



**2013** *ANNUAL REPORT*



*Committed to generate employment*

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# Agrani SME Financing Company Limited

## Corporate Profile

As on 31.12.2013

Genesis	<p>The Agrani SME Financing Company Limited (the Company) has been incorporated as a public limited Company on 27 October, 2010 vide certificate of incorporation No. C- 87827/10. The company has taken over the ongoing work of Small Enterprise Development Project (A Norway and Agrani bank funded Project of Ministry of Finance, Bangladesh) on a going concern basis through a Vendor's Agreement signed between the Ministry of Finance of the People's Republic Bangladesh, the Board of Directors on behalf of the Agrani Bank Limited and the Board of Directors on behalf of the Agrani SME Financing Company Limited on 27 December, 2011. The company has set 31 December, 2011 as the effective date of handing over the SEDP operation to Agrani SME Financing Company Limited. The Company's current shareholdings comprise the Agrani Bank Limited and six other shareholders nominated by the Bank. The company has 41 branches as on 31 December, 2013 (with no overseas branch).</p>
Legal Status	Public Limited company (Governed by the Bank Companies Act 1991 and Financial Institution Act 1993)
Chairman	Syed Abdul Hamid, PhD, FCA
Managing Director & CEO	A.K.M. Mujibur Rahman
Company Secretary	Md. Muzahidul Islam Zoarder
Registered Office	11/3, Toyenbee Circular Road (6th Floor)
Authorised Capital	Tk. 500 Crore (Five billion)
Paid up Capital	Tk. 100 Crore (One billion)
Operating Profit	Tk. 6.99 Crore (69.9 million)
Employees	96
Branches	41
Phone	9511803-4
Fax	(02)9567301
E-mail	<a href="mailto:asfclbd@gmail.com">asfclbd@gmail.com</a>
Auditors	Hussain Farhad & Co. Chartered Accountants. Musih Muhith Haque & Co. Chartered Accounts.
Income Tax and Financial Consultant	Shahadat Rashid & Co. Chartered Accountants. 67 Dilkusha (5th Floor) Dhaka-1000

## **Vision**

In line with the national strategy for economic growth, poverty reduction, and social development, Poverty Reduction Strategy Papers (PRSP) has been prepared following the millennium development goal declared by the UN to reduce the poverty by 50% by 2015. In order to achieve these objectives, annual GDP growth should be at least 7% for which investment is an important driving factor. The implementation of company's core activities through financing the Small and Medium Enterprises of missing middle section would contribute to the fulfillment of these objectives. Following the GOB strategy for the poverty alleviation, the vision of the company is *to develop sustainable small and medium scale entrepreneurs to generate income and employment opportunities with special emphasis to the women entrepreneurs.*

## **Mission**

To realize the vision, the company will implement small and medium credit servicing to the eligible entrepreneurs with particular emphasis to women entrepreneurs in the urban, semi-urban and rural areas. The potential entrepreneurs will be identified and entrepreneurship/skill development training will be conducted for giving them a hands-on-experience to skillfully run their enterprises along with providing credit facilities to implement his/her projects/enterprise. The mission of the company is *to create successful entrepreneurs by providing financial assistance with intense supervision and monitoring so as to ensure the fruitful implementation of the financed projects/enterprises.*

## **Objectives**

The overall objectives of the company include the following:

- To carry on the activities for the purposes of enhancing the income of, and employment generation for urban, semi-urban and rural people.
- To carry on business of SME financing by developing small and medium enterprise through financial assistance in the form of providing loans with the ultimate goal to develop entrepreneurship and to alleviate poverty.
- To carry on business of SME financing by developing small and medium scale labour intensive enterprise in order to create jobs for the unemployed and increase income for the missing middle group of the country.
- To arrange entrepreneurship and skill development training programmed for the existing and identified potential entrepreneurs and their employees.
- To promote woman entrepreneurs with giving emphasis and encouragement to the woman entrepreneurs in carrying out small enterprise business so as to enabling them to start up their enterprises for changing their lots as well as to help developing the economy of the country.

Notice of the Third

## Annual General Meeting

Notice is hereby given to all Shareholders of Agrani SME Financing Company Limited that the 3<sup>rd</sup> Annual General Meeting of the Company will be held on April 24, 2014 in Dhaka, to transact the following business and adopt necessary resolutions:

### Agenda

1. To approve the minutes of the 2<sup>nd</sup> Annual General Meeting held on July 08, 2013.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended 31 December 2013 together with the Report of the Directors' and the Auditors' Report thereon.
3. To elect/re-elect Directors.
4. To appoint Auditors for the Year 2014 and to fix their remuneration.
5. To transact any other related business with the permission of the Chair.

By Order of the Board of Directors

**Md.Muzahidul Islam Zoarder**  
Company Secretary

Dated: ... ..

Letter of  
**Transmittal**

To  
All shareholders  
Registrar of Joint Stock Companies & Firms  
Securities and Exchange Commission  
Dhaka.

Sub: Annual Report for the year ended 31 December 2013.

Dear Sir (S)

We are pleased to enclose herewith a copy of the Annual Report 2013, together with the Audited Financial Statements of Agrani SME Financing Company Limited for your kind information and record.

Yours sincerely

A.K.M. Mujibur Rahman  
Managing Director & CEO

## **Board of Directors**

Chairman  
Syed Abdul Hamid ,PhD,FCA  
Managing Director & CEO  
Agrani Bank Limited.

### Directors

Ms.Khondker Sabera Islam  
Ex-Deputy Managing Director  
Agrani Bank Limited.

Mr.Md.Mofazzal Husain  
Ex-Deputy Managing Director  
Agrani Bank Limited.

Krishibid A.K .M. Abdur Rafique  
Research fellow

Mr. Obayed Ullah-Al-Masud  
Deputy Managing Director  
Agrani Bank Limited.

Mr. Haradhan Chandra Das  
Ex-General Manager  
Agrani Bank Limited.

Mr. Nazrul Islam Farazi  
General Manager  
Agrani Bank Limited.

Mr. A.K.M. Mujibur Rahman  
Managing Director & CEO  
Agrani SME Financing Company Limited.

# Financial Summary

as of and for the year ended 31 December,

(Tk. in millions)

	<u>2013</u>	<u>2012</u>
<b><u>Results of Operation</u></b>		
Operating revenue	130	90
Operating expenses	60	40
Profit before Tax	70	50
Net Profit	38	29

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## **Balance Sheet**

Total liabilities	171	160
Paid up Capital	1000	1000
Shareholder equity	1119	1081
Property Plant and Equipment	7	3

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## **Ordinary Shares Information**

EPS	3.82	2.85
Book Value per share of 100 (end of period)	112	108

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## **Financial Ratios (%)**

Return on Average assets	3.02%	2.53%
Return on average equity	3.47%	2.81%
Equity of assets	87%	87%
Efficiency ratio	46.32%	44.93%
Non Performing assets to loans	8.69%	9.9%

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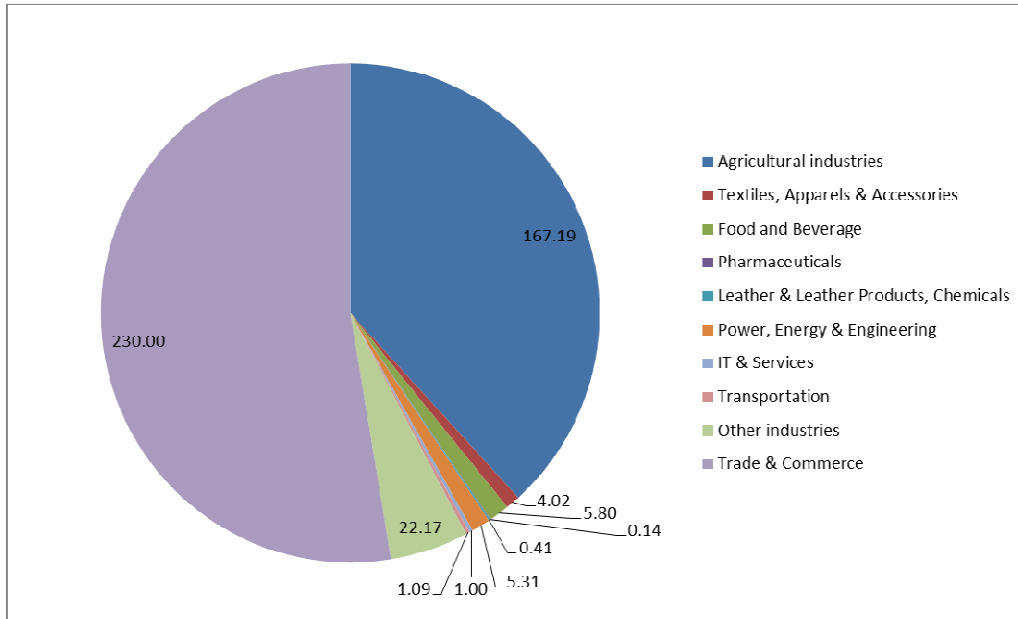
Others

<b>No. of branches</b>	<b>41</b>	<b>41</b>
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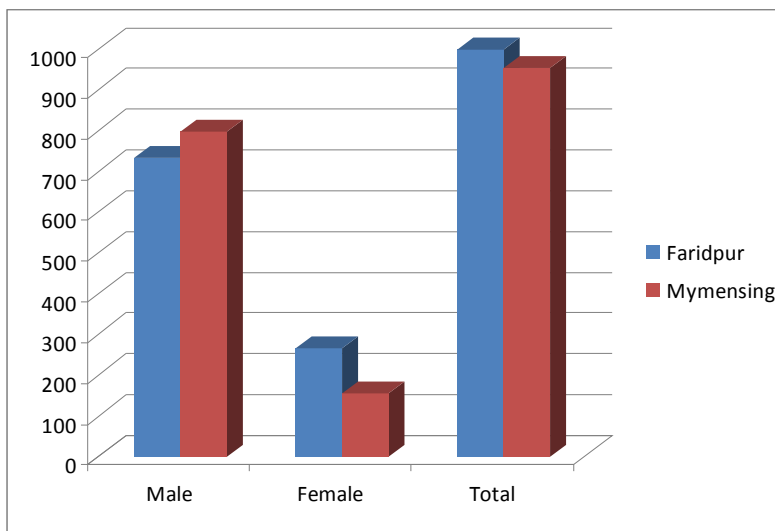


# Graphical Presentation of Financial Information-As on 31<sup>st</sup> December 2013

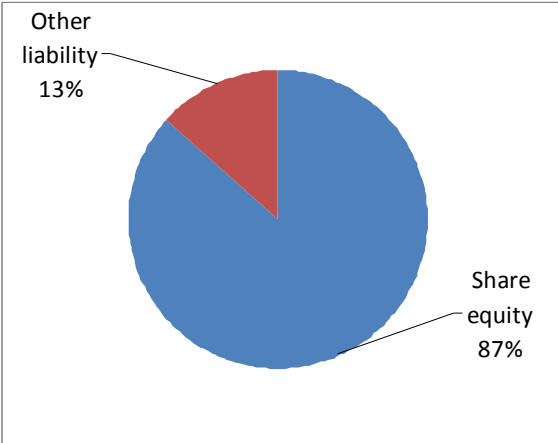
## 1. Sector-wise Loans and Advances



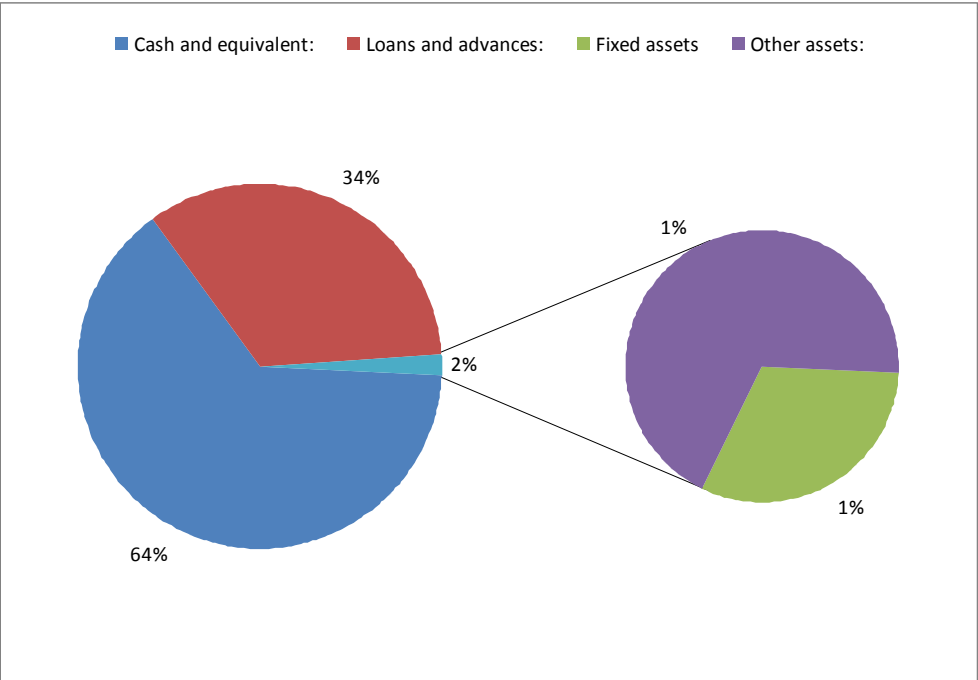
## 2. Gender wise Loans and Advance



**3. Sources of Fund**



**4. Uses of Fund**



Photograph

## **CHAIRMAN MESSAGE**

Bismillahir Rahmanir Rahim  
Respected Shareholders  
As-salamu Alaikum

I extend you hearty welcome to the third Annual General Meeting of the Company on behalf of the Board of Directors of Agrani SME Financing Company Limited and on my personal behalf. I also take pride in sharing the performance and future plan of the Company. The Agrani SME Financing Company Limited (the Company) has been incorporated as a public limited company and a subsidiary of the Agrani Bank Limited on October 27, 2010 taking over the ongoing operation of Small Enterprises Development Project (A Norway and Agrani Bank Limited Funded Project of Ministry of Finance, Bangladesh) on a going concern basis through a Vendor's Agreement signed among the Bank & Financial Institutions Division, Ministry of Finance, Govt. of the People's Republic of Bangladesh, the Board of Directors on behalf of the Agrani Bank Limited and the Board of Directors on behalf of the Agrani SME Financing Company Limited on December 27, 2011 and as per the clause as delineated in the stated Vendors agreement, December 31, 2011 is kept as the effective date of handing over the SEDP operation as to be the operation of Agrani SME Financing Company Limited. One of the main objectives of the company is to carry on the activities for the purposes of enhancing the income of, and employment generation for urban, semi-urban and rural people. The Company is very much determined to help build and develop sustainable small and medium scale entrepreneurs to generate income and employment opportunities with special emphasis to the women entrepreneurs. The activities of the company are being operated in total 41 branches including a Principal branch situated at the Head office of the Company. We hope gradually the area will be extended.

With your support and trust, we have passed another successful but challenging year in 2013. The world economy experienced subdued growth for another year in 2013, unable to meet even the modest projections many institutional forecasters made earlier. Underperformance in the world economy was observed across almost all regions and major economic groups. Most developed economies continued struggling in an uphill battle against the lingering effects of the financial crisis, grappling in particular with the challenges of taking appropriate fiscal and monetary policy actions. In Bangladesh, GDP growth in FY13 decelerated, for the second year in a row, to six percent. Disruptions caused by political strife, deepening political tensions relating to the impending political transition were the key factors in the growth slowdown. The financial system remains under stress and capital market activities have been weak. Capital market activities remained generally weak throughout FY13. Despite overall deterioration in political arena, internal strife and subsequent economic downturn, we ended 2013 with posting profit and growth.

