



2013 Annual Report



fostering core areas
for a better tomorrow

Prime Finance is a diversified financial service provider that is known for its quality products and services, outstanding customer service, prudent risk management and its focus on the future. Prime Finance has also been recognized as one of the most respected and trusted companies of the country.

Since its inception, Prime Finance has been committed to a set of core values that were embodied by the Company's founders and remains the cornerstone of our philosophy. These values shape everything we do - from how we develop and market our products to how we serve our customers, employees, and communities. Our constant commitment to excellence has not only kept us at the pinnacle of the NBFIs sector of the country but also earned us recognition at national and international level. With each passing year, we continue to expand and explore new horizons of success with a vision of rising higher and enhancing our expertise for serving you better.



*fostering core areas
for a better tomorrow*



Our strategic agenda has continued to serve us well. But in a rapidly changing business world, we need to scrutinize it regularly to ensure it remains focused, robust and current. To be a more service oriented organization, we refined our strategic agenda. We are confident that the strategic pillars and the imperatives we prioritize will support the definition of victory: to grow shareholder value sustainably.



We endeavor to provide our employees an ease and integrated reporting framework. We emphasize in automation of our internal systems for ensuring of using capital in a more effective way and providing investors with the information they need to take a longer term perspective on business value. We also have introduced extensive reporting for assessing and monitoring business unit profitability



We are committed to the attainment of an integrated and diverse workforce and we continue to focus on improving and developing a healthy and enabling organizational culture. We are working to ensure that we have the skills required to meet our ambitious target. We have continued to invest in our human resource base in all aspects of skills, numbers and diversity.



We believe that when reality changes, the old “best practices” no longer suffice. We always try simplifying our business as well as operational process for ensuring better service to our stakeholders.



We focus on quality capital for covering risk weighted asset, business continuity, mitigation of business jeopardy, maximizing of return capital and keeping the organization in a comfortable & trustworthy zone.



We are committed to add value for our customers, shareholders, employees and the society. Within this context, we continue encouraging investment environment friendly business organization. Besides we continue focusing on using green equipments, save energy, recycling and waste reduction.

Contents

General Information

- 4 Vision
- 4 Mission
- 5 Goal
- 6 Financial Snapshot
- 6 Zoom-in long run Perspective
- 7 Core Values
- 8 Ethical Principle
- 10 Objective & Strategy
- 13 Business Principle
- 14 Diversified Investments and Products & Services
- 16 Board of Directors
- 20 Top Management
- 21 Senior Management
- 24 Awards & Recognition

Business Review and Outlook

- 26 Message from the Chairman
- 29 Message from the Managing Director
- 33 Management Discussion and Analysis
- 37 5 years Financial Summary
- 38 Graphical Presentation of Financial Performance and Conditions
- 40 Financial Analysis and Overall Review

Sustainability & Responsibilities

- 54 Value Added Statement
- 54 Economic Value Added
- 55 Market Value Added Statement
- 56 Contribution to National Economy
- 57 Sustainability Development Accounting
- 62 Corporate Social Responsibility
- 67 Environmental Initiatives & Social Obligation
- 69 Disclosure on Green Banking Activities

Human Resources

- 76 Corporate Culture
- 78 Report on Human Resources
- 81 Functional Organogram
- 82 Report on Human Capital Management
- 83 Report on HR Accounting
- 86 Report on Remuneration
- 87 Meet our people

Our Governance

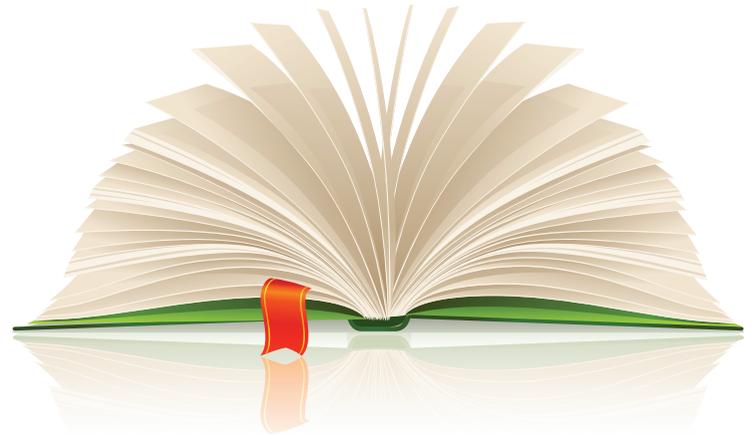
- 92 Chairman's Letter on Governance
- 93 Report on Corporate Governance
- 107 Report on Management Committee
- 110 Board's Structure
- 113 Charter of the Board and its Committee
- 116 Compliance Report on Bangladesh Bank's Guidelines on Corporate Governance
- 119 Report on Internal Control
- 121 Report of the Audit Committee

Risk Management & Business Continuity

- 124 Report on Risk Management
- 129 Report on Risk and Capital Adequacy
- 131 Underpinning BASEL III
- 134 Report on Going Concern

Directors' Report & Financial Statements

- 138 Statement on Directors' Responsibility
- 140 Directors' Report
- 164 Annual Compliance of Code of Conduct
- 165 Certificate on Compliance of Corporate Governance
- 166 Certification by the Managing Director and Chief Financial Officer on Financial Reporting



Financial Statements of Prime Finance & Investment Limited

136	Auditors' Report to the Shareholders
137	Consolidated Balance Sheet
138	Consolidated Profit and Loss Account
141	Consolidated Cash Flow Statement
142	Consolidated Statement of Changes in Equity
143	Balance Sheet
145	Profit and Loss Account
147	Cash Flow Statement
148	Statement of Changes in Equity
149	Liquidity Statement
150	Notes to the Financial Statements

Directors' Report & Financial Statements of Prime Finance Capital Management Ltd.

198	Directors' Report
204	Independent Auditors' Report to the Shareholders
205	Statement of Financial Position
206	Statement of Comprehensive Income
207	Statement of Changes in Equity
208	Statement of Cash Flows
209	Notes to the Financial Statements

Financial Statements of PFI Securities Limited

218	Auditors' Report to the Shareholders
219	Statement of Financial Position
220	Statement of Comprehensive Income
221	Statement of Cash Flows
222	Statement of Changes in Shareholders' Equity

Financial Statements of Prime Prudential Fund Limited

224	Auditors' Report to the Shareholders
225	Statement of Financial Position
226	Statement of Comprehensive Income
227	Statement of Cash Flows
228	Statement of Changes in Equity

Financial Statements of Prime Finance Asset Management Co. Ltd.

230	Auditors' Report to the Shareholders
231	Statement of Financial Position
232	Statement of Comprehensive Income
233	Statement of Cash Flows
234	Statement of Changes in Equity

Additional Information for Shareholders

274	Redressal of Shareholders Complaint
275	Events of AGM
276	Notice of 18th Annual General Meeting
278	Proxy Form
279	Useful Information for Shareholders
283	Glossary
288	Company Chronicle

Our Vision

is to be a market leader providing integrated financial solutions with special focus on creating value

For our clients *Working closely with our clients*

For our shareholders *Maximizing shareholders' wealth achieving superior performance;*

For our employees *Providing a workplace in which employees are rewarded and respected properly;*

For our communities *Supporting community initiatives in health, education, arts and economic & social development.*

Our Mission

is to

Grow profitably *Through partnership with our clients delivering innovative solutions to cater their financial needs;*

Create shareholders' value *Through client satisfaction and employee commitment to excellence;*

Enhance the ability of our employees *Giving every opportunity to have access to adventurous experience through which they can raise their self-esteem, realise their full potential and achieve more than they ever thought possible;*

Serving communities *With integrity and pride.*



Our Goal is to be
an undisputed leader in financial services
creating long-term shareholders' value
aiming to achieve this by

- Building **quality investment portfolio**;
- Focusing on **minimizing default loans** within the portfolio;
- Developing and maintaining **dependable and long-term relationship** with our clients;
- Sustaining **solid growth** without compromising profitability;
- Achieving **higher return on equity**;
- Maintaining **strong relationship** with a wide variety of partners;
- **Responding quickly** to new opportunities;
- Assessing and **managing business risk** prudently.

Financial Snapshot

(Figures in million taka except ratios and per share data)

Net Profit +23.48% Yearly growth (2012 to 2013) 2013 : 371 2012 : 300	Revenue +9.17% Yearly growth (2012 to 2013) 2013 : 2,150 2012 : 1,969	Total Assets +8.24% Yearly growth (2012 to 2013) 2013 : 17,340 2012 : 16,020
Shareholders Equity +2.81% Yearly growth (2012 to 2013) 2013 : 5,250 2012 : 5,107	EPS (Restated) +27.39% Yearly growth (2012 to 2013) 2013 : 1.10 2012 : 0.86	Net Current Assets +92.52% Yearly growth (2012 to 2013) 2013 : 832 2012 : 432
Total Investments +16.36% Yearly growth (2012 to 2013) 2013 : 16,100 2012 : 13,836	Total Deposits +20.59% Yearly growth (2012 to 2013) 2013 : 6,771 2012 : 5,615	NAV (Net Assets Value) +2.81% Yearly growth (2012 to 2013) 2013 : 5,250 2012 : 5,107

Zoom - in long run perspective

Total return gained by a share holder who got an IPO in 2005 for an initial investment of Taka 5,000 (50 shares @ Taka 100 each)

Year	Rate of dividend	Dividend		Cumulative share holding
		Bonus	Cash (Tk.)	
IPO in 2005		-	50	
2006	10B, 20C	5	1,000	55
2007	40B	22	-	77
2008	40B	30	-	107
2009	40B, 10C	42	1,070	149
2010	80B	119	-	268
Converted to Tk.10 per share in 2010 (268 x 100/10)	-	-	-	2,680
2011	40B	1,072	-	3,752
2012	20B, 10C	750	3,752	4,502

Total return as on 30 December, 2013 (Last trading date) = (4,502 x Tk. 26.70) + 1,000 + 1,070 + 3,752 = Tk. 126,025
Increased by 25.21 times

Return on individual Shareholder investment **+302.56%, 3.15 times**

Average yearly growth (2005 to 2013)

Core Values

We believe we stand stronger than before. These nine key values drive us in delivering excellent results to our stakeholders.

1 Professional excellence

- We are fair and honest and we deliver on our commitments;
- We assume everything we do is in full public view.

2 Integrity

- We are professional in all we do, continually developing our skills and expertise.

3 Transparency

- We are focused on the highest level of transparency providing accurate and timely information about our products, performance and financial results to meet the expectations of the stakeholders.

4 People

- We treat each other fairly and with respect;
- We support our colleagues and invest in their development to help them realise their full potential;
- We recognise and reward outstanding performance.

5 Client

- We listen to our clients and understand their needs;
- We build enduring relationship with them by delivering superior products and quality services.

6 Teamwork

- We work together to deliver excellent performance, taking responsibility, holding ourselves accountable and respecting the contribution of others.
- We communicate effectively and give each other the space to do the job.

7 Prudent risk taking

- We are prudent risk takers because our clients rely on us for safety and soundness.

8 Effectiveness

- We actively invest in infrastructure, process improvement and skills to lower our delivery costs;
- We do the right things right the first time, on time, every time.

9 Focus on sustainability

- We take a measured approach in our business strategy and in our acceptance and management of risk to secure the long-term viability of the business.



Ethical Principles

Ethical Principle is based on our corporate values and it expresses basic ethical code, attitudes and rules that the Company's employees follow at their work. We always have a firm and clearly defined corporate culture. It is the way we talk to each other, cooperate, create, behave in certain circumstances and at the same time it expresses what is important for us.

Fairness

Transparency

Respect

Colleagues

- Ban discrimination on the grounds of sex, race and political opinion;
- Practice respect and care towards employees at all time;
- Ban favoritism in recruitment, promotion, training and incentive policies.

- Share your knowledge without monopolizing it to your own advantage;
- Ensure transparency in career path.

- Clearly define duties and responsibilities for all employees;
- Listen and pay constant attention to employees, respecting their values, feeling, moral stance; never use any form of undue pressure or offense.

Clients

- Strive for client satisfaction at all times;
- Pay appropriate attention to each of our clients.

- Ensure timely information on products and services at all times.

- Maintain confidentiality of any information acquired, both in relation to clients and the company itself and its decisions; safeguard its assets.

Investors

- Pay appropriate attention to the investors, without discrimination or favoritism.

- Aim to be clear, complete and timely;
- Use most effective communication channel for investors;
- Turn market communication into an economic and cultural value.

- Behave with investors in line with corporate values and professional ethics as required by market's highest standards.

Communities

- Establish suitable relations with stakeholders in order to offer assistance, service and opportunities without discrimination.

- Keep the community we work informed of what we do and how we do it.

- Promote growth which is ecologically and socially sustainable.

Reciprocity

- Trying to have a positive influence in our working environment;
- Co-operate, sharing knowledge to generate value and find legitimation of our professional identity beyond organizational boundaries;
- Taking care of colleagues' needs.

- Offer a good return and a feeling of certainty to clients, to receive the equivalent in return;
- Listen to requirements and transform them into products and services.

- Listen without prejudice to any indications that investors may communicate.

- Create spaces for discussion and dialogue in which mutual exchange of information may increase our legitimacy and reputation.

Freedom

- Create proper environment, freedom of dissent and freedom to express what one thinks;
- Offer everybody the chance to practice the values of leadership and develop his/her own professional personality.

- Handle interpersonal relations in free and equal terms without being in awe of those who are stronger and without arrogance towards those who are weaker.

- Achieve freedom of action such that we can keep the promises we make to the market without undue conditioning.

- Respect individual moral codes and culture.

Trust

- Keep our commitment, admitting the possibility of mistakes made in good faith.

- Build-up confidence through behaviors that constantly confirm our reputation.

- Develop lasting and continuous relationship with the financial community;
- Safeguard our consistency and credibility;
- Willingly accept any criticism expressed by the market.

- Establish social and cultural relations with communities, whose distinctive features should be reciprocity.



Objective and Strategy

Every company has to realistically understand where it is currently positioned and where it wishes to go in the near future. The company's objective has to be set based on the resources that it has and a roadmap for the future. The aim of strategic planning is to shape the company's businesses and products so that they yield target profits and growth.

Much has been achieved by the company over the years. When we look forward, we find that a lot more needs to be done to achieve our rightful place in the financial sector of the country. We constantly keep on scanning the horizon and constantly redefine our objective setting and strategies to shape and win the market.

OBJECTIVE

Creating value for our shareholders is our prime objective. We can do so only if we achieve operational excellence and continue to improve our financial performance. We invest for future sustainable growth and are financially disciplined and we develop, recruit and retain skilled, talented and motivated people. In each area we aim to increase our focus. As a consequence, we have identified specific objectives in the following areas:

Performance

By improving efficiency, we can improve our key financial indicators. Among other measures, we have identified that multiple skill development hold the key to our future. This will enable us to improve our operational efficiency and cut costs. At the same time, job satisfaction is likely to improve significantly.

Growth

We aim to generate value from our investments by moving into a sustainable growth model. This can be achieved through improvement in operating performance of our systems, by selecting investments that will provide the best returns, or in case of diversification, by selecting businesses where we can obtain synergies for the benefit of our customers and shareholders.

In order to deliver sustainable growth, we must be disciplined in the way we manage our Balance Sheet. This means that we will return cash to shareholders to the extent it is not required for our investment objectives.

Talent

In order to recruit, develop and retain talented people, we aim to achieve a more inclusive and diverse workforce. A number of areas have been identified to help achieve our vision of developing and operating our business in a way that results in a more inclusive and diverse profile, and to be seen as an employer of choice. Performance measures are used to monitor our objective of promoting inclusion and diversity, contain the employee turnover ratio and pursuit of gender equality in our organisation.

Relationship

We build and maintain relationships with our customers, regulators, fund providers and the communities by providing quality services, prompt responses when things go wrong and dedication to continued improvement.

One of the critical elements in our regulatory relationship is in building trust. This involves being responsive to the need of our regulators for accurate information, complying with rules and regulations, operating in an ethical way and most importantly, delivering on our promises.

We aim to work in partnership with our lenders developing constructive relationship, and working together effectively. Our objective is to developing contractual arrangements with our lenders and depositors that align their interests with our own as far as possible and share financial risk appropriately.

Prime Finance's role as a good corporate citizen supports our strategic ambitions and is delivered through a sustained and consistent approach. In all our investment, we aim to develop our business, support our employees, support our communities and enhance our reputation. Our approach is based on two principles: Investment in our communities and investment in our people. Sharing of best practices across our business and working collaboratively with key partners and stakeholders enable us to maximize how communities benefit from our activities.

Responsibility

Responsibility and accountability underpins everything we do. Although our activities have no direct impact on

environment, we are committed to taking positive action to reduce our contribution to climate change and our other impacts on the environment. We want to operate to the highest standards of corporate governance and we believe in strong business ethics, based on our core values.

We are committed to continuous improvement in our environmental performance. Our objective is to help protect the environment for future generations. In addition we are committed to:

- Being cautious in financing our clients with special focus on how and for what purpose the fund will be utilized
- Financing clients which are compliant to environmental issues.

We are committed not only to ensuring that all our behaviors are lawful and that we comply with our policies and regulatory guidelines, we also expect all of our employees to live up to our core values.

STRATEGY

For a Financial Institution like PFI, the objective and strategies can never remain static. It is a dynamic concept that constantly requires readjustment of the priorities based on the money market situation and above all the macroeconomic situation prevailing in the country. It is based on this underlying spirit that on account of the contractionary monetary policy, we changed our priorities from business growth to balancing of our profit centres. Among the host of changes that took place, the following should be a true reflection of our intent and purpose:

Performance

Key performance indicators have been identified and implemented as a measure of performance. The company has slowly but surely moved into a result oriented organization where objective setting and strategy is being defined and implemented. In association with the company's strategic think tank, each of the functional departments have formulated strategies for achieving the objectives.

Objective and Strategy - *continued*

Growth

We have partially moved away from the capital market operation and focused on the core business. Our strategy has moved from sporadic growth to sustainable development. There is a gradual shift in our priorities in terms of investments from corporate organizations to small and medium enterprises. The main reason is that the small and medium sector holds nearly 90% of the total business entities.

Talent

Transparent recruitment through creative ads in the national dailies and job sites and head hunting is the cornerstone of our HR policy. In certain situations, head hunting would appear to be the logical choice in the senior positions. PFI has not only been able to hunt talent but also to retain them. At the same time, skill levels are constantly being upgraded through meaningful training programmes at home and abroad.

Relationship

Relationship with our stakeholders is continually being built through integration and interaction. PFI has been able to establish a positive image among the shareholders, regulators and the banking community through constructive engagements at every level. Our Corporate Social Responsibility has been stepped up and we aim to have a more constructive role in future in the nation building activities.

Responsibility

Being a responsible corporate citizen is the hallmark of our business motto. As a result, we have been at the forefront in adopting measures for Bangladesh Financial Intelligence Units Money Laundering and Terrorist Financing measures. At the same time in every investment activity, strict adherence to environmental matters is central to our business objectives. Today we can say we have laid the foundation for the highest standards of corporate governance.

Business Principles

Long-term relationship

Developing and maintaining long-term relationship with our clients giving priority to their need and interest and thus establishing a common goal.

Teamwork

Working together with the clients as a team to achieve best result.

Fun & Flair

Maintaining a positive moral support, a sense of community and ambitious approach to working.

Trumping bureaucracy

Short and straight lines of communication, a clear definition of responsibility and the devolution of power enables us to respond quickly to our clients' needs.

Efficient decisions

Effective services to clients are based on quick and efficient decision making, achieved through a flat hierarchy, the devolution of power and open communication.

Welcoming change

In order to assist our clients in gaining a competitive advantage, Prime Finance keeps abreast of changing business practices and seeks to implement changes ahead of the competition.

Identifying opportunities

By identifying opportunities where others see business as usual, Prime Finance is able to advise its clients effectively and provide them with exceptional choices.

Embracing competition

We view competition as a powerful motivator, as a spur to keep the Company's business ahead of the times and providing clients with the best possible service in the industry.

Efficient risk assessment

Our powerful information systems and highly qualified personnel, and its clients at heart, ensure efficient risk assessment and decision making.

Passion for building business

We are determined to build our clients' businesses for the benefit of both the parties through a strong and committed team of Company personnel and clients working in unison, focusing on the task at hand.

Rewarding talents

Company's greatest resource is its personnel, and it places great emphasis on retaining good employees. Prime Finance rewards those employees who perform most successfully providing the best services to our valued clients.

Diversified Investment through a set of versatile Products & Services



29.81%

Trade and Commerce



13.53%

Merchant Banking



13.35%

Iron, Steel and Engineering



13.35%

Garments and Knitwear



05.31%

Transport and Aviation



04.97%

Textile

Winning value excellence has been the spirit of Prime Finance. Keeping the varied nature of client base and their unique needs in mind, the Company has been constantly diversifying its products which is evidenced from the following list of versatile products and services:

Financial segments

- Lease finance
- Term finance
- Real estate finance
- Bill discounting
- Bridge/equity finance
- Syndicated finance
- SME finance
- Hire purchase
- Factoring

Deposit Products

- Semi annual deposit
- Annual income deposit
- Cumulative income deposit
- Monthly income deposit
- Quarterly income deposit
- Half-yearly income deposit
- Double income deposit
- Triple income deposit
- Earn ahead deposit
- Priority fixed deposit
- Professional fixed deposit
- Doctors' fixed deposit
- Contribution FDR

DPS Products

- Housing deposit scheme
- Fortune DPS

3.48%

Food Products and Processing



2.43%

Power, Gas, Water and Sanitary



2.43%

Ship Manufacturing



1.66%

Housing & Construction



1.20%

Pharmaceuticals and Chemicals



1.00%

Leather and Leather-Goods



Others 13.46%

Products & Services of our
Subsidiary & Associate Companies

Prime Finance Capital Management Ltd.

- Issue Management
- Underwriting
- Portfolio Management
- Corporate Advisory Services
- Merger & Acquisition

PFI Securities Ltd.

- Securities Trading Services
- Custodian Services
- Research Services
- Margin Loan
- Advisory Services

Prime Finance Asset Management Co. Ltd.

- Operate, conduct, accomplish, and establish services for industrial trading
- Investment in shares and securities
- Act as financial and monetary agent
- Merchandise shares and other securities

Prime Prudential Fund Ltd.

- Sponsor of Mutual Funds
- Capital Market Operation

Board of Directors

“

The Board of Directors is responsible for supervision of the overall affairs of the Company. Prime Finance's Board of Directors has long adherence to governance principles designed to assure excellence in the execution of their duties.

”



K. M. Khaled

K. M. Khaled, Chairman of the Board of Directors, Representing Khaled Textile Mills Ltd., Age: 72 years

- He was first appointed to the Board on 10 March 1996 and last re-appointed on 28 March 2012.
- He is a member of the Audit Committee of Prime Bank Ltd. and Chairman of the Executive Committee of Prime Bank Foundation, Vice Chairman, Board of Governor, Primeasia University.
- He is life Fellow of Institute of Engineers, Bangladesh and life Member of National Heart Foundation, Diabetic Association of Bangladesh.
- He is the President of Canada Bangladesh Chamber of Commerce and Industry.

Mr. Khaled is the Chairman of the Board of Directors of the Company since June 2011.

After completion of graduation in B. Sc Engineering (Mech.) from Bangladesh University of Engineering & Technology, Mr. Khaled started his career in 1962 as Assistant Engineer in East Pakistan Water and Power Development Authority. In 1975 he left the organization as Executive Engineer. In the same year he stepped into the business sector through formation of Greenland Engineers & Tractors Co. Ltd. (GETCO) as one of its Sponsor Directors. Gradually, Mr. Khaled through his visionary thinking, dedication and skill established many other organizations in the field of engineering, tele-communication, agriculture, IT, textile, education, banking, financial, insurance etc. Mr. Khaled is actively involved in the following companies of GETCO Group:

Greenland Engineers & Tractors Co. Ltd., GETCO Ltd., GETCO Telecommunications Ltd., GETCO Agro Vision Ltd., GETCO Agri Technologies Ltd., GETCO Online Ltd., GETCO Business Solutions Ltd., Greenland Technologies Ltd., GETCO Elevator Company Ltd., Machinery & Equipment Trading Co. Ltd., Khaled Textile Mills Ltd.

Mr. Khaled is also associated with Eurasia Gate Ltd., Acorn Trading Co. Ltd., K. S. Engineering & Technology Ltd., Prime Bank Ltd., Prime Prudential Fund Limited, PFI Properties Ltd. and Primeasia University.



Md. Aminul Haque

Md. Aminul Haque, Director, Representing Acorn Limited, Age: 73 years

- He was first appointed to the Board on 10 March 1996 and last re-appointed on 27 March 2013.
- He is a member of the Audit Committee and Executive Committee of the Company.

Mr. Haque was the recent past Chairman of the Board of Directors of the Company.

After completion of graduation in B.Sc Engineering from Bangladesh University of Engineering & Technology, Mr. Haque started his career in 1962 as Assistant Engineer in East Pakistan Water and Power Development Authority. In 1975 he left the organization as Executive Engineer. In the same year, he stepped into the business sector through formation of Greenland Engineers & Tractors Co. Ltd. (GETCO) as one of its Sponsor Directors. A diversified and successful business personality, Mr. Haque is actively associated with a number of companies in the area of banking, insurance, telecommunication, manufacturing etc.

Mr. Haque is also associated with other organization namely Acorn Limited, Asia Gate Ltd., Prime Bank Ltd., B-Trac Engineering Ltd., Bangla Trac Oil & Gas Ltd., Bangla Trac Power Ltd., THANE Technology, Anirban Enterprise Ltd., Fareast Stocks & Bonds Ltd., Prime Prudential Fund Ltd.

Muslima Shirin, Director, Representing Mawsons Limited, Age: 61 years

- She was first appointed to the Board on 27 October 2005 and last re-appointed on 27 March 2013.
- She is a member of the Audit Committee and Executive Committee of the Company. She is also a member of the Executive Committee of Prime Bank Ltd. and Prime Bank Foundation.

Mrs. Muslima Shirin is the nominated Director from Mawsons Limited.

Mrs. Muslima Shirin a dynamic and visionary lady is the Chairperson of Mawsons Limited. She has also taken part in establishing a good number of business entities including bank, non-banking financial institution and insurance company.

She is also the Director of Prime Bank Limited.

Educational qualification: Matriculation standard.



Muslima Shirin

Z. M. Kaiser, Director, Representing Maksons (Bangladesh) Limited, Age: 51 years

- He was first appointed to the Board on 24 October 2005 and last re-appointed on 29 March 2011.
- He is a member of the Audit Committee and Executive Committee of the Company.

Mr. Kaiser is the nominated Director from Maksons (Bangladesh) Limited.

Mr. Kaiser has been associated with a number of trading concerns. He has significant exposures in business management with his strategic and visionary leadership capacity.

He did Masters in Physics from the Jahangirnagar University.



Z. M. Kaiser

Mohammad Masudur Rahim, Director, Representing East Coast Shipping Lines Limited, Age: 43 years

- He was first appointed to the Board on 9 January 2008 and last re-appointed on 28 March 2012.
- He is a member of the Executive Committee of the Company.

Mr. Rahim is the nominated Director from East Coast Shipping Lines Limited.

He is a highly experienced professional with successful track record in International Trading, Marketing of FMCG, Plastic Manufacturing and Lubricating Oil industry. He held different positions with different capacities in his more than 16 years of career. Presently, he serves as the Chief Operating Officer (COO) of EC Distribution Limited, a subsidiary of East Coast Group of Companies.

Mr. Rahim associated with other organization namely Radiant Alliance Ltd.

He did Masters in Social Science, subject Economics from the University of Dhaka and Masters in Business Administration (MBA) major in Finance & Marketing from East West University, Dhaka.



Mohammad Masudur Rahim



M. Shahadat Hossain Kiron

M. Shahadat Hossain Kiron, Director, Representing Agami Apparels Limited, Age: 64 years

- He was first appointed to the Board on 19 April 1998 and last reappointed on 28 March 2012.
- He is a member of the Audit Committee of the Company.

Mr. Kiron is the nominated Director from Agami Apparels Limited.

He is renowned for his entrepreneurship skill. He is also recognized as a successful businessman in Bangladesh. Mr. Kiron through his visionary thinking, dedication and skill established many organizations in the field of trading, indenting, manufacturing, paintings, garments, garments accessories etc.

Mr. Kiron is also actively associated with other organizations namely Dekko Garments Ltd., Dekko Apparels Ltd., Glubus Garments Ltd., Agami Fashions Ltd., Dekko Fashion Ltd., Dekko Accessories Ltd., Roxy Paints Ltd., Agami Accessories Ltd., Dekko Foods Ltd., Dekko Airtel Ltd., Agami Distribution Ltd., Agami Apparels Ltd., Dekko Designs Ltd., Dekko Washing Ltd., Yolk Apparels Ltd., Shamrin Tex Ltd., Dekko Holdings Ltd., Dekko Ready wears Ltd., Dekko Textile Mills Ltd., Dekko Oil Refinery Ltd., Singardighi Fish Park Ltd.

He did graduation in Commerce.



Qazi Saleemul Huq

Qazi Saleemul Huq, Director, Representing GQ Enterprise Limited, Age: 63 years

- He was first appointed to the Board on 10 March 1996 and last reappointed on 27 March 2013.

Mr. Huq is the nominated Director from GQ Enterprise Limited.

He started his business career in 1972 through trading and import. In 1981, Mr. Huq set up GQ ball pen industry which is the pioneer in the ballpoint pen in the country. He is the Chairman of GQ Group of Companies. A diversified and successful business personality, Mr. Huq is actively associated with other companies and having vast experience in the area of banking, insurance, financial institutions, trading, manufacturing etc.

Mr. Huq is also associated with other organizations namely GQ Industries Ltd., Maladesh International (Pvt) Ltd., GQ Foods Limited, GQ Enterprise Ltd., GQ Ball Pen.

He did Masters in Business Administration from IBA, University of Dhaka in the year 1979.



Tauseef Iqbal Ali

Tauseef Iqbal Ali, Director, Age: 41 years

- He was first appointed to the Board on 7 September 1997 and last re-appointed on 27 March 2013.
- He is Chairman of the Executive Committee of the Company.

Mr. Ali is one of the sponsor shareholders of the Company. He has vast exposure in Financial Institution and Capital Market Sector of Bangladesh. Having worked as a consultant in A. Quasem & Associates Ltd., in Grameen Phones' Sarbanes Oxley (SOA) project in 2005, he is a certified CRM professional.

Currently, Mr. Ali is the Chief Executive Officer of Nouvelle Securities Ltd., (NSL) a Stock Broker & Dealer of Dhaka Stock Exchange Limited; Trading Right Entitlement Certificate (TREC) holding register number 112.

NSL is also associated with PFI Properties Ltd., as a corporate sponsor shareholder.

Mr. Ali is also associated with Prime Finance Capital Management Limited as a sponsor shareholder.

He is a Business Administration professional, completing his Bachelors in Business Administration majoring in Finance as well as Economics from Independent University, Bangladesh; and Masters in Business Administration majoring in International Business from Maastricht School of Management, The Netherlands.

Prof. Dr. Parimal Chandra Datta, Independent Director, Age: 66 years

- He was first appointed to the Board on 26 February 2012 and last re-appointed on 28 March 2012
- He is Chairman of the Audit Committee of the Company

Mr. Datta is the Independent Director of the Company.

He started his career in teaching profession in the year 1974. During this 40 year's of teaching experience he has held the position of Chairman, Accounts Department, Jagannath University the then Jagannath College, Registrar of IBAIS University, Dhaka. Presently, he is the Professor of Accounting of the School of Business, Primeasia University, Dhaka.

Mr. Datta is also the author for more than 20 text books on Accounting and Finance disciplines. He has also written a good number of Articles on the various issues of Accounting and Finance which are published in the various journals of home and abroad.

Mr. Datta is also associated with other organization namely Prime Finance Capital Management Limited. He did Masters in Accounting from Dhaka University and Ph.D in Accounting & Finance from Preston University, USA.



Prof. Dr. Parimal Chandra Datta

Kazi Md. Mortuza Ali, Independent Director, Age: 65 years

- He was first appointed to the Board on 31 December 2012.

Mr. Ali is the Independent Director of the Company.

He is the Managing Director of Prime Islami Life Insurance Company Limited. He was the ex-Chief Executive of the Bangladesh Insurance Academy (BIA) and also served as Editor of "Insurance Journal". He is one of the pioneers in the Insurance sector having more than thirty six years of experience.

Mr. Ali is also associated with other organization namely Prime Finance Capital Management Limited.

He did Masters in Accounting. He is an associate member of the Chartered Insurance Institute (London) and fellow member of Norwegian Shipping Academy, Oslo.



Kazi Md. Mortuza Ali

Mahibul Islam Chowdhury, Independent Director, Age: 69 years

- He was first appointed to the Board on 31 December 2012.
- He is Chairman of the Audit Committee of Delta Brac Housing Corporation Limited and Governing Body of Social Development Foundation

Mr. Chowdhury is the Independent Director of the Company.

He is a former Secretary, Government of Bangladesh. He served in the Government service for thirty three years in various capacities. After retiring he enrolled his knowledge, experience to various private organizations. Currently, he is Chairman of the Board of Directors and Governing Body of Social Development Foundation. Mr. Chowdhury is the Chairman of Governing Body of Rajdhani Mohila College, Dhaka and also the advisor of E.N.T. Foundation & Cancer Hospital, Dhaka.

Mr. Chowdhury is also associated with other organization namely Prime Finance Capital Management Limited, Delta Brac Housing Corporation Limited.

He completed postgraduation from the University of Dhaka and also completed M.S. in Agricultural Extension Program from the University of Wisconsin, Madison, U.S.A.



Mahibul Islam Chowdhury

Top Management

“

Prime Finance is managed by a team of qualified and experienced professionals in consonance with the strategy of the Board of Directors. These seasoned veterans offer a very clear vision and mission, evident by the incredible turn-around and new growth that the Company has experienced in recent years.

”



Asad Khan
Managing Director
With Prime Finance: Since 2011

Mr. Asad Khan, assumed the position of Managing Director of Prime Finance & Investment Limited on June 01, 2011. Before joining Prime Finance, Mr. Khan served as the Managing Director in Fareast Finance & Investment Limited from October 2005 till May 2011.

All through his professional career, Mr. Khan occupied a good number of prestigious and high profile offices in different organizations. Starting his career in the year 1980 in an industrial organization, Mr. Khan moved into the financial sector in the year 1993 when he joined United Leasing Company Limited as a Deputy Manager. In 1998, he joined Prime Finance & Investment Limited as Senior Vice President and in the year 2003, he joined Industrial Promotion & Development Company of Bangladesh Limited as Director - Investment.

Mr. Asad Khan completed his Masters in Business Management from Institute of Social Welfare and Business Management under the University of Kolkata. For outstanding academic result in MBM, he was awarded with a distinction certificate. He has also completed M. Com in Accounting from the same university. Apart from academic attainment, Mr. Khan is associated with many social organizations. Currently he is the Chairman of Bangladesh Leasing and Finance Companies Association.

Mr. Asad Khan served as the Honorary Literary Secretary of the Muslim Institute (Kolkata) and the Honorary Secretary of Rotary Club of Islamabad, Chittagong. The National Service Scheme of India awarded Mr. Khan in recognition of his services to Don Bosco Night School, India.



Md. Ahsan Kabir Khan MBA
Deputy Managing Director
With Prime Finance: Since 1998

Mr. Md. Ahsan Kabir Khan has in his credit more than a decade of experience in financial institutions.

Mr. Khan has been successfully performing different responsibilities at different times. He worked as Head of Risk Officer managing and controlling credit risk, also oversaw special assets management with monitoring activities. In addition, he has a long experience in credit administration, operation and marketing.

Utilizing his professional experience and expertise Mr. Khan contributed towards the achievement of the organizational goal and business. He was the Managing Director (Current Charge) of Prime Finance in 2011 for the period of 6 months and led this organization with his visionary leadership capability.

Mr. Khan attended numerous seminars, training, and workshop at home and abroad. He visited UK, Dubai, Indonesia, Malaysia, Singapore, Thailand, Turkey, India, Nepal for different programs both professional and personal.

Mr. Khan completed his masters in Management from the University of Dhaka in the year 1992. He also did his MBA major in Finance. Mr. Khan completed his Chartered Accountancy course from a reputed firm in Dhaka, Bangladesh. Mr. Khan is the Director of PFI Securities Limited, Prime Prudential Fund Ltd., Prime Finance Capital Management Ltd., Prime Islami Life Insurance Ltd.

Mr. Khan is involved in different social and professional society. He is life member of 'Bangladesh-China People's Friendship Association', and 'Lions Club of Dhaka Imperial'



Md. Rezaul Haque MBA
Head of Operations Division
With Prime Finance: Since 1996

Mr. Haque, an expert and experienced person in capital market started his career as an Investment Executive with Corporate Securities Management Limited, a private sector Issue Management Company in 1994. Then he joined Prime Finance in 1996 and since then he has been contributing his professional knowledge to this Company. His contribution to put forward Prime Finance as a leading Merchant Bank is inevitable. Now he is working as the Head of Operation & Marketing. He is the convener of Ethical Committee for the company to implement National Integrity Strategy of Bangladesh Govt. Mr. Haque attended numerous seminars, workshops and trainings in both home and abroad. He visited Shenzhen Stock Exchange, China for dialogue about RPCF in Nov 2009. He visited United Kingdom for the purpose of developing and attracting nonresident Bangladeshis' to capital market. Mr. Haque is a member of 'the Association of Accounting Technicians of Bangladesh', 'Lions Club of Dhaka Imperial' and 'Bangladesh-China People's Friendship Association'. He is a Director of PFI Securities Ltd, Prime Finance Capital Management Ltd. And Prime Prudential Funds Ltd.

Senior Management



Gazi Nilufar Yeasmin MBA
Senior Vice President
Since 2009

Ms. Yeasmin has 14 years of work experience in both bank and financial institution. She started her career as a credit analyst in ICB Islamic Bank (then Al Baraka Bank), a joint venture Islamic bank. She joined as Head of Operations Department in 2001 in IDLC Finance Ltd, a leading multi product financial institution of the country. There, she was responsible for managing operational activities for wide variety of products starting from Corporate Finance, SME Finance, Syndicate Finance and Short Term Financing such as Factoring, Bill Discounting & Work Order. After IDLC, she joined as Relationship Manager in Payments & Cash Management Department of HSBC Ltd. At HSBC, Ms. Yeasmin was Account Manager of foreign accounts under Foreign Direct Investment. She joined Prime Finance in May 2009 as Assistant Vice President in Operations and Marketing Department. Ms. Yeasmin graduated with Bachelor of Commerce in 1993 and obtained MBA, major in Marketing, from the Institute of Business Administration (IBA) of Dhaka University in 1997. She attended numerous trainings, seminars organized by reputed local and foreign organizations in both home and abroad.



Gulshan Ara Hafiz MBM
Vice President
With Prime Finance: Since 2002

Vice President and currently working as Head of Business & SME at Prime Finance & Investment Limited. After completion of her masters majoring bank management from Bangladesh Institute of Bank Management in the year 2002 she joined in the marketing team of the company. She progress her career with interest in business development and new business generation of the company. She is also playing pivotal role in branch coordination and core operational activities of the company. As one of the oldest members in the professional team of Prime Finance she has gathered immense experience through her working in Operations and Marketing department. She has also attended a number of training courses in the country and abroad as well, on core risk management, product diversification, effective supervisory management and team building and other related fields of her concentration area.



Ahsanullah M Dewan MIT
AVP and Head of IT
With Prime Finance: Since 2011

Ahsanullah M Dewan, Head of Information and Technology, has been working at Prime Finance since May 2011. He is responsible for core system development and overseeing existing IT infrastructure.

Mr. Dewan has experience in working different government and multinational organizations where he was involved as team lead for MIS development, compliance with IT policy & audit, databases design, and IT administration. He has served as MIS/IT Consultant for projects funded by both GoB and donor agencies including World Bank and DFID. He has worked for Ministry of Planning, Microcredit Regulatory Authority (previously known as MRRU of Bangladesh Bank), Privatization Commission under Prime Minister's Office, BSCIC under Ministry of Industries. He has co-authored several articles on IT issues which were published in Australian Journals and Conference Proceedings.

Mr. Dewan did his Bachelor of Information Technology from University of Canberra and MSc in IT with Distinction from University of New South Wales, Australia.

Mr. Dewan started his career as a Research Scholar in Australian Defence Force Academy in 2001. His academic achievements and social activities was recognized by the Australian Capital Territory Government through appointing him as the Honorary International Student Ambassador for Canberra, the Nation's Capital.



R M Nasrullah Zaidi MBA
AVP and Head of HRM & Admin
With Prime Finance: Since 2011

Mr. Zaidi is an HR professional having more than 13 years experience in the field of HR, Training & Administration. He is an MBA major in HR and Marketing and also got Post Graduate Diploma in Human Resource Management (PGDHRM). He is a Management Consultant accredited by Institute of Management Consultant Bangladesh and having Post Graduate Diploma in Management Consulting (PGDMC). He is also a certified Trainer from City & Guild - UK. Mr. Zaidi presented papers in different and National and International Conferences. He is also guest faculty for leading Private Universities in Bangladesh. He started his career in 2000 in the department of HR & Admin with a national NGO and continuing his services in Govt. & different local & multinational corporate organizations. His expertise areas are HRM, Training, Administration and Organization Development. To contribute to the professional development in the HR field, Mr. Zaidi conducted five research based study. Some of his research based articles have been published in national and international journals. He has a very good professional network and having the position of Secretary General of professional Body named Professional Society of Bangladesh. He is also member of Worldwide Trainers Forum, Fellow member and elected Executive Council Member of Bangladesh Society for Human Resources Management [BSHRM], member of Society for Human Resource Management USA and Associate Member of Institute of Management Consultants Bangladesh (IMCB)

Senior Management - continued



Lingkon Mondal, ACA
AVP & Chief Financial Officer (CC)
With Prime Finance: Since 2011

Mr. Lingkon Mondal, Chief Financial Officer (CC) has been working in Prime Finance since December 2011.

He is responsible for finance and accounts, budget and budgetary control, financial planning & analysis, day-to-day affairs of financial matters of the Company, preparation of the statutory accounts, annual report, treasury management, regulatory reporting and compliance, implementing short & long term departmental goals, dealing tax related matters & compliance, management information systems, creating coordinating & evaluating financial programs, manage cash flows, control costs and expenses etc.

Mr. Mondal, a qualified Chartered Accountant, has working experience with Rahman Rahman Huq (RRH), a member firm of KPMG International, one of the big4 audit and accounting firms in the world. He passed Chartered Accountancy within the article-ship period. He has vast working knowledge on accounting, auditing, taxation and legal matters. Mr. Mondal, obtained BBA and MBA from the University of Dhaka with major in Accounting & Information Systems with an excellent academic record. During his career; he attended numerous trainings, seminars and workshops on different aspects. He has also worked as trainer in the various seminars, trainings and workshop. Mr. Mondal is a member of the Institute of Chartered Accountants of Bangladesh (ICAB).



Syed Moniruzzaman, FCS
AVP, Company Secretary
and Chief Anti Money Laundering
Compliance Officer
With Prime Finance: Since 2012

Syed Moniruzzaman, a qualified Chartered Secretary has joined Prime Finance in March 2012 in the rank of Assistant Vice President. Mr. Zaman has in depth work experience in the field of Corporate Affairs and Human Resource. He has experience of working in national and multinationals listed companies in Bangladesh. Prior to joining Prime Finance he served in Grameenphone, Keya group, GSP Finance, Jago Corporation and CP Bangladesh.

Mr. Zaman did his Masters in Management and MBA in Finance. He is a fellow member of the Institute of Chartered Secretaries of Bangladesh.

Mr. Zaman is the Company Secretary and Chief Anti Money Laundering Compliance Officer of Prime Finance.

In addition, presently Mr. Zaman also acts as the Chief Risk Officer.



Mohammad Faruque
Assistant Vice President
With Prime Finance: Since 2005

Mr. Mohammed Faruque started his career in teaching profession in different colleges and universities of the country. Later he joined Prime Finance in November 2005. Now he has with him 9 years of in depth working experience in financial sector.

He has been considered one of the experienced members of the Senior Management team. His portfolio of responsibilities encompasses the Human Resources, Property & Facility Management, Maintenance and General Office Management functions.

Mr. Faruque's goal is to ensure that the entire Administrative function is strategically aligned with all other business functions and supports the successful creation, launch, execution and sustainability of Company's programs.

He attended numerous trainings, seminars and workshops organized by reputed local and foreign organization.

Mr. Faruque graduated with Bachelor of Commerce (Hons) in Marketing in 1994 and obtained Masters of Commerce in Marketing in 1995 from University of Dhaka.

He is also an Associate Member of Bangladesh Society for Human Resource Management (BSHRM).



Mr. Kamrul Islam Ratan
Assistant Vice President
With Prime Finance: Since 1999

Mr. Kamrul Islam Ratan, Assistant Vice President started his career with Prime Finance & Investment Limited in May 1999 as Junior Officer in Merchant Banking Department. He has experience in managing number of Public Issues of Shares and Rights Issue of different sector like Bank, Finance Institution, IT, Food and Manufacturing etc.

Then he transferred from Merchant Banking Department to HRM & Administration Department in the year 2004. Presently he is looking after HR related Matters of the Company as sectional Head.

Mr. Ratan completed his Master degree and obtained MBA, major in Human Resource Management from the University of Information Technology & Sciences. During his career, he attended different trainings & workshop organized by reputed organizations of the Country. Mr. Ratan is a member of Ethical Committee of the company. He is also an Associate Member of Bangladesh Society for Human Resource Management (BSHRM)

Senior Management - continued



Humayun Rashid MBA
Assistant Vice President
With Prime Finance: Since 2007

Humayun Rashid, MBA, Assistant Vice President with PFI since 2007. Mr. Rashid has 13 years of work experience in both bank and financial Institution. He started his career as a Management Trainee Office (MTO) in Prime Bank Limited. After that promoted as Senior Officer and posted in Sylhet Branch as credit Officer. There he was responsible for all kind of credit related work, as well as working in foreign exchange and general banking department. After Prime Bank he joined as a Executive Officer in Bank Asia Limited, Head office. Mr. Rashid was responsible for Anti Money Laundering Department as deputy risk officer and working as sub manager in the branch. He joined Prime Finance in April - 2007 as Assistant Manager in operations & Monitoring Department. Mr. Rashid graduated with Bachelor of General Science in 1999 and obtained MBA, Major in Marketing from South Eastern University, USA (London Campus) in 2000. He attended numerous trainings, seminars & workshops organized by Bangladesh Bank, BIBM & SEDF inside the country.



Md. Zaved Lakiyet
Assistant Vice President
With Prime Finance: Since 2003

Mohammad Zaved Lakiyet is working in Finance & Accounts Department as second-in-command with the responsibility of core accounts preparation, budget & budgetary control, financial planning & analysis, reporting to regulatory bodies, management information systems development and day-to-day financial affairs of the Company.

He has been considered one of the experienced members of the Senior Management team. He has vast knowledge and expertise on accounting, auditing, taxation and legal matters.

During his career, he attended numerous seminars, trainings and workshops on different aspects which lead his professional development.

Mr. Zaved graduated with Bachelor of Commerce (Hons) in Accounting in 1998 and obtained Masters in Commerce in 1999. He also completed his Masters of Business Administration (MBA) from Asia University of Bangladesh major in finance in the year 2007.



Mohammad Yamin Kabir
Assistant Vice President
With Prime Finance: Since 2003

Mr. Mohammad Yamin Kabir, AVP, Joined Prime Finance & Investment Ltd. On 01 June 2003 as Junior Officer in SME Finance Department.

He has work experience in different department of the company including SME, Operation & Monitoring. Presently he is the Head of Recovery & Legal Department. He has vast experience in Special Asset Management. During his entire career he contributed a lot for the growth of the company. He has also been rewarded from the organization for his extra ordinary effort, loyalty and ownership. He is managing and discharging his responsibility with the power of leadership capability, strong sense of ownership & loyalty.

Mr. Dewan did his Bachelor of Information Technology from University of Canberra and MSc in IT with Distinction from University of New South Wales, Australia.

Mr. Dewan started his career as a Research Scholar in Australian Defence Force Academy in 2001. His academic achievements and social activities was recognized by the Australian Capital Territory Government through appointing him as the Honorary International Student Ambassador for Canberra, the Nation's Capital.



ABM Haideruzzaman
AVP & Gulshan Branch Manager
With Prime Finance: Since 2013

Mr. ABM Haideruzzaman, Assistant Vice President, has been working in Prime Finance since December 2013 as Branch Manager of Gulshan Branch.

Mr. Haideruzzaman having 10 years of work experience in Financial Institution in the area of operations and business of consumer products. In 2004, he started his career with IDLC Finance Limited, a leading multi product financial institution of the country. There, he was responsible for managing operational activities for consumer products in Consumer Division and successfully contributed for structured operational process with full automaton. Then in 2010, he moved his career with new challenges in business division and joined as Branch Manager of Uttara Branch. Under his leadership, IDLC, Uttara Branch positioned one of the best Asset and Liabilities portfolio among the branches with enormous business growth.

Mr. Haideruzzaman did his Masters in Management under Rajshahi University and obtained MBA in Finance from North-South University. During his career, he attended various training and workshops on different aspects which lead him professional development.

Awards & Recognition

Prime Finance & Investment Limited is proud of its effort to make the Company one of the best run financial institutions in the country. It is a testament to our standards of governance, compliance and transparency that we won a number of prestigious awards over the years. Some of the notable awards achieved are:



2003

Best Merchant Bank -
Rafiqul Islam Banking Award 2003

2005

First Prize - ICAB National Award 2005
SAFA Merit Award 2005

2006

First Prize - ICAB National Award 2006
Runner Up - SAFA Award 2006

2007

First Prize - ICAB National Award 2007
Silver Award - SAFA Award 2007

2008

First Prize - ICAB National Award 2008
First Runner Up - SAFA Award 2008
Second Position - ICMAB Best
Corporate Performance Award 2008

2009

First Prize - ICAB National Award 2009
First Runner Up - SAFA Award 2009

2010

Overall Winners' - SAFA Award 2010 (Among all categories)
First Prize - SAFA Award 2010 (Financial Services Sector)
Second Position - ICAB National Award 2010
ICMAB Best Corporate Performance Award 2010

2011

SAFA Award 2011 (Runner Up)
SAFA Award 2011 (Certificate of Merit)
SAARC Anniversary Awards for Corporate Governance Disclosure
ICAB National Award 2011 (1st)
ICAB National Award 2011 - Corporate Governance Disclosure (2nd)
ICMAB Best Corporate Award 2011 (2nd)

2012

SAFA Award 2012 (2nd Runner Up)
ICAB National Award 2012 (3rd)

Business Review & Outlook



Message from

The Chairman

“

Prime Finance's total assets remained at a better position with a year-on-year growth of 8.24%, attributed mainly to a modest growth in loans, advances and financing (which increased by 12.84% compared to 2012)

”

Dear fellow Shareowners,

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 and the inadequate improvements in the provision of power, gas and infrastructure were the key factors in the growth slowdown. 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.

Despite overall deterioration in political arena, internal strife and subsequent economic downturn, we ended 2013 with posting profit and growth. Your company was heavily skewed in favor of capital market operations. With signs of stagnancy in the growth potential of capital market, in 2012 we focused on our core business activity. We focused on strengthening basic foundation of our profit centers with a view to accommodate the changing investment scenario and for a rapid and sustainable growth in future. Our objective was to ensure sustainable development and the results 2013 reflected of having on the right track. The immediate focusing was product development and we ended up with Factoring, Consumer Financing and an institutional approach to SME financing. We ended up with a well diversified investment portfolio ranging from capital market to consumer financing for ensuring more avenues of profit generation as well as reduce concentration risk.

BUSINESS PERFORMANCE FOR YEAR UNDER REVIEW

Despite many challenges Prime Finance performed suitably well and made revenue of BDT 2,149.61 million, achieved Profit after Tax of BDT 370.68 million, and recorded an EPS of 1.10 compared to 0.86 (restated) in the previous year. Prime Finance's total assets remained at a better position with a year-on-year growth of 8.24%, attributed mainly to a modest growth in loans, advances and financing (which increased by 12.84% compared to 2012). Prime Finance was able to return to a better financial footing and grow its business in a more sustainable manner for concentrated efforts of the capable people supported by stringent processes, procedures and technology.

STABILITY

Our core capital to total risk weighted Capital Asset improved to 23.72% during the year and continue to remain well above the statutory levels. Deposit is mobilized convincingly and at the end of 2013 total deposit stood at BDT 6,770.96 an enhancement of 20.59% compared to 2012. It also enabled us to meet the customers need instantly, strengthen our liquidity position. Prime Finance shareholder's equity increased by 2.81% to BDT 143.25 million during the year, further strengthening our competitive position and enhancing stability.

SUBSIDIARY & ASSOCIATES

Subsidiary and associates have continued to contribute to the bottom line of the company. Business of the subsidiary and associates is capital market centric, despite sluggishness in the capital market throughout the year they were able to end the year with recording profit. The lone subsidiary, Prime Finance Capital Management Ltd. (PFCML) recommended a 10% stock dividend for the year 2013. PFI Securities Ltd. (PFISL), an associate company, recommended 5% stock dividend for the year 2013. Meltdown in the capital market affected the business of Prime Finance Asset Management Company Ltd. (PFAMCL). The company recommended 10% cash dividend for the year 2013. Prime Prudential Fund Ltd. is another associate of Prime Finance dealing with funds specified for secondary market.

CORPORATE GOVERNANCE

This is the area where Prime Finance has given the highest importance and we take pride in setting the right tone to ensure that proper Corporate Governance prevails in the organisation. We strictly adhere to the compliance requirements of Bangladesh Bank relating to Directors and their responsibilities. Prime Finance is among the earliest and front runners in adopting the guidelines relating to code of conduct set by Securities and Exchange Commission and Bangladesh Bank.

Giving adequate freedom to our professionals is the key to creative and meaningful contributions to the institution. We pride on setting up the right environment for the professionals to bloom and be the standard bearers for the industry. Time and again we have sent our recommendations to Bangladesh Bank in areas such as Core Risk mitigations with increased emphasis on Credit Risk Management.

RISK MANAGEMENT

To ensure sustainable and consistent growth, Prime Finance has developed a sound risk management framework so that the risks assumed by the Company are properly assessed and monitored on a continuous basis. Your Company's Board has put in place a robust Enterprise-wide Risk Management architecture so that the risks remain within the risk appetite defined by the Board.

Regular meetings are held by all Committees in the Core Risk areas, scanning the horizon and steering a path clear from the pitfalls and adoption of sound risk averse techniques. Given a choice, we shall opt for sustainable growth against high profits and endanger the company in future.

RETURN TO SHAREHOLDERS

Prime Finance believes in giving highest possible return to your investment. This has been demonstrated time and again in the past. The track record is unparalleled and has been consistent over the years. In an effort to maintain this trend, we have proposed to give 15% cash dividend for the year 2013. Then again, the value given to our stakeholders is utmost in the perception of the company. We can safely assure you that in future

with the blessings of the Almighty, we shall enter into a higher growth trajectory in the coming years to continue the legacy of above average returns to our shareholders.

VISION FOR THE FUTURE

Future lies in diversification of the company's vision for the future. The company is right now going through a metamorphosis. The company realizes that ease of doing business is fundamental to the growth prospects of the company and has embarked upon in house creative solutions to the IT infrastructure and forays into informal sectors as part of its future growth prospects.

Our future lies in building very close relationships with our customers and our ability to present financial products to fit their requirements. Our focusing on SME sector offering a broad spectrum of choice and deals to clients shall be the harbinger of growth for the future. The management shall fan out to the growth areas in the country through opening of branches in the future as a part of its strategic shift. The opening of Gulshan Branch, Dhaka is just the beginning. This will be followed by Uttara Branch as part of its efforts to reach the doorstep of the clients.

ACKNOWLEDGEMENT

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 Prime Finance 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 Prime Finance.



K. M. Khaled
Chairman



Message from

The Managing Director

“

PFI's growth in 2013 was primarily driven by significant increases in net interest income, strict containment of lending rate and increased operating efficiency. During the year, the net interest income grew by 80.07% compared to the previous year

”

The year 2013 was more of an existential problem than high growth or profits. Sustainability of the company was the most important consideration which the management had in sight. With the banking sector under intense pressure and more and more regulatory and prudential guidelines coming from the Central Bank, a different level of challenges emerged. When the banks are in a difficult position, NBFIs suffocate since most of them are still dependent on the banks for their operational matters.

The greater part of the year saw a massive swing from a contractionary monetary policy to excess liquidity beginning from the second half of the year. It was a case of moving from one crisis to another. When an institution is faced with contractionary monetary policy, the critical issue is how to source funds in an environment where there are no givers. On the contrary, when there is no demand for money, then identifying quality investment becomes a greater challenge. Again, large scale pay offs through refinancing from banks becomes the order of the day. In both these cases, financial institutions are perennial losers.

Excess liquidity in a developing economy like Bangladesh is inevitably due to lack of demand for money on account of slowdown in the economy. In a volatile political atmosphere for well over a year beginning from early 2013, investors' pragmatism prevailed. They adopted a wait and see policy hoping against hope for a political settlement. Add to this, low aid commitment from donor countries, and you are left with a double whammy to the investment climate. Investors are still on an observation mode. Slowdown in import of capital machinery is likely to have a telling effect in the employment numbers of the country in the next few years.

CHARACTERISTICS OF NBFIS

Financial Institutions are a different breed in terms of their characteristics. They are not banks and perhaps that is the reason why they are at times referred to as Non Banks, which is again a misnomer. At least at the nascent stage, their size cannot be as big as banks. Banks are inherently destined to be big with their Balance Sheet size increasing no matter what the state of the economy.

For NBFIs the creativity is how to manage in such a challenging economic landscape. Most NBFIs

operate with a spread of around 3% unlike the banks where the lowest spread is around 5%. So NBFIs start with a handicap. On account of the size, the overhead expenses are disproportionately higher as compared to banks. Again, when the NBF sector remains addicted to the Banking sector and remains dependent for their operational well being, it is a recipe for a dismal bottom line. Now add to this the fact that few corporate clients are willing to offer collaterals against their funding needs and you can easily sum up the reasons for less than desired growth in this sector.

STRATEGIES FOR SUSTAINABILITY

In 2011 and 2012, when we realized that a major source of income from the capital market would dry up, we moved towards gearing up our efforts in our core business. Part of the funds from own portfolio was relocated and moved into the mainstream funding. With strains in the liquidity situation, our efforts were largely to offset the high cost of borrowing and shifting the company towards longer term funds.

In 2013, there were pockets of opportunity in a sliding interest environment. Banks were busy cleaning up their Balance Sheets and taking a closer look at their cost of funds in a declining interest scenario. Deals were quickly made with existing and new clients and the loan size started to climb. Lower cost of funds helped your company to gradually increase the spread that ultimately resulted in a spread of around 3% by the end of the year 2013.

CASE FOR SME FUNDING

With more than 56 banks and 31 financial institutions moving towards the same target market among corporate clients, it becomes a recipe for disaster for the NBFIs. The spread started to squeeze once again on account of competitive pricing. The casualty was once again the Financial Institution. Now add to this the Non Performing loans and this inevitably ends up in an anemic situation for the weaker NBFIs.

Prime Finance, realizing the stifling atmosphere, made a strategic move to penetrate the SME Sector. The company made changes to its organisational structure, laid the foundation for an institutional approach to the SME clients, developed the Factoring product and ended up with the Consumer

Finance arena as part of its product diversification programme.

During this time, Gulshan Branch was initiated and manned by quality professionals to make forays into the SME and Consumer Finance market upto Gazipur District. During this time, structural changes were made to Chittagong Branch and a special focus was given to the SME Sector in Chittagong. Rajshahi Branch ended up as a full fledged small business directed branch.

THE WEANING PROCESS

The motto of Prime Finance is to seek opportunity in an adverse situation. Excess liquidity in 2013 gave us an opportunity to go for intensified deposit mobilization campaign. During late 2011, the Liability and Fund Management Unit was set up as a part of weaning process and reducing dependence on banks. With lessons learnt from other Financial Institutions, 14 different products were developed and offered to the public. The result was a quantum leap in the amount of deposits mopped up during the year. Creative marketing also helped in the success story.

Most of the deposit products are short term in nature. To ensure proper Asset Liability Management, the company has set its sight on development of long term creative deposits like Double Money Deposit, Triple Money Deposit, Deposit Pension Scheme, and Millionaire Scheme. This will help to reduce volatility in fund management.

Your company has now set its sight in mobilizing 80% of its funding requirements by 2015 through intensified approach to deposit products.

INTERNAL SCENARIO

Your company realizes that the future lies with those institutions that have a strong IT backbone. Information Communication Technology can give comfort to the clients and make life easier for them as well as for the company. Prime Finance has been the centre of creativity for more than a decade. It was here that the first indigenous Capital Market software was developed in association with Leads Corporation Limited. Again, Prime Finance set the atmosphere for development of Software for Financial Institutions. This software was later adopted by a majority of NBFIs in the country.

True to its tradition, Prime Finance initiated the process of developing its own software starting in late 2012. The first to be developed and installed was the Deposit Software. This was followed by new Web based software for its core products. To help the IT team in its objective, a software specialist was inducted. On first of January 2014, the new software has seen its trial run and up gradation is steadily going on.

As an effort to go for long term deposits, new Deposit Pension Scheme software based on a web design has been initiated in collaboration with a team of specialists on a retainer basis. The software will enable mobile banking transactions to give a new level of comfort to the small depositors.

In 2014, the company intends to launch software to support the Factoring products started by the company. There are efforts to catapult the company to transform it truly as a 21st Century vibrant organisation.

OTHER DEVELOPMENTS

The Treasury Department has been revamped and has been converted as a profit centre instead of sourcing of funds. Market volatility has been used to source funds and place them at Financial Institutions and Banks and end up with modest margins. In 2013, Prime Finance went for major efforts to decrease fund costs and in selected cases reduced long term loans from banks. At the same time the tenor has been reduced for credit lines to reduce the interest cost and pave the way for fresh funds at competitive rates.

HUMAN RESOURCES

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 both the new asset and liability products, Prime Finance gradually increased its staff strength by around 50%. Strategic mid levels have been filled and branch business has been geared up with special focusing in Consumer Finance, SME and Factoring products.

On the liability side, a few additional teams have been inducted for greater penetration and reach of

Message from the Managing Director - continued

the masses. During the year branches been empowered through online connectivity and ease of communication with the Head Office.

Again, the company has kept its vigilance in the concept of lean administration and at the same time to enjoy the economies of scale. Skill development and multi tasking has become the primary means of achieving the goals through higher per capita productivity.

RISK MANAGEMENT STEPS

Bangladesh Bank has added one more risk, prevention of Money Laundering & Terrorist Financing, to its core risk guidelines. Prime Finance has taken the issue seriously and has taken steps to ensure that the regulatory compliance is effective. All Committees under the Risk Management have been empowered and have been fully functional.

In its Credit Appraisal System, a change has been brought through a three tier system to realistically assess a business proposal. Credit Risk Management and the Management Committee have been strengthened. Efforts are under way to decentralize the legal system and make the branches accountable for their recovery efforts.

FINANCIALS

The fallout of the last year's standoff has stagnated the investment climate. The current situation goes beyond the control of the institutions. There is a cascading effect – the client is in distress and the negative vibes are passed on to the NBFIs and Banks. The negative developments in the year had a telling effect on the NBFIs and Banks.

Despite this your company has steadily shown all round improvements in its financials and is poised to look for robust growth in future. In terms of Bangladesh Financial Reporting Standards (BFRS), Prime Finance's capital, reserves and earnings attributable to shareholders amounted to total BDT 4,470.97 million, representing an increase of 1.63% from the previous year. During the year, PFI achieved a profit after tax of BDT 370.68 million, which increased by 23.48% from the previous year. The profit attributable to equity holders of the PFI amounted to BDT 299 million, up 27.02% from the previous year. Return on average total assets and return on average equity stood at 2.81% and 7.06%

respectively, representing a year-on-year increase of 6% and 20.11%.

PFI's growth in 2013 was primarily driven by significant increases in net interest income, strict containment of lending rate and increased operating efficiency. During the year, the net interest income grew by 80.07% compared to the previous year. Lending rate was restricted at an average of 17.25% considering tight money market situation across the industry through out the year.

Prime Finance Capital Management Limited, the subsidiary company, posted BDT 179.19 million net profit during the year ended 31 December 2013 compare to BDT 161.99 million in 2012. 67% of its total revenue generated from capital gain on investment in share.

OUR STAKEHOLDERS

We are here because the clients and our shareholders are here. On behalf of the management, I would like to take this opportunity to express our sincere gratitude to our investors. Our customers have a special loyalty to Prime Finance and the team effort with our clients have been in existence for over a decade. We also express our gratitude for the trust reposed by our partners and associates, and the support of the regulatory authorities that have guided us over the years.

An enabling environment comes from the top. Our Board is our pride and the source of inspiration for the employees. It is the sense of belongingness and the guidance from our Board that has driven this company forward. Above all, the emotional attachment of our management colleagues has give a synergy that is unparalleled in the country. Thank you for your diligence and contribution. I believe that, with our concerted efforts in pursuit of excellence, Prime Finance will continue to achieve sustainable development in coming years.



Asad Khan
Managing Director



Management Discussion and Analysis

NON-BANKING FINANCIAL INDUSTRY

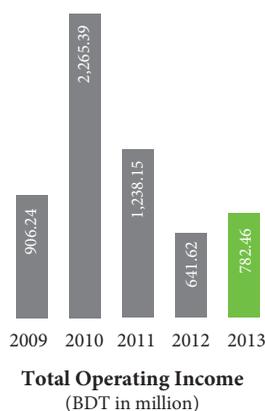
Non Banking Financial Institutions (NBFIs) are, in addition to banks, major financial intermediaries in the Bangladesh economy. NBFIs are playing vital role in the financial sector by providing additional financial services that are not always provided by the full-fledged banking industry. In recent years NBFIs have achieved impressive growth by satisfying the changing demands of customers with more multifaceted products and services and adding differentiation to the bank based financial market of Bangladesh. NBFIs also playing a pivotal role in the capital market as well as in real estate sector of Bangladesh. There are 31 NBFIs licensed under 'Financial Institution Act, 1993' and are regulated by Central Bank of Bangladesh. As per the Financial Institution Regulation, 1994, at present, the minimum paid up capital for NBFIs is BDT 1.0 billion. Presently, out of 31 NBFIs, 3 are Government-owned, 10 are joint venture and the rest 18 are locally private-owned. Meanwhile, the branch network increased to 170 as on 30 June 2013.

The asset base increased substantially in FY13. Aggregate industry assets stood at BDT 333.9 billion in 2012 from BDT 288.4 billion in 2011, showing a higher growth of 15.8 percent compared to the previous year. At the end of June 2013, assets stood at BDT 378.5 billion.

Investments of NBFIs are mostly concentrated in the industrial sector. In June 2013, NBFIs investment in different sectors are industry 43.8 percent, real estate 16.7 percent, margin loans 5.0 percent, trade and commerce 11.3 percent, merchant banking 4.0 percent, agriculture 1.5 percent and others 17.7 percent. As compared with December 2012, investment in industry increased by 6.2 percentage points due to a significant rise in investment in power, gas, water and sanitary services. Other investments showed little changes, except housing which decreased by 2.6 percentage points at the end of June 2013.

Total deposits of the NBFIs in 2012 rose to BDT 145.4 billion, 53.0 percent of total liabilities, from BDT 112.6 billion 47.8 percent of total liabilities in 2011, an overall increase of 29.1 percent. Total deposits further increased to BDT 174.0 billion at the end of June 2013.

The aggregate liabilities of the industry in June 2013 stood at BDT 316.3 billion compared to BDT 274.3 billion in December 2012. At the end of December 2012, the ratio of NPL of NBFI was 5.4 percent. ROA and ROE of all the NBFIs in December 2012 were 1.9 and 10.4 percent respectively. As of December 2012, out of 29 NBFIs, 2 are "1 or Strong", 11 are "2 or Satisfactory" 13 are "3 or Fair" and 3 are "4 or Marginal" in the earnings and profitability component of the CAMELS rating matrix.



INCOME

Despite the slowdown in economic growth resulting in reduced credit demand and volatile market conditions, the company consolidated its position and grew its income by 21.95%. The growth in Interest income increased to 9.62% in 2013. The Company maintained a net interest margin of 10.47%, amid challenges and difficulties brought on slow credit growth.

COST TO INCOME

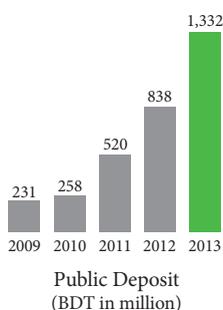
Improvement in cost to income ratio was strategic priorities during the year for us at Prime Finance. This ratio improved to 86% compared to last year's 90%. It is yet to materialize the results of streamlining the cost structure. Certain back office functions were also centralized, enabling operations to focus more on business. The Company will continue to priorities and engage in improving the cost to income ratio in the coming years as well.

LEASE, LOANS AND ADVANCES

Despite 2013 being a challenging year we commendably maintain an average interest earnings rate at 17.12%. The total advances, net of specific provisions stood at BDT 230.73 million as against the last year's amount of BDT 269.43 million.

FUNDING

Public Deposits which represent 19.67% of our funding base, excluding equity, grew by 31.72% amid strong competition from banking and non-banking deposit taking institutions. A mild shift to longer tenures from shorter tenures was also seen closer to the year end with the expectation of interest rates moderating in 2013. Responding to market conditions, the Company continued to source new medium term funding from banking sources. With the market interest rates moderating, the



company will shift its strategy to more stable long term funding in 2014.

CAPITAL ADEQUACY AND LIQUIDITY

NBFIs were required to maintain a minimum core capital of BDT 1000 Million by December 2012. Our Capital Adequacy Ratio (CAR) is one of the highest amongst the industry peers. CAR further strengthened during the year. Total Capital adequacy ratio improving from 22.54% to 24.80% and Total Risk Weighted Assets decreased by BDT 1,530.33 million compared to last year mainly due to internal generation of funds. Moreover, our capital is well above the statutory minimum requirements of 10% set by the Regulator.

Liquidity remained tight for most corporate. The prudent management of liquidity and new funding helped the Company to maintain healthy liquidity levels. Liquid assets to deposit ratio as at the year-end was at 1.74%.

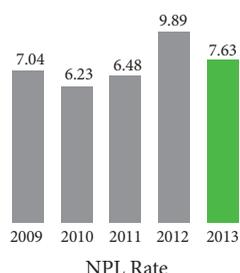
OPERATING EXPENSES

Total operating expenses increased by 1.61% to BDT 25 million during the year, stemming mainly from a rise in personnel costs as the staff cadre grew in line with the expansion of Company. The increase in personnel costs was 24.66% during the year mainly due to the three new employees who joined to the cadre and nineteen joined to the non cadre. Disciplined cost management was also a key priority during the year, with emphasis being placed on lean structures and optimizing profit per employee. Resultantly, despite the aggressive expansion the increase in operating expenses was comparatively lower than the total operating income growth of 9.17%. The Company's expansion strategy over the years has resulted in an increase in the cost to income ratio; however these levels are anticipated to moderate over the short to medium term as the new branches break even and contribute increasingly towards profitability.

CREDIT QUALITY

During the year, the entire industry faced the challenge of preserving credit quality amidst several difficulties presented by the operating environment. The

Management Discussion and Analysis - continued



Company addressed this challenge effectively by proactive monitoring of the portfolio and strengthening its recovery team. As a result, the Company's gross Non-Performing Loans (NPLs) decreased 22.85% during the year, despite much faster expansion of its credit assets.

EXPAND PRODUCT PORTFOLIO

Diversification of products is one of the Company's strategic priorities. From the part of the Management we try to isolate concentration risk. Opening of new investment arena for reducing the concentration risk was our one of the priorities. This resulted in introducing of two new product segments factoring and consumer financing this year. We also remained focused on development of new deposit products. This resulted in a significant number of new products in both savings and fixed deposits being launched during the year.

EXPANSION

Based on our plan of ensuring accessibility through strategic locations, our network has now reached a total of 4 with a branch opened this year at Gulshan, Dhaka. With this physical presence customer can access easily to our service. We are in process to provide our services within the ease reach of our customers. There are further plans for added accessibility with the expansion our reach in Northern and Eastern part of the country.

BRANDING

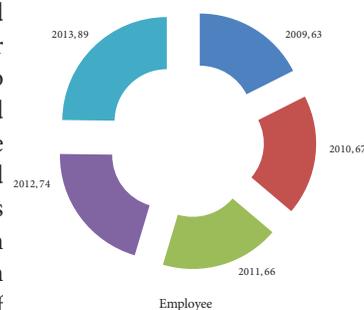
Our strategy for branding is positioning in the mind of the clients. They must identify value in transactions with Prime Finance and a sense of Differentiation with our offerings. Since the last 3 years Prime Finance has quietly moved in to re-brand the image through meaningful promotional efforts in major metropolitan areas. At the same time, Prime Finance has managed through service delivery a superior value in product offering, deposit mobilizing and in integrating the common man with the development efforts of the company. Today, a vast majority of at least the urban areas have been integrated with the development efforts of the company.

INVESTORS

We deliver value to our shareholders through brand building to provide sustainable returns on their investment and through good governance and risk management which provides the platform for stability. Many of our shareholders have been loyal investors with the Company for over the years and are part of our history. We believe that their commitment to Prime Finance is due to our track record of growth and return on investment.

EMPLOYEES

As a financial services organization we understand that our employees are our greatest asset and vital to building our brand and growing our business. We have set in place policies and procedures to recruit persons of ability, talent and ambition and to develop and retain them. Our family of employees grew to 89 from 74 in 2012 as we created four new positions to meet identified business needs. We promoted 19 employees during the year. We have maintained an open door communication policy and we hope to maintain this through effective implementation of best practice in human resource management.



INDUSTRY SHIFTS AND TRENDS

Traditionally there has been a public perception attaching a higher risk profile to our sector in comparison to the banking sector. The industry has adopted a focused strategy to enhance the public image of the industry as a whole by paying greater attention to positioning, branding, product offering, and information technology platforms, distribution, service standards, and the involvement of qualified professionals.

At Prime Finance, majority of our lending clients are from the corporate sector. Considering the competitiveness we are focusing more on SME financing. We emphasized on providing access to finance to the small and medium entrepreneurs to

acquire a productive asset which, in turn, contributes towards the realization of their aspirations. As a financial intermediary we have also obligation to the economy and society.

Prime Finance has been at the forefront of giving direction of the industry; we will continue our pivotal role as we sharpen our insights and understanding of the future profiling of the banking and financial services industry in our country against the backdrop of the envisaged economic development and the rapidly changing life styles of people.

IT ENABLE PLATFORM

A key driver to progress in any industry is ICT and it is no different in the financial services industry. Having recognized the crucial role ICT plays giving us a competitive edge; the investment in IT has been notable, but it is an investment that Prime Finance believes is astute and very essential. This insightful focus on ICT will enable Prime Finance in differentiating the Company from our competitors. Last years the Information Technology Department focused on enhancements to the core internal systems. The key enhancements were to develop new accounting software to be launched shortly and to provide a faster customer service credit and deposit systems software is under preparation phase. The Disaster Recovery Site was successfully established and tested.

RISK MANAGEMENT

Risk is an integral part of the financing business and the Company aims at delivering superior value to shareholders by achieving an appropriate trade-off between risk and return. Sound risk management and balancing risk-return trade-off are critical to a Company's success. Business and revenue growth have therefore to be weighed in the context of the risks embedded in the Company's business strategy. Of the various types of risks Prime Finance is exposed to, the most important are credit risk, market risk (which includes liquidity risk and price risk) and operational risk. The identification, measurement, monitoring and

mitigation of risks, continued to be a key focus area for the Company. The risk management function attempts to anticipate vulnerabilities at the transaction level or at the portfolio level, as appropriate, through quantitative examinations of embedded risks. The risk management strategy of the Company is based on a clear understanding of various risks, disciplined risk assessment, risk measurement procedures and continuous monitoring for mitigation. The Company's risk management structure is overseen by a Committee (RMF) consisting of the various department head. Appropriate policies to manage various types of risks are designed by Risk Management Forum (RMF), which provides strategic guidance while reviewing portfolio behavior. The Asset Liability Management Committee and CRM ensure adherence to the implementation of the above risk management policies, develop Asset Liability Management Policy and CRM manual within the above risk framework.

CREDIT RATING

During the year under review, CRISL Limited, has reaffirmed the rating to the Company's in Long Term: 'AA-' and in Short Term: 'ST-2'

BUSINESS DRIVE

Our product development strategy is driven by extensive market analysis, feasibility studies and comparative analysis. In product formulation and thereon, we remain very emphatic on ensuring that ethics, transparency and integrity are maintained. Prime Finance does not compromise on these. We are committed to ensuring that our product promise is true to its word and that the communication is never misleading and therefore, endanger the public's perception of our brand image. We are committed to being honest and accountable and will not resort to any bad or negative business practices. Profitability at all cost is not the overriding factor in our business operations because for us brand image and perception remains strong qualitative factors in enhancing our business drive. We believe in creating a sustainable positive image for Prime Finance.

5 years Financial Summary

(Figures in million Taka except ratios and per share data)

As of and for the years ended 31 December

Results of operations	2013	2012	2011	2010	2009
Operating revenue	2,149.61	1,969.11	2,244.77	3,078.53	1,425.36
Operating expenses	1,680.42	1,556.03	1,290.56	1,085.40	714.73
Profit before tax	469.19	413.08	954.20	1,993.14	710.63
Net profit	370.68	300.19	772.81	1,731.66	683.13

Balance sheet

Total investments	16,099.59	13,836.13	12,827.06	11,621.04	9,275.31
Total deposits	6,770.96	5,614.80	4,315.61	3,760.31	4,632.59
Total liabilities	12,089.98	10,913.06	10,431.84	9,018.36	8,546.79
Paid up capital	2,729.16	2,274.30	1,624.50	902.50	644.64
Capital employed ¹	14,937.79	13,565.83	13,073.94	11,340.74	9,224.69
Shareholders' equity	5,249.84	5,106.59	4,684.40	3,893.58	1,826.39
Property, Plant and Equity	325.24	327.62	327.67	323.62	321.63
Net Current Assets	832.02	432.17	288.88	1,398.54	2,191.59

Ordinary shares information

EPS	1.10	1.04	4.14	19.13	10.60
EPS (restated) ²	1.10	0.86	2.96	7.60	3.00
Dividend	15	10, 20B	40B	80B	10, 40B
Book value per share of Tk. 10 (end of period)	19.24	22.45	28.84	43.14	28.33
Ordinary shares outstanding of Tk. 10 (end of period)	272.92	227.43	162.45	90.25	64.46
Year end market price per share of Tk. 10	26.70	32.80	98.40	465.90	186.03
Market capitalisation	7,286.87	7,459.72	15,985.11	42,047.55	11,991.99

Financial ratios (%)

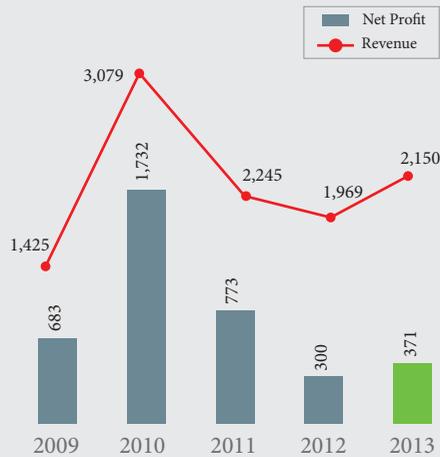
Return on average investment (PBT/average inv)	3.13	3.10	7.81	19.08	9.89
Return on average assets (PBT/average asset)	2.81	2.65	6.81	17.12	8.89
Return on average equity (PAT/average equity)	7.06	5.88	16.50	44.47	49.72
Equity to assets	30.28	31.88	30.99	30.15	17.61
Efficiency ratio ³	27.34	26.62	15.42	7.35	12.66
Current ratio (times)	1.10	1.06	1.05	1.25	1.54
Price earning ratio (times)	24.37	31.69	23.77	24.35	17.55
Deposit investment ratio	42.06	40.58	33.64	32.36	47.40
Debt equity ratio (times)	1.85	1.66	1.79	1.91	4.05
Coverage/reserve against NPL	43.00	43.37	57.52	65.70	60.61
Non performing assets to loans/leases ⁴	7.63	9.89	6.48	6.23	7.04

Others

No. of branches	04	03	03	03	3.00
EVA	(29.73)	(116.73)	376.77	1,507.76	592.23
Enterprise value ⁵	16,358.90	16,123.14	24,957.68	49,937.62	19,068.31

1. Capital employed represents shareholders' equity and long term borrowings
2. Adjusted to reflect the 20 percent bonus share declared in 2012
3. Efficiency ratio represents management expenses as a percentage of net interest income (total interest income minus financial expenses) plus non-interest income.
4. Non-performing assets means all overdue rentals/installments past due in excess of 5 months plus future outstanding principals not fallen due of those loans/leases.
5. Enterprise value represents market capitalization plus debt minus cash and cash equivalents.

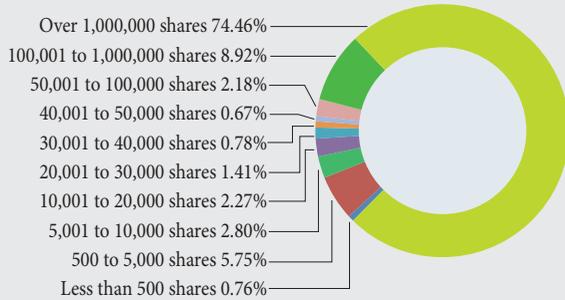
Graphical Presentation of Financial Performance and Condition



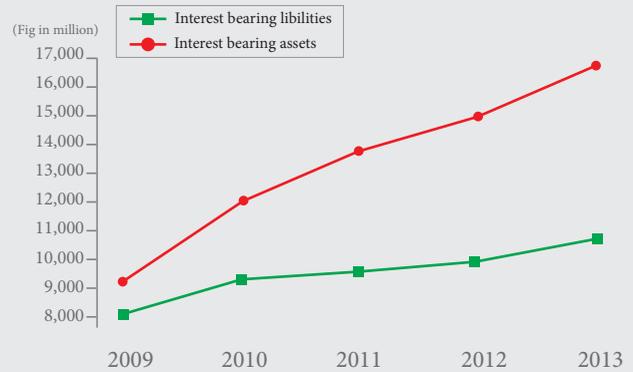
Net Profit & Revenue



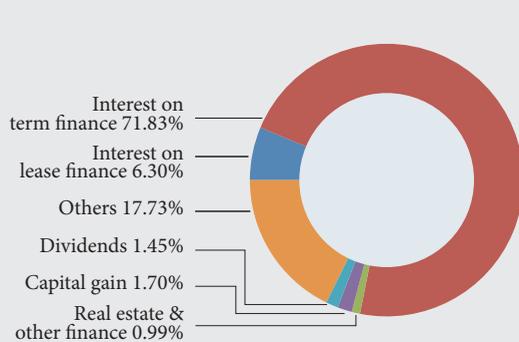
EPS & Dividend



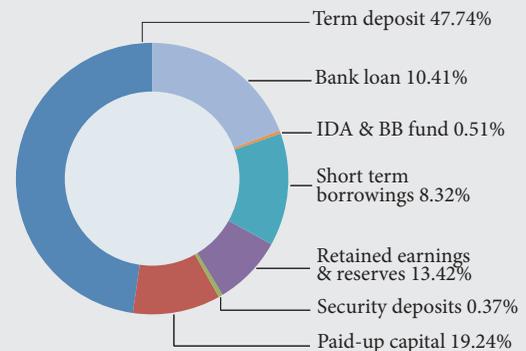
Range of shareholdings



Interest bearing assets & liabilities

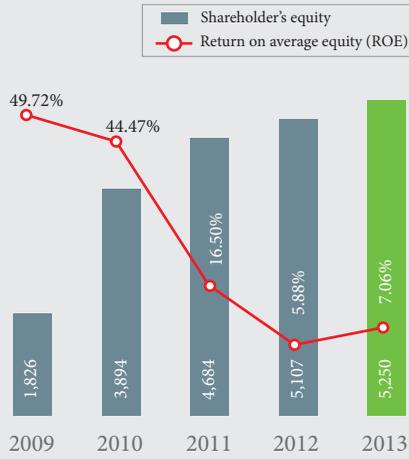


Segment of revenue

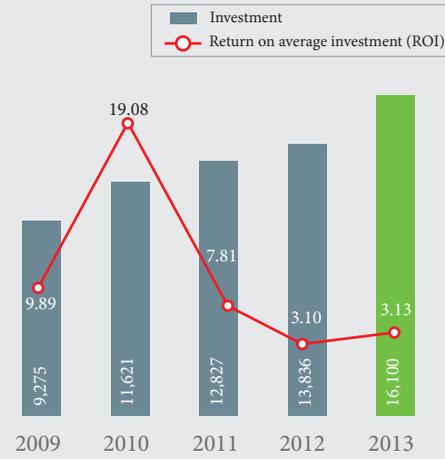


Sources of fund

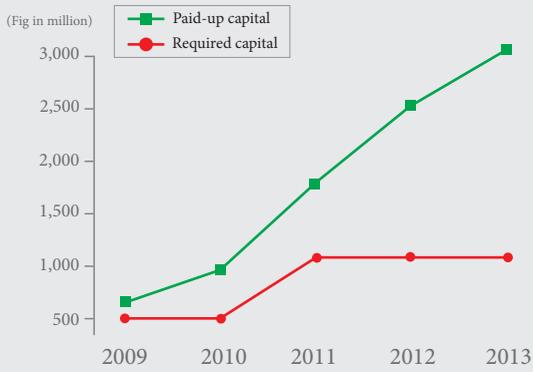
figures in million Taka except ratios and per share data



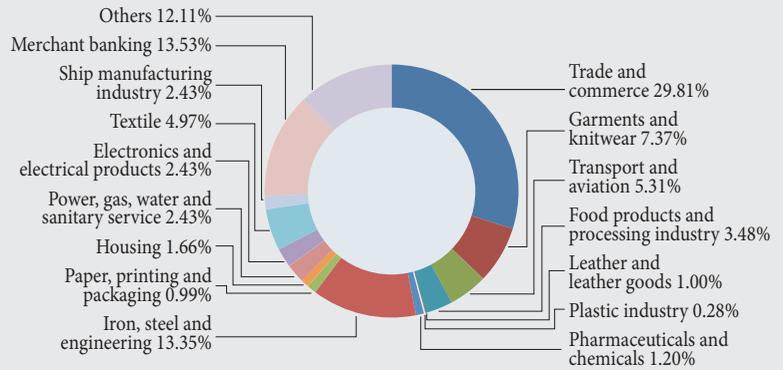
Shareholder's equity & Return on average equity (ROE)



Investment & Return on average investment (ROI)



Paid-up capital & required capital



Sector wise Investments



Performing & Non-performing loan



Provision on NPL & Non-performing loan

Financial Analysis & Review

FINANCIAL ANALYSIS AND OVERALL REVIEW

Prime Finance & Investment Limited, one of the leading financial institutions in Bangladesh has vast area of operation with large number of stockholders and interested parties. It is the responsibility of the company to present and analyze all the related information and disclose material facts to make them understand and helping them in taking decision. It has been provided to enable readers to assess Prime Finance's results of operations and financial condition for the year ended December 31, 2013, compared with prior years, which should be read in conjunction with the audited consolidated and separate financial statements, which have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS).

Here it is to note that all figures are expressed in Bangladeshi Taka and some comparative amounts have been reclassified and rearranged where necessary to conform with the presentation adopted in the current year.

MACROECONOMIC SITUATION:

The macroeconomic situation in Bangladesh has been quite unstable in recent years and the country has proven to be flexible to global financial crisis posting GDP growth rate averaging 6.2 percent during the past five years. In Fiscal Year 2012-13 (FY2012-13) GDP grew at 6.0 percent. Substantial remittance inflows and export activities helped to achieve this economic growth rate. Export did not fare very well in the European Union and US, which are usually large destinations. However, export diversification to newly discovered markets improved earnings from exports to record a satisfactory growth of 10.7 percent in FY13, as against 6.2 percent in FY12.

The growth of imports decreased from 2.4 percent in FY12 to 0.8 percent in FY13 due to major reduction in imports of food grain, some consumer goods and capital machinery. A lower trade deficit and higher growth of workers' remittances led the current account balance to a significant surplus of USD 2,525 million in FY13. Remittance inflows increased to USD 14,338 million in FY13 from USD 12,734 million in FY12. The overall balance also showed a huge surplus of USD 5,128 million in FY13 with substantial contributions from current account balance, capital account and financial account.

The gross foreign exchange reserves of Bangladesh Bank stood at USD 18,074.57 million (with ACU liability of USD 759.65 million) as of December 2013. The gross foreign exchange reserves, without ACU liability is equivalent to import payments of 5.83 months. Inflation decreased sharply to 6.8 percent at the end of FY13 driven by a gradual decline both in food and non-food inflation. As of December 2013, point to point CPI inflation stood at 7.35 percent while average inflation registered a higher 7.53 percent. Broad money (M2) registered 16.7 percent growth in FY13 due to growth in net foreign assets; however, broad money growth was lower than the targeted growth of 17.7 percent and 17.4 percent actual growth in FY12.

Total domestic credit declined from 19.2 percent in FY12 to 10.9 percent in FY13. The growth rate of credit to private sector declined from 19.7 percent in FY12 to 10.8 percent in FY13. This decline, however, was compensated partly by newly introduced overseas financing by Bangladeshi corporate. GDP growth in FY2012-13 was hurt by a number of factors including politics and low credit off-take which prompted a number of international agencies like IMF, World Bank and ADB to downgrade their growth estimates to around 5.5-5.8% for FY2012-13.

BARRIERS FACED IN 2013

As like global economy Bangladesh's Economic outlook made the industry participants to face some challenges in the reporting period. But most of the challenges were based on political turmoil, GSP crisis in garments sector, gap in foreign relation, internal unrest etc. Most of them are as stated below

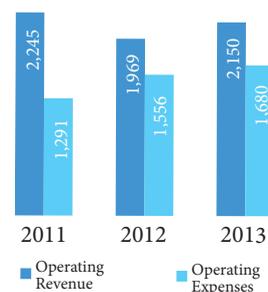
- Most of the raw materials of the exportable goods were being imported from abroad. The dependency of exportable goods on imported raw materials has a long-term negative impact in the economy of Bangladesh;
- The rate of growth in industrial sector was decreasing due to inadequate supply of utilities and infrastructural tailbacks, increased cost and reduced supply of investible capital for existing monetary policies;
- Because of contractionary monetary policies, savings and investment gap increased sharply;
- The industrial loan faced double problems at the same time: in one hand, the rate of growth of SME loan was lower with rate of growth in GDP; on the other hand, recovery of industrial term loan is decreasing;
- The higher price of electricity, natural gas adversely affected the industrial production of local manufacturing industries like drugs and pharmaceuticals, steel, cement, paper, chemicals etc. and lowers the export capacity of products such as RMG, medicine etc.;
- Credit to the private sector was lower than the target and market had excess liquidity as investment demand was slow;
- Low investment implied less employment generation and low income, which in turn has poverty implications;
- Continuous Political turmoil affected the production process both directly and indirectly;
- Industry experienced volatile NPL whole the year due to the inability of many genuine borrowers to service their loans given the dull business for political unrest. Reduction of NPL and bringing discipline in the banking sector was most challenging tasks in the year;
- Slow recovery due to multidimensional factors;
- Persistent unhealthy trend in domestic capital market;

Despite having above challenges, Prime Finance achieved competitive results in the industry during the year. Major achievements by the company during the year 2013 were as under.

FINANCIAL AND NONFINANCIAL FACTORS:

Most of the major financial indicators were positive in the reporting period out of which some of those have been discussed below-

- Shareholder's equity increased to Tk. 5,249.84 million as against Tk. 5,106.59 of 2012. Consolidated net profit for this year is Tk. 370.68 million as against Tk. 300.19 million of 2012 representing 23.48 percent growth over last year
- Investment increased to Tk. 13,869.28 million from Tk. 12,627.31 million of the last year representing 9.84 percent growth. Deposit balance increased to Tk. 6,770.96 million from Tk.5,614.80 million of previous year representing a growth of 20.59 percent over last year;
- Operating revenue increased to TK. 2,149.61 million from TK. 1,969.11 million of 2012. Earnings per share (EPS) increased to Tk. 1.10 as against Tk. 0.86 (restated) representing 27.91 percent growth compared to last year.
- Market capitalization became Tk. 7,286.87 million as against Tk. 7,459.72 million of 2012; Effective fund management resulted the reduction of cost of fund at 13.53 percent compared to last year of 15.4 percent.
- Total loans, advances and leases increased to Tk.12,901.72 million as against Tk.11,433.70 representing 12.84 percent growth compared to last year.
- Overall winner in the SAFA Best Presented Accounts Awards in 2010 and SAFA Silver Award for consecutive fourth times till 2009;
- First runner ups in the "SAFA Best Presented Annual Report Awards 2011" and certificate of merit for "SAARC Anniversary Awards for Corporate Governance Disclosures 2011" ;
- First prize of ICAB National Award for all the years in a row since its listing with stock exchanges from 2005 to 2009 and 2011 and Second prize in 2010; Second runner up in SAFA and ICAB for the Annual Report 2012.
- Remarkable verdict from Appellate Tribunal and various stages regarding tax exemption on capital gain (FY-2004 & 2006 to 2010) as well as very positive assessment in FY 2011.



Financial Analysis & Review - continued

MAJOR FOCUSED AREAS

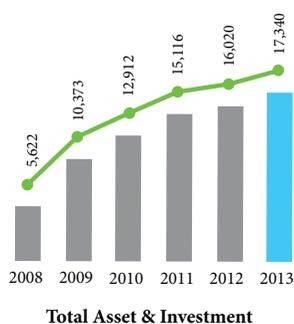
- Strong quality investment portfolio;
- Strong capital base, maintain high Capital Adequacy Ratio (CAR) than Minimum Capital Requirement (MCR)
- Developing new business, new models and new ideas;
- Fast deposit growth;
- Diversifying products and services;
- Special focusing on SME loan;
- Broadening operations into new geographic location;
- Maintaining profit growth;
- Lowering NPL rate;
- Reducing cost of fund and maintaining Base Rate;
- Professional tax management;
- Maintaining positive dividend policy;
- Ensuring compliance;
- Enhancing CSR ;
- Commencing Green finance;
- Getting refinancing from Bangladesh Bank (e.g JICA fund, Women entrepreneurship fund, ADB fund, BB own fund etc.)
- Introducing factoring finance

FINANCIAL HIGHLIGHTS

Revenue & Expenses

(Figures in million Taka)

as at 31 December	2013	2012	% of increase/ (decrease)
Revenue from loans, advances and leases	1,946.48	1,775.29	9.64%
Revenue from Capital Market activities	142.28	170.32	(16.46%)
Income from associates	60.85	23.50	158.94%
Total revenue	2,149.61	1,969.11	9.17%
Financial expenses	1,101.16	1,041.40	5.74%
Depreciation on lease assets	265.99	286.09	(7.03%)
Management expenses	213.89	170.77	25.25%
Provision for doubtful losses	99.38	57.77	72.03%
Total expenses	1,680.42	1,556.03	7.99%
Profit before tax	469.19	413.08	13.58%
Provision for taxation	98.51	112.89	(12.74%)
Net profit after tax	370.68	300.19	23.48%



Assets and Investments:

(Figures in million Taka)

Loans, advances and leases	12,901.72	11,433.70	12.84%
Investment in securities	967.56	1,193.61	(18.94%)
Equity investment	2,169.67	2,108.82	2.89%
Fixed assets	325.23	327.62	(-.73%)
Cash & cash equivalent and other assets	975.63	955.91	2.06%
Total assets and investments	17,339.81	16,019.65	8.24%

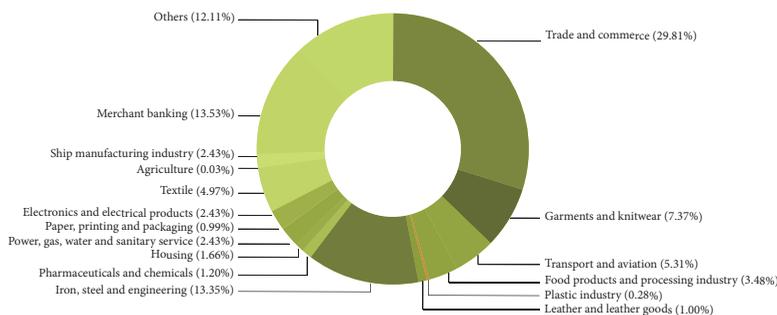
Shareholders' equity and liabilities:

(Figures in million Taka)

Shareholders' equity	5,249.84	5,106.59	2.81%
Deposits	6,770.96	5,614.80	20.59%
Borrowings from banks and NBFIs	2,865.06	2,795.52	2.49%
Provisions and others liabilities	2,453.95	2,502.75	(1.95%)
Total shareholders' equity & liabilities	17,339.81	16,019.65	8.24%

LOANS, ADVANCES AND LEASES

Despite many challenges in the economy during FY2013, our main focus was given to ensure quality investment, improve recovery position, gradually cleaning up balance sheet along with increase volume of fresh investments. Total loans, advances and leases were Tk. 12,901.72 million at 31 December 2013 representing 12.84 percent higher than 2012 worth Tk. 11,433.70 million. Outstanding balance (including advance against loans, advances and leases not yet executed) of different types of loans, advances and leases as on 31 December 2013 and 2012 are summarized as under:



(Figures in million Taka)	2013		2012	
	Amount	Percentage	Amount	Percentage
Lease finance	1,119.05	8.67	1,112.64	9.73
Term finance	7,946.08	61.59	6,762.92	59.15
Real estate finance	114.99	0.89	102.47	0.90
Margin loan (Net)	3,576.34	27.72	3,231.94	28.26
Other finance	145.24	1.13	223.70	1.96
Total	12,901.72	100	11,433.70	100

Term finance and lease finance increased by 17.50 percent and 0.58 percent than previous year. For the year 2013 margin loan has been given to beneficiary through our subsidiary. Term finance turned up as some new clients have been provided working capital finance as well as SME finance and Green Finance. More and more endeavor was given to regularize the stuck up and slow moving loans, advances and leases by providing rescheduling scope and one short payment. Some written off loans has already been realized. Management has always been trying to concentrate on adding quality investments in its portfolio rather achieving high target of business volume, keeping in mind our previous experiences. Diversification was the main strength of Prime Finance. Prime Finance could achieve its investment target due to increase of margin loan and term finance significantly. Loan, advances and leases were well diversified.

NON-PERFORMING LOANS, ADVANCES & LEASES (NPL):

The size of non-performing loans (NPLs) in the current year as of December stood at Tk. 822.11 million, which is equivalent to nearly 7.63 percent of total outstanding loans. In order to achieve economic growth, keeping healthy position to financing industry, Bangladesh Bank relaxed loan rescheduling scope at minimum down payment under DFIM circular no 10 dated 29 December 2013 for badly affected industries due to political unrest.

The opportunity helps both borrower and lender to sustain their business in long run and keep the unexpected non performing loan at marginal level.

Loans, advances & leases are classified as non-performing when it is booked as substandard category or worse even if there exists no reasonable doubts as to collectivity. The Company follows Bangladesh Bank guidelines for determining loans, advances and leases which should be placed on non-performing status. A loan or lease is placed on non-accrual status when it is classified as SMA. Interest income on non-accrual loans, advances and leases is credited to income when it is realized.

Non-performing loans, advances and leases decreased to Tk. 822.11 million in the year 2013 compared to Tk. 964.85 million of 2012 reflecting an decrease of 14.79 percent over previous year. Management was very strict as to follow guideline for rescheduling or restructuring of classified accounts. In FY 2013 Non-performing loans (NPL) rate was 7.63 percent (separate) and 6.37 percent for consolidated loans and advances. Nonperforming assets as on 31 December 2013 and 2012 were as follows.



Financial Analysis & Review - continued

(Figures in million Taka)	2013			2012		
	Outstanding amount	NPL	NPL (%)	Outstanding amount	NPL	NPL (%)
Lease finance	1,119.05	380.94	34.04	1,112.64	495.02	44.49
Term finance	7946.08	431.48	5.43	6,762.92	455.87	6.74
Real estate finance	114.99	2.64	2.30	102.47	2.44	2.38
Margin loan	3,576.34	-	-	3,231.94	-	-
Other finance	145.24	7.05	4.85	223.70	11.52	5.15
	12,901.72	822.11	6.37	11,433.70	964.85	8.44

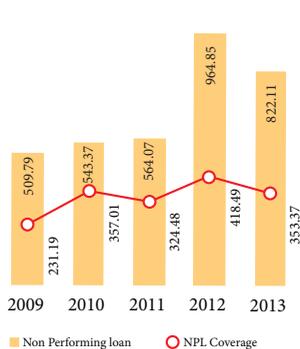
During the year, the Company has written off Tk. 172.94 million as loans, advances and leases. Besides this the company recovered 29.54 million from write off loan, advances and part of which is recognized as income for the period under reporting. Company's continuous endeavor is deployed to recover such loans. As on 31 December 2013 cumulative balance of write off loans, advances and leases was Tk. 529.65 million as compared to Tk. 356.71million of 2012. However, as a part of cleaning up of balance sheet of the company, the management considered writing off some stuck up loans, advances and leases, that the management is expecting to execute in the year 2014. As written off loans, advances

and leases has been charged previous year into profit and loss statement, any proceed that will be recovered from write-off loans, advances and leases, will be shown as income under cash receipt basis unless otherwise disclosed in the report.

Coverage/reserve against non-performing loans, advances and leases:

The following table summarizes the allocation of the provision and interest suspense against loans, advances and leases for 2012 and 2013

Particulars	2013					2012				
	Provision for NPL	Interest Suspense	Total	NPL	% NPL	Provision for NPL	Interest Suspense	Total	NPL	% NPL
Lease finance	100.092	64.83	164.92	380.94	43.29	191.82	89.23	281.05	495.02	56.78
Term finance	129.50	57.42	186.92	431.48	44.02	73.79	58.46	132.25	455.87	29.01
Real estate finance	0.43	0.43	0.86	2.64	32.55	0.17	0.23	0.4	0.86	46.51
Margin loan(Net)	-	-	-	-	-	-	-	-	-	-
Loan against term deposit	-	-	-	-	-	-	-	-	-	-
HP finance	0.67	-	0.67	7.05	9.44	3.64	1.15	4.79	13.10	36.56
Total	230.69	122.68	353.37	822.11	43.00	269.42	149.07	418.49	964.85	43.37



The provision for doubtful losses increases by charging to profit, and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowances is based on the companies past loss experience, known and inherent risk in the portfolio, adverse situations that may affect the clients' ability to repay and current economic conditions. We follow Bangladesh Bank guidelines strictly for making interest

suspense and provisioning against loans, advances and leases. Interest amount is transferred to interest suspense account rather showing as income in the Profit & Loss Account when a loan/lease is classified as SMA and above. Base for provision is made after deducting interest suspense, value of eligible security from outstanding amount of a particular loan, advance and lease. Rate of provision for loans, advances and leases classified as Sub-standard, Doubtful and Bad & Loss is 20%, 50%, and 100% on base for provision amount. Coverage ratio of loans advances and leases decreased slightly. As on 31 December 2013 coverage was 43.00 percent compared to 43.37 percent of 2012. We believe coverage is satisfactory as the company maintain adequate provision as per

Financial Analysis & Review - continued

guidelines of Bangladesh Bank. While making provision we considered eligible security against the clients which will give comfort to the company other than on balance sheet coverage. We take different measures to realize the classified/stuck-up loans, advances and leases. Among others we initiated legal action against the classified accounts. As at 31 December 2013 there were some lawsuits pending against classified loans & advances and our lawyer expects that in most of the cases we will win ultimately.

PROPERTY, PLANT AND EQUIPMENT

The company holds some high quality assets which is one of the major strong area of prime finance. The company purchased a piece of land measuring 15 kathas at Panthapath, Kawran Bazar, Dhaka, adjacent of Basundhara Shopping Mall in the year 2009. The Company has a plan to build its corporate office over there. The book value of the land was Tk. 305.15 million at the end of 2013.

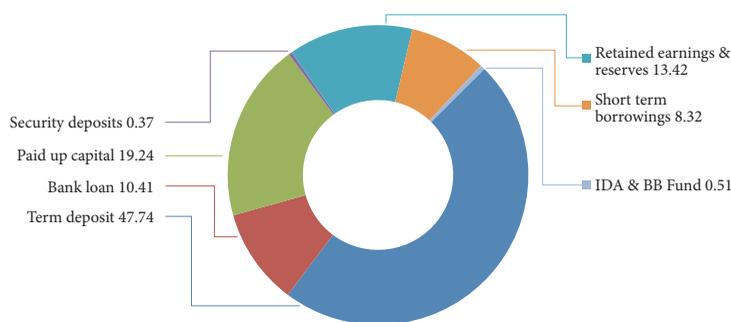
LIQUIDITY STATEMENT:

Loans, advances and leases-

(Figures in million Taka)	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Lease finance	-	115.95	295.13	495.40	147.57	1,054.05
Advance against lease finance	-	-	-	-	65.00	65.00
Term finance	79.46	317.84	1,986.52	5,562.26	-	7,946.08
Margin loan	482.81	1,448.42	1,072.90	-	572.21	3,576.34
Real estate finance	0.67	8.69	23.09	73.00	5.55	111.00
Housing finance	0.02	0.35	0.37	2.04	0.93	3.71
Loan against deposits	-	21.42	25.71	38.56	-	85.69
Hire purchase finance	0.07	0.42	1.41	4.59	0.56	7.05
Staff loan	8.92	13.12	13.12	2.10	15.22	52.49
Total	571.95	1,926.21	3,418.25	6,177.95	807.04	12,901.72

Borrowings from Bangladesh Bank, other banks, financial institutions and agents-

(Figures in million Taka)	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Bank Loan	46.86	129.74	516.55	782.84	1.10	1,477.09
ADB Fund	1.21	0.95	6.66	34.51	1.59	44.92
Fund from Bangladesh bank	0.24	1.29	5.76	87.58	1.87	96.74
Short term loan	1,046.31	200.00	-	-	-	1,246.31
Total	1,094.62	331.98	528.97	904.93	4.56	2,865.06

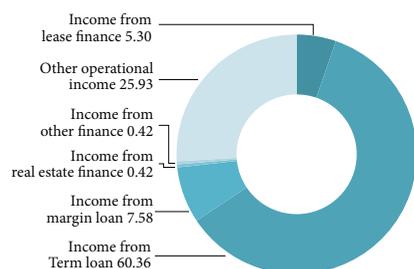


REVENUE FROM LOANS, ADVANCES AND LEASES

The following table shows revenues from loans, advances and leases

(Figures in million Taka)	2013		2012	
	Amount	%	Amount	%
Income from lease finance	113.83	5.30	117.32	5.96
Income from term loan	1,297.41	60.36	1,106.91	56.21
Income from margin loan	163.04	7.58	131.65	6.69
Income from real estate finance	8.94	0.42	15.83	0.80
Income from other finance	9.00	0.42	80.76	4.10
Other operational income	557.39	25.92	516.67	26.24
Total	2,149.61	100.00	1,969.14	100.00

Maturity of assets and liabilities has been determined as per agreement with the parties concerned for assets and liabilities. Where there is no agreement, management considered its previous experience, nature of assets and liabilities, judgment of preparing the maturity analysis.



Management always maintains long-term and short-term strategy to address the probable liquidity gap properly. Liquidity is monitored daily to ensure the company's ability to support investment growth, deposit encashment, meet

contractual obligations, maintain reserve requirements and otherwise sustain operations.

Prime Finance maintains its liquidity in the form of readily en-cashable deposits with banks, collection of rentals/installments and investment in listed securities. On the other hand, the company based on its net assets can borrow very significant amount in the form of money at call and short notice, which is another point of comfort as far as fund management is concerned. Present limit of borrowing as money at call and short notice is Tk.

1,125.00million based on latest net asset report submitted to Bangladesh Bank. Management, however, believes that the company's present position is adequate to meet its current and future liquidity requirements. A substantial portion of Company's revenue is generated from loans, advances and leases like lease finance, term finance, margin loan, real estate finance, SME finance. Earnings from loans, advances and leases represent 74.07 percent of total revenue earned by the company during 2013 (2012: 73.76 percent). Income from loans, advances and leases increased by 9.16 percent i.e. Tk. 180.45 million in 2013 compared with 2012. Income from term finance and margin loan has been increased by Tk. 190.50 million, 31.39 million respectively compared to last year. Total other operational income increased by 8.00 percent i.e. Tk. 40.72 million than previous year.

INVESTMENT IN CAPITAL MARKET & SHARE PRICE

The country's capital market witnessed a rather disappointing year in 2013. Because of market instability we focused on the core business rather than investing more in capital market.

The following table shows size of capital market operations and equity investment by the Company:

(Figures in million Taka)	2013		2012	
	Amount	%	Amount	%
Listed companies	713.15	22.95	914.68	27.69
Unlisted companies	224.42	7.22	278.92	8.45
Subsidiary & associate companies	2,169.67	69.83	2,108.82	63.86
Total	3,107.24	100.00	3,302.42	100.00

Market for Prime Finance's ordinary shares:

Prime Finance's ordinary shares are traded on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) under the symbol of 'PRIMEFIN'. The following

table indicated the high and low prices for shares of Prime Finance, as reported by DSE and CSE sets forth for each quarter in the year 2013.

Financial Analysis & Review - continued

	Quarter	DSE		CSE	
		High	Low	High	Low
High low share price	First quarter	42.60	24.50	42.70	24.70
	Second quarter	30.60	20.90	31.20	20.80
	Third quarter	32.50	22.60	32.40	22.50
	Fourth quarter	26.70	20.70	26.80	21.00
No. of shareholders	There were 25,846 shareholders as per Share Register as on 31 December 2013.				

PORTFOLIO INVESTMENT

Investment in securities was Tk. 713.15 million compare to Tk. 914.68 million of 2012 which represents a marginal decrease of 22.03 percent as Bangladesh Bank gave restriction to the banks and NBFIs to take part aggressively in the share markets. Accordingly the management is trying to decrease the exposure in shares

& securities. We believe we could get benefit out of the strategy we fixed at the beginning. The market conditions that we anticipate should, however, provide a favorable climate in which to continue growing our business with strong fundamentals. The existing performance underpins the believe, that we can continue to maximize shareholders' value in future.

(Figures in million Taka)	2013		2012	
	Amount	%	Amount	%
Banks	11.08	1.15	45.46	3.80
NBFIs	7.63	.79	21.75	1.82
Insurance companies	227.10	23.47	294.38	24.65
Investment companies	310.54	32.09	296.15	24.82
Fuel and power	17.14	1.77	80.58	6.76
Mfg companies and others	83.22	8.60	80.94	6.78
Other	310.87	32.13	374.34	31.37
Total	967.56	100	1,193.60	100

Sector-wise investment in securities available for sale at 31 December 2013, and 2012 at cost was as under:

Prime Finance invested in the shares diversifying its investment in different sectors with highest investment exposure in other investment representing 32.13 percent, investment companies 32.09 Percent and insurance companies represents 23.47 percents followed by manufacturing and others sector 8.60 percent, fuel and power 1.77 percent, banking sector 1.15 percent, and NBFIs 0.79 percent etc. Prime Finance is exposed to market risk since the Bangladesh capital market is volatile. The company minimizes the risk through diversification and investing mostly in fundamentally strong securities. The fair value of the securities available for sale at 31 December 2013 was Tk.739.27 million. There was no requirement for provision for listed securities considering

the net value as per Bangladesh Bank Circular number Bangladesh Bank DFIM Circular number 02 dated 31 January 2012.

Provision for future losses on investment in shares & securities

Prime Finance follows guideline of Bangladesh Bank for making provision against probable future losses on investment in shares. As per Bangladesh Bank guidelines, no provision is required for listed securities as the net value of securities considering the market price and cost price is positive (Bangladesh Bank DFIM Circular number 02 dated 31 January 2012). Here it is to note that under qualitative judgment, we have made TK. 7.50 million provision for unlisted security. We also kept provision for margin loan through our subsidiary company.

(Figures in million Taka)

Name of the security	Nature of shares	2013	2012
Central Depository Bangladesh Limited	Ordinary	4.42	4.42
Confidence Salt Industries		-	15.00
Investment in PFI 2nd Mutual Fund	Mutual Fund	200.00	200.00
Lanka Bangla Securities Ltd	Placement Share	5.00	5.00
Annnada Shipyard	Placement Share	15.00	15.00
PFI Properties Limited		-	9.5
Total		224.42	248.92

Investment in unlisted securities has been recorded at cost and no-provision was maintained against the investment.

Financial Analysis & Review - continued

INVESTMENT IN ASSOCIATES AND SUBSIDIARY COMPANY

Prime Finance is leading & large financial group of companies (Prime Financial Group). As guided by the Bangladesh Securities and Exchange Commission (BSEC), for separating the merchant banking operation, Prime Finance formed a subsidiary company in the name and style of Prime Finance Capital Management Limited. Out of total paid up capital of Tk. 1,760 million Prime Finance

holds 60 percent. The Company was incorporated on 18 March 2010 reference incorporation no. C-83293/10 but started its operation from 01 January 2011. A consolidated financial statement has been presented with consolidation of operation of the Company as well as a separate financial statement has been given in the last part of this Annual Report. Moreover, the financial statements other than notes to the financial statements of all the associates are also been attached in the last part of this Annual Report. The list of the companies is listed below:

(Figures in million Taka)

Name of the associates	Nature of the business	Nature of Shares	Amount Holding	% of share	Face Value	Book Value
PFI Securities Limited	Stock broker & dealer	Ordinary	1,160.70	46.15	10	13.98
Prime Finance Asset Management Co. Ltd.	Asset management	Ordinary	35.94	49	100	111.23
Prime Prudential Fund Ltd.	Investment in securities, debentures, bonds etc.	Ordinary	13.02	40	10	9.42
Prime Finance Capital Management Ltd.	Merchant banking	Ordinary	960.00	60	10	11.06
Total			2,169.66			

Public issue of shares

We, the Prime Financial Group assist corporate clients in meeting their financial needs and advising them on the most advantageous means of raising capital. We manage or co-manage public offerings of shares or arrange private

placement of shares with institutional or individual investors. In addition, we provide consulting services, including mergers and acquisitions and advising clients with respect to financing plans and related matters. During the year we earned Tk. 5.24 million as fees under this head as against Tk. 9.23 million of 2012.

Income from Capital Market Operation-

(Figures in million Taka)	2013		2012	
	Amount	%	Amount	%
Capital gain from sale of listed securities	116.09	77.25	152.86	46.00
Dividend income	28.95	19.26	169.73	51.00
Other fees and charges	5.24	3.49	9.23	3.00
	150.28	100.00	331.82	100.00

Income from capital market comprises of income from capital gain on sale of securities, dividend income, issue management fee, underwriting commission, portfolio management fee, income from associate companies, advisory services fee and others.

During 2013, total income from capital market operation was Tk. 150.28 million, which was Tk. 331.82 million in

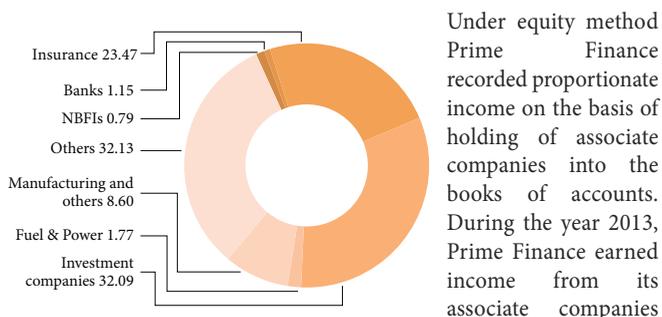
2012. Income from capital market decreased due to unfavorable capital market throughout the year.

The Company maintains its own portfolio with a substantial amount of investment in listed securities and earned a total income of Tk. 56.92 million in the form of dividend and gain from sale of securities compare with Tk. 260.70 million in 2012.

Income from Associate Companies

(Figures in million Taka)	2013		2012	
	Amount	%	Amount	%
PFI Securities Limited	58.54	96.22	27.59	117.39
Prime Finance Asset Management Co. Ltd.	3.49	5.74	0.78	3.30
Prime Prudential Fund Ltd.	(1.19)	(1.96)	(4.86)	(20.69)
	60.85	100	23.51	100

Financial Analysis & Review - continued



Under equity method Prime Finance recorded proportionate income on the basis of holding of associate companies into the books of accounts. During the year 2013, Prime Finance earned income from its associate companies

TK 58.54 million in 2013 where in 2012 it was Tk. 27.59 million representing enhances of 112.00 percent. Associates Company resulted from proportionate income booked from PFI Securities Limited; a 46.15% owned associate company of Prime Finance and Prime Finance Asset Management Co. Ltd, a 49 percent holding company by Prime Finance.

SHAREHOLDERS' EQUITY AND CAPITAL

Capital maintenance

Strong earnings, controlled growth in investments, active balance sheet management and timely rising of capital have all contributed to our strong capital position. In our ongoing capital management decisions, we consider a variety of factors, including expectations of investors, and rating agencies including lending institutions, requirement of our regulators and our capital position relative to our peers.

Maintaining high debt ratings is very important to us, and we believe we are well capitalized to underpin our risks and execute our business strategies while maintaining this rating. We have consistently had strong internal capital generation capabilities. Our capital management plans allow us to respond to opportunities and absorb unexpected shocks.

As on 31 December 2013, total shareholders' equity stood at Tk. 5,249.84 million (2012: Tk. 5,106.59 million).

The company is subject to maintenance of minimum capital required by Bangladesh Bank. Every year the Company is in compliance with the capital adequacy requirements. As at 31 December 2013, the Company's paid up capital was TK. 2,729.16 million which is Tk. 1,729.16 million higher than the regulatory required level of Tk. 1,000 million.

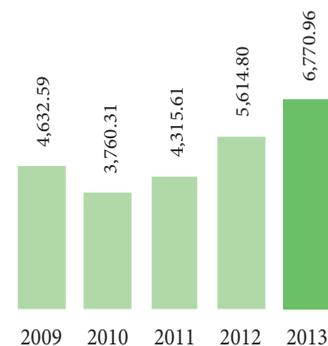
Borrowings from other banks and financial institutions

As at 31 December 2013, total outstanding loan from banks was Tk. 1,477.09 million compared to Tk. 1,799.79 million in 2012. Interest on bank loans is paid monthly/quarterly as per terms of the loan. During the year 2013, bank interest amount of Tk. 292.98 million was repaid.

Prime Finance has been enjoying credit facility from Bangladesh Bank under CBSF program co-sponsored by IDA and Bangladesh Bank, availed fund from Bangladesh Bank under refinancing scheme for financing in SME, women entrepreneurs and agro-based industries, received ADB fund under refinancing scheme through RPGCL.

Term deposits

We continued our drive to expand our funding sources to cope up with increasing needs of fund for operational purpose. To ensure proper shaping of asset-liability, management has given emphasize on long-term source of funding. During the year 2013, Tk.5,119.56 million has been received as term deposits from various sources such as banks, insurance companies, other organizations as well as individuals compare with Tk. 5,241.17 million in 2012. As at 31



Term Deposit

December 2013, total outstanding amount of term deposit was Tk. 6,770.96 million compare with Tk. 5,614.79 million in 2012. Interest amounting to TK. 891.10 million was paid on term deposits during the year under reporting as against Tk. 670.18 million in 2012.

CASH FLOW ANALYSIS

A considerable portion of our total assets representing 0.68 percent is liquid in nature and consists mainly of cash and balance with various banks and financial institutions. The highly liquid nature of our assets provides us with flexibility in financing and managing our anticipated operating needs.

The company's asset and liability management policy is intended to manage interest rate risk. Prime Finance accomplishes this through management of the re-pricing of its interest earning assets and interest-bearing liabilities though in some cases it is difficult to re-price the loans, advances and leases.

During the year under review the company had a total cash and cash equivalent of Tk. 117.89 million. Cash and cash equivalent is maintained to meet the requirement of CRR and SLR as guided by the Bangladesh Bank and to generate some interest income including some specific repayment strategic target.

Cash flow from operating activities)

The major component cash flow is cash flow from operating activities. During the year 2013, net cash generated from operating activities is Tk. 221.85 million which was Tk. 40.37 million higher than during the previous year.

Cash flow from investing activities:

Net cash outflows from investing activities of Tk 655.01 million was mainly due to net investment in securities, investment in property, plant & equipment, repayment by subsidiary company etc. These all are part of our endeavor taken towards continuous diversification strategy.

Cash flow from financing activities

Net cash outflows during the year from financing activities of TK. 227.43 for dividend payment.. However, other traditional financing activities such as received of deposits,

Financial Analysis & Review - *continued*

borrowings and repayment of such liability was classified as operating activities as those are also main part of the company's operation.

OPERATING EXPENSES

Interest and other operating expenses

Interest paid on deposits, borrowing, etc comprises interest expenses for loans, deposits taken from different commercial banks, individuals, institutions, call loan, and security deposits etc. Financial expenses consist of 70.24 percent of total expenses (2012: 72.06 percent). Interest expenses in

2013 increased by 2.99 percent compared to that in the year 2012 mainly due to high cost bearing deposit collection, borrowing from banks, financial institutions. The Financial expenses were 64 percent of total operating revenue in 2013.

Management expenses include salaries and allowances, office maintenance, depreciation on fixed assets, legal and professional fee etc. Details of the expenses are given in the Notes to the Financial Statements of this Annual Report. Management expenses increased by 25 percent in 2013 to Tk. 43.12 million (2012: Tk. 170.77 million) mainly. During 2013, management expense was 9.95 percent of total revenue (2012: 8.67 percent).

(Figures in million Taka)			% of increase/ (decrease)
For the year ended 31 December	2013	2012	
Financial expenses	1,367.15	1,327.49	2.99
Depreciation on Lease assets	265.99	286.09	(7.06)
Management expenses	213.89	170.77	25.25
Provision for doubtful losses	99.38	57.77	72.03
Total expenses	1,946.41	1,842.12	5.66

Provision for doubtful losses has been made as per guidelines of Bangladesh Bank. During the year total provision of Tk. 99.38 million has been made. In 2012, the amount under the same head was Tk. 57.77 million.

RISK MANAGEMENT

Risk Management Forum (RMF) & Risk Analysis Unit (RAU)

With a view to facing the ongoing challenges of increased competition and expansion of diversified financial business of NBFIs, Bangladesh Bank has issued DFIM circular no. 01 dated 07 April 2013 regarding formation of Risk Management Forum (RMF) & Risk Analysis Unit (RAU) in the Financial Institutions (FIs) to manage all the risks in a prudent and organized way.

Prime Finance formed RMF and RAU in accordance with guidelines of Bangladesh Bank and conducted meeting regularly & Risk Management Paper (RMP) along with the Minutes of the RMF meeting submitted to the Bangladesh Bank by end of the next month. During the year 2013, Prime Finance conducted total 8 (eight) nos. of RMF meeting and submitted Risk Management Paper to Bangladesh Bank. Risk management Paper focused on-

1. Credit Risk (Default Risk)
2. Market Risk-Interest Rate Risk & Investment in Share Risk
3. Liquidity Risk
4. Operational Risk
5. Reputational Risk
6. Oversee the Capital Management Function
7. Stress Testing Results

The main functions of RMF are to fix the risk management strategy and communicate overall risk management status to the Board and Senior Management time to time. RMF also ensure to develop, test, and observe different types of model to measure and monitor the risk as well as overall information system/MIS to support risk management functions. On the other hand, RAU collects data monthly from different departments and find out risks using different types of risk identifying models. RAU prepares the RMP on monthly basis assessing the quality, completeness and correctness of those data and also conducts periodic stress testing.

Risk relating to products & services:

To emphasize on integrated products and services management system, Bangladesh Bank issued a circular dated 17 July 2013 guiding to formulate common framework for different products and services of financial institutions for eliminating inconsistencies and discrepancies among the features and operational procedures of those products and services.

As a NBFIs and being a service oriented Company, Prime Finance is aware on the identification of the risks that can impact on the existing products or services of the Company and control these risks to the best of its ability. In line with the aforesaid circular, the Company already developed its existing list of asset-side & liability-side products, assess the risks and formulate probable actions plan to resolve the risks. Moreover, Prime Finance maintaining the percentage of exposure for each product within the regulatory threshold i.e. maintaining below 50% of exposure under each product as mentioned in

Financial Analysis & Review - *continued*

Bangladesh Bank Product Guideline. Prime finance already followed Clientele Acknowledge Forms(CAF) for asset side and liability side product Clientele Feedback Forms(CFF) for asset side and liability side products Fees & Other charges.

IMPLEMENTATION OF BASE RATE SYSTEM:

As a regulatory body BB has introduced Base rate system for Non-banking financial institutions through DFIM circular number 06, dated 20 August, 2013, which will be effective from January 01, 2014.

Base rate is the minimum rate below which it is not viable to lend for a financial institution. Base Rate captures all those elements of the lending rates that are common across all categories of borrowers. Generally components of Base are the Cost of fund, Cost of CRR & SLR, Cost of administration and cost of equity capital and as on December 31, 2013 Prime Finance's base rate was 16.58%. However, the actual lending rates charged to the borrowers would be the Base Rate plus borrower- specific charges, which would include product-specific operating costs, risk premium and tenor premium.

Prime Finance has implemented the base rate system from the above stated date and following the guideline mandatorily from January 0,1 2014 according to which Prime Finance lend to the clients. Accordingly reporting to Bangladesh Bank and disclosing in the website after approval in the ALCO.

PREPARATION FOR BASEL-III:

According to the requirement of BASEL accord it is the time to implement or being prepared for BASEL-III, which requires additional regulatory capital or capital buffer, extensive asset –liability management, overall

supervision process. Overall supervisory process includes enhanced governance, leverage ratio and risk mitigation. Prime Finance already focused on all those areas so that it can manage the overall situation and mitigate the mandatory implementation of BASEL-III.

COMPETITION

Prime Finance faces intense competition in all the markets it serves. Its principal competitors are the other non-banking financial institutions, local and foreign commercial banks, and merchant banks operating in Bangladesh. Competition in merchant banking activities has intensified further as banks have increased their focus on competing for affluent and high net worth customers.

A detailed separate report named 'Risk Management Report' highlighting all types of possible risks and our endeavor to manage those risks is included as part of this Annual Report.

HUMAN RESOURCES

Talent attraction and retention remain our key areas of focus. Our compensation programs remain market-driven and are designed towards rewarding our employees through increasingly incentive compensation program. In line with our objective of increasing share ownership among employees, we introduced among others employee Provident Fund, Gratuity, mobile facility, retirement benefit, hospitalization benefit, maternity benefit, lunch facility, performance bonus, home loan facility, furniture allowance, transport facility, leave fare assistance (LFA) and so on. At 31 December 2013, Prime Finance employed 89 employees including 18 support staffs. Management considers, relations amongst its employees to be satisfactory. The list of senior executive officers of Prime Finance is given below:

Name	Age on 31-Dec-13	Executive Officer since	Present Position
Asad Khan	61	June 2011	Managing Director
Md. Ahsan Kabir Khan MBA	45	January 1998	Deputy Managing Director
Md. Rezaul Haque MBA	42	July 1996	EVP, Head of Operations & Marketing
Gazi Nilufar Yeasmin MBA	40	May 2009	Senior Vice President & Head Of CRM
Gulshan Ara Hafiz MBM	35	April 2002	VP & Head of SME & Lease Finance
Ahsanullah M Dewan MIT(Australia)	31	May 2011	AVP & Head of IT
R M Nasrullah Zaidi MBA	35	November 2011	AVP & Head of HRM & Admin
Lingkon Mondol ACA	29	December 2011	CFO (CC)
Syed Moniruzzaman FCS	35	March 2012	AVP & Company Secretary
Mohammed Faruque M.Com	39	November 2005	AVP (HRM & Admin)

Financial Analysis & Review - *continued*

Name	Age on 31-Dec-13	Executive Officer since	Present Position
Md. Zaved Lakiyet MBA	39	March 2002	AVP (Fin. & Acc.)
Md. Yeamin Kabir	35	June 2003	AVP & Head of Recovery & Legal
Humayun Rashid MBA	39	April 2007	AVP & Head of CAD
Md. Kamrul Islam MBA	36	May 1999	AVP (HRM & Admin)
Tarana Yasmin MBA	32	February 2006	Senior Manager (Fin. & Acc.)
Md. Faqrul Islam Majumder MBA	33	September 2005	Senior Manager (Business & SME Finance)
Feroz Iftekhar,ACA	31	January 2012	Senior Manager & Head of ICC
Muhammad Anisuzzaman	36	January 2005	Senior Manager (Business & SME Finance)
Mansura Moin	36	February 2006	Senior Manager (Treasury)
Md. Anisuzzaman	33	January 2005	Senior Manager (Treasury)

Operational Hub

Our executive office and primary operations are located in approximately 12,260 square feet of leased space in a commercial building located at 63 Dilkusha Commercial Area, Dhaka. Our 2 branch offices are located in 2,366 square feet of space at C & F Tower (2nd Floor), 1712 (New), Sk. Mujib Road, Agrabad, Chittagong and 2,000 square feet of floor space at Zodiac Palace, 88 Shaheb Bazar, Rajshahi. We conduct our securities trading activities through our associate company, PFI Securities Ltd. and Prime Islami Securities Limited.

Prime Finance's ordinary shares are traded on the Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. (CSE) under the symbol of 'PRIMEFIN'.

Documents available in website:

Prime Finance makes its Annual Report, prepared and presented on the basis of disclosure requirements by the regulatory authorities, available on its website at www.primefinancebd.com as soon as reasonably practicable after furnishing them to the Bangladesh Bank, Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. (CSE). Prime Finance's corporate governance guidelines, code of ethics and business conduct for employees, charter of the Board and its Committees are also available on the website.

OUTLOOK

Though political and economical situation seems better in 2014, yet it is not in that much level which is a sound environment for large level investment. Undoubtedly we have to face some obstacles those were faced in previous year. Specially critical investment opportunity because of low industrialization and lack of confidence on the return on investment, lack of confidence and stability in capital market.

After all GDP growth in FY2014 is projected at 5.8%, lower than the ADO Asian Development Outlook (ADO) 2013, as exports and consumer and investment demand fall short of expectations. The current account will show a small deficit and the central bank is expected to adopt measures to contain inflation but also ensure adequate credit flows to maintain steady economic growth. The key challenges are to boost private investment and maintain macroeconomic stability.

After having all difficulties, it is a matter of hope that donor agencies like ADB are agreed to continue support investment and reform to improve energy efficiency and access to power, develop railway connectivity, enhance skills and the quality of secondary education, and improve the urban environment, governance, and services - including urban water supply and sanitation. They will also help to develop financial markets, develop climate-resilient rural connectivity, and foster integrated management of water resources, including irrigation and flood and riverbank-erosion mitigation. The current situation in 2014, states that economic indicators have slowed down - political situation is still under volatility, imports and exports have lowered down, there is implementation gap in ADP, low investors' confidence in capital market, shortage of fuel and power, shortage in import of capital machinery and many more.

At last it can be expressed that as like previous situation, our dedicated and skilled team members will always focus in the development of business overcoming all barriers in the industry.

Website reference.

Information contained in or otherwise accessible through the website mentioned in this document does not form a part of this document. All references in this document to website are inactive textual references and are for your information only.

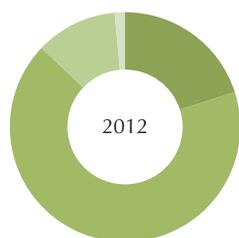
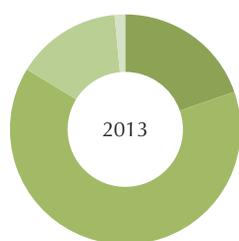
Sustainability & Responsibilities



Value Added Statement

A value added statement shows how much wealth has been created by an enterprise through utilization of its capacity, capital, manpower, and other resources, and how it is allocated among different stakeholders (employees, lenders, shareholders, government, etc.) in an accounting year. Prime Finance contributes positively to socioeconomic

development by empowering employees through the payment of salaries and allowances; by paying attractive and consistent dividend to the providers of capital; by assisting the regulatory capacities through paying taxes and keeping in mind the company's continuous expansion and growth.



- To government
- To shareholders
- To employees
- For expansion & growth

(Figures in Taka)

Value added	2013		2012	
	Consolidated	Separate	Consolidated	Separate
Net interest income	225,068,060	121,261,457	124,990,614	26,705,146
Fees earned including VAT	98,813,643	8,631,372	110,334,181	1,475,779
Investment income	142,279,733	56,922,245	170,315,422	260,702,413
Other income	316,301,597	311,600,980	235,982,836	231,976,984
Management expenses	(58,001,248)	(48,750,239)	(44,352,479)	(37,485,796)
Provision for doubtful losses	(99,384,916)	(97,932,130)	(57,773,320)	(54,450,000)
Total value added by the company	625,076,868	351,733,685	539,497,254	428,924,526

Value added contributed to-

Employees:

As salaries and allowances	147,160,123	122,179,213	118,048,962	93,408,807
----------------------------	-------------	-------------	-------------	------------

Provider of capital:

Dividend to shareholders	409,374,725	409,374,725	682,291,203	682,291,203
--------------------------	-------------	-------------	-------------	-------------

Government:

Corporate tax	98,511,734	30,900,000	112,890,583	40,000,000
---------------	------------	------------	-------------	------------

To expansion and growth:

Retained income	(38,694,904)	(217,889,041)	(382,100,976)	(394,086,995)
Depreciation	8,725,190	7,168,788	8,367,482	7,311,511

	625,076,868	351,733,685	539,497,254	428,924,526
--	--------------------	--------------------	--------------------	--------------------

Economic Value Added

Economic value added (EVA) is the financial performance measure that attempts to evaluate the true economic profit of an organization. It provides a measurement of a company's economic success (or failure) over a period of time. Such metric is useful for investors who wish to determine how well a company has added value for its investors and it can be compared against company's peers for a quick analysis of how well the company is operating in its industry. Economic value added is calculated by taking a company's net profit after tax, adding with it, the amount of provision charged against profit to absorb the losses inherent in the investments. EVA is calculated as under:

$$\text{EVA} = (\text{NPAT} - \text{Cost of average equity})$$

NPAT

NPAT is the net profit after tax plus the provision for doubtful losses charged against profit.

Equity

Shareholders' equity is the total amount of equity at the year end plus accumulated provision charged against profit for doubtful losses.

Cost of equity

It is the opportunity cost i.e. the expected risk free return on investments, plus a risk premium. Interest on Bangladesh Government Sanchaya Patra plus risk premium has been assumed to be the cost of equity.

Economic Value Added - continued

The following table indicates the EVA for the years from 2010 to 2013:

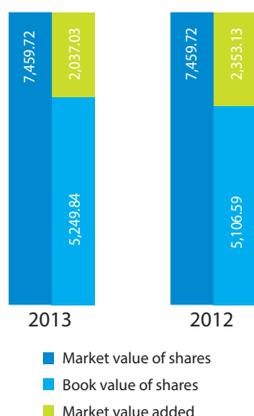
For the year ended	2013	2012	2011	2010
Shareholders' equity at year end	5,249,836,637	5,106,587,219	4,684,396,992	3,893,584,449
Accumulated provision for doubtful losses	354,900,000	395,426,500	362,300,000	375,000,000
Average shareholders' equity	5,553,375,178	5,274,355,356	4,657,640,721	3,179,987,213
Cost of equity (%)	9.00	9.00	10.50	10.50
Economic value added	(29,739,028)	(116,728,435)	376,770,756	1,507,760,215
NPAT (before BB provision)	470,064,738	357,963,547	865,823,032	1,841,658,872
Less: Cost of equity	499,803,766	474,691,982	489,052,276	333,898,657

Key ratios

EVA/Operating revenue (%)	(1.38)	(5.93)	16.78	48.98
EVA/Average shareholders' equity (%)	(0.54)	(2.21)	8.09	47.41
Net profit after tax/Operating revenue (%)	21.87	18.18	38.57	59.82



Market Value Added Statement



Unlike EVA, which measures internal performance, market value added (MVA) is a measure of external performance that indicate how the market has evaluated the company's performance in terms of market value of shares compared to book value of shares. MVA is the difference

between the market value of equity of a company and the book value of equity invested in the company. A positive MVA indicates that the company could add value to shareholders wealth. The following statement indicates the MVA at the year ended on 31 December 2013 and 2012 (in million Taka):

(in million Taka)	2013	2012
Market value of shares outstanding	7,286.87	7,459.72
Book value of shares outstanding	5,249.84	5,106.59
Market value Added	2,037.03	2,353.13

Contribution to National Economy

Doing Business in an economy by any corporate house is presumed to have some inherent involvement with the people, the nation or the economy as whole. It has some remarkable responsibilities towards the society, the government on ruling, stockholders directly or indirectly attached with the organization. Those responsibly may be performed through

contributing through payment tax, VAT, levy, excise duty, surcharge, etc. savings development, creating employment, development in the SME and green banking sector, donation to the government fund, contribution in CSR, implementation of government policies, contribution to the national yearly budget etc. some of which are presented in the table below-

Area	Our contribution
Industrialization	Industrialization which endeavors facilitation of production through term loan, lease finance, factoring, SME finance, green finance.
Employment	Generation of employment through industrialization and business development
Capital Market	Investment in secondary market, issuer of IPO's to increase supply of securities, providing margin loan and development of capital market.
National savings	National savings and healthy rate of return to depositors.
National Budget	In time submission and payment of taxes, VAT, AIT, Excise Duty, Supplementary Duty (SD), surcharge, source taxes etc. to the Government.
CSR and donation	Committed to social responsibility amid donation, sponsorship and supporting helpless peoples.
National Recognition	Awarded in home and abroad substantiated distinct corporate governance.
National growth	Helping in developed money circulation and national GDP growth
Policy implementation	Helping in implementation of government policies, etc.

Prime Finance & Investment Limited, as a financial service provider, contributes to the economic prosperity by providing financial products and services to the industrial undertakings including SMEs, factoring, green banking etc. Based on the financials as on 31 December 2013, Prime Finance has total credit exposure and deposits holders with around 1,350 clients of Taka 12,901.72 million and 6770.96 of deposits respectively. Such facilities were extended mostly for importation of capital machineries, working capital, SMEs loan, margin loan, factoring, green financing etc. Besides we create national savings by developing deposits base. Prime Finance also manages IPOs of different companies, provide margin loan to increase supply of securities in the capital market through its subsidiary company. This is how Prime Finance contributes to the industrialization, capital market development, economic growth of Bangladesh and thus helping in employment generation.

We as corporate players contributes to the economy paying out fair share of taxes, VAT, Supplementary Duty (SD), source taxes etc. to the Government. During the year 2013 the Company provided a provision of Tk.98.51 million for taxes. We make an economic impact by creating employment and a well-trained workforce. Prime Finance and its associate companies employed around 250 employees as on 31 December 2013 (2012:200). During the year 2013, Prime Finance spent total Tk 0.23 million for training and HR development. During the year 2013, Prime Finance paid a total amount of Taka 147.16 million as salaries and allowances to its employees (2012: Taka 118.05 million). We recognize our fiduciary duty to our shareholders and seek to establish constructive relationships. We are focused on maximizing long-term shareholders' value through strong financial performance and returns, disciplined and profitable

investments. We have achieved awards for best presented accounts for financial sectors as well as corporate governance over the past several years from abroad on behalf of Bangladesh which has improved the impressions of the country before the foreign forum.

Prime Finance has been paying a satisfactory dividend to its shareholders placing it among the top ranking non-banking financial institutions over the past many years. Prime Finance proposed 15 percent cash dividend equivalent to Taka 409.37 million to its shareholders for the year 2013 (2012: 20 percent stock dividend equivalent to Taka 454.86 million and 10 percent cash dividend equivalent to Taka 227.43 million). We always agree in building prosperity by supporting a broad range of causes through donation, sponsorship and supporting helpless peoples. We encourage our employees to participate in social and charitable programs. As a part of its social responsibility, the Company contributes to various funds, flood affected people, to hospitals and to the people who were affected by the natural calamities. We believe that sustainable economic growth and a healthy environment are inter-linked. We take supportive role in terms of providing financial services by restricting and discouraging those projects that cause pollution for environment and health hazard.

At the outset it can be demonstrated that as corporate participant, we recognize that, we have responsibilities to the development of the society and the country as a whole. We aspire to be known as an institution that builds enduring relationship with and delivers value for our clients, shareholders, employees and the community where we work, where we live.

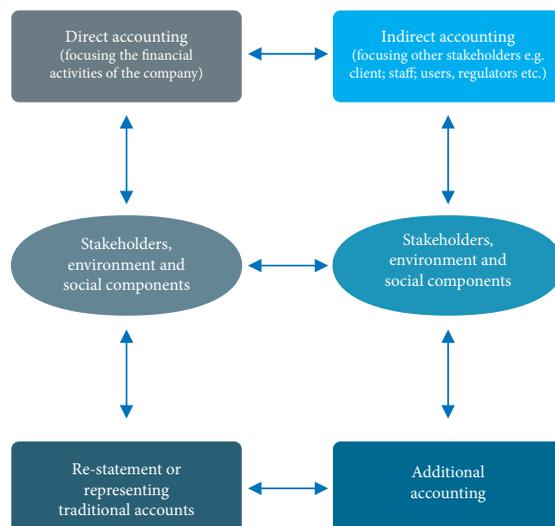
Sustainability Development Accounting



Prime Finance strategically enlightened by Sustainability Development Accounting (SDA) which is an effective integrated tool to make out, evaluate and deal with social and environmental risks by identifying resource efficiency, cost savings and linked improvements in social, ethical and environmental issues with financial opportunities. High quality management information on social, environmental and ethical performance is vital for monitoring the environmental and social impacts of a company and for compiling connected reports showing how effective its governance arrangements are. Our SDA provide hard evidence of the positive impact on society, the environment and the strategic returns for the business, and how any negative effects are being addressed. Our governance structures include people with appropriate skills to scrutinize performance and strategy across social, ethical and environmental issues.

Prime Finance as leading financial institution of Bangladesh concentrates on the crucial point of sustainability accounting for the large benefit of the company, the stakeholders and the economy as a whole. Together we discuss how organizations should approach social, environmental, economic and ethical issues that go beyond the financial bottom line. Our corporate interests aligned with the broader concerns of society if we all are to survive. Our ethics are embedded in decision making and long-term strategy.

Sustainability Development Accounting



SUSTAINABILITY REPORTING

The Accounting for Sustainability initiative, Prime Finance seeks to redress the balance by creating a far-reaching connected and integrated model. Bringing together stakeholders from diverse communal, informative and profitable vein, to plot enduring partnerships of mutual development in over eighteen years been a way in uplifting Bangladesh's inherent diversity into a culture of inclusive empowerment by Prime Finance. The followings are the hinterland where Prime Finance practices sustainability development.



Governance structure of Prime Finance

OUR GOVERNANCE STRUCTURE

Prime Finance employs a comprehensive and well-founded corporate governance regime. Embed governance and regulatory best practice in our operations; help shape the regulatory environment in which we operate and continuously sustain and build healthy relationships with our stakeholders through open and transparent engagement and disclosure.

STAKEHOLDER ENGAGEMENT

The scope of the company's stakeholders engagement is wide ranging and includes dialogue with shareholders, customers, directors, employees, depositors, multilateral lending agencies, our regulators.

Stakeholders group	Desired outcome	Frequency & medium of engagement
<ul style="list-style-type: none"> ■ Shareholders ■ Directors ■ Employees ■ Depositors ■ Lending agencies ■ Central Bank as regulator ■ Auditors ■ Market Analysts ■ Suppliers ■ Correspondent banks ■ Government agencies ■ Implementing body of Financial Reporting Standards (ICAB) ■ Rating agencies 	<ul style="list-style-type: none"> ■ To ensure that their expectations are met. ■ To ensure that stakeholder expectations are met. ■ Loyalty, commitment and motivation. To create a great place to work and also to ensure that employees' values are aligned with corporate values. Moreover, as financial institution, we strive to create a unique value proposition in the industry through our staff. ■ To attract new depositors and to maintain loyalty. ■ To keep them updated about the Company and report on progress. ■ Maintain a close working relationship and ensure compliance. ■ Maintain a close working relationship and ensure compliance. ■ To keep them informed of the Company's performance. ■ Maintain a close working relationship. ■ Maintain a good relationship. ■ Ensure compliance. ■ Keeping communication and ensure compliance. ■ Ensure compliance. 	<ul style="list-style-type: none"> ■ Quarterly financial statements, regular annual report and AGM ■ Monthly Board meetings and Board papers (sometimes more frequently) ■ Regularly. Through the following methods: Team (TLT) meetings, monthly departmental meetings, policy and procedure manuals, open-door policy, cross-functional teams surveys, software systems use, active staff recreation, use of intranet, informal group meetings across staff of varying grades, etc. ■ Providing account statements, gift items, telephonic communication. ■ Regular reports and quarterly visits ■ Regular meetings and reports - daily, weekly, monthly, quarterly and annually ■ Regular Meetings - monthly and annual audit Exercise ■ Quarterly meetings and telephone conversations - quarterly ■ Meetings on need basis ■ Daily via telephone, SWIFT, E-mail, etc. ■ Reports, payments, meetings when necessary ■ Submission of annual report and meeting as needed. ■ Annual rating exercise and submission of accounts

Sustainability Development Accounting - *continued*

SOCIO - ECONOMIC DEVELOPMENT

Our society faces a drastic shift more than any time at past. Customers are more conversant and empowered than ever before, and old notions of value and loyalty are breaking down as digital technology allows them to both compare value and expand their choices.

The financial performance of Prime Finance over the years represents the economic prosperity and profitability that contribute to and enrich the sustainability. The Company plays a catalytic role in socio-economic development by providing finance to customers, eventually enhancing individual welfare and driving growth in the broader economy.

Economic Value Added (EVA) by Prime Finance

(Figures in Taka except per share data)

	2013	2012	2011	2010	2009
Economic value added	(29,739,028)	(116,728,435)	376,770,756	1,507,760,215	592,230,374

Market Value Added (MVA) by Prime Finance

	2013	2012	2011	2010	2009
Market Value Added (MVA)	2,037,033,460	2,353,130,000	11,300,710,000	38,559,210,000	10,165,600,000

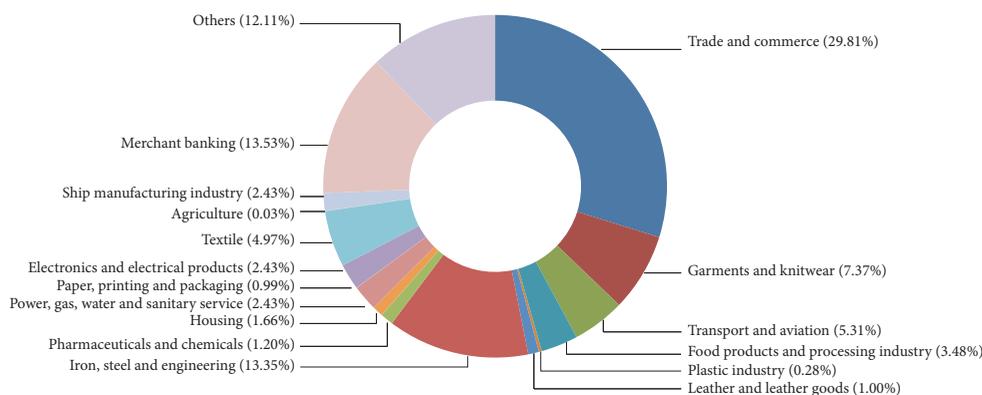
Value added contributed by Prime Finance

Indicators	2013	2012	2011	2010	2009
To Employees:	147,160,123	118,048,962	126,510,485	93,341,477	70,489,554
To Provider of capital:	409,374,725	682,291,209	649,801,152	722,001,280	322,322,000
To Government:	98,511,734	112,890,583	181,388,330	260,801,880	27,557,393
To expansion and business growth:	(29,969,713)	(373,733,494)	(3,499,094)	1,012,036,658	366,327,971
Total Distribution	625,076,868	539,497,254	954,200,873	2,088,181,295	786,696,918

Shareholder's return by Prime Finance

Indicators	2013	2012	2011	2010	2009
Return on average equity (%)	7.06	5.88	16.50	44.47	49.72
Price earnings ratio (Times)	24.37	31.69	23.77	24.35	17.55
Shareholder equity (Taka in Millions)	5,249.84	5106.59	4684.40	3893.58	1826.39
Earnings per share (Restated)	1.10	0.86	2.96	7.60	3.00
Dividend	15C	10C, 20B	40B	80B	10C, 40B

DIVERSIFIED PRODUCT ARRAY



Sustainability Development Accounting - *continued*

EN ROUTE FOR EMPOWERING SOCIETY

In addition to strategic focus of building an entrepreneurial culture, Prime Finance has taken initiatives to move beyond our regular customer base and assist a wider community consisting of individuals and groups, including them in the financing system through unique products and schemes, assisting them to improve their savings from new ventures, helping develop the communities and empowering the people to develop or take up new business ventures. In doing so, we are laying the foundation towards sustainable livelihood development that will result in elevating their social standing while contributing towards national development.

QUEST OF SUSTAINABILITY

Apart from what the Company can and does accomplish in its normal course of business, there are many instances of indirect economic value addition to the wider

community in pursuit of true sustainability of the Company and stakeholders.

ENVIRONMENTAL RESPONSIBILITY

The expanding size and prosperity of the global population is leading to rapidly rising consumption and putting unsustainable pressures on the world's most critical natural resources. As environmental risk increasingly impinges on clients (examples include higher resource costs, pollution damage and changes in productive land), our business will need to assess the impact on our loan book, risk profile and investments.

Prime Finance accepts that the sustainable prosperity and well-being of our institution is closely entangled with that of all stakeholders and importantly it is closely linked with the suitable environment. It is not enough to conduct business we are required to practice 'good living habits' along with the environment, minimizing harmful impacts.

The impact of global temperature rises could be extreme.

Figure 11: Possible climate impact of a rise in global temperatures (Stern Review)

Temperature rise	1°C	2°C	3°C	4°C	5°C
Water	Small glaciers in the Andes disappear completely, threatening water supplies for 50 million people	Potentially 20-30% decrease in water availability in some vulnerable regions	1-4 billion more people suffer water shortages, while 1-5 billion gain water, which may increase flood risk	Potentially 30-50% decrease in water availability in Southern Africa and Mediterranean	Possible disappearance of large glaciers in Himalayas, affecting one-quarter of China's population and hundreds of millions in India
Food	Modest increases in cereal yields in temperate regions	Sharp declines in crop yield in tropical regions (5-10% in Africa)	150-550 additional millions at risk of hunger (if carbon fertilisation weak)	Agricultural yields decline by 15-35% in Africa	Continued increase in ocean acidity seriously disrupting marine ecosystems and possibly fish stocks
Health	Reduction in winter mortality in higher latitudes	40-60 million more people exposed to malaria in Africa	1-3 million more people die from malnutrition (if carbon fertilisation weak)	Up to 80 million more people exposed to malaria in Africa	
Land	Permafrost thawing damages buildings and roads in parts of Canada and Russia	Up to 10 million more people affected by coastal flooding each year	1-170 million more people affected by coastal flooding each year	7-300 million more people affected by coastal flooding each year	Sea level rise threatens small islands, low-lying coastal areas (e.g. Florida) and major world cities such as New York and London
Environment/ Ecosystems	80% bleaching of coral reefs, including Great Barrier Reef	High risk of extinction of Arctic species, including polar bear and caribou	20-50% of species facing extinction (according to one estimate)	Loss of around half Arctic tundra	
Abrupt and large-scale impacts	Atlantic thermohaline circulation starts to weaken	Potential for Greenland ice sheet to begin melting irreversibly, accelerating sea level rise and committing world to an eventual 7 m sea level rise Rising risk of abrupt changes to atmospheric circulations, e.g. The monsoon Rising risk of collapse of West Antarctic Ice Sheet and Atlantic thermohaline circulation			
		Low growth scenario		Higher growth scenarios	

Source: Stern Review, 2006

ENERGY SAVED DUE TO CONSERVATION AND EFFICIENCY IMPROVEMENTS

PFIL Head Office comprises a floor area of 12,260 square meters and management has already decided to conserve energy, utilize renewable energy and constructed and equipped with eco-friendly materials.

For further energy efficiency, compact fluorescent lights (CFL) are used in most of the branch offices and recreation areas whereas fluorescent lights are gradually replaced in office areas to conserve energy.

OUR PASSIONATE TEAM FORCE

Evenhanded culture

Empowerment amid ethical values carries out the serious apprehensions of unprofessional conduct or misconduct internally and to ensure that such allegations are thoroughly investigated and solved in a professional manner which up brings the evenhanded culture.

Our productivity counts

People's productivity

(Figures in Taka)

	2013	2012	2011	2010
Total employees	89	66	67	
Net income per employee	2,151,524	3,894,651	7,910,192	25,767,450
Operating revenue per employee	20,296,035	24,526,794	27,523,971	45,808,966
Assets per employee	171,850,136	197,595,280	211,455,331	197,027,255

Our team strengths

	2013	2012	2011	2010
Senior Management	5	4	5	11
Mid level Management	23	22	18	40
Junior level Management	43	30	26	1
Support Staff	18	18	17	15
Total	89	74	66	67

DELIGHTING OUR CUSTOMERS

As a service provider Prime Finance strives to build productive, long-term relationships with clients, based on high ethical standards and creative solutions. Among the services PFIL offers is help for customers to hear about sustainability, how to integrate it into their strategies and operations, how to use related opportunities to increase their revenues and cut costs, and how to manage any associated risks.

Productive investment decisions

Prime Finance's lending policies ensure that lending facilities are not extended to industries engaged in illegal activities, industries that pollute our own environment with no proper pollution control methods, industries

Openness

Entrance over any level guarantees an employee's right to seek assistance from any point in the chain of command, even superseding their immediate supervisor. The policy provides employee access to any manager or supervisor including the Managing Director. At Prime Finance, we practice open door policy for communication and we believe that an effective communication policy would increase the morale and motivation of employees.

Prime Finance as a good employer

From the inception, Prime Finance has endeavors to be a good employer, an employer of choice in a competitive market place. We did what was necessary; put the systems in place, the thinking in place and created our own corporate culture which we felt would serve the needs of both the Company and employees.

Intuitive upbringing, greater benefit

Intuition over work process creates a competitive and greater environment in Prime Finance to perform and recognition comes through its logical system which is effectively interlinked with our performance management system.

involved in manufacturing and selling arms and production or activities involving harmful or exploitative forms of forced labor/ child labor. Prime Finance conducts an individual social and environmental risk analysis for the borrowers' operations and takes measures to avoid, mitigate and minimize the risks identified before funding.

Behind customer happiness

Prime Finance welcomes all customer complaints which are accounted from the complaints box. Many areas have been improved like customer service quality standards during the year under review.

Privacy & confidentiality podium

Prime Finance always avoids any breaches of customers' privacy or loss of customer data.



Corporate Social Responsibility

Prime Finance sees itself as an integral part of the communities in which it operates. This means that the Company recognizes that its activities have an impact on the community in which Prime Finance do business. The Company also realizes that the basis for any good business is trust and the society expects the highest standards from Prime Finance when it comes to ethics and corporate responsibility. Prime Finance is and always has been founded on solid long-term relationships with all of its stakeholders. The Company achieves this by promoting a corporate culture that adheres to its business principles, and by generating good and sustainable returns for its shareholders. The objective of Company's involvement in CSR is to ensure mutual value creation for the Company as well as its employees and stakeholders. Every aspect of business has a social dimension. Prime Finance in carrying out its business activities is pursuing its commitments to sustainable development and transparent corporate conduct in social and ethical manner.

MAJOR CSR PRINCIPLES

Major CSR principles are applied alongside the principles of the company's Code of Ethics and are as follows:

- Dedication to the company's mission, shared values and vision;
- Provision of standard & competitive services based on top-ranked professionalism of the company's team;
- Respect for the worth and dignity of a human person;
- Fair play and mutual respect in communicating with stakeholders;
- Equitable decision-making in management;
- Compliance with law, and liability for actions taken;
- Profitability;
- Protection of employees' health;
- Openness in communicating with stakeholders.

Corporate Social Responsibility - *continued*

We define corporate responsibility as operating with integrity at all the times, sustaining our company's long-term viability while contributing to the present and future well being of all our stakeholders. In doing so, we strive to take active responsibility for this daily choices that our company faces:

- How should we best structure and govern our Company?
- How should we best serve our clients in terms of ethics, privacy and services?
- How should we attract the best talents and motivate our employees?
- How should we contribute to our communities in which we operate our business?
- How can we minimize the impact of our business activities on the environment?
- How can we grow our company in a sustainable way?

At Prime Finance, we recognize that we have certain responsibilities to our clients, shareholders, employees and to the communities. We aspire to achieve highly professional standards and integrity in all situations: managing our financial performances for the benefit of all our stakeholders, making a contribution to the community we live in and avoiding practices that directly or otherwise have a negative impact on others or the environment. We try to carry out these responsibilities properly and to improve our performance over time.

CSR MANAGEMENT

The Institution performs its CSR management alongside the following five directions



** Corporate Conduct: which is in the overlapped area of the above four directions and is a basic direction of the Institution's performance

PRIME FINANCE AND ITS CLIENTS

Prime Finance is committed to building its business and serving its clients, while at the same time improving the communities in which it does business. As a financial institution, people entrust Prime Finance with their funds, and therefore, with their aspirations for their families and businesses. This is a large responsibility and a great opportunity. The Company in turn strives to listen to and learn from its stakeholders and to take the appropriate action where it applies, since responsible behavior towards its clients, shareholders and employees is an essential element of Company's daily business.

Our commitments to clients

Professional expertise

- Continually work to improve products and services by listening to clients in order to determine their needs
- Provide employees with the training they need to deliver sound advice to clients
- Ethical principles and code of conduct

Effective Service

Prime Finance organizes periodical meetings with respective departments at least once in every month for making continuous improvements whose aim is to achieve operational excellence and change internal business process through employees. Emphasis is given to note the voice of the client whenever employees meet clients that are what the clients say, they want and need. This program provides rational way for bringing about significant improvements in the quality of the service delivered, while empowering employees to make necessary changes.

Statement of professional ethics

Prime Finance adheres to the professional code of conduct in force where it operates. The Compliance Guidelines of Prime Finance are based on the following fundamental principles:

- *Professional advice:* We undertake to advise our clients after listening to them and a personalized analysis of their real needs;
- *Clear and honest information:* We undertake to always give our clients the information that is clear and honest, the service to which they are entitled, the

Corporate Social Responsibility - *continued*

status of their loan/lease, the position of clients investments etc.;

- *Non-disclosure of confidential information of clients:* We undertake to refrain from disclosing any information that we may acquire on the personal life, assets and activities of our clients;
- *Fairness:* We undertake to manage faithfully the accumulated benefits and entitlement of our clients and to manage impartially all conflict of interests that arise between Prime Finance and also clients;

PRIME FINANCE & ITS SHAREHOLDERS

Our commitments to our shareholders

- Operating performance that ranks among the best in the industry;
- Effective corporate governance;
- Full and complete financial information;
- Giving attractive dividend.

Living up to these commitments

Operating performance that ranks among the best in the industry

Prime Finance uses three indicators in particular to measure shareholders' satisfaction. Usually those have been chosen because they are widely used by industry analysts to compare performances. Prime Finance seeks to achieve continuous improvement in those areas. The indicators are:

- Efficiency ratio : When this indicator improves this means the assets and liabilities have been managed efficiently;
- ROI : When this indicator improves this means the assets have been utilized efficiently;
- EPS : When this indicator improves this means the profitability increases.

High standards of corporate governance

Details on Prime Finance's structures of corporate governance are given on page 94 of this Report.

Fully informed shareholders

Prime Finance has highly diversified shareholder base. Committed to building and maintaining a relationship based on trust and accessibility with both individual and institutional investors, Prime Finance provides timely and relevant information as we have dedicated employees to respond to their requests.

Shareholders' information: A top priority Prime Finance's goal is to deliver clear, complete and reliable information that meets the needs of all shareholders, regardless of their level of expertise as investors. Prime Finance ranks among the few listed companies that provide the most detailed possible information on business strategy, performance and earnings and has received awards for the quality of its disclosures. In all the years since its listing in 2005 with Stock Exchanges, Prime Finance received First Prize of ICAB National Award for best published Annual Reports. Prime Finance also received SAFA Merit Award in 2007 and Second Prize in 2008, 2009 and 2010 amongst SAARC Countries for the best published Annual Reports. Prime Finance got the 2nd prize in the 11th ICAB National Awards for Best Published Accounts & Reports 2010. Prime Finance was the joint winner in the Best Presented Accounts Awards 2010 in Financial Service Sector and was the overall winner in the SAFA Best Presented Accounts Awards 2010.

PRIME FINANCE AND ITS EMPLOYEES

Prime Finance is committed to be equal opportunity employer, adhering to the highest social standards, the company seeks to provide a superior working environment for its employees based on diversity and

respect for the importance of the individual. As a leading financial institution, one of the Company's main purposes is to create long-term value. Prime Finance firmly believes that sustainable growth and investment for any business is also dependent on what it does above and beyond what laws and regulations require. This is why Company is committed to create a working environment based on the values of equal opportunity, diversity and meritocracy. The Company has also adopted measures to protect the environment and contribute to the community where it operates. All the Company's activities are reinforced by its governance structure, which complies with the leading codes of best practices.

Our commitments to our employees

- Provide a workplace in which employees are respected;
- Encourage a management style that empowers and develops employees;
- Measure progress in employment practices and employee morale.

Living up to these commitments

Prime Finance sets forth general guidelines in the area of employment and Human Resources. Specific action plans are implemented by Prime Finance to address issues relating to human resources.

A workplace where employees are respected

Prime Finance is not exposed to any social problems like child labor. With respect to issues that are relevant to its operating environment, Prime Finance promises to :

- Provide equal opportunity and respect diversity;
- Promote constructive dialogue between employees and senior Management;
- Support employee efforts to achieve a healthy work-life balance;
- An empowering Management style that develops employee and encourages performance;
- Prime Finance seeks to enhance employee motivation and performance in line with Company's strategic objectives and in accordance with Prime Finance brand promises: ethics, professionalism, innovation, pragmatism, team spirit and integrity. In support of these, Prime Finance's management style encourages:

Quality information on key priorities: Employees are kept informed of the strategies of their Company and its results. In this respect, internal communication play a key role in devising and disseminating published information resources and holding regular departmental meetings.

Clear individual objectives: Departmental heads meet with their colleagues periodically to review past performance and set future objectives. These meetings help employees to understand how they contribute to achieve company's objectives.

The support from managers needed to excel professionally and contribute to improve company's performance: Once again, the annual performance appraisal plays a key role in elucidating training needs related to current job performance as well as future career development and opportunities.

Performance appraisal is made up of different traits in Professional & Personal Area. 3 sets of appraisal sheets are used for 3 categories of employees that is Senior Management, Mid level Management and Junior level Officers. An employee is assessed by two senior executives and the score is considered to be an appropriate barometer of employee satisfaction. Working conditions are

comparable to those enjoyed in best companies of the industry. Compensation levels also compare favorably to industry rates. Details are in HR Accounting Report on page 83-85 of this Report.

PRIME FINANCE AND ITS COMMUNITY:

CSR means voluntarily integrating social and environmental considerations into the business and these are an integral part of Company's corporate culture and fundamental business principles. Prime Finance believes that a prosperous community creates a prosperous business. By supporting charitable causes, Prime Finance seeks to help people achieve their goals.

Our commitments to community

- Develop philanthropic initiatives that are related to our core business.
- Share our expertise with the community particularly in the area of prevention
- Contribute for the well-being of the Community

Social Impact Management:

Priorities of the Institution in managing social impact are: upgrading quality of life in local communities, and reinforcing its reputation of a trustworthy and sound Institution, actively engaged in local developments.

- The Company is well aware of its economic role in local communities, and is committed to be a responsible citizen open to public opinion.
- The Company realizes that its wellbeing is directly derived from the wellbeing of the local community. Hence, the Company is actively involved in addressing most pressing social challenges facing people, and offering support to certain groups of local households.
- The Company credits its employees with participating in corporate social and charity activities of the Company, and encourages their initiatives meeting the principles of this Policy.

Environmental Impact Management

Priorities of the Institution in managing environmental impact is cost efficiency due to reduced consumption of resources.

- The Company is committed to be environmentally friendly, including efficient consumption of resources, such as energy, paper, fuel, etc.

Corporate Social Responsibility - *continued*

- The Company shares the “green office” concept aimed at reducing negative impacts on environment, and also enhancing environmental awareness of employees.

Living up to these commitment

Prime Finance believes in building prosperity by supporting a broad range of community causes. Our employees also make contribution as volunteers sharing their time, financial and enthusiasm with the community.

Our commitments to environment

Prime Finance is engaged with stakeholders for scrutinizing the environmental & social impact of their proposed undertakings. Prime Finance encouraged the clients to set up Effluent Treatment Plan [ETP] and other measures to reduce the adverse environmental impact if any. Also we shared some laws & regulations regarding these issues for the awareness. Also Prime Finance representatives counsel the borrowers to keep the best social and environmental impact in connection with their business.

2013 HIGHLIGHTS

Employee Development: Prime Finance considers Human Resources as its main asset and it always put emphasis in developing the skills of its employees. Total 43 no of employees have been given training. Prime Finance spent Tk. 1,067,690 for training & development. For overseas training Prime Finance spent Tk. 916,990 while the cost of local training was Tk. 150,700.

Donation

Donations are a cornerstone of our community programs, with a tradition of philanthropy dating back to our roots.

We are committed to making a lasting social impact through inspiration, responsibility giving and building strong partnership with the charitable organization. As part of Corporate Social Responsibility, Prime Finance donated Taka 500,000 [Taka Five Lac] to Glaucoma Research & Eye Hospital, Taka 1,000,000 to Prime Ministers Relief and Welfare Fund (Savar Tragedy), Taka 100,000 to Nari Uddakta Samabesh , Taka 75,000 to Victims of Savar Tragedy directly. In addition to that the employees of Prime Finance also donated Taka 128,252 for the victims of Savar Tragedy.

Sponsorship

Sponsorship is an integral part of Prime Finance's marketing and promotional activities and are selected to promote our image and reputation. In 2013, Prime Finance also participated in the community development by way of sponsoring some national & International programs. Prime Finance was one of the core sponsors of ICMAB National Award Giving Ceremony and the sponsorship amount was Tk. 200,000. Prime Finance also donated Blanket for the cold affected victims. In the first phase the amount was Taka 150,000. Distribution in second phase will be made in January 2014. Prime Finance sponsored Taka 22,000 [100 pcs T-shirt] to Coast Guard and Taka 22,000 [100 pcs T-shirt] on Income Tax Fair 2013. Other than this Prime Finance also contributed approximate Taka 282,500 by sponsoring different events, papers, magazines etc.

Encouraging & Promoting Education in underprivileged community

To promote education in the underprivileged community, Prime Finance has introduced Prime Finance Scholarship Scheme. Under this scheme 26 students have been selected for scholarship amount of Taka 230,000 for the year 2013.



Environmental Initiatives & Social Obligations

Bangladesh, because of its geographical location, faced a great number of catastrophes in recent past and under vicious circle of global warming consequences. These powerful trends directly affect all of us, impacting broader economic and social stability as well as our own corporate and investment bottom lines. Prime Finance recognizes the interdependency between environmental, social and financial performance, and understand that our business success and long-term viability depends on how quickly we develop and support solutions that use cleaner energy and fewer resources. We discern that, sustainability factors directly affect business profitability and forward-thinking actions will be rewarded.

As global economic transformation is underway, investors and businesses are well positioned to accelerate the transition to a sustainable global economy that supports growth, job creation, investment value and innovation.

INITIATIVES TOWARD OUR ENVIRONMENT

As Prime Finance doing business for common good by providing good employment, by investment in producing needed goods and services, and by creating wealth, the potential to do for our environment is so great. We have decisional priorities in certain investment that cares our ecology. We are just starting to explore ways in which it can marry the jet stream of finance with public purpose.

Our initiatives include:

- Encouraging social entrepreneurship.
- Better risk management practices have been put in place.
- Ensure EDD (Environmental Due Diligence) at the time of client’s credit risk rating.
- Aligning our interest in energy efficiency investments i.e. investing in garments that have ETP (Effluent Treatment Plant), CFL Lights factory etc.
- Obtain Environmental Clearance Certificate before financing.
- Introduced Green Finance.
- Started concerted efforts to improve the environmental footprint of our workspace.

OUR PHILANTHROPY TOWARD SOCIAL OBLIGATIONS

Prime Finance as a responsible financial institution, perform social obligations in order to benefit of our broader community. We should protect and improve the physical environment. Since we control a lot of resources of societies in our country, it has a crucial responsibility to use those resources in a way that does not pollute the environment. We encourage entrepreneurs to come forward responsibly for our society and contribute towards societal activities.

Our prioritization framework towards society:



Our viewpoints for creating values:

- Ensuring the ability to pay promised benefits by maintaining an adequate funding status is the primary measure of success for Prime Finance.
- Consider the impact of our actions on future generations of members and taxpayers.
- Favor investment strategies that create long-term, sustainable value and recognize the critical importance of a strong and durable economy.
- Advocate for public policies that promote fair, orderly and effectively regulated capital markets.
- Consider risk factors, for example climate change and natural resource availability, that emerge slowly over long time periods, but could have a material impact on company or portfolio returns
- Our investment towards environment friendly entities makes more than thousands of employment which make us obliged by socially.



Disclosure on Green Banking Activities

1. INTRODUCTION

Green Banking is banking for saving the environment from different hazards and pollution. The concept of Green Banking has emerged from global warming issues. Green house effect/global warming is one of the most burning & discussed issues, which is found responsible for distortion of balance in the environmental & climate change. There is general lack of adequate awareness on global warming issues and hence it is urgently needed to promote certain urgent measure for sustainable development and corporate social responsibility.

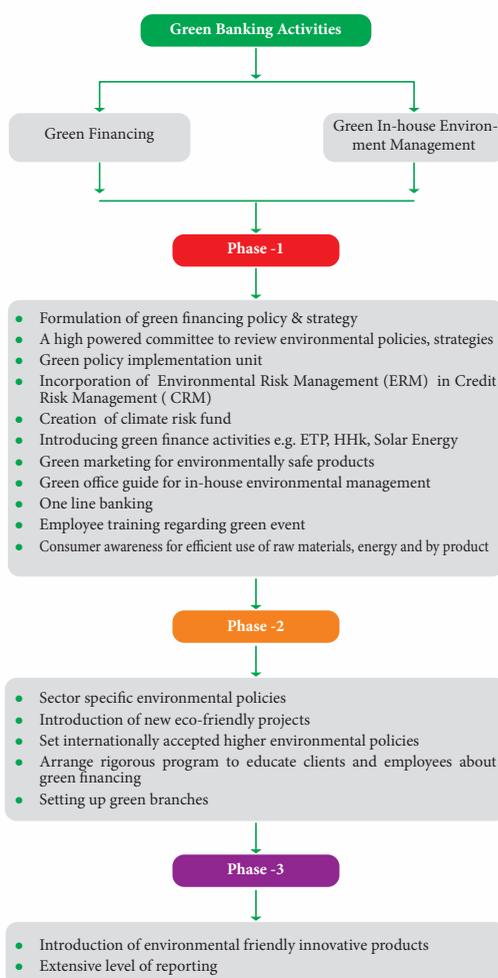
2. OBJECTIVE

Since the environmental change have direct impact on biodiversity, agriculture, forestry, dry land, water resource and human health. Bangladesh bank as a regulator of all NBFIs has taken initiatives in safeguarding the planet. Green Banking and CSR department circulated a GBCSRD Circular No -04, dated August 11, 2013 / Sraban 27, 1420 regarding “Policy Guidelines for Green Banking” for all financial institutions licensed under Financial Institution Act, 1993.

Other objectives include-

- i. To promote sustainable environmental friendly initiatives undertaking through adoption of set of principles and strict adherence to those principles.

Green Banking Requirement at a Glance:



Disclosure on Green Banking Activities - *continued*

- ii. To contribute to the national / global interest through avoidance of financing in specific industry (ies) / project (s) / process (es), business(es), being harmful or tend to be causing harm to environmental event if they are financially viable.
- iii. To encourage the employer, the existing and potential clients and other stakeholders to develop, practice, promote for developing & using environment friendly green technology / products/ production/ process.
- iv. To create awareness among employees through initialization of appropriate in-house environment risk management system through introduction of appropriate technology.
- v. To sponsor awareness program for environment friendly product/ technology through practice of Corporate Social Responsibility (CSR).

3. SCOPE

All Green banking activities are operating under guidelines of Bangladesh Bank. The whole activities and programs cover protection of environment from natural disaster and save the environment, where-

Green financing means

Financing in the eco-friendly business activities and energy efficient industries such as renewable energy (solar, wind, geothermal, marine including wave, bio-gas, and fuel cell), green buildings (green retrofits for energy and water efficiency, residential and commercial assessment, green products and materials) and LED construction, clean transportation (alternative fuels, public transit, hybrid and electric vehicles, car sharing and carpooling programs), water management (water reclamation, grey water and rainwater systems low-water landscaping, water purification, storm water management), waste management (recycling, municipal solid waste salvage, brown field land remediation, sustainable packaging), land management (organic agriculture, habitat conservation and restoration, urban forestry and parks, reforestation and a forestation and soil stabilization) [GBCSRD Circular No- 04, dated August 11, 2013 of Bangladesh Bank]

Another area for green banking activities is Green In-house environment management system, which includes

Energy: Reduction of energy consumption by using external / natural lighting facility & visibility and reducing

dependency on internal lighting. In case of internal lighting LED bulbs can be used to reduce electric consumption.

Paper: Reduction of paper based record and use electronic communication system among branches to eliminate paper based manual communication. Account opening form, application form, leave request form, interbank data communication can be updated in Prime Finance web based portal to reduce manual transfer of paper.

BEFTN: Paperless operation process and delivery payment to client through BEFTN instead of cheque.

Eligibility of Recycling : The office furniture should be made through environment friendly material and office equipment should be eligible for recycling at end of its life.

Duplex option of photocopier & Printer: Use of automatic duplex option of photocopies & printer. Ensure copy machine and printer are put in standby mode when not in use or turned off at end of each day.

Employee awareness: Employee awareness can be created by providing in-house training program for reducing water, electricity and paper consumption.

4. EXERCISING GREEN BANKING OPERATION

Prime Finance has already applied own technique and strategies with help of respective unit and department for exercising Green Banking operation smoothly.

ACTIVITIES UNDER PHASE-I

4.1 Policy Formulation and Governance

- Prime Finance has formulated an environmental or Green Banking policy and strategy for approval of the Board of Directors, as per clause # 1.1 of GBCSRD circular # 4 dated August 11, 2013 of Bangladesh Bank.
- A high powered committee will be formed involving Directors from the Board to review environmental policies, strategies and program within time limit of phase -1, June 30, 2014. The committee will be responsible for reviewing the company's environmental policies, strategies and program.
- Prime finance already allocated and approved fund amounting to TK. 20.00 million in the annual budget for green banking.
- Prime Finance shall establish a separate Green Banking Policy Implementation Unit (GBPIU) with

Disclosure on Green Banking Activities - *continued*

responsibility for designing, evaluating, and administrating related Green Banking issues of the company. A senior executive shall be assigned with the responsibility of heading the unit and the position playing the role of coordinator of the unit. The unit will report to the high powered committee.

- The stakeholders of the Prime Finance are encouraged to reduce their consumption & wastage of physical resources like raw materials, water and energy to make sure that the best value is received from the resources they use through formulating effective strategies with the boundaries of the policy.

4.2 Incorporation of Environmental Risk in CRM (Core Risk Management)

Prime Finance will confirm the instructions stipulated in the detailed guidelines on Environment Risk Management (ERM) of Bangladesh Bank in consideration of a part of the Green Banking policy.

- Prime finance has incorporated Environmental and Climate Change Risk as part of the existing credit investment methodology (IRG/CRG) prescribed to assess a prospective customer and formulate/circulate checklist for different specific sectors.
- General Environmental Due-Diligence (EDD) Checklist and specific sector-wise due diligence checklist, as technical annexure is to be used for all proposals for financing being considered by the Prime Finance. If there are no specific checklists for the particular sector under consideration, the general EDD alone, is to be used to determine the Environmental Risk Rating (EnvRR). Branches are instructed to complete a response to each of these questions as Yes or No or Not Applicable (NA), and determine the EnvRR. If a question does not apply to the sector under consideration, it should be excluded by deducting from the total number of questions used to calculate the percentages in determining the EnvRR. The justification for any exclusion is to be documented separately and retained on file with the EnvRR checklists.

4.3 Initiating In-house Environment Management:

Prime Finance following in-house environmental management for efficient use of electricity, water, paper and reuse of equipments for example; online communication & document, double-side printing to save papers, eco-font in printing, use scrap paper as notepads, avoid disposable cups/glasses, installation of energy efficient electronic equipments and replace existing bulbs

by LED bulbs to reduce electric consumption. The company is also increasingly relying on virtual meeting through the use of video conferencing in lieu of physical travel which help saving cost and energy. Different types of payments have been made through BEFTN to ensure better customer service as well as reduction of cheque's and paper use.

"Green Office Guide" or at least a set of general instructions is being prepared & circulated to the employees for efficient use of consumables and restoration for reuse of paper/machinery/equipments.

4.4 Introducing Green finance:

Prime Finance has declared to prefer eco- friendly business activities and energy efficient industries at the time of selecting investment customer. Environmental infrastructure such as renewable energy

project (s), clean water supply project (s), wastewater treatment plant(s), solid & hazardous waste disposal plant (s) , bio-gas plant (s), bio-fertilizer plant (s) will be encouraged and financed by the company . Consumer loan programs may also be applied for promoting environmental practices among the clients.

To comply with the instruction of Bangladesh Bank, Prime finance has allocated fund in the budget for green banking as under for the year 2014:

Particulars	Amount in million	Remarks
Green Finance	20.00 million	For installation of ETP, Projects financed having ETP, Bio-gas Plant, Solar Panel, Bio-Fertilizer Plant, Habala Zig Zag Klin etc.
Green financing expenses	0.15 million	In-House Environmental Management
Climate Risk Fund	0.69 million	Part of CSR activities which are related to Climate Change.

It is mentionable here that Prime Finance has already disbursed loan amount of TK. 8.30 million for installation of ETP under green finance in the year 2013. A

Disclosure on Green Banking Activities - *continued*

Photograph of ETP installed to the project of an investment customer of the Prime Finance is as follows.



(An under constructed ETP project investment by Prime Finance & Investment Limited)

4.5 Creation of Climate Risk Fund:

Prime Finance will invest or contribute as CSR activities of the flood, cyclone and drought prone areas at the regular profit rate without charging additional risk premium. However, Bangladesh Bank has advised to build/retain a Climate Change Risk Fund for distribution to the affecting people in case of emergency. The Board of Prime Finance has allocated following Climate Risk Fund during the year-2014.

Particulars	Amount in million	Remarks
Climate Risk Fund	0.69 million	Part of CSR activities which are related to Climate Change

4.6 Introducing Green Marketing:

Green marketing is the marketing of products that are presumed to be environmentally safe. Green

marketing is to help awareness development among common people. The Board of Prime Finance has allocated following Marketing, Training and Capacity Building Fