

Directors' Report to the Shareholders

The Directors of MIDAS Financing PLC (MFPLC) have pleasure in presenting their Annual Report along with the audited financial statements for the year ended on December 31, 2023 to the honorable shareholders of the Company.

This Report has been prepared in keeping with the provisions of the Companies Act 1994, the Finance Company Act 2023, 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 MFPLC. Disclosures and explanations have been made herein 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: 59

Segment-wise Performance

(a) Lease, Loans and Advances

The core business of MFPLC comprises Lease Finance, Term Loans, Housing Finance, Working Capital Financing,

etc. MFPLC 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 MFPLC 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

MFPLC 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 MFPLC. 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 or product-wise performance of the Company for the year ended on December 31, 2023 is stated below:

Taka in crore

Segments	Portfolio			Income		
	2023	2022	% Increase (Decrease)	2023	2022	% Increase (Decrease)
Lease	88.20	93.38	(5.55%)	11.68	6.24	87%
Term	769.57	810.28	(5.02%)	100.74	72.88	38%
Housing	95.21	106.52	(10.62)%	12.40	12.33	1%
Investment	24.14	23.69	1.90%	0.59	1.10	(46%)
Portfolio				Expense		
Deposits	532.27	598.81	(11.11)%	77.08	68.70	12%

Details of Segment-wise financial position can be seen under Note-7 of the Notes to the Financial Statements at page: 113

Financial Performance and Results

A comparative statement of the Consolidated Financial Results of the company for the year ended on December 31, 2023 and for the year ended December 31, 2022 is provided in the table below:

Particulars	2023 (Taka in crore)	2022 (Taka in crore)
Net interest income	50.95	26.02
Other operating income	4.05	8.56
Total operating income	55.00	34.58
Total operating expenses	22.86	21.35
Profit before provisions	32.15	13.24
Provision for loans and investments	89.09	10.78
Profit before tax	(56.95)	2.45

Provision for tax	10.18	1.59
Net profit after tax	(67.12)	0.86
Transfer to statutory reserve	-	0.24
Transfer from statutory reserve	-	-
Retained earnings at the beginning	8.71	10.94
Dividend paid (Bonus & Cash)	2.16	2.85
Proposed bonus share	-	-
Net Retained Surplus (on consolidated basis)	(60.57)	8.71
EPS (Restated)	(4.66)	0.06

Quarterly and annual financial performance:

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

Taka in crore

Particulars	Q1 (Jan-March)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)	2023
Interest income	11.63	17.89	18.39	80.50	127.95
Interest on deposits & borrowings, etc.	25.56	17.18	19.25	15.01	77.00
Net interest income	(13.93)	0.71	(0.86)	65.04	50.95
Other operating Income	2.55	1.64	2.01	(2.15)	4.05
Total operating income	(11.39)	2.35	1.15	62.89	55.00
Total operating expenses	5.18	6.70	5.51	5.47	22.86
Profit before provision	(16.57)	(4.34)	(4.36)	57.42	32.15
Provision for loans/investment	9.17	11.71	7.30	60.91	89.09
Total profit before tax	(25.73)	(16.06)	(11.66)	(3.49)	(56.95)
Provision for tax	0.54	0.44	0.54	8.65	10.18
Net profit after tax	(26.27)	(16.50)	(12.21)	(12.14)	(67.12)

Obviously the net financial performance during the year compared to that for the previous year has deteriorated. Total operating income increased by 59% of that of the last year and total operating expenses also increased slightly due to high inflation from the previous year. Details are described in the Management's discussion and analysis included in this annual report.

Unlike the prior years and as apprehended, the quarterly performance of the company was unsteady in nature. The operating expenses remained almost the same over the year but the increased requirement for provision for loans/investment resulted in the undesired consolidated net loss of BDT (67.12) crore.

Declaration of dividend

The Board of Directors has recommended no dividend for the financial year ended on December 31, 2023. The Board has also advised the Management to take necessary steps to overcome the present financial situation of the Company.

Operation of Subsidiaries

MIDAS Financing PLC is the owner of 99.9996% of the shares (2,49,99,900 in number 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 to 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 MFPLC and MIL. The Head offices of MFPLC 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 2023 are described under Note 39.4 of the Notes to the Financial Statements for the year ended on December 31, 2023. 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 credentials and do not involve more than normal risk.

During the year, MFPLC carried out a number of transactions with related parties in the ordinary course of its business. Details of transactions are summarized below:

Name of the related party	Relationship	Nature of Transaction	Classification Status	Amount in BDT	
				2023	2,022
MIDAS	Sponsor shareholder	Term deposits	N/A	80,000,000	80,000,000
MIDAS Investment Ltd.	Subsidiary	STL & LTD	Standard	29,844,871	228,875,922
MIDAS Investment Ltd.	Subsidiary	Term deposits	N/A	-	205,000,000
LankaBangla Securities Ltd.	Shareholder	Investment (un-listed)	N/A	-	5,000,000
LankaBangla Securities Ltd.	Shareholder	Maintainance of investment (Share) portfolio through BO A/C	N/A	223,820,883	214,923,874
Total				333,665,754	733,799,796

Risk and Concerns

The Directors believe that proper risk management is an essential part of the Company's business. Identification, evaluation and elimination and where unavoidable minimization of risks constitute the core of risk management system. Accordingly, different committees, sub-committees, departments and units are in place to manage various risks associated with staffing, operation, finance, credit, liquidity, market, etc. MFPLC 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 its risk management framework. 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 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 liquidate it or 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 its financial statements.

The management of MFPLC 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 worked out reveal that MFPLC 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 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;
- ◆ 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 MFPLC met 13 (thirteen) times during the financial year ended on December 31, 2023. Other than the Directors, the CS, CFO and Head of ICC of the Company were in attendance in all the Board meetings. The presence of the Directors in the Board Meetings during the reporting year and in the last Annual General Meeting is shown in the table below:

Name	Status with the Board	No. of Board Meetings		Presence in the last AGM (held on 22.11.2023)
		Held	Attended	
Mr. Ali Imam Majumder	Chairman	13	13	Yes
Mr. Mohammed Nasir Uddin Chowdhury	Director	13	13	Yes
Mr. Ghulam Rahman	Independent Director	13	13	Yes
Mr. Abdul Karim	Director	13	13	Yes
Mr. M. Hafizuddin Khan	Director	13	9	No
Ms. Nazneen Sultana	Independent Director	13	13	Yes
Mr. Md. Shamsul Alam	Director	13	13	Yes
Mr. Md. Shahedul Alam	Director	13	11	Yes

Note:

- ◆ Leave of absence was granted to the Directors who could not attend the meetings.
- ◆ Ms. Rokia Afzal Rahman also attended one meeting of Board of Directors during the financial year (on 29.01.2023) as Chairman of the Company.
- ◆ Mr. Ali Imam Majumder was elected as Chairman of the Company on April 2023.
- ◆ Mr. Abdul Karim was unanimously elected as Chairman of the Board of Directors of MIDAS Financing PLC on August 15, 2024.

Remuneration paid to the Directors

The Directors of MIDAS Financing PLC do not receive any facilities other than Board meeting and Committee meeting attendance fees. Each Director was paid Tk. 8,000/- (Taka Eight Thousands only) for attending a meeting of the Board or Committee and total fees paid to the Directors of the Company amount to BDT 9,76,000 excluding VAT during the reporting financial year. A statement of the fees paid to the Directors including Independent Directors is provided below:

Name of Director	No. of Meetings Attended				Fees Paid (Tk.)
	BM	ECM	ACM	Total	
Mr. Ali Imam Majumder	13	0	02	15	120,000
Mr. Mohammed Nasir Uddin Chowdhury	13	0	03	16	128,000
Mr. Ghulam Rahman	13	N/A	04	17	136,000
Mr. Abdul Karim	13	N/A	05	18	144,000
Mr. M. Hafizuddin Khan	09	0	N/A	09	72,000
Ms. Nazneen Sultana	13	N/A	05	18	144,000
Mr. Md. Shamsul Alam	13	0	N/A	13	104,000
Mr. Md. Shahedul Alam	11	N/A	04	15	120,000

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.
- ◆ Mr. Ali Imam Majumder attended the Executive Committee on May 2023 and Mr. Mohammed Nasir Uddin Chowdhury attended the Audit Committee on May 2023 in place of Mr. Ali Imam Majumder.
- ◆ Ms. Rokia Afzal Rahman also attended one meeting of Board of Directors during the financial year (on 29.01.2023) as Chairman of the Company.

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 Director will retire by rotation from the Board in the 28th AGM:

1. Mr. Md. Shamsul Alam - Director, elected by General Shareholders' Group

Brief profiles of the Director who is going to retire are disclosed at page: 22 The interest of the retiring Director in different entities are also disclosed at page: 134

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

A statement containing the summary of the key operating and financial data of the preceding 5 (five) years have been presented at page: 33

Pattern of Shareholding

A report on the pattern of shareholding as on December 31, 2023 has been shown in Annexure-D at page: 56

Corporate Social Responsibility (CSR)

MFPLC considers itself an integral part of the community in which it operates, and is aware that it has responsibilities for providing the highest standards of service and ethical business. MFPLC in carrying out its business activities keeps in view its commitments for sustainable development and transparent corporate conduct. MFPLC 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 has 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 to 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, MFPLC 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 to make their mark as new entrepreneurs in the corporate sector.

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: 64.

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 appears at in Annexure-A at page: 44.

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 of the annual accounts of the Company for the reporting financial year ended on December 31, 2023 and will retire at the conclusion of the 28th Annual General Meeting.

Zoha Zaman Kabir Rashid & Co., Chartered Accountants has been holding the office of Statutory Auditors of the company for last three consecutive financial years. Therefore, the MFPLC requires to appoint new Statutory Auditors for the upcoming financial year. After scrutinizing the firms' profile and necessary expertise and on proposal of the Audit Committee, the Board of Directors recommends to appoint Islam Aftab Kamrul & Co., Chartered Accountants as the Statutory Auditors of the Company for the financial year to be ended on December 31, 2024, subject to approval by the shareholders at the ensuing AGM at a remuneration of Taka 2,00,000 (Two Lakh 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, on 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 the Status of Compliance of the Corporate Governance Code issued by BSEC has been incorporated in Annexure-C at page: 46.

As per conditions 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 conditions of Corporate Governance Code of the Commission and such a 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 Howlader Maria & Co., Chartered Accountants was appointed as the Corporate Governance Compliance Auditors in the last Annual General Meeting. A Certificate submitted by M/s Howlader Maria & Co., Chartered

Accountants, for the year ended December 31, 2023 is enclosed in Annexure-B at page: 45.

Considering the conditions stated in the Corporate Governance Code with regard to necessary expertise, the Board recommends to appoint M/s Howlader Maria & Co., Chartered Accountants, as the Corporate Governance Compliance Auditors of the Company for the financial year to be ended on December 31, 2024, subject to approval of the shareholders in the ensuing AGM at a remuneration of Taka 27,500 (Twenty seven thousand five hundred only) exclusive of VAT applicable as per the provisions of Law.

Acknowledgement

The Board of Directors takes this opportunity to express its sincere appreciation of and gratitude to the valued clients, depositors, lenders, bankers, patrons and business partners for their continued support and cooperation during the year. The Board also extends its gratitude to Bangladesh Bank, Bangladesh Securities & Exchange Commission (BSEC), Dhaka Stock Exchange PLC. (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. 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 promote the shareholders' wealth by further improving 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,



Abdul Karim
Chairman

ANNEXURE LIST

- A. Certification by the MD and CFO to the Board.
- B. Certificate from M/s Howlader 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.