During the year 2013, the Company made revenue of BDT 130 millions, achieved Profit after Tax of BDT 38.2 million, recorded as EPS of 3.82 compared to 2.85 in the previous year. Company's total assets remained at a better position with a growth of 4% compared to 2012. With more effective processes, stringent procedures, capable people, Agrani SME Financing Company Limited was able to return to a better financial footing in a more sustainable manner.

In this connection, I would like to inform that at the end of the year 2013, a total number of 1952 enterprises have been established which have generated employment opportunities for 5352 persons. Out of the total employment 1359 were female and 3993 were male. We hope the opportunity of employment will be generated more in future.

Your company has always endeavored to implement and maintain high standard of Corporate Governance norms and has been practicing the principles of good to corporate governance. Strong supervising role of Bangladesh Bank (BB) continued in the year 2013.

I would like to thank my colleagues on the Board for their outstanding work in the past year. They have applied themselves diligently and with great skill to the responsibilities entrusted to us. Their invaluable insights have provided guidance for the direction that the Agrani SME Financing Company Limited is heading. We would like to thank all our Management and staff, for their dedication and contribution to the success of this Financial Institution. We also thank the our shareholders, customers, Bangladesh Bank, bankers, regulatory authorities and other stakeholders for their continuing support in their interactions with the Company.

Syed Abdul Hamid, PhD, FCA  
Chairman  
The Board of Directors



## **Managing Director's Message**

Implementation of small and medium enterprise development initiative by Agrani SME Financing Company Limited is one of the activities to participate in the national strategy for economic growth, poverty reduction, and social development. The Agrani SME Financing Company Limited (the Company) has been incorporated as a public limited company and a subsidiary of the Agrani Bank Limited on October 27, 2010 vide certificate of the incorporation No. C-87827/10. The Company has taken over the ongoing operation of Small Enterprises Development Project (A Norway and Agrani Bank Limited funded Project of Ministry of Finance, Bangladesh) on a going concern basis through a Vendor's Agreement signed among the Bank & Financial Institutions Division, Ministry of Finance, Govt. of the Peoples Republic of Bangladesh, the Board of Directors on behalf of the Agrani Bank Limited and the Board of Directors on behalf of the Agrani SME Financing Company Limited on December 27, 2011 and as per the clause as delineated in the stated Vendors Agreement, December 31, 2011 is kept as the effective date of handing over the SEDP operation as to be the operation of Agrani SME Financing Company Limited.

Though the company has incorporated more than two years back but no operational activities was started till December 31, 2011 under company's umbrella. However, on the basis of taking over the ongoing work of Small Enterprise Development Project as at December 31, 2011 a total outstanding loan balance was Tk. 461,111,340 in 40 Thana/Upazilla of two grater districts of Faridpur and Mymensingh inherited from the SEDP Project. The year 2013 was the second year of operation of the Company. In the second year of the operation the company made operating income of BDT 130,352,499 achieved profit after Tax of BDT 38,196,346 and recorded as EPS of 3.82 compared to 2.85 of previous year.

As on December 31, 2013, the available capital of the Company is Tk 1,119,188,813 as against Tk. 1,080,657,626 of previous year which project's a robust financial footing of the Company.

In this connection, I would like to inform that during the year 2013, the company contributed a total amount of BDT 29,736,221 as corporate Tax to the national exchequer which is almost 41% higher than that of the previous year.

It is a happy team that produces results and an enabling environment that gives birth to creative thinking. Continuity of human resources immensely strengthens an organization, develop a sense of belongingness and above all give the strength to face all odds. In order to give greater thrust to products, Agrani SME Financing Company Limited gradually

increased its staff strength. Though strategic mid levels have not yet been filled but the branch level business has been geared up with special focusing in, SME loan. During the year necessary steps have been taken to computerize the branches and a loan monitoring system database is in the final stage of being implemented.

Finally, as a newly established financial institution we realize we have to go long way and will have to continue to build our Company in the year ahead. Market conditions for our industry are challenging and risky. We have a strong capital position and we have got a size of quality portfolio. The accumulation of all these we are confident that the company will be able to present better result before stakeholders in the years ahead.

Before I conclude, I reiterate that we shall conduct every business of the company within the legal and regulatory framework. On behalf of the Management, I express my sincere thanks to the honorable chairman and to all members of the Board, our staff-members, patrons, regulatory agencies, valued customers and shareholders for their guidance, advice and continued support.

A.K.M. Mujibur Rahman  
Managing Director and CEO

## Valued Added Statement

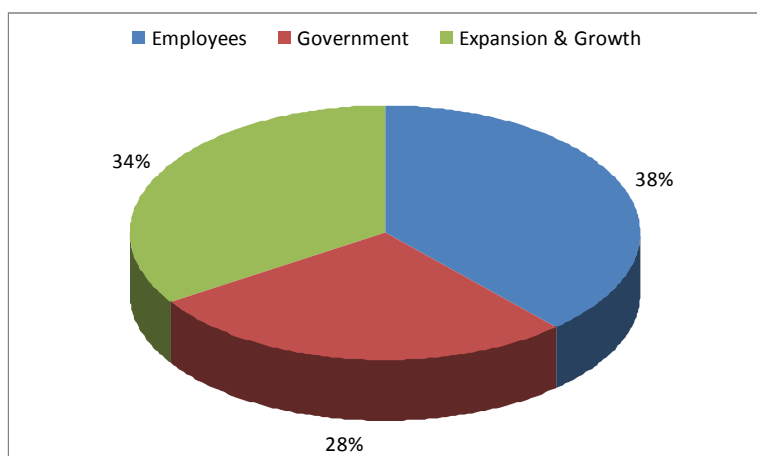
The value added statement provides a detailed account of total addition and the distribution of the value created by the organization. Agrani SME Financing Company Limited contributes positively to socio-economic development by empowering employees through the payment of salaries and allowances; by assisting the regulatory capacities through paying taxes and of course keeping in mind company's continuous expansion and growth.

Particulars	2013		2012	
	Amount (Tk. in mill.)	%	Amount (Tk. in mill.)	%
Value added				
Net interest income	125,995,639	109.1	89,989,059	113.63
Other income	4,356,860	3.77	156,039	0.20
Management expenses	(14,868,280)	(12.87)	(10,451,350)	(13.83)
<b>Total Value added by the Company</b>	<b>115,484,219</b>	<b>100.00</b>	<b>79,693,748</b>	<b>100.00</b>

### Value added contributed to

<b>Employees:</b> As salaries and allowances	44,135,498	38%	29,550,444	37%
<b>Government:</b> Corporate Tax Value added tax (VAT)	31,771,233 -	28%	21,099,210 -	26% -
<b>To expansion and growth:</b> Retained income Depreciation	38,196,346 1,381,142	33% 1%	28,545,990 498,104	36% 1%
<b>Total distribution</b>	<b>115,484,219</b>	<b>100%</b>	<b>79,693,748</b>	<b>100.00</b>

### Graphical presentation of Value Added Contribution



# **Risk Management**

Risk is the element of uncertainty or possibility of loss that prevail in any business transaction in any place, in any mode and at any time. Risk is an integral part of financing business. Risk management entails the adoption of several measures to strengthen the ability of an organization to cope with the vagaries of the complex business environment in which it operates.

As a financial institution, Agrani SME Financing Company Limited is committed to ensuring that effective risk management policies and practices are incorporated as fundamental aspects of all its business operations. The Credit Risk Management process (CRM) of the Company has a comprehensive risk management in place, addressing areas such as market risk, credit risk and operational risk. This policy seeks to minimize the risk generated by the activities of the company. Risk grading is assigned at the inception of lending considering the industry, business, financial and management risk associated with the financing. The Company has different activities for risk management and appropriate internal control measures are also in place to mitigate risk.

## **Major Risk at Agrani SME Financing Company Limited**

Major Risk that Agrani SME Financing Company Limited identifies detrimental to its return and market reputation is as follows:

### **Credit Risk**

Credit risk is the possibility that a borrower or counter party will fail to meet agreed obligations thus managing credit risk for efficient management of a financial institution (FI) has become the most crucial task. Given the fast changing, dynamic global economy and the increasing pressure of globalization, liberalization and consolidation it is essential that FIs have robust credit risk management policies and procedures those are sensitive and responsive to these changes. At Agrani SME Financing Company Limited, credit risk may arise in the following forms:

- Default risk
- Exposure risk
- Recovery risk
- Counter party risk
- Related party risk
- Legal risk



## **Market Risk**

Market risk refers to the risk of fluctuation in a variety of markets such as interest rates, prices of securities where the values of assets and liabilities can change and there exists the risk of incurring losses.

## **Liquidity Risk**

Liquidity risk arises when a company is unable to meet the short-term obligations to its lenders and stakeholders. This arises from the adverse mismatch of maturities of assets and liabilities.

## **Operational Risk**

Operational Risk is the potential loss arising from a breakdown in a company's systems and procedures, internal control, compliance requirements or corporate governance practices that results in human error, fraud, failure, damage to reputations, delay to perform or compromise of the company's interests by employees. Operational risk may also arise from the following:

- Turnover of trained staff;
- Risk of insider dealings;
- Leakage of sensitive information;
- Shortcomings of organizational structure;
- Changes in statutory requirements;

## **Counterparty Risk**

It comes from non-performance of a trading partner. The non-performance may arise from a counterparty's refusal to perform due to an adverse price movement caused by systematic factors, or legal constraint that was not anticipated by the principals. Diversification is the major tool for controlling nonsystematic counterparty risk. Counterparty risk is like credit risk, but it is generally considered a transient financial risk associated with trading, rather than a standard creditor default risk associated with an investment portfolio. A counterparty's failure to settle a trade can arise from many factors other than a credit problem.

## **Enterprise Risk**

Risks faced by the enterprises in accomplishing its goal fall in this category. If the goal of the company is not compatible with the reality, then the company might be entangled by a bad patch. And because of this, the company's mission may become questionable.

## **Project Risk**

This is about particular risks associated with the undertaking of a project. If projects undertaken by the company is not compatible with it and not feasible because of existing market scenario, the company may run the risk of encumbered by loss projects.

## **Integrated Risk**

Integrated risk management refers to integrating risk data into the strategic decision making of the company and taking decisions, which take into account the set risk tolerance degrees of a department. In other words, it is the supervision of market, credit and liquidity risk at the same time or on a simultaneous basis.

## **Technology Risk**

It is the process of managing the risks associated with implementation of new technology. If a new technology is not compatible with business function of the company, the company may suffer in the long run. A non-compatible technology not only brings difficulty in all sorts of operations of the company but also the risk of wasting money choosing the wrong one.

## **Steps to Manage Risk**

### **Risk Management Steps at Agrani SME Financing Company Limited**

Here is an overview of some of the crucial steps carried out by Agrani SME Financing Company Limited to ensure successful risk management program:

- Integrating risk management policies into the company's top priority;
- Maintaining those values via actions;
- Performing risk analysis;
- Implementation of various strategies to minimize it;
- Building of screening systems to encourage early warnings related to prospective risk;
- Periodic analysis of the management program;

## **Performing Risk Analysis**

The persons involved for Credit Evaluation review the market and credit risk related to lending and recommend and implement appropriate measures to counter associated risks. Credit Risk Management (CRM) process is in place, at Agrani SME Financing Company Limited, to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets. Persons involved in CRM regularly reviews market situation and exposure of the Company in various industrial sub-sectors.

To mitigate credit risk, Agrani SME Financing Company Limited search for credit report from the Credit Information Bureau (CIB) of Bangladesh Bank. The report is scrutinized by concerned personal to understand the liability condition and repayment behavior of the

client. Depending on the report, banker's opinions are taken from client's banks. Suppliers' and buyers' opinion are taken to understand the market position and reputation of our proposed customers.

Appropriate internal control measures are in place, at Agrani SME Financing Company Limited, to address operational risks. The Company has also planned to establish Internal Control and Compliances Department (ICC) to address operational risk and to frame implement policies to encounter such risks. The Company regularly assess the prevailing market risk analyze the changes in interest rate, market conditions, carry out asset liability maturity gap analysis, re-pricing of products and thereby takes effective measures to monitor and control interest rate risk. To encounter liquidity risk, the Company also oversees the asset liability maturity position, recommends and implements appropriate measures.

### **Credit Risk Management process at Agrani SME Financing Company Limited in a nut-shell**

The top management outlines the overall credit risk strategies by indicating the institution's willingness to grant credit to different sectors, geographical location, maturity, and profitability. In doing so it recognizes the goals of credit quality, earnings, growth, and the risk-reward tradeoff for its activities. The credit risk strategy is then communicated throughout the institution.

The senior management of the Company is responsible to implement the credit risk strategy approved by the top management. This includes developing written procedures that reflect the overall strategy and ensuring its implementation.

The procedures include policies to identify, measure, monitor, and control credit risk. Care is given to diversification of portfolio by setting exposure limits on single counterparty, groups of connected counterparties, industries, economic sectors, geographical regions, and individual products.

A proper credit administration of the Company includes efficient and effective operations related to monitoring documents, legal covenants, collateral etc. accurate and timely reporting to management, and compliance with management policies and procedures and applicable rules and regulations.

The Company operates under sound, well-defined credit-granting criteria to enable a comprehensive assessment of the true risk of the borrower or counterparty to minimize the adverse selection problem. The Company seeks information on many factors regarding the counterparty to which it wants to grant credit. These include among others, the purpose of the credit and the source of repayment, borrower's repayment history and current capacity to repay, enforceability of the collateral or guarantees, etc. The Company has a clear and formal evaluation and approval process for new credits and extension of existing credits. Each credit proposal is subject to careful analysis by a credit analyst so that information

can be generated for internal evaluation and rating. This is used for appropriate judgments about the acceptability of the credit. Granting credit involve accepting risks as well as producing profits.

Credit is priced such a way so that it appropriately reflects the inherent risks of the counterparty and the embedded costs. In considering the potential credit, The Company establishes provisions for expected loss and hold adequate capital to absorb the unexpected losses. The Company uses collateral and guarantees to help mitigate risks inherent in individual transactions.

Note, however, that collateral cannot be a substitute for comprehensive assessment of a borrower and strength of the repayment capacity of the borrower is given prime importance. The Company identifies and manages credit risk inherent in all of its assets and activities by carefully reviewing the risk characteristics of the asset or activity. Special care is given particularly when the institution embarks on new activities and assets. In this regard, adequate procedures and controls are taken to identify the new asset or activity. Finally each and every month sector wise loan concentration, top 100 borrowers loan concentration, position of loan without collateral and the position of top 20 defaulters are reviewed and required steps are taken.

## **Interest Rate Risk Management**

The overall objectives, strategies and policies of the Company are approved in such a manner so that it governs the interest rate risk of the Company. Other than approving the overall policies of Company regarding interest rate risk the top management that the management takes the necessary actions to identify, measure, monitor and control these risks.

Persons are engaged to ensure that the company follows policies and procedures that enable the management of interest rate risk. These include maintaining an interest rate risk management review process, appropriate limits on risk taking, adequate systems of risk measurement a comprehensive interest rate risk reporting system, and effective internal controls. The Company is able to identify the individuals responsible for interest rate risk management and define the line of authority and responsibility. Pertinent to mention that at present the Company has been running its credit operation entirely using its own capital. No deposit is being taken by the Company till to date. The Company does not have any foreign transaction either therefore; Scope of market risk is not remarkable/foreseeable. However the management of the Company is well aware of the market risk and carries out Asset-Liability maturity gap analysis and thereby taken effective measures to monitor and control the interest rate risk.

## **Liquidity Risk Management**

As a non-banking financial institution, managing liquidity is one of the most important functions of it. The top management makes sure that the company's priorities and objectives for liquidity management are clear. The essence of liquidity management problem arises from the fact that there is a trade-off between liquidity and profitability and

mismatch between demand and supply of liquid assets. The Company now keeps protective reserves on top of planned reserves. While the planned reserves are derived from regulatory requirements and forecasts, the amount of the protective reserve depends on the management's attitude towards liquidity risk.

