different entities are also disclosed at page no: 156

Re-appointment of Independent Director

Ms. Nazneen Sultana was appointed as an Independent Director of the Company on May 12, 2020 and completed her first tenure. Based on the contributions

during her first term (3 years) of office to the Company, background and experience, the Board of Directors re-appointed Ms. Nazneen Sultana as Independent Director of the Company for another term of 3 (three) years, subject to the approval of Shareholders in the ensuing Annual General Meeting.

Key Operating and Financial Data of preceding 5 (five) years

A statement containing the summary of key operating and financial data of the preceding 5 (five) years has been presented at page no: 38

Pattern of Shareholding

A report on pattern of shareholding as on December 31, 2022 has been shown in Annexure-D at page no: 65

Corporate Social Responsibility (CSR)

MFL considers itself an integral part of the community in which it operates, and recognizes that it has responsibilities of providing the highest standards of service and ethical business. MFL in carrying out its business activities keeps in view its commitments for sustainable development and transparent corporate conduct. MFL prioritizes promoting a corporate culture that adheres to its business principles as well as generating good and sustainable returns in order to ensure mutual value creation for the Company as well as its stakeholders.

The Company helped for the growth of the SME sector along with the development of women entrepreneurs and played a significant role in the economic development of the nation by providing information relating its services and products, technical support and instant loan processing for the benefit of small and medium, especially women entrepreneurs.

As a continuation of its innovative initiatives, MFL organized a National Dialogue for Women Entrepreneurs on 02 November 2019 at MIDAS Convention Centre to acknowledge the achievement of women entrepreneurs and encourage them as new entrepreneurs in the corporate sector. In a discussion meeting with small and medium entrepreneurs held on 06 August 2019, MFL declared and launched 'SME Day' with a view to providing better services to SMEs and encouraging them for their business development. Such day will be observed on the first Monday of every month by the head office and 15 branches of MFL, as soon as the COVID-19 situation returns to normal.

Management's Discussion and Analysis

Management's Discussion and Analysis signed by the Managing Director of the Company presenting a detailed analysis of the Company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on the issues prescribed under condition no. 1(5)(xxv) of the Corporate Governance Code has been presented at page no: 79.

Certification by MD and CFO

As per condition no. 1(5) (xxvi) of the Corporate Governance Code, a Declaration by the Managing Director (MD) and the Chief Financial Officer (CFO) in prescribed format has been submitted to the Board of Directors of the Company, which is disclosed in Annexure-A at page no: 51.

Appointment/Re-appointment of Statutory Auditors

Zoha Zaman Kabir Rashid & Co., Chartered Accountants was appointed as the Statutory Auditors of the Company in the last Annual General Meeting. They have completed the audit for the reporting year ended on December 31, 2022 and will retire at the conclusion of the 27th Annual General Meeting.

Zoha Zaman Kabir Rashid & Co., Chartered Accountants have confirmed their eligibility and willingness to the Board to accept their office as Statutory Auditors for the forthcoming financial year to be ended on December 31, 2023. On the proposal of the Audit Committee, the Board of Directors recommended to re-appoint Zoha Zaman Kabir Rashid & Co., Chartered Accountants as the Statutory Auditors of the Company for the financial year to be ended on December 31, 2023, subject to approval by the shareholders at the ensuing AGM at a remuneration of Taka 1,65,000 (One Lakh and sixty five

thousands only) exclusive of VAT applicable as per the provisions of Law.

Status of Compliance with Corporate Governance Code

As per condition no. 9(3) and 1(5)(xxvii) of the Corporate Governance Code, the Directors of the Company are required to prepare a statement, in the prescribed format as to whether the Company has complied with the conditions of the corporate governance code or not and to disclose the same in the Directors' Report. Accordingly, a Statement on Status of Compliance of the Corporate Governance Code issued by BSEC has been incorporated in Annexure-C at page no: 53.

As per condition no. 9(1) and 1(5)(xxvi) of the Corporate Governance Code, every listed company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of the conditions of Corporate Governance Code of the Commission and such certificate shall be disclosed in the Annual Report. As per condition no. 9(2), the professional to provide such certificate shall be appointed by the shareholders in the Annual General Meeting. Accordingly, M/s Hawlader Maria & Co., Chartered Accountants was appointed as the Corporate Governance Compliance Auditors in the last Annual General Meeting. A Certificate submitted by M/s Hawlader Maria & Co., Chartered Accountants, for the year ended December 31, 2022 is enclosed in Annexure-B at page no: 52

Considering the conditions stated in the Corporate Governance Code, necessary expertise, the Board has recommended to appoint M/s Hawlader Maria & Co., Chartered Accountants, as the Corporate Governance Auditors of the Company for the financial year to be ended on December 31, 2023, subject to approval of the shareholders in the ensuing AGM at a remuneration of Taka 25,000 (twenty five thousands only) exclusive of VAT applicable as per the provisions of Law.

Acknowledgement

The Board of Directors takes this opportunity to extend its heartiest appreciation and gratitude to the valued clients, depositors, lenders, bankers, patrons and business partners for their continued support and co-operation during the year. The Board also extends its gratitude to Bangladesh Bank, Bangladesh Securities & Exchange Commission (BSEC), Dhaka Stock

Exchange Limited (DSE), Chittagong Stock Exchange PLC (CSE), Registrar of Joint Stock Companies and Firms, National Board of Revenue (NBR) and other regulatory bodies for the co-operation, assistance, valuable guidance and advices received from them by the Company from time to time. Sincere appreciation of the Board of Directors is also offered to the senior management and members of the staff at all levels of the Company for their hard work, loyalty, sincerity and dedication.

Finally, the Directors express their thanks to the valued shareholders and assure them that efforts will be continued to maximize the shareholders' wealth by further strengthening the governance of the Company. The Directors will welcome, and remain ready to listen to constructive criticisms at all times and will strive to make appropriate decisions in the greater interest of the Company.

For and on behalf of the Board of Directors,



Ali Imam Majumder
Chairman

ANNEXURE LIST:

- A. Certification by the MD and CFO to the Board.
- B. Certificate from M/s Hawlader Maria & Co., Chartered Accountants regarding compliance on the Corporate Governance Code.
- C. Checklist on compliance of Corporate Governance Code.
- D. The pattern of shareholding.
- E. Report on Shareholding.