The Company establishes a process of measuring and monitoring net funding requirements by assessing its cash inflows and outflows. It is also important for the Company to assess the future funding needs. The Company has adequate internal controls over its liquidity risk management process that is a part of the overall system of internal control. An effective system has created a strong control environment and has an adequate process of identifying and evaluating liquidity risk. It has adequate information system that produces regular independent reports and evaluations to review adherence to established policies and procedures.

### **Operational Risk Management**

The top management develops the overall policies and strategies for managing operational risk. As operational risk can arise due to failures in people, processes, and technology, management of this risk is more complex. Senior management has established the desired standards of risk management and clear guidelines for practices that would reduce operational risks. In doing so, care is taken to include people, process, and technology risks that can arise in the institution. Given the different sources in which operational risk can arise common standard for identification and management of these has been developed. Care is always given to tackle operational risk arising in different departments/organizational unit due to people, process, and technology. As such a wide variety of guidelines and rules have been spelled out. Given the complexity of operational risk, it is difficult to quantify it. Most of the operational risk measurement techniques are simple and experimental. The Company, however, gathers information of different risk from reports and plant that are published within the institution (like audit reports, management reports, business plans, operational plans etc.). A careful review of these documents reveals gaps that can represent potential risks. The data from the reports are then be categorized into internal and external factors and converted into likelihood of potential loss to the institution. Apart from these to reduce the operational risk following operational systems are followed on regular basis.

- At the end of day's transaction each Branch and Head office reconciles the physical cash balance with the record to save the organization from unwanted cash shortage situation.
- Till to date no sorts of internal fraud, external fraud and lending fraud was identified.
- No such risks with regard to damage to physical assets, Documentation lapse and Business disruption and system failure are faced by the organization till to date.
- Loans are not covered by insurance. Although there is some risk exist proposition in this regards, however, due to being all the loans are of small category the risk proposition are minimum.

# Statement on Corporate Governance

Corporate governance is the system by which companies are directed and controlled by the management in the best interest of all the stakeholders, thereby ensuring greater transparency and better and timely financial reporting.

The Board of Directors is responsible for proper governance which includes setting out company's strategic aims, providing the necessary leadership to implement such aims, supervising the management of the business and reporting to the shareholders on their stewardships.

Agrani SME Financing Company Limited is committed to continually reviewing all corporate governance policies and practices to ensure the ongoing transparency of the company's practices and the delivery of high standards quality information to stakeholders.

The maintenance of effective corporate governance remains a key priority of the board of the Company. To exercise clarity about director's responsibilities towards the shareholders, corporate governance must be dynamic and remain focused on the business objectives of the company and create a culture of openness and accountability. Keeping this in mind, clear structure and accountabilities supported by well understood policies and procedures to guide the activities of the company's management have been instituted.

Agrani SME Financing Company Limited considers that its corporate governance practices comply with all the aspects of Bangladesh Bank's DFIM circular No.7 dated September 25, 2007. In addition, to establishing high standards of corporate governance, The Company also considers best governance practices in its activities. The independent role of Board of Director's, separate and independent role of chairman and Chief Executive Officer, distinct role of the Company Secretary and different Board committees allows the Company to achieve excellence in best corporate governance practices.

## Board of Directors

### Composition

In the best interest of The Board of the Company considers that its membership should comprise of directors with an appropriate mix of skills, experience and personal attributes that allow the directors, individually and the board, collectively, to discharge their responsibilities and duties, under the law, efficiently and effectively, understand the business of the company and assess the performance of the management. The composition of the Board embraces diversity. The directors have a range of local and international experience and expertise, and specialized skills to assist with decision making and leading the company for the benefit of shareholders.

The Board of Agrani SME Financing Company Limited comprises of 9 directors who process a wide range of skills and experience over a range of professions, business and

services. Each of Company's directors brings in independent judgment and considerable knowledge to perform their roles effectively. The Board of directors ensures that the activities of the company are always conducted with adherence to strict and highest possible ethical standards and the stakeholders.

### **Selection and Appointment of New Directors**

In relation to the selection and appointment of new directors, the existing Board of Directors has the following duties and responsibilities:

- Regularly review the size and composition of the Board and the mix of expertise, skill, experience and perspectives that may be desirable to permit the Board to execute its functions;
- Identify any competencies not adequately represented and agree the process necessary to be assured that a candidate nominated by the shareholders with those competencies is selected;

The directors are appointed by the shareholders in the Annual General Meeting (AGM). Casual vacancies, if any, are filled up by the Board in accordance with the stipulation of the companies act, 1994 and Articles of the Company.

### **Retirement and Re-election of Directors**

As per the Article of Association of the company, one- third of the directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became directors on the same day, those to retire shall (unless they otherwise agree themselves) be determined by lot, but remains eligible for re-election.

### **Role and Responsibilities of the Board**

The Board is committed to the company seeking to achieve superior financial performance and long term prosperity, while meeting stockholder's expectation of sound corporate governance practices. The Board determines the corporate governance arrangements for the company. As with all its business activities, the Board is proactive in respect of corporate governance and puts in place those arrangement which it considers are in the best interest of the company and its shareholder, and consistence with its responsibilities to other stakeholders.

The Board duty complies with the guidelines issued by Bangladesh Bank regarding the responsibility and accountability of the Board, its Chairman and Chief Executive/Managing Director, vide DFIM Circular No. 7 dated September 25, 2007. The Board of Directors is in full control of the company's affairs and is also fully accountable to the shareholders.

They firmly believe that the success of the Company largely depends on the credible corporate governance practices adopted by the Company. Taking this into consideration, the Board of directors of Agrani SME Financing Company Limited set out its strategic focus and oversees the business and related affairs of the Company. The Board also formulates the strategic objectives and policy framework for the Company.

Status report on compliance with those guidelines is given below:

### Compliance Status

Sl. no.	Particulars	Compliance Status
1	<b>Responsibilities and authorities of the Board of Directors:</b>	
	<b>(a) Work-planning and strategic management:</b> (i) The Board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goal and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of the work-plans.	Complied
	(ii) The Board shall have its analytical review incorporated in the Annual report as regard the success/failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies	Complied
	(iii) The Board will set the Key Performance Indicator (KPI)s for the CEO and other senior executives and will evaluate half yearly / yearly basis.	Complied
	<b>(b) Formation of sub-committee:</b>	
	Executive Committee may be formed in combination with directors (excluding any alternate Director) and management of the Company only for rapid settlement of the emergency matters (approval of loan/lease application, write-off, rescheduling etc.) arisen from the regular business activities.	Complied
	<b>(c) Financial management:</b>	
	(i) Annual budget and statutory financial statements shall be adopted finally with the approval of the Board.	Complied
	(ii) Board shall review and examine in quarterly basis various statutory financial statements such as statement of income-expenses, statement of loan/lease, statement of liquidity, adequacy of capital, maintenance of provision, legal affairs including actions taken to recovery of overdue loan/ lease.	Complied
	(iii) Board shall approve the Company's policy on	Complied



	procurement and collection and shall also approve the expenditures according to policy. The Board shall delegate the authority on the Managing Director and among other top executives for approval of expenditure within budget to the maximum extend.	
	(iv) The Board shall adopt the operation of bank accounts. Groups may be formed among the management to operate bank accounts under joint signatures	Complied
	<b>(d) Management of loan/lease/investments:</b>	
	(i) Policy on evaluation of loan/lease/investment proposal, sanction and disbursement and its regular collection and monitoring shall be adopted and reviewed by the Board regularly based on prevailing laws and regulations. Board shall delegate the authority of loan/lease/investment specifically to management preferably on Managing Director and other top executives.	Complied
	(ii) No director shall interfere on the approval of loan proposal associated with him. The director concerned shall not give any opinion on that loan proposal	Complied
	(iii) Any syndicated loan/lease/investment proposal must be approved by the Board.	Complied
	<b>(e) Risk management:</b>	
	Risk Management Guideline framed in the light of Core Risk Management Guideline shall be approved by the Board and reviewed by the Board regularly.	Under process
	<b>(f) Internal control and compliance management:</b>	
	A regular Audit Committee as approved by the Board shall be formed. Board shall evaluate the reports presented by the Audit Committee on compliance with the recommendation of internal auditor, external auditors and Bangladesh Bank Inspection team.	Complied
	<b>(g) Human resource management:</b>	
	Board shall approve the policy on Human Resources Management and Service Rule. Chairman and director of the Board shall not interfere on the administrative job in line with the approved Service Rule	Under process
	Only the authority for the appointment and promotion of the Managing Director/Deputy Managing Director/ General Manager and other equivalent position shall lie with the Board in compliance with the policy and Service Rule. No director shall be included in any Executive Committee formed for the purpose of appointment and promotion of others	Complied
	<b>(h) Appointment of CEO:</b>	

	The Board shall appoint a competent CEO for the Company with the approval of the Bangladesh Bank and shall approve any increment of his salary and allowances	Complied
	<b>(I) Benefits offer to the Chairman:</b>	
	Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the Company subject to the approval of the Board.	Complied
2	<b>Responsibilities of the Chairman of the Board of Directors:</b>	
	(a) Chairman shall not participate in or interfere into the administrative or operational and routine affairs of the Company as he has no jurisdiction to apply executive power;	Complied
	(b) The minutes of the Board meetings shall be signed by the Chairman;	Complied
	(c) Chairman shall sign-off the proposal for appointment of Managing Director and increment of his salaries & allowances;	Complied
3	<b>Responsibilities of Managing Director:</b>	
	(a) Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management;	Complied
	(b) Managing Director shall ensure compliance of Financial Institutions Act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities;	Complied
	(c) All recruitment/promotion/training, except recruitment/promotion/training of DMD, shall be vested upon the Managing Director. He shall act such in accordance the approved HR Policy of the Company;	Complied
	(d) Managing Director may re-schedule job responsibilities of employees;	Complied
	(e) Managing Director may take disciplinary actions against the employees except DMD;	Complied
	(f) Managing Director shall sign all the letters/statements relating to compliance of polices and guidelines. However, Departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no. 2 dated 06 January 2009 if so authorized by MD.	Complied

## **Chairman of the Board**

The Chairman of the Board is elected to the office of Chairman by the directors. The Board considers that the Chairman is independent.

## **Role of the Chairman**

The Chairman runs the Board. The Chairman serves as the primary link between the Board and management, and works with the CEO and Company Secretary to set of the agenda for Board meetings. It is the Chairman's responsibility to provide leadership to the Board and ensure that the Board works effectively and discharges its responsibilities as directors of the Company. Chairman of the Board & CEO of the company are different person. The Chairman of the Board is not the Chief Executive of the Company. The role of Chairman and the CEO & Managing Directors are independent and separate.

## **Role of the CEO & Managing Director**

The CEO & Managing Director performs three fundamentals roles in the Company:

- First, CEO as a leader establishes and directs the vision and mission of the team. In this capacity, the CEO is the source of visionary strength of the Company and keeps it on a consistent track to achieving the vision;
- Second, CEO is a manager. In this role, the CEO is responsible for directing the operational activities of the Company by scheduling the utilization of the Company's resources, including people and capital equipment. In this way, the CEO gets things done through the efforts of the people in the Company. The CEO is responsible for establishing and executing the Company's operating plan that is necessary to achieve the Company's objectives;
- Third, CEO is a coach, and as such picks the people for the management team and improves the performance of people through ongoing counseling. As a coach, the CEO works with people to help them become greater contributors by helping them improve their efficiency and effectiveness.

## **Conduct for the Board Members**

The Board of Directors of Agrani SME Financing Company Limited is committed to the highest standards of conduct in their relationships with its employees, customers, members, shareholders, regulators and the public.

A Director of Agrani SME Financing Company Limited always:

- Seeks to use due care in the performance of his/her duties, be loyal to the Company, act in good faith and in a manner such director reasonably believes to be not opposed to the best interests of the Company;

- **Avoids:**
  - i) Appropriating corporate business opportunities for themselves that are discovered through the use of Company property or information or their position as Board Member;
  - ii) Using Company property or information, or their position as Board Member, for personal gain; and
  - iii) Competing with the Company.
  
- Endeavors to avoid having his or her private interests interfere with the interests of the Company;
  
- Ensures that management is causing the Company's assets, proprietary information and resources to be used by the Company and its employees only for legitimate business purposes of the Company;
  
- Maintains the confidentiality of information entrusted to them in carrying out their duties and responsibilities, except where disclosure is approved by the company or legally mandated or if such information is in the public domain;
- Endeavors to deal fairly, and should promote fair dealing by the Company, its employees and agents, with customers, suppliers and employees;
  
- Complies and endeavors to ensure that the management is causing the Company to comply with applicable laws, rules and regulations;
  
- Endeavors to ensure that management is causing the Company to promote ethical behavior and to encourage employees to report evidence of illegal or unethical behavior to the CEO & Managing Director of the Company.

## **Board Meeting**

### **Holding of the Board meeting**

The meetings of the Board of Directors of the Company are normally held at the Registered Corporate Head Office of the Company. The meetings are held frequently, at least once in a month, to discharge its responsibilities and functions as mentioned above.

Meeting is scheduled well in advance and the notice of each Board meeting is given, in writing, to each director by the Company Secretary.

### **Process of holding Board meeting**

The Company Secretary prepares the detailed agenda for the meeting. The Board papers comprising the agenda, explanatory notes and proposed resolutions are circulated to the directors in advance for their review. The members of the Board have complete access to all information of the Company enabling them to work efficiently. The members of the Board are also free to recommend inclusion of any matter of the agenda for discussions. The Company Secretary always attends the Board meeting other senior management is invited to attend Board meeting to provide additional inputs to the items being discussed by the Board and make necessary presentations.

There are procedures, at Agrani SME Financing Company Limited, for keeping the Board up-to-date with the Company's activities and relevant external developments. These includes senior management presenting significant matters to the Board and it being able to seek further information on any issue relating to performance, strategy, outlook, etc.

It has been attempted in this report to present the governance practices and principles being followed at the company as best suited to the needs of the company's business and stakeholders. Disclosures and governance practices are continually revisited, reviewed and revised to respond to the needs of business and ensure that the standards are at par with the globally recognized practices of governance, so as to meet the expectations of all our stakeholders.

## **Directors' Report**

On behalf of the Board of Directors, I am pleased to present the annual report and the audited financial statements of the company for the year ended 31 December 2013 together with the Auditors' Report thereon, for consideration and approval of our valued Shareholders. These were approved by the Board of Directors of the Company. This Directors' Report is in compliance with the section 184 of the Companies Act 1994, guidelines of Bangladesh Bank and other applicable rules and regulation in the country. Relevant disclosures and explanations relating to certain issues have been given by the Directors, which they consider important to ensure transparency and good governance practices. We believe it is comprehensive enough to understand our business, operational procedures and overall performance at a glance.

### **Global Economy**

The world economy has been somewhat sluggish in 2013 showing mixed trends in different regions of the world. Asia continues to power ahead, followed by a new resurgence in Africa. Growth in US and EU countries continue to be anemic with US showing a relatively better performance through technological breakthrough in extraction of shale gas and oil. Overall world economic growth was 2.1 per cent in 2013.

Some signs of improvement have emerged more recently. The euro area has finally come out of a protracted recession, with gross domestic product (GDP) for the region as a whole starting to grow again; the economy of the United States of America continues to recover; and a few large emerging economies, including China, appears to have made a soft landing with growth numbers between 7 to 8 per cent. Excess capacity, high unemployment, fiscal austerity and a continued financial deleveraging in major developed economies appears to be the trend. Among developed economies, deflationary concerns are rising in the euro area while Japan has managed to end its decade-long deflation. Among developing countries and economies in transition, inflation rates are above 10 per cent in only about a dozen economies scattered across different regions, particularly in South Asia and Africa.

The global employment situation remains dire, as long-lasting effects from the financial crisis continue to weigh on labor markets in many countries and regions. Among developed economies, the most challenging situation is found in the euro area, in which the unemployment rates have reached as high as 27 per cent in Greece and Spain, with youth unemployment rates surging to more than 50 per cent. The unemployment rate has declined in the United States, but remains elevated. In developing countries and economies in transition, the unemployment situation is mixed, with extremely high structural unemployment in North Africa and Western Asia, particularly among youth. High rates of informal employment as well as pronounced gender gaps in employment continue to characterize labor markets in numerous developing countries. A number of countries are making concerted efforts to improve employment conditions, such as aligning macroeconomic policies appropriately with domestic conditions and taking steps to induce advances in productivity and innovation. However, further

public investment in skills training and upgrading will be necessary to integrate those groups that have been excluded.

Capital inflows to a number of developing countries and economies in transition have shown a measurable decline during 2013. In many developing countries like India there has been a marked outflow of capital, significantly increased volatility in the financial markets, featuring equity markets sell-offs and sharp depreciations of local currencies. This was partly triggered by the United States Federal Reserve announcement that it may begin tapering the amount of its monthly purchases of long-term assets later in the year. Waning growth prospects for emerging economies in BRICS notably India, Brazil and South Africa have also played a role in triggering the decline of capital inflows.

Growth in South Asia remains dreary as a combination of internal and external factors hamper activity, particularly in the region's largest economies, such as India, the Islamic Republic of Iran and Pakistan. Growth is estimated to be 3.9 per cent in 2013, nearly the slowest pace in two decades. Growth is forecast to pick up moderately to 4.6 per cent in 2014, supported by a gradual recovery in domestic demand in India, an end to the recession in the Islamic Republic of Iran and an upturn in external demand. However, in most economies, growth will likely remain well below the level prior to the global financial crisis. Private consumption and investment are held back by a wide range of factors, including energy and transport constraints, volatile security conditions and macroeconomic imbalances.

## **Our Economy**

GDP growth in FY13 decelerated, for the second year in a row, to six percent. Disruptions caused by political strife, deepening political tensions relating to the impending political transition were the key factors in the growth slowdown.

Growth came largely from construction and manufacturing while services also made significant contribution. The slower growth reflects decline in both agricultural and service sector growth. Agricultural output growth weakened to 2.2% in FY13 from 3.1% in FY12, primarily because of lower than expected crop production. Services growth declined from 6.3% in FY12 to 6.06% in FY13, suffering most from the direct impact of strikes and political violence.

These combined to weakening investor confidence resulted in 1.2% declines in the real private investment rate. However, total exports increased by 11.2% in FY13, compared with 5.9% growth in FY12 and inward remittances grew by 12.6%, compared with 10.2% in FY12. Inflation decelerated but remained high with annual average inflation declining from 8.7% in FY12 to 6.8% in FY13. This reflects a decline in both food and non-food prices. Softer international prices helped reduce food inflation. Increased production, declining demand from large importers, and increasing food stocks in international markets exerted downward pressures on international prices. The conduct of monetary policy improved remarkably in FY13, which helped reduce nonfood price increases. However, inflation rose to 8.0% in June 2013, as national strikes disrupted food supply and drove up prices, and as administered power and fuel prices were increased.

Imports rose by only 0.8% in FY13. Exports grew by 10.7%, accelerating from 6.2% growth in FY12, on higher garment exports. A sharp improvement in the Balance of Payment position from an overall \$494 million surplus in FY12 to a surplus of \$5.1 billion in FY13 due to large increases in current and financial account surplus created pressure on the exchange rate to appreciate. Finally, gross international reserves reached to record \$18.1 billion on 24-Dec-13. Bangladesh Bank intervened frequently to prevent a large appreciation, leading to historic highs in building up official foreign exchange reserves.

Money supply growth was below the central bank's program target, even as banks' net foreign assets rose sharply. The reason was growth in credit to the private sector languishing far below target as political uncertainty deferred investment. The Bangladesh taka has strengthened against the US dollar since early 2013, reflecting the large balance of payments surplus.

The financial system remains under stress and capital market activities have been weak. Several financial scams and resultant loan defaults in the state-owned commercial banks (SCBs) moved them into a position of insolvency. Capital market activities remained generally weak throughout FY13. The overall fiscal deficit (excluding grants) stands at 4.3% of GDP and below the five percent budget target. According to World Bank, the FY14 budget targets a modest deficit of 4.6% of GDP and a domestic financing target of 2.9% as the authorities confront a host of domestic challenges ranging from a rising incidence of road traffic congestions, shortages of power, water and gas, to the need for higher welfare spending to protect the poor and the vulnerable.

## **Non-Banking Financial Institutions (NBFI) in 2013**

Non-Banking Financial Institutions (NBFIs) are now one of the major financial intermediaries playing important role by providing the financial services and emerged as an important sector in the economy because of the rapid demand for long term financing and equity type services. Out of total 31 NBFIs, three are government owned, ten are joint venture and rests are locally private-owned. As economic activities slow down in addition with unrest political situation throughout the year 2013, non-bank financial institutions (NBFIs) struggled to retain their profits and also have experienced a slowdown in loan repayments, as businesses struggle to operate normally.

As on September, 2013 NBFI disbursed total loans of BDT 23,205.07crore out of which loans provided in SME sector was BDT 3078.29 crore which indicates 13.27% of total loan portfolio. Among different sectors investments are mostly concentrated in the 'Industrial Sector'. Bangladesh Bank issued several guidelines for NBFIs such as "Guidelines on Products and Services" for managing and developing framework for products and services, to protect the interest of client, "Guidelines on Environmental Risk Management (ERM)" for managing the environmental risk management in this sector and also instructed to form the Risk Management Forum and the Risk Analysis Unit to develop and practice better risk culture and appetite to deal and mitigate the risks in prudent and rational way.



## Overall Performance

We are pleased to report that Agrani SME Financing Company Limited made revenue of BDT 130 million, achieved profit after Tax of BDT 38.2 million, recorded an EPS 3.82 of compared to 2.85 in the previous year. Company's total assets remained at a better position with a growth of 4% operating resulting during 2013 are summarized below:

<b>Particulars</b>	<b>2013 (BDT in millions)</b>	<b>2012 (BDT in millions)</b>
Operating Income	130	90
Operating Expenses	60	40
<b>Total Operating Profit</b>	<b>70</b>	<b>50</b>
Provision for income tax	32	21
<b>Net Profit after income tax</b>	<b>38</b>	<b>29</b>
<b>Earnings Per Share (Taka)</b>	<b>3.82</b>	<b>2.85</b>

## Loans and Advances

Total loans and advances were Tk. 437.13 millions at 31 December 2013 representing two percent lower than 2012 worth Tk. 447.01 millions. Movement of loans and advances were as under:

<b>Particulars</b>	<b>2013 (Tk.in millions)</b>	<b>2012 (Tk. in millions)</b>
Opening balance at 1 January 2013	447.01	461.11
Disbursement during the year	212.22	103.69
Recovery during the year	196.45	117.79
Write off during the year	25.65	-
<b>Closing balance at 31 December 2013</b>	<b>437.13</b>	<b>447.01</b>

Recovery position of the loans and advances was almost 97%. Out of total loans and advances balance Tk. 38 million i.e. 8.69% was classified for which necessary provisions were kept. At the end of the year 2013, a total number of 1952 enterprises have been established which have generated employment opportunities for 5352 persons. Out of the total employment 1359 were female and 3993 were male.

## Liquidity Position

Liquid position of the company was satisfactory. Details of liquidity assets of the company were as under:

Particulars	2013 (Tk. in millions)	2012 (Tk. in millions)
Short term deposit with other bank and financial institution	147.17	130.13
Fixed deposit with other bank and financial institutions	677.20	645.65
<b>Total:</b>	<b>824.37</b>	<b>775.78</b>

Total liquid asset represents 64% of total assets of the Company.

## Shareholders' Equity

Total shareholder equity at the end of the year was Tk. 1119.19 million representing 13 percent higher than 2012 worth Tk. 1080.66million. Shareholders' equity as at 31 December is summarized below:

Particulars	2013		2012	
	(Tk. in millions)	%	(Tk. in millions)	%
Share Capital	1000.00	89.35	1000.00	92.54
Statutory Reserve	13.35	1.19	5.71	0.53
General Reserve	54.73	4.89	54.73	5.06
Retained Earnings /(Losses)	51.11	4.57	20.22	1.87
	<b>1119.19</b>	<b>100.00</b>	<b>1080.66</b>	<b>100.00</b>

### MATERIAL CHANGES AFTER BALANCE SHEET DATE (31ST DECEMBER 2013)

There have been no material changes and commitments between the end of FY13 and the date of this report, affecting the financial position of the Company.

### ACCOUNTING POLICIES AND MAINTENANCE OF BOOKS OF ACCOUNTS

The Directors consider that in preparing the Financial Statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and that all International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) have been

followed. In preparing financial statements, information has been obtained from the books of accounts, which have been maintained properly as required by the applicable rules and regulations.

#### **DIRECTORS' RESPONSIBILITIES OF PREPARATION OF FINANCIAL STATEMENTS**

The Directors are of the view that the Annual Report and Company's financial statements have been prepared in accordance with applicable laws and regulations and as per requirement of regulatory authorities. The Board confirms that a true and fair view of the state of the affairs of the Company has been ensured while preparing the Financial Statements of the Company.

#### **OBSERVANCE OF IAS, BAS, BFRS & APPLICABLE LAWS**

The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable us to ensure that the financial statements comply with the Companies Act, 1994, the Financial Institutions Act, 1993, and the Bangladesh Securities and Exchange Rules, 1987. The Directors also confirm that the financial statements have been prepared in accordance with the Bangladesh Accounting Standards and other applicable rules and regulations.

#### **FAIRNESS OF THE ACCOUNTS**

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of Companies Act, 1994. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of their profits for the year ended 31 December, 2013.

#### **INTERNAL CONTROL**

Internal control including financial, operational and compliance controls and risk management systems, maintained by Management and that was in place throughout the financial year and up to and as of the date of this report, is adequate to meet the needs of the company in its current business environment. Management will follow up and review the status of actions on recommendations made by the internal control. The Board reviews regular reports from the management on the key operating statistics, as well as legal and regulatory matters. The Board also approves any changes or amendments to the company's policies.

#### **GOING CONCERN**

The Board of Directors has reviewed the Company's overall business plans, strategies and pleased that the Company has adequate resources to continue its operations in the

projected future. Directors feel it is appropriate to adopt going concern assumption and there is no material uncertainty in preparing the Financial Statements.

#### **RISK AND CONCERNS:**

The Board of Directors is in charge of determining the Company's fundamental attitude toward risk while setting out the risk principles as well as the level of risk exposure. The Board of Directors are responsible for formulating risk policies, determining methods to measure and manage risk, setting commensurate risk limits and monitoring their performance. Fundamental principles of Agrani SME Financing Company Limited's risk management philosophy are:

- Effectively managing and monitoring credit, interest rate, liquidity, market and operational risk and providing for appropriate allocation of capital among the types of risk.
- Managing risk in a forward-looking manner and identifying and analyzing risks from the beginning with the help of steering risk strategies, models and parameters.
- Creating maximum value for the shareholders, depositors and employees in long term
- Being financially reliable and strong and establishing business relations with the stakeholders that will last for many years by creating the image of a financial institution that will stay in business permanently
- Complying with Basel II and other guiding principles of Bangladesh Bank.

#### **Return to Shareholders**

Your company has always believed in giving good returns to the shareholders. This is the second year with full operation of the company. So you will agree with me that in competitive market two years operation is not sufficient to pay dividend. However, we can safely assure you that in future with the blessings of the Almighty, we shall enter into a higher growth to pay returns to our shareholders.

#### **CONTRIBUTION TO THE NATIONAL EXCHEQUER AND THE ECONOMY**

During the year 2013, the company contributed a total amount of BDT 15.02 million as Corporate Tax, BDT 6.08 million as TDS in total BDT 21.10 million was paid to the national exchequer. Agrani SME Financing Company Limited always upholds its responsibilities to the development of the society and the country as a whole. We encourage our employees to participate in social and charitable programs.

#### **Our Employee-Our Asset**

In 2013, we continued to focus on communicating our vision, mission and strategies to our employees, so as to achieve a real cultural transformation fuelled by our shared values of

Teamwork, Integrity, Growth, Excellence, Efficiency and Relationship Building. Many initiatives have been launched to nurture talent, to boost efficiency, effectiveness, productivity and innovation, and to inculcate the spirit of service. All these initiatives are based on the recognition that each of our employees is an important asset with a part to play in our long-term sustainable future. We hire the best people for the job and strive to retain, motivate, empower and reward them for their contribution. In this way, and through our shared, humanizing spirit, I believe our people find meaning in their work and will strive to serve from the heart.

Highlights of overall operation of the Company as per DFIM circular No. 11 dated December 23, 2009 are also shown in page no. 80.

## **Corporate Governance**

Your Company has always endeavored to implement and maintain high standards of Corporate Governance norms and has been practicing the principles of good corporate Governance. Corporate Governance principles as practiced by the Company rests upon the foundation of transparency, adequate disclosures, absolute compliance with the laws, fairness, professionalism, accountability and ultimately the target of maximizing the shareholders value besides catering to the interests of the creditors, employees, the environment and the society at large. Your Company is committed to conduct its business in a manner, which will ensure sustainable, capital efficient and long- term growth and in order to achieve this the Company has built up a strong foundation for making corporate Governance a way of life by having an independent board with experts of eminence and integrity, forming a core team of top level executives with proper delegation of executive powers, inducting competent professionals across the organization and putting on place best systems, process and technology.

## **Changes in the Board**

During 2013 all the Directors except Managing Director & CEO retired from the Board of Directors. All the above retired Directors have been reelected /reappointed as they expressed their willingness to act as the Directors of the Board.

## **Shareholding Pattern**

Shareholding patterns of the Company as at the end of the year 2013 is as under:

## Board Meetings and Attendance by the Directors

During the year ended on December 31, 2013 at total of 12 Boarding Meetings were held and attendance by the Directors is summarized below:

Name of the Directors	Total BOD held	Meetings Attended	Attendance of Total meeting held	Remuneration paid on attending the meeting
Syed Abdul Hamid	10	10	100%	50,000
Md. Mofazzal Husain	0	0	0%	0
Khondker Sabera Islam	10	10	100%	50,000
Krishibid A.K.M.Abdur Rafique	10	9	90%	45,000
Md. Obayed Ullah Al Masud	10	10	100%	50,000
Haradhan Chandra Das	10	10	100%	50,000
Md. Nazrul Islam Farazi	9	7	77%	35,000
A.K.M. Mujibur Rahman	10	10	100%	50,000

## Auditors

M/S Hussain Farhad & Company, Chartered Accountants and M/S Masih Muhith Haque & Company, Chartered Accountants have served as the external Auditors of the Company for the consecutive three years ending 31 December 2013. As per Bangladesh Bank's guidelines they are not eligible for re-appointment. Accordingly appointment of external auditor is under process. A new audit firm from among the 'A' Category audit firms enlisted by Bangladesh Bank will be appointed in the upcoming AGM for the next accounting year.

## Prospects:

The continuing pressure of an ever changing global economic and the financial conditions and stronger competition pose strong challenges for the company in achieving its targets. However, we believe that in the context of present economy of Bangladesh growth of small enterprises is getting pace and we also believe that we will be able to identify the sectors and markets that will command priority in an effort to be more focused which will then eventually be translated into achieving sustainable growth in future.

## Our Humble Submission

Everything we are today, everything we stand for, and everything we achieved during the year is a tribute to the commitment of our stakeholders. We are profoundly grateful for the dedication of all our staff and the loyalty of our customers, the trust of our partners and associates, and the support of Bangladesh Bank, the Securities Commission and the other regulatory authorities that have guided us over the years.

Syed Abdul Hamid, PhD, FCA  
Chairman

**Auditor's Report  
&  
Audited Financial Statements  
OF  
Agrani SME Financing Company Limited.  
For the year ended 31<sup>st</sup> December 2013**

**Agrani SME Financing Company Limited**

**Balance Sheet**

As at 31<sup>st</sup> December 2013

(Amount in Taka)

	<u>Notes</u>	As at December 31 <sup>st</sup> , 2013	As at December 31 <sup>st</sup> , 2012
<b>PROPERTY AND ASSETS</b>			
<b>Cash and equivalent:</b>		<b>829,446,139</b>	<b>775,810,609</b>
Cash		5,075,353	28,618
In Hand		75,353	28,618
Balance with Bangladesh Bank and its agent bank		5,000,000	-
<b>Balance with Other Banks and Financial Institution</b>	3	824,370,786	775,781,991
<b>Money at call and short notice:</b>		-	-
<b>Investments:</b>		-	-
<b>Loans and advances:</b>		<b>437,132,659</b>	<b>447,013,061</b>
Loans, cash credit and overdraft etc.	4	437,132,659	447,013,061
<b>Fixed assets, including Premises, furniture and fixtures</b>	5	7,329,164	3,425,717
<b>Other assets:</b>	6	16,027,957	14,262,925
<b>Non-financial institution assets:</b>			
<b>Total assets</b>		<b>1,289,935,920</b>	<b>1,240,512,313</b>
<b>LIABILITIES &amp; CAPITAL</b>			
<b>Liabilities:</b>			
<b>Borrowings from other Banks, Financial Institutions and agents</b>		-	-
<b>Deposit and other accounts:</b>		-	-
<b>Other liabilities:</b>	7	170,747,107	159,854,687
<b>Total liabilities</b>		<b>170,747,107</b>	<b>159,854,687</b>
<b>Shareholders' equity /capital:</b>			
Share Capital:	8	1,000,000,000	1,000,000,000
Statutory reserve	9	13,348,467	5,709,198
General reserve	10	54,731,264	54,731,264
Retained earnings / (Losses)		51,109,082	20,217,164
<b>Total Shareholders' Equity</b>		<b>1,119,188,813</b>	<b>1,080,657,626</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>1,289,935,920</b>	<b>1,240,512,313</b>
<b>Off Balance Sheet Items</b>			
Contingent liabilities		-	-
Letters of guarantee		-	-
Irrevocable letters of credit		-	-
Indemnity Bond		-	-
Other commitments		-	-
Undisbursed contracted loans		-	-
<b>Total Off-Balance Sheet Items</b>		<b>-</b>	<b>-</b>

These financial statements should be read with the annexed notes.

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Managing Director & CEO

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Hussain Farhad & Co.  
Chartered Accountants

\_\_\_\_\_  
Masih Muhith Haque & Co.  
Chartered Accountants

Date: 27 February 2014  
Place: Dhaka



**Agrani SME Financing Company Limited**  
**Profit and Loss Account**  
**For the year ended 31<sup>st</sup> December 2013**

		(Amount in Taka)	
	Notes	For the year ended on 31 <sup>st</sup> December 2013	For the year ended on 31 <sup>st</sup> December 2012
<b>Operating income</b>			
Interest income	11	125,995,639	89,989,059
Interest paid on deposits, borrowings etc.		-	-
<b>Net interest income</b>		<b>125,995,639</b>	<b>89,989,059</b>
Other operating income	12	4,356,860	156,039
<b>Total operating income (A)</b>		<b>130,352,499</b>	<b>90,145,098</b>
<b>Operating expenses</b>			
Salaries and allowances	13	44,135,498	29,550,444
Rent, taxes, insurance, electricity etc.	14	3,229,943	2,758,404
Postage, stamp, telecommunication etc.	15	240,102	166,606
Legal Expenses		5,590	5,480
Stationery, printing, advertisement etc.	16	1,379,401	1,169,990
Chief Executive officer's salaries and allowances	17	120,000	120,000
Directors' fees	18	384,000	395,000
Auditors' fees		126,000	120,000
Depreciation of bank's assets		1,381,142	498,104
Other expenses	19	9,383,245	5,715,870
<b>Total operating expenses (B)</b>		<b>60,384,921</b>	<b>40,499,898</b>
<b>Profit/(Loss) before amortization, provision &amp; tax (C)=(A-B)</b>		<b>69,967,579</b>	<b>49,645,200</b>
Provision for loans and advances		-	-
Other provision		-	-
<b>Total provision (F)</b>		<b>-</b>	<b>-</b>
<b>Net profit/(loss) before tax (G)= (C+F)</b>		<b>69,967,579</b>	<b>49,645,200</b>
<b>Provision for tax</b>		<b>31,771,233</b>	<b>21,099,210</b>
Current tax		29,736,221	21,099,210
Prior Year tax		1,880,693	-
Deferred tax		154,319	-
<b>Net profit/(loss) after tax</b>		<b>38,196,346</b>	<b>28,545,990</b>
Less: Appropriations		<b>7,639,269</b>	<b>5,709,198</b>
Transferred to statutory reserve		7,639,269	5,709,198
Transferred to general reserve		-	-
<b>Retained surplus</b>		<b>30,557,077</b>	<b>22,836,792</b>
<b>Earnings Per Share (EPS)</b>		<b>3.82</b>	<b>2.85</b>

These financial statements should be read with the annexed notes.

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Managing Director & CEO

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Hussain Farhad & Co.  
Chartered Accountants

\_\_\_\_\_  
Masih Muhith Haque & Co.  
Chartered Accountants

Date: 27 February 2014  
Place: Dhaka

## Agrani SME Financing Company Limited

### Statement of Cash Flows

For the year ended 31st December 2013

	(Amount in Taka)	
	Jan-Dec, 2013	Jan-Dec, 2012
<b>Cash flows from operating activities</b>		
Interest receipts in cash	125,995,639	99,885,673
Interest payments	-	-
Cash payment to employees	(44,135,498)	(24,509,691)
Cash receipts from other activities	4,356,860	156,039
Receipts from other operating activities	-	-
Payments for other operating activities	(14,533,442)	(10,137,737)
Income Tax Paid	(31,771,233)	(6,135,268)
Operating profit / (loss) before changing operating assets and liabilities	39,912,327	59,259,016
<b>(Increase) / decrease in operating assets</b>	(210,208,214)	(62,061,070)
Loan to customers	(210,208,214)	(103,673,323)
Receivable form Agrani Bank Ltd.	-	41,612,253
<b>Increase/(decrease) in operating liabilities</b>	230,981,037	174,598,262
Deposit from customers	-	-
Other liabilities	10,892,420	17,340,114
Loan recovered from customers	220,088,617	157,258,148
<b>Net cash from operating activities (A)</b>	<b>60,685,150</b>	<b>171,796,208</b>
<b>B. Cash flows from investing activities</b>		-
Other Asset	(1,765,032)	-
Sales/(Purchase) of properties, plant & equipment	(5,284,589)	(3,088,228)
<b>Net cash from investing activities (B)</b>	<b>(7,049,621)</b>	<b>(3,088,228)</b>
<b>C. Cash flows from financing activities</b>		
Payment of long term borrowings	-	-
Share money Received during the period	-	100,000,000
<b>Net cash from financing activities (C)</b>	<b>-</b>	<b>100,000,000</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>53,635,529</b>	<b>268,707,980</b>
<b>Cash and cash equivalents at the beginning of the period</b>	775,810,609	507,102,629
<b>Cash and cash equivalents at the end of the period</b>	<b>829,446,139</b>	<b>775,810,609</b>

\_\_\_\_\_  
Chief Financial Officer

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Chartered Accountants

Date: 27 February 2014

Place: Dhaka

**Agrani SME Financing Company Limited**  
**Statement of Changes in Equity**  
**For the year ended 31st December 2013**

(Amount in Taka)

Particulars	Paid up Capital	Revaluation Reserve on Government Securities	Statutory Reserve	General Reserve	Retained Earnings	Total
<b>Opening Balance as at 1 January 2013</b>	1,000,000,000	-	5,709,198	54,731,264	20,217,164	1,080,657,626
Prior Year Adjustments (Note: 20)	-	-	-	-	334,841	334,841
Adjustment of Advance Tax	-	-	-	-	-	-
<b>Restated balance</b>	1,000,000,000	-	5,709,198	54,731,264	20,552,005	1,080,992,467
General reserve					-	-
Surplus/deficit on account of revaluation of properties	-	-	-	-	-	-
Bonus share issue	-	-	-	-	-	-
Issue Right Share	-	-	-	-	-	-
Net profit for the year ended 31st December 2013	-	-	-	-	38,196,346	38,196,346
Statutory Reserve	-	-	7,639,269	-	(7,639,269)	-
<b>Total Balance as at 31 December 2013</b>	1,000,000,000	-	13,348,467	54,731,264	51,109,082	1,119,188,813

\_\_\_\_\_  
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Date: 27 February 2014  
Place: Dhaka

**Agrani SME Financing Company Limited**  
**Liquidity Statement**  
As at 31<sup>st</sup> December 2013

(Amount in Taka)

Particulars	Note more than 1 month term	1-3 months term	3-12 months term	1-5 years term	Above 5 years term	Total
<b>Assets</b>						
Cash in hand (including balance with Bangladesh Bank)	5,075,353	-	-	-	-	5,075,353
Balance with other banks and financial institutions	146,576,612	56,241,859	621,552,316	-	-	824,370,787
Money at call and short notice	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Loans, advances and leases	14,301,068	29,702,219	107,007,995	284,921,287	1,200,090	437,132,659
Fixed assets	-	-	-	-	7,329,164	7,329,164
Other assets	-	-	-	16,027,957	-	16,027,957
<b>Total assets</b>	165,953,033	85,944,078	728,560,311	300,949,244	8,529,254	1,289,935,920
						-
<b>Liabilities</b>						-
Borrowing from other banks and financial institutions	-	-	-	-	-	-
Deposits and other accounts	-	-	-	-	-	-
Provision and other liabilities	-	-	-	-	170,747,107	170,747,107
<b>Total liabilities</b>	-	-	-	-	170,747,107	170,747,107
<b>Net Liquidity Gap</b>	165,953,033	85,944,078	728,560,311	300,949,244	(162,217,853)	1,119,188,813

**Agrani SME Financing Company Limited**  
**Notes to the Financial Statements**  
**As at 31st December 2013**

**1 BACKGROUND INFORMATION**

**1.1 Establishment and status of Agrani SME Financing Company Limited**

The Agrani SME Financing Company Limited (the Company) has been incorporated as a public limited Company on 27 October, 2010 vide certificate of incorporation No. C- 87827/10. The company has taken over the ongoing work of Small Enterprise Development Project (A Norway and Agrani bank funded Project of Ministry of Finance, Bangladesh) on a going concern basis through a Vendor's Agreement signed between the Ministry of Finance of the People's Republic Bangladesh, the Board of Directors on behalf of the Agrani Bank Limited and the Board of Directors on behalf of the Agrani SME Financing Company Limited on 27 December, 2011. The company has set 31 December, 2011 as the effective date of handing over the SEDP operation to Agrani SME Financing Company Limited. The Company's current shareholdings comprise the Agrani Bank Limited and six other shareholders nominated by the Bank. The company has 41 branches as on 31 December, 2013 (with no overseas branch).

**1.2 Nature of business**

The principal activities of the company are providing support to Small and Medium Enterprises all over the country through training programme on limited basis and providing loan to the customers.

**2 SIGNIFICANT ACCOUNTING POLICIES**

**2.01 Statement of compliance**

The financial statements have been prepared on a going concern basis following accrual basis of accounting except for cash flow statement which is stated at in accordance with the Companies Act 1994, the Financial Institutions Act 1993, Securities and Exchange Commission's Rules, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), except for the circumstances where local regulations and other applicable laws and regulations differ.

The presentation of the financial statements has been made as per the requirements of DFIM Circular No.: 11, dated December 23, 2009 issued by the Department of Financial Institutions and Markets of Bangladesh Bank. The activities and accounting heads mentioned in the prescribed form, which are not applicable for the financial institutions, have been excluded in preparing the financial statements.

**2.02 Basis of measurement**

These financial statements have been prepared based on Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) and no adjustment has been made for inflationary factors affecting the financial statements. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with those of the previous year.

**2.03 Disclosure of deviations from few requirements of BAS/BFRS due to mandatory compliance of Bangladesh Bank's requirements**

Bangladesh Bank (the local Central Bank) is the prime regulatory body for Non-Banking Financial Institutions (NBFI) in Bangladesh. The Company has departed from those contradictory requirements of BAS/BFRS in order to comply with the rules and regulations of Bangladesh Bank.

Bangladesh Bank has issued template for financial statements which will strictly be followed by all banks and NBFIs. The templates of financial statements issued by Bangladesh Bank do not include 'Other Comprehensive Income (OCI)' nor are the elements of Other Comprehensive Income allowed to be included in the Single Comprehensive Income (OCI) Statement. As such the company does not prepare the other comprehensive income statement. However, the company does not have any elements of OCI to be presented.

**2.04 Presentation and functional currency and level of precision**

The financial statements are presented in Bangladesh Taka (BDT) currency, which is the Company's functional currency. All financial information presented in BDT has been rounded off to the nearest BDT.

**2.05 Use of estimates and judgments**

The preparation of financial statements in conformity with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standard (BFRS) requires management to make estimates and assumptions that effect the reported amounts of assets, liabilities, revenue and expenses. It also requires disclosures of contingent asset and liabilities at the date of the financial statements.

The most critical estimates and judgments are applied to the following:

- Provision for impairment of loans,
- Gratuity

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. However, the estimates and underlying assumptions are reviewed on an ongoing basis and the revision is recognized in the period in which the estimates are revised.

## **2.06 Directors' responsibility statement**

The Board of Directors takes the responsibility for the preparation and presentation of these financial statements.

## **2.07 Branch accounting**

The Company has 41 branches with no overseas branch as on December 31, 2013. Accounts of the branches are maintained at the head office from which these accounts are drawn up.

## **2.08 Accounting period**

The financial period of the company covers period from 1st January 2013 to 31st December 2013.

## **2.09 Loans and advances**

### **2.09.1 Presentation of loans and advances**

Loans and advances are initially recognized at fair value, representing the cash advanced to the borrower plus the net of direct and incremental transaction costs and fees. They are subsequently measured at amortized cost shown at gross amount.

### **2.09.2 Provision for loans and advances**

Provision for loans and advances has been made on the basis of instructions contained in Bangladesh Bank BRPD Circular no.05 dated June 05, 2006 in relation with BCD Circular no.34 dated November 19, 1989, BCD Circular no. 20 dated December 27, 1994, BCD Circular no. 12 dated September 4, 1995, BRPD Circular no. 16 dated December 6, 1998, BRPD Circular no. 9 dated May 14, 2001, BRPD Circular no. 09 dated August 20, 2005 and BRPD Circular no. 17 dated December 06, 2005.

## **2.10 Fixed assets and depreciation**

### **i) Recognition and measurement (Owned assets)**

Items of own property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to its working condition for its intended use as per Bangladesh Accounting Standard (BAS) 16 "Property, Plant and Equipment".

### **ii) Recognition and measurement**

Subsequent expenditure is capitalized only when it increases the future economic benefit from the assets and that cost can be measured reliably. All other expenditures are recognized as an expense as and when they are incurred.

### **iii) Depreciation**

Depreciation is charged to amortize the cost of assets, over their estimated useful lives, using the straight-line method in accordance with BAS-16 "Property, Plant and Equipment". Full depreciation is charged on addition irrespective of date when the related assets are put into use and no depreciation is charged from the month of disposal. Asset category wise depreciation rates are as follows:

Furniture and Fixtures	10%
Motor vehicles	20%
Office equipment	20%
Electric materials	20%
Computer and computer accessories	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the profit and loss account.

Depreciation methods, useful lives and residual values, if any are reviewed at the balance sheet date.

## **2.11 Revenue recognition**

The areas specially in case of interest on loans and advances, all the employees related with the credit of the company are habituated to accounting the interest income on realization basis as the practice of last 15 years inherited from the SEDP project. Though the operations of the project have been taken over through the vendor's agreement on 27th October 2011, but practically complete operational guideline in line with non-banking financial institution is yet to be developed.

### **Other revenues:**

Other charges on services rendered by the company are recognized as and when services are rendered.

## **2.12 Accounts receivable**

Accounts receivable at the balance sheet date is stated at amounts which are considered realizable. Specific allowance is made for receivable considered to be doubtful for recovery.

## **2.13 Cash flow statements**

The cash flow statement is prepared using the direct method as stipulated in Bangladesh Accounting Standard (BAS) 7 "Cash Flow Statements".

## **2.14 Write off:**

Write-off describes a reduction in recognized value. It refers to recognition of the reduced or zero value of an asset. Generally, it refers to an investment for which a return on the investment is not possible or unlikely. The item's potential return is thus canceled and removed from ("written off") the Company's balance sheet.

## **2.15 Employees benefit obligation**

As disclosed in note no. 7.2 to the financial statements, the company maintains Gratuity Fund. Legal formalities relating to Gratuity Fund has yet to be done.

## **2.16 Taxation**

### **i) Deferred tax**

Deferred tax has been calculated and accounted for in accordance with Bangladesh Accounting Standard - 12, Income Taxes

### **ii) Current tax**

Provisions for current tax has been made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of Income Tax Ordinance, 1984 and amendments made thereto. The current tax rate for the Company is 42.5% on taxable income.

## **2.17 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash at bank and term deposits that are readily convertible to a known amount of cash and that are subject to an insignificant risk of change in value.

## **2.18 Earning per share (EPS)**

The Company calculates earning per share in accordance with Bangladesh Accounting Standards (BAS) 33 "Earnings Per Share" which has been shown in the face of the Profit and Loss Account.

## **2.19 Business commitments and contingencies**

There was no capital expenditure contracted but not incurred or provided for at 31 December 2013 (2012: nil). There was no material capital expenditure authorized by the Board but not contracted for at 31 December 2013. The Company had no claim, legal or other, against it which has not been acknowledged as debt at the balance sheet date.

## **2.20 Related party disclosure**

As per Bangladesh Accounting Standards (BAS) 24 "Related Party Disclosures", parties are considered to be related if one of the party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with its related parties. Related party disclosures have been given in note 6.1 & 7.4.

## 2.21 Contingent liabilities and contingent assets

A contingent liability is a probable obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of uncertain future events not within the control of the Company or a present obligation that is not recognized because outflow of resources is not likely or obligation cannot be measured reliably. At the end of the balance sheet date the company does not have any contingent liability and contingent asset to recognize and disclose.

## 2.22 Particulars of audit committee

The audit committee of the Board was duly constituted by the Board of Directors of the Company in accordance with the Bangladesh Bank's DFIM circular no. 13 dated October 26, 2011.

The Audit Committee of the Board of Directors consisted of the following 5 (five) members of the Board:

SL	Name	Designation
1	Mrs. Khondker Sabera Islam	Chairman
2	Mr. Obayed Ullah Al-Masud	Member
3	Mr. A. K. M. Abdur Rafique	Member
4	Mr. Haradhan Chandra Das	Member
5	Mr.A.K.M. Mujibur Rahman	Member

## 2.23 Foreign remittance

There was no foreign remittance during the year 2013

## 2.24 Liquidity statement

The liquidity statement has been prepared in accordance with remaining maturity grouping of Assets and Liabilities as of the close of the year as per following bases:

- Balance with other bank and financial institutions are on the basis of their maturity term.
- Loans and advances are on the basis of their repayment/maturity schedule.
- Fixed assets are on the basis of their useful lives.
- Other assets are on the basis of their adjustment terms.
- Other liabilities are on the basis of their settlement terms.

## 2.25 Status of compliance of Bangladesh Accounting Standards.

In preparing the Financial Statements, Agrani SME Financing Company Limited applied following BAS:

Name of the BAS	BAS no.	Status
Presentation of Financial Statements	1	*
Inventories	2	N/A
Cash Flow Statements	7	Applied
Accounting Policies, Changes in Accounting Estimates and Errors	8	Applied
Events after the Balance Sheet Date	10	Applied
Construction Contracts	11	N/A
Income Taxes	12	Applied
Property, Plant and Equipment	16	Applied
Leases	17	N/A
Revenue	18	Applied
Employee Benefits	19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	20	N/A
The Effects of Changes in Foreign Exchange Rates	21	N/A
Borrowing Costs	23	N/A
Related Party Disclosures	24	Applied
Accounting and Reporting by Retirement Benefit Plans	26	N/A
Consolidated and Separate Financial Statements	27	N/A
Investment in Associates	28	N/A
Interests in Joint Ventures	31	N/A
Financial Instruments: Disclosure and Presentation	32	*
Earnings per share	33	Applied
Interim Financial Reporting	34	Applied
Impairment of Assets	36	Applied
Provisions, Contingent Liabilities and Contingent Assets	37	Applied
Intangible Assets	38	Applied
Financial Instruments: Recognition and Measurement	39	*
Investment Property	40	N/A
Agriculture	41	N/A



\*As the regulatory requirements differ with the standards, relevant disclosures are made in accordance with Bangladesh Bank's requirements (please see note 2.03).

N/A= Not applicable.

## **2.26 BASEL II & Its implementation**

To cope with the international best practices and to make the capital more risks sensitive as well as more shock resilient, guidelines on 'Basel Accord for Financial Institutions (BAFI)' have been introduced from 01 January 2012 on test basis by the Bangladesh Bank. At the end of test run period, Basel Accord regime has started and the guidelines namely "Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions (CDMD)" have come fully in force from January 01, 2012 with its subsequent supplements/revisions. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital, and Disclosure requirement as stated in these guidelines have to be followed by all FIs for the purpose of statutory compliance. As per CDMD guidelines Financial Institutions should maintain a Capital Adequacy Ratio (CAR) of minimum 10%. In line with CDMD guideline's requirement, Agrani SME Financing Company Limited is aware to ensure timely implementation of BASEL II accord.

## **2.27 Financial risk management**

Agrani SME Financing Company Limited always concentrates on delivering high value to its stakeholders through appropriate tradeoff between risk and return. A well structured and proactive risk management system is in place within the Company to address risk relating to credit, market, liquidity and operations. In addition to the industry best practices for assessing, identifying and measuring risks, the Company is also committed to follow the guidelines for managing core risk of financial institutions issued by the Country's Central Bank, Bangladesh Bank, vide FID Circular No. 10 dated September 18, 2005 for management of risk.

### **Credit risk**

To encounter and mitigate credit risk the company employed multilayer approval process, policy for customers maximum asset exposure limit, mandatory search for credit report from Credit Information Bureau, looking into payment performance of customer before financing, annual review of clients, vigorous monitoring and follow up, taking collateral, seeking external legal opinion, maintaining neutrality in politics and following arm's length approach in related party transactions, regular review of market situation and industry exposure etc.

### **Market risk**

The Company regularly meets to assess the changes in interest rate, market conditions, carry out asset liability maturity gap analysis, re-pricing of products and thereby takes effective measures to monitor and control interest rate risk, The Company has also strong access to money market and credit lines at a competitive rate through good reputation, strong earnings and financial strength.

### **Liquidity Risk**

Liquidity requirements are managed on a day-to-day basis by the Company which is responsible for ensuring that sufficient funds are available to meet short term obligations, even in a crisis scenario, and to maintain a diversity of funding sources. The Company maintains liquidity based on historical requirements, anticipated funding requirements from operation, current liquidity position, collections from financing, available sources of funds and risks and returns.

### **Operational Risk**

Appropriate internal control measures are in place, at Agrani SME Financing Company Limited, to address operational risks. Agrani SME Financing Company Limited is planning to establish an internal control & compliance department (ICCD) to address operational risk and to frame and implement policies to encounter such risks. Though at present the company does not have any internal control and compliance department but experienced people are engaged to assess operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, access and manage operational risk.

## 2.28 Expenses

In terms of the provision of the Bangladesh Accounting Standard (BAS-1) Presentation of Financial Statements, all expenses are recognized on accrual basis.

## 2.29 Particulars of Directors and their interest in the Agrani SME Financing Company Limited (31-12-2013)

<i>Name and address</i>	<i>Status</i>	<i>Date of original appointment</i>	<i>No. of shares held in the Bank</i>
Mr. Syed Abdul Hamid (Representing Agrani Bank Ltd.)	Chairman and Director	26/07/2010	9,999,988
Mrs. Khondker Sabera Islam	Director	26/07/2010	2
Mr. Md. Mofazzal Hossain	Director	11/08/2011	2
Mr. A. K. M. Abdur Rafique	Director	26/07/2010	2
Mr. Obayed Ullah Al-Masud	Director	29/02/2012	2
Mr. Haradhan Chandra Das	Director	29/02/2012	2
Mr.A.K.M. Mujibur Rahman	Managing Director and Chief Executive Officer	26/07/2010	2

## 2.30 Name of the Directors and their interest in different entities (31-12-2013)

<i>Name of the Directors</i>	<i>Designation with Company</i>	<i>Entities where they have interest</i>	<i>Position with the Entities</i>
Mr. Syed Abdul Hamid	Chairman and Director	Agrani Bank Limited.	Managing Director and Chief Executive Officer
Mrs. Khondker Sabera Islam	Director	Independent Director outside of Agrani Bank Limited.	Ex-Deputy Managing Director
Mr. Md. Mofazzal Hossain	Director	Agrani Bank Limited.	Ex - Deputy Managing Director
Mr. A. K. M. Abdur Rafique	Director	Independent Director outside of Agrani Bank Limited.	Research fellow
Mr. Obayed Ullah Al-Masud	Director	Agrani Bank Limited.	Deputy Managing Director
Mr. Haradhan Chandar Das	Director	Agrani Bank Limited.	General Manager
Mr. Nazrul Islam Farazi	Director	Agrani Bank Limited.	General Manager
Mr.A.K.M. Mujibur Rahman	Managing Director and Chief Executive Officer	Agrani Bank Limited.	Deputy Managing Director

## 2.31 Comparative Information:

Comparative information have been disclosed in respect of year ended from 01 January 2012 to 31 December 2012 for all numerical information in the financial statements and also the narratives and descriptive information when it is relevant for understanding of the current year's financial statements.

## 2.32 Incentive Bonus:

Incentive bonus amounting to Taka 6,000,000 is charged against current year's profit as per confirmation from the management.

	Note	As at 31st December (Amount in Taka) 2013	As at 31st December (Amount in Taka) 2012
<b>3 Balance with Other Banks and Financial Institution</b>		<b>824,370,786</b>	<b>775,781,991</b>
Short term deposit	3.1	147,166,407	130,125,959
Fixed deposit	Annexure 1	677,204,379	645,656,032
<b>3.1 Balance with Other Banks and Financial Institution</b>			
Local currency	3.1.1	147,166,407	130,125,959
Foreign currencies		-	-
<b>3.1.1 Local currency</b>	Annexure 2	<b>147,166,407</b>	<b>130,125,959</b>
Faridpur		69,708,784	57,103,820
Mymensingh		51,059,996	48,047,052
Head office- Dhaka		26,397,627	24,975,087

### 3.2 Cash Reserve Requirement (CRR) and Statutory Liquidity Reserve (SLR)

Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with Financial Institution Act, 1993 & Financial Institution Regulations 1994 and FID Circular No. 06 dated November 06, 2003 and FID Circular No. 02 dated November 10, 2004. The companies do not have any term deposit, therefore there is no scope of maintaining Cash Reserve Requirement (CRR).

Statutory Liquidity Reserve (SLR) has been calculated at the rate of 5.0% on total liabilities. SLR is maintain in liquid assets in the form of cash in hand (notes & coin in BDT). From January 2013, the company is maintaining a account with Bangladesh Bank where sufficient amount to maintain the Statutory Liquidity Reserve (SLR) has been deposited. As on 31 December 2013 the balance was Tk. 50,00,000.

<b>4 Loans, cash credit and overdraft etc.</b>	Annexure 3	<b>437,132,659</b>	<b>447,013,061</b>
<b>4.1 Sector wise details of loans and advances</b>			
i) Agricultural industries		167,190,444	174,739,999
ii) Textiles, Apparels &		4,019,003	330,370
iii) Food and Beverage		5,798,487	4,599,806
iv) Pharmaceuticals		137,020	2,402,224
v) Leather & Leather		405,039	981,247
vi) Power, Energy &		5,314,120	14,248,928
vii) IT & Services		1,004,323	3,258,350
viii) Transportation		1,094,105	632,540
ix) Other industries		22,171,200	27,581,639
x) Trade & Commerce		229,998,917	218,237,958
<b>Total</b>		<b>437,132,659</b>	<b>447,013,061</b>
<b>4.2 Loans and advances geographical location-wise</b>			
Urban		32,376,922	32,369,287
Faridpur		224,865,355	242,684,862
Mymensingh		179,890,382	171,958,912
<b>Total</b>		<b>437,132,659</b>	<b>447,013,061</b>

### 4.3 Details of large loan / investments

There were no clients with outstanding amount and classified loans/investments exceeding 15% of total capital of the financial institution.

### 4.4 Particulars of Loans and advances

i) Loans and advances considered good in respect of which the financial	71,597,950	63,282,000
Loans and advances considered good against which the financial institution holds no security other than the	5,689,669	4,991,000
Loans and advances considered good secured by the personal undertaking of one or more parties in addition to the personal guarantee of the debtors.	341,916,040	378,740,061

		2013	2012
iv)	Loans and advances adversely classified; provision not maintained	17,929,000	-
v)	Loans and advances due by directors or officers of the financial institution or any of them either separately or jointly	-	-
vi)	Loans and advances due from companies or firms in which the directors of the financial institution have interest as directors, partners or managing agents or in case of private	-	-
vii)	Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the financial institution or any of them either	-	-
viii)	Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the financial institutions have interest as directors, partners or managing agents	-	-
ix)	<u>Due from bank and financial</u>	-	-
	<u>Total outstanding</u>	<u>437,134,672</u>	<u>447,015,073</u>
x)	Classified Loans and advances		
a)	Classified Loans and advances on which interest has not been charged	37,993,000	44,143,000
b)	Provision on bad Loans and advances	53,306,720	62,928,232
c)	Amount of written off Loans and advances previously written off	-	-
d)	Total amount realized against loans and advances previously written off	-	-
e)	Provision kept against loans and interest credited to Interest Suspense	-	-
	Cumulative amount of written off	-	-
xi)	Opening Balance	-	-
	Amount written off during the year	-	-
	The amount of written off Loans and advances for which law suits have	-	-
<b>4.5</b>	<b>Classification of loans, advances and leases</b>		
	<b>Unclassified:</b>		
	Standard loan	368,071,659	377,183,061
	Special mention account (SMA)	31,068,000	25,687,000
	<b>Sub. Total</b>	<u>399,139,659</u>	<u>402,870,061</u>
	<b>Classified</b>		
	Sub-standard	8,608,000	5,866,000
	Doubtful	3,338,000	3,640,000
	Bad / Loss	26,047,000	34,637,000
	<b>Sub. Total</b>	<u>37,993,000</u>	<u>44,143,000</u>
	<b>Total</b>	<u>437,132,659</u>	<u>447,013,061</u>
<b>4.6</b>	<b>Particulars of required provision for loans and advances</b>		
	<b>General Provision</b>	<b>Rate</b>	<b>Base for provision</b>
	Loans and Advances(Excluding SMA)	0.25%	368,071,659
	Special mention account (SMA)	5%	31,068,000
	<b>Sub. Total</b>		<u>2,473,579</u>
	<b>Specific Provision</b>		
	Sub-standard	20%	6,331,000
	Doubtful	50%	2,855,000
	Bad / Loss	100%	20,394,000
	<b>Sub. Total</b>		<u>23,087,700</u>
	<b>Total</b>		<u>25,561,279</u>
	Required provision for loans and advance	34,021,781	34,021,781
	Total provision maintained (Note 7.1)	52,841,033	62,928,232
	<b>Excess / (short) provision at 31 December, 2013</b>	<u>27,279,754</u>	<u>28,906,451</u>

		2013	2012
<b>6 Other assets:</b>		<b>16,027,957</b>	<b>14,262,925</b>
Security deposit		1,000	1,000
Tax Deducted at Sources		7,729,786	6,081,379
Receivable from Agrani Bank Limited	6.1	7,322,127	7,322,127
DPO current account -Mymensingh		593,532	529,065
DPO current account -Faridpur		381,512	329,355
<b>6.1 Receivable from Agrani Bank Limited</b>		<b>7,322,127</b>	<b>7,322,127</b>
Opening balance during the year		7,322,127	48,934,380
Receivable on account of revolving		-	-
Received during the year		-	(41,612,253)
Closing balance during the year		7,322,127	7,322,127
<b>7 Other liabilities:</b>		<b>170,747,107</b>	<b>159,854,687</b>
Provision for loans and advances	7.1	52,841,033	62,928,232
Gratuity fund	7.2	16,737,804	14,362,766
Provision for expenses	7.3	303,800	421,741
Provision for incentive bonus		6,000,000	2,007,268
Payable to Agrani Bank (Reimbursement of bank staff benefits)		23,300	30,300
Provision for CPF		1,295,797	370,660
Provision for Super Annulations Fund		2,569,949	721,150
Provision for Vehicle Loan		665,739	195,092
Provision for Staff House Building Loan		1,892,001	564,280
Provision for Computer Loan		49,200	24,800
Provision for Gratuity		148,572	756,473
Provision for Deferred tax		154,319	-
Mymensingh Zonal office		84,670	-
Faridpur Zonal office		-	18,354
Benevolent fund		53,080	15,420
Income tax Payable		9,008	35,396
VAT Payable		-	1,624
Payable to Agrani Bank	7.4	55,672,663	55,672,663
Provision for Current tax	7.5	31,616,914	21,099,210
CPO Current Account		509,257	509,257
Provision for audit fees		120,000	120,000
<b>7.1 Provision for loans and advances</b>		<b>52,841,033</b>	<b>62,928,232</b>
Opening balance at January 01, 2013		62,928,232	52,612,818
Add: Addition during the period		-	-
Risk fund 2%		11,949,375	8,574,289
Risk Coverage Fund 1%		3,620,325	1,741,125
Less: Write off Loan & Advance		(25,656,899)	-
Closing balance at December 31, 2013		<b>52,841,033</b>	<b>62,928,232</b>
The provision for loans and advances has arisen from 2% bad debt fund and 1 % loan risk coverage fund and is a liability as per Agrani Bank Limited circular no. sharibi/19 dated 27.03.2008 adopted and practiced by the company.			
<b>7.2 Provision for gratuity fund</b>		<b>16,737,804</b>	<b>14,362,766</b>
Opening balance at January 01, 2013		14,362,766	12,320,332
Add: Transfer during this period		696,080	670,780
Add: Interest on Gratuity Fund FDR		1,678,958	1,667,956
Less: Payment during the period		-	(296,302)
Closing balance at December 31, 2013		<b>16,737,804</b>	<b>14,362,766</b>
<b>7.3 Provision for expenses</b>		<b>303,800</b>	<b>421,741</b>
Opening balance at January 01, 2013		421,741	510,000
Add: Addition during the period	7.3.1	153,800	271,741
Less: Transfer during the period		(271,741)	(360,000)
Closing balance at December 31, 2013		<b>303,800</b>	<b>421,741</b>
<b>7.3.1 Provision for expenses added during this period</b>		<b>153,800</b>	<b>271,741</b>
Provision for Closing expenses		68,600	68,600
Provision for Consultancy fee		50,000	50,000
Provision for lunch subsidy		25,200	25,200
Provision for director allowance		10,000	10,000
Provision for rates & taxes		-	117,941

	2013	2012
<b>7.4 Payable to Agrani Bank Ltd. Tk. 55,672,663</b>		
This represents payable to Agrani Bank Limited on account of final settlement of outstanding loan and advance and interest thereon as on the dates of closing of loan giving activities jointly with the company by the Agrani Bank Ltd. The account has been taken as determined by the Agrani Bank Ltd., item wise detailed calculation and reconciliation of the balance is yet to be completed.		
<b>7.5 Provision for Current Tax</b>	<b>31,616,914</b>	<b>21,099,210</b>
Current Year Tax	29,736,221	21,099,210
Prior Year Tax	1,880,693	-

#### 8 Share capital

<b>8.1 Authorized Capital :</b>	<b>5,000,000,000</b>	<b>5,000,000,000</b>
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The authorized capital of the company is Taka 5,000,000,000 divided into 50,000,000 ordinary shares of Taka. 100.00 each.

#### 8.2 Issued, subscribed and fully paid up capital :

Opening balance	1,000,000,000	500,000,000
Add: Issued bonus share	-	400,000,000
Add: Issued right share	-	100,000,000
Closing balance	<b>1,000,000,000</b>	<b>1,000,000,000</b>

During the year 2012 the company has issued 400,000 bonus share from General reserve and Right share (5:1) to meet the capital requirements as prescribed by Bangladesh Bank through DFIM circular dated on July 24, 2011. The paid up capital of the company is Taka. 1,000,000,000 divided into 10,000,000 ordinary shares of Taka. 100.00 each . This has been made in accordance with the Financial Institution Act 1993.

#### 8.3 Capital Adequacy ratio (CAR)

In terms of section 13(2) of the Bank Companies Act, 1991 and Bangladesh Bank BRPD circulars nos. 01,14,10 and 05 dated January 08, 1996, November 25, 2002 and May 14, 2007 respectively required a capital of the company at the close of the business on 31 December 2013 was Taka 1000,000,000 (10% of risk weighted assets i.e Tk. 51,602,546 or as per Bangladesh Bank DFID Circular no-5 dated 24th July 2011 required paid up capital Tk. 1000,000,000) as against available core capital of Taka 1,119,188,813 and supplementary capital of Taka 2,473,580 making the total capital of Taka 1,121,662,393 thereby showing a surplus capital/equity of Taka 1,21,662,393 at that date. Details are shown below:

Total Asset including off balance sheet items		1,289,935,920	1,240,512,313
Total risk weighted asset		516,025,460	745,091,377
Required capital (10% of risk weighted asset)		51,602,546	74,509,138
Minimum Capital Required		1,000,000,000	1,000,000,000
Actual Capital Held		1,121,662,393	1,085,713,807
Core Capital	8.3.1	1,119,188,813	1,080,657,626
Supplementary Capital	8.3.2	2,473,580	5,056,181
Total Capital Surplus/ (deficit)		<b>121,662,393</b>	<b>85,713,807</b>

Capital Adequacy Ratio (CAR) Based on | Basel II framework

		2013	
		Required	Held
Capital requirement:			
Tier -I (Minimum 5% of RWA or Tk.	5%	1,000,000,000	217%
Tier -II (Balancing)	5%	25,801,273	0.48%
Total	10%	<b>1,025,801,273</b>	<b>217%</b>

<b>8.3.1 Core Capital (Tier -I)</b>	<b>1,000,000,000</b>	<b>1,000,000,000</b>
Paid-up Capital	13,348,467	5,709,198
Statutory Reserve	54,731,264	54,731,264
General Reserve	51,109,082	20,217,164
Retained earnings	<b>1,119,188,813</b>	<b>1,080,657,626</b>
<b>8.3.2 Supplementary Capital (Tier - II)</b>		
General Provision maintained against unclassified loans	2,473,580	5,056,181
General Provision @ 1% against off balance sheet exposures	-	-
Asset revaluation reserve	-	-
Revaluation reserve for equity instruments up to 10%	-	-
Revaluation on investment	-	-
	2,473,580	5,056,181
<b>Total Actual Capital Maintained</b>	<b>1,121,662,393</b>	<b>1,085,713,807</b>

	2013	2012
<b>9 Statutory reserve</b>		
Opening balance	5,709,198	-
Add: Transfer from appropriation of	7,639,269	5,709,198
Closing Balance	<u>13,348,467</u>	<u>5,709,198</u>
<b>10 General reserve</b>	<b>54,731,264</b>	<b>54,731,264</b>
Opening balance	54,731,264	454,731,264
Add: Transfer from appropriation of	-	-
Less: Issuing bonus share	-	(400,000,000)
Closing balance	54,731,264	54,731,264
<b>11 Interest income</b>		
Interest on loans and advances      Annexure 4	48,641,961	37,850,277
Interest on short term deposit      Annexure 4	4,145,221	2,443,433
Interest on fixed deposit      Annexure 1	73,208,457	59,591,963
Less: Adjustment with Agrani bank	-	(9,896,614)
	<u>125,995,639</u>	<u>89,989,059</u>
<b>12 Other Operating Income</b>	<b>4,356,860</b>	<b>156,039</b>
Other Income	4,300,410	-
Duplicate certificate fees	3,200	10,300
Training Fees	53,250	127,250
Miscellaneous income	-	18,489
<b>13 Salaries &amp; Allowances:</b>	<b>44,135,498</b>	<b>29,550,444</b>
Salaries	29,528,318	20,303,057
Incentive Bonus	6,618,397	2,083,447
Lunch Subsidy	4,666,880	2,898,680
Wages Paid	233,333	186,479
Bonus	2,558,312	2,223,597
Conveyance Allowances	124,944	78,914
Overtime	252,334	349,017
Gratuity	152,980	1,427,253
<b>14 Rent, Taxes, Insurance, Electricity etc.</b>	<b>3,229,943</b>	<b>2,758,404</b>
Rent, rate and taxes	2,906,548	2,491,606
Insurance	54,358	52,585
Power and electricity	269,037	214,213
<b>15 Postage, Stamps, Telecommunication etc.:</b>	<b>240,102</b>	<b>166,606</b>
Telephone charges (Office)	135,414	118,053
Telephone charges (Residence)	4,384	6,162
Postages	100,304	42,391
<b>16 Stationery, Printing, Advertisement etc.:</b>	<b>1,379,401</b>	<b>1,169,990</b>
Newspaper & periodicals	153,982	150,492
Printing & stationery	901,710	926,800
Advertisement & publicity	323,709	92,698
<b>17 Managing Director's Salary and</b>	<b>120,000</b>	<b>120,000</b>
Managing Director's position in the company is being held by the Deputy Managing Director of Agrani Bank Ltd, as ex-officer, as such no other remuneration is paid except Tk 10,000 per month as charge		
<b>18 Directors' Fees:</b>		
Honorarium & fees	384,000	395,000

Each director for every attendance in Board Meeting gets Tk.5,000.Except this, no other charges or allowance is paid to the directors of the company.

	2013	2012
<b>19 Other Expenses:</b>	<b>9,383,245</b>	<b>5,715,870</b>
Petroleum, oil & lubricant for vehicles	2,765,165	2,741,406
Travelling expenses(Inland)	374,856	425,583
Training expenses	36,973	221,704
Upkeep of office premises	108,459	187,530
Business development expenses	87,826	96,196
Repairs-motor vehicles	1,223,810	541,578
Repairs-furniture & fixtures	8,000	11,070
Repairs-office equipment	48,240	58,048
Repairs & maintenance of computer	17,845	38,754
Repairs elect. Equipment & lighting materials	125,113	36,945
E-mail & internet	77,925	42,597
Consultancy Fees	668,929	425,000
Closing Expenses	199,500	68,600
Entertainment	463,474	334,606
Fees & Commission	437,421	-
Leave Encashment	332,490	-
Washing Charges	1,985	-
Recruitment Expenses	2,178,325	-
Bank Charge	196,909	427,924
Other charges	30,000	58,329
<b>20 Prior Year Adjustment</b>	<b>334,841</b>	<b>1,012,729</b>
Rectification of Bank Balance	3,210	251,949
Loan Outstanding	418,192	90,000
Incentive Bonus Payable	-	670,780
Tax deducted at source	(86,561)	-
<b>21 Performance Evaluation</b>		
Return average investment	3.47%	2.81%
Return on average asset	3.02%	2.53%
Average yield on Loan & Advances	8.56%	8.34%
Average yield on Balance with other Banks	9.67%	9.67%
Earning per Share (Taka)	3.82	2.85

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Managing Director & CEO

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman



5 Fixed assets, including Premises, furniture and fixtures

(Amount in Taka)

SL No.	Name of assets	Value at cost				Rate %	Depreciation				Accumulated depreciation	Written down value
		Opening	Addition	Disposal	Closing		Opening	Charged	Adjustment	Closing		
1	Motor vehicles	499,953	-	-	499,953	20%	99,991	99,991	-	199,981	199,981	299,972
2	Computers	403,249	3,187,304	-	3,590,553	20%	80,650	718,111	-	798,760	798,760	2,791,793
3	Furniture and fixtures	3,052,245	1,738,800	-	4,791,045	10%	398,046	479,105	-	877,151	877,151	3,913,894
4	Other equipment	61,114	82,985	-	144,099	20%	12,223	28,820	-	41,043	41,043	103,056
5	Electrical equipment	82	275,500	-	275,582	20%	16	55,116	-	55,133	55,133	220,449
<b>Balance as at 31 December 2013</b>		<b>4,016,643</b>	<b>5,284,589</b>	<b>-</b>	<b>9,301,232</b>		<b>590,926</b>	<b>1,381,142</b>		<b>1,972,068</b>	<b>1,972,068</b>	<b>7,329,164</b>
<b>Balance as at 31 December 2012</b>		<b>928,415</b>	<b>3,088,228</b>	<b>-</b>	<b>4,016,643</b>		<b>92,822</b>	<b>498,104</b>		<b>590,926</b>	<b>590,926</b>	<b>3,425,717</b>

**Agrani SME Financing Company Limited**  
**Schedule of Fixed Deposit With other Banks**  
**As at 31st December 2013**

Annex-1  
 (Amount in Taka)

SL No.	Branch name	Value as on 31.12.2012	Addition	Interest received	Tax deducted at source	Bank charge	Others	Maturity/ Transfer	Value as on 31.12.2013
	Total bad debt fund	43,297,666	-	3,882,884	355,643	173,927	-	37,881,717	8,769,263
	Total company fund	576,515,066	89,817,415	73,208,457	7,382,823	77,000	-	80,729,763	651,351,352
	Total gratuity fund	13,975,723	3,000,000	1,801,953	180,198	2,349	-	2,677,887	15,917,242
	Total loan risk coverage fund	11,867,577	-	935,447	98,181	37,300	-	11,501,022	1,166,521
	<b>Grand Total</b>	<b>645,656,032</b>	<b>92,817,415</b>	<b>79,828,741</b>	<b>8,016,845</b>	<b>290,576</b>	<b>-</b>	<b>132,790,388</b>	<b>677,204,379</b>

	<b>Interest income</b>	<b>TDS</b>
Total company fund	73,208,457	8,016,845
Gratuity fund	1,801,953	180,198
Total bad debt fund	3,882,884	355,643
Total risk coverage fund	935,447	98,181
<b>Balance transferred to income statement</b>	<b><u>73,208,457</u></b>	<b><u>7,382,823</u></b>

## Agrani SME Financing Company Limited

## Fund wise Cash at Bank

As at 31st December 2013

Annex-2  
(Amount in Taka)

SL No	Branch	Revolving Loan fund	Interest income fund	Bad debt fund	Risk coverage fund	Credit fund	Gratuity fund	TA fund	Principal Branch Acc	2013	2012
<b>Mymensingh zone</b>											
1	Bhaluka	2,971,205	270,595	111,617	117,312	-	-	-	-	3,470,728	1,753,729
2	Fulbaria	671,513	316,700	73,261	17,100	-	-	-	-	1,078,574	1,378,158
3	Gafargaon	1,726,509	328,821	61,824	70,375	-	-	-	-	2,187,529	2,903,112
4	Gouripur	2,202,505	316,914	88,149	19,716	-	-	-	-	2,627,284	2,088,879
5	Haluaghat	1,281,771	303,072	26,739	100,442	-	-	-	-	1,712,024	2,405,375
6	Ishwarganj	1,526,358	224,491	15,870	75,471	-	-	-	-	1,842,190	2,103,736
7	Mym. Sadar	3,424,065	363,462	38,218	53,747	-	-	-	-	3,879,492	2,202,053
8	Muktagacha	4,617,516	411,189	114,239	61,010	-	-	-	-	5,203,954	3,209,894
9	Nandail	3,790,313	377,612	115,726	89,881	-	-	-	-	4,373,532	2,104,871
10	Phulpur	216,192	588,221	164,242	33,457	-	-	-	-	1,002,112	1,994,820
11	Trishal	248,868	167,564	43,282	73,275	-	-	-	-	532,989	2,698,715
12	Kishore. Sadar	1,186,212	395,323	178,920	54,354	-	-	-	-	1,814,810	2,845,363
13	Karinganj	382,236	427,117	78,039	97,823	-	-	-	-	985,215	3,760,818
14	Katiadi	3,214,691	187,826	70,873	102,765	-	-	-	-	3,576,155	1,323,797
15	Jamalpur Sadar	3,983,557	215,845	96,054	38,595	-	-	-	-	4,334,051	3,051,376
16	Sherpur Sadar	4,801,185	97,833	26,476	57,876	-	-	-	-	4,983,370	1,978,088
17	Netro. Sadar	265,739	673,224	234,650	45,064	-	-	-	-	1,218,677	2,636,493
18	Kendua	1,886,844	172,347	65,905	64,657	-	-	-	-	2,189,753	1,834,707
19	Modhupur	1,039,611	256,172	67,408	49,568	-	-	-	-	1,412,759	3,127,321
20	Gopalpur	2,200,882	238,007	114,405	81,505	-	-	-	-	2,634,799	2,527,508
21	Tangail	-	-	-	-	-	-	-	-	-	56,189
22	Mymensing DPO	-	-	-	-	-	-	-	-	-	62,054
	<b>Sub total</b>	<b>41,637,771</b>	<b>6,332,334</b>	<b>1,785,897</b>	<b>1,303,993</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,059,996</b>	<b>48,047,052</b>
<b>Faridpur zone</b>											
23	Zilla Parishad	1,008,812	475,990	31,218	72,132	-	-	-	-	1,588,152	4,566,644
24	Charvadrashan	4,677,788	125,033	79,355	39,565	-	-	-	-	4,921,741	2,790,686
25	Sadarpur	2,428,176	681,925	34,541	101,428	-	-	-	-	3,246,070	3,404,881
26	Bhanga	5,976,151	672,963	111,937	105,705	-	-	-	-	6,866,756	7,860,671
27	Nagarkanda	2,376,403	345,125	257,377	72,977	-	-	-	-	3,051,882	1,154,858
28	Boalmari	4,685,412	914,618	348,085	253,214	-	-	-	-	6,201,328	8,512,925
29	Naliajamalpur	6,194,637	573,137	330,957	172,639	-	-	-	-	7,271,370	4,393,534
30	Rajbari	1,872,843	466,274	36,584	17,573	-	-	-	-	2,393,273	2,569,393
31	Pangsha	1,979,509	277,280	39,612	70,637	-	-	-	-	2,367,038	1,741,886
32	Ahladipur	2,251,783	156,578	17,859	73,423	-	-	-	-	2,499,643	2,101,442
33	Gopalgonj	4,418,369	304,758	91,944	85,063	-	-	-	-	4,900,133	2,776,389
34	Tungipara	3,610,628	198,273	61,444	84,404	-	-	-	-	3,954,749	962,975
35	Kotalipara	3,372,030	295,651	95,532	109,097	-	-	-	-	3,872,310	3,092,409
36	Madaripur	4,669,866	380,951	168,998	95,926	-	-	-	-	5,315,741	2,695,546
37	Kalkini	413,473	408,787	120,556	131,699	-	-	-	-	1,074,515	1,253,756
38	Takerhut	2,549,188	317,595	64,933	64,172	-	-	-	-	2,995,888	2,094,681
39	Borhamgonj	2,307,798	252,983	45,132	18,428	-	-	-	-	2,624,341	1,957,302
40	Shariatpur	4,290,683	194,614	11,775	66,781	-	-	-	-	4,563,853	3,173,344
41	Faridpur DPO	-	-	-	-	-	-	-	-	-	500
	<b>Sub total</b>	<b>59,083,549</b>	<b>7,042,533</b>	<b>1,947,839</b>	<b>1,634,862</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,708,784</b>	<b>57,103,820</b>
<b>Dhaka CPO</b>											
42	Amin Cort	1,035,843	-	-	-	-	899,816	-	848,961	2,784,620	7,602,815
43	Pilot Phase	-	4,410,964	-	-	-	-	-	5,088	4,416,052	332,851
44	Motijheel	-	237,835	11,821,248	2,578,544	-	1,343,003	-	3,216,325	19,196,955	17,039,421
	<b>Sub total</b>	<b>1,035,843</b>	<b>4,648,799</b>	<b>11,821,248</b>	<b>2,578,544</b>	<b>-</b>	<b>2,242,818</b>	<b>-</b>	<b>4,070,373</b>	<b>26,397,627</b>	<b>24,975,087</b>
	<b>Grand total</b>	<b>101,757,164</b>	<b>18,023,667</b>	<b>15,554,985</b>	<b>5,517,400</b>	<b>-</b>	<b>2,242,818</b>	<b>-</b>	<b>4,070,373</b>	<b>147,166,407</b>	<b>130,125,959</b>

Agrani SME Financing Company Limited  
Schedule of Loan Outstanding (Principal)  
As at 31st December 2013

Annex-3  
(Amount in Taka)

SL No.	Branch name	2013	2012
<b>Mymensingh Zone</b>			
1	Bhaluka	7,193,639	7,614,693
2	Fulbaria	11,574,525	6,092,412
3	Gafargaon	8,868,710	8,713,023
4	Gouripur	10,560,522	8,453,315
5	Haluaghat	15,097,104	13,999,340
6	Ishwarganj	7,045,427	6,445,669
7	Mymensingh Sadar	12,983,557	12,065,393
8	Muktagacha	16,886,454	13,441,141
9	Nandail	6,947,712	9,140,892
10	Phulpur	12,664,606	11,189,707
11	Trishal	8,509,930	5,113,178
	<b>Sub total</b>	<b>118,332,186</b>	<b>102,268,762</b>
<b>Kishoreganj Zone</b>			
12	Kishore. Sadar	12,843,775	10,186,908
13	Karimgonj	9,942,977	7,068,859
14	Katiadi	6,278,899	5,875,140
	<b>Sub total</b>	<b>29,065,651</b>	<b>23,130,907</b>
<b>Jamalpur Zone</b>			
15	Jamalpur Sadar	6,341,424	9,179,677
16	Sherpur Sadar	3,866,692	7,339,950
	<b>Sub total</b>	<b>10,208,116</b>	<b>16,519,627</b>
<b>Netrokona Zone</b>			
17	Netro. Sadar	14,896,470	13,024,205
18	Kendua	6,594,640	4,818,278
	<b>Sub total</b>	<b>21,491,110</b>	<b>17,842,483</b>
<b>Tangail Zone</b>			
19	Modhupur	7,663,742	6,491,555
20	Gopalpur	6,113,135	6,532,508
	<b>Sub total</b>	<b>13,776,877</b>	<b>13,024,063</b>
<b>Faridpur Zone</b>			
21	Zilla Parishad	19,393,384	18,647,520
22	Charvadrashan	10,646,301	16,341,972
23	Sadarpur	14,352,916	12,476,407
24	Bhanga	11,811,962	14,649,783
25	Nagarkanda	16,968,202	16,193,240
26	Boalmari	37,141,257	34,094,852
27	Naliajamalpur	21,297,441	22,173,887
28	Rajbari	17,937,352	16,689,553
29	Pangsha	12,315,438	11,162,100
30	Ahladipur	5,860,403	5,153,282
	<b>Sub total</b>	<b>167,724,655</b>	<b>167,582,596</b>
<b>Gupalgonj Zone</b>			
31	Gopalgonj	8,613,614	12,258,988
32	Tungipara	7,060,420	8,854,146
33	Kotalipara	7,503,713	4,824,690
	<b>Sub total</b>	<b>23,177,747</b>	<b>25,937,824</b>
<b>Madaripur Zone</b>			
34	Madaripur	13,396,654	16,514,226
35	Kalkini	11,032,752	10,389,150
36	Takerhut	14,879,397	16,689,553
37	Borhamgonj	7,998,955	8,822,650
38	Shariatpur	6,048,559	8,131,258
	<b>Sub total</b>	<b>53,356,317</b>	<b>60,546,837</b>
	<b>Grand total</b>	<b>437,132,659</b>	<b>426,853,099</b>
	Loans and Advance Outstanding at branches	437,132,659	426,853,099
		-	20,159,962
	<b>Total Outstanding</b>	<b>437,132,659</b>	<b>447,013,061</b>

Agrani SME Financing Company Limited

Schedule of Interest Income  
As at 31st December 2013

Annex-4  
(Amount in Taka)

SL No	Branch	Interest on Loans & Advance	Interest on Deposit								2013
			Revolving Loan Fund	Interest Income Fund	Bad Debt Fund	Risk Coverage Fund	Credit Fund	Gratuity Fund	TA fund	Principal Branch Acc	
<b>Mymensingh zone</b>											
1	Bhaluka	1,444,018	94,923	3,853	2,277	2,074	-	-	-	-	1,547,145
2	Fulbaria	940,352	33,235	3,092	2,139	2,676	-	-	-	-	981,494
3	Gafargaon	1,333,594	70,337	1,443	2,831	1,386	-	-	-	-	1,409,591
4	Gouripur	1,280,196	62,105	5,627	2,876	927	-	-	-	-	1,351,731
5	Haluaghat	1,255,235	38,800	4,032	2,892	2,124	-	-	-	-	1,303,083
6	Ishwarganj	1,137,464	11,831	1,697	1,757	2,019	-	-	-	-	1,154,768
7	Mym. Sadar	1,390,524	161,593	4,513	1,840	898	-	-	-	-	1,559,367
8	Muktagacha	1,499,705	60,583	5,619	2,496	1246	-	-	-	-	1,569,649
9	Nandail	895,436	49,882	2,161	1,198	2,615	-	-	-	-	951,292
10	Phulpur	1,412,572	21,753	5,978	2,472	2,478	-	-	-	-	1,445,253
11	Trishal	1,210,996	29,906	4,228	1,390	1,655	-	-	-	-	1,248,175
12	Kishore. Sadar	1,517,660	-	2,425	1,803	388	-	-	-	-	1,522,275
13	Karimganj	1,475,397	-	4,604	1,820	2,298	-	-	-	-	1,484,119
14	Katiadi	786,339	87,696	3,409	1,951	3,489	-	-	-	-	882,884
15	Jamalpur Sadar	1,167,496	23,969	8,117	1,268	550	-	-	-	-	1,201,400
16	Sherpur Sadar	189,689	-	829	907	2,071	-	-	-	-	193,496
17	Netro. Sadar	2,611,407	58,070	9,145	4,363	1,283	-	-	-	-	2,684,269
18	Kendua	673,475	66,813	2,719	2,448	1,659	-	-	-	-	747,114
19	Modhupur	1,160,428	44,959	7,135	3,455	2,877	-	-	-	-	1,218,854
20	Gopalpur	955,920	81,763	4,131	2,691	3,058	-	-	-	-	1,047,563
21	Tangail	-	-	-	-	-	-	-	-	-	-
22	Mymensingh DPO	-	-	-	-	-	-	-	-	-	-
	<b>Sub total</b>	<b>24,337,902</b>	<b>998,219</b>	<b>84,757</b>	<b>44,874</b>	<b>37,770</b>	-	-	-	-	<b>25,503,521</b>
<b>Faridpur zone</b>											
23	Zilla Parishad	1,451,615	6,320	5,122	1,730	1,503	-	-	-	-	1,466,290
24	Charvadrashan	454,306	174,334	1,375	1,475	776	-	-	-	-	632,266
25	Sadarpur	1,664,274	63,627	6,202	2,784	1,818	-	-	-	-	1,738,705
26	Bhanga	1,975,724	264,799	5,608	1,909	1,901	-	-	-	-	2,249,941
27	Nagarkanda	1,080,723	-	3,668	5,742	1,960	-	-	-	-	1,092,093
28	Boalmari	3,337,335	173,558	21,596	9,907	5,666	-	-	-	-	3,548,062
29	Nalajamalpur	1,964,312	139,649	13,723	6,536	4,925	-	-	-	-	2,129,145
30	Rajbari	1,633,874	45,874	4,085	1,432	2,474	-	-	-	-	1,687,739
31	Pangsha	1,068,245	44,701	5,900	4,353	1,471	-	-	-	-	1,124,670
32	Ahmadpur	661,947	68,282	1,691	1,985	1,687	-	-	-	-	735,592
33	Gopalganj	1,599,757	97,073	3,902	1,894	1,992	-	-	-	-	1,704,618
34	Tungipara	798,575	67,667	2,233	1,937	1,705	-	-	-	-	872,117
35	Kotalipara	1,247,962	195,136	5,146	1,858	3,653	-	-	-	-	1,453,755
36	Madaripur	1,330,065	143,364	6,659	5,818	5,511	-	-	-	-	1,491,417
37	Kalkini	1,265,821	43,093	6,127	4,462	4,397	-	-	-	-	1,323,900
38	Takerhut	1,021,276	92,332	4,593	1,623	1,350	-	-	-	-	1,121,174
39	Borhamgonj	963,686	58,912	2,464	1,723	543	-	-	-	-	1,027,328
40	Shariatpur	784,562	95,537	3,364	1,924	1,247	-	-	-	-	886,634
41	Faridpur DPO	-	-	-	-	-	-	-	-	-	-
	<b>Sub total</b>	<b>24,304,059</b>	<b>1,774,258</b>	<b>103,458</b>	<b>59,092</b>	<b>44,579</b>	-	-	-	-	<b>26,285,446</b>
<b>Dhaka CPO</b>											
42	Amin Court										-
43	Pilot Phase									22,431	22,431
44	Motijheel	-	263,297	55,415	209,292	48,830				585,265	1,162,099
	<b>Sub total</b>	<b>-</b>	<b>263,297</b>	<b>55,415</b>	<b>209,292</b>	<b>48,830</b>	-	-	-	<b>607,696</b>	<b>1,184,530</b>
	<b>Grand total</b>	<b>48,641,961</b>	<b>3,035,773</b>	<b>243,630</b>	<b>313,258</b>	<b>131,180</b>	-	-	-	<b>607,696</b>	<b>52,973,498</b>

**Interest income**

Interest on loans and advances

Interest on short term deposit

Interest on Bad Debt Fund

Interest on risk coverage fund

**Recognised income**

48,641,961

4,145,221

103,966

82,349

52,787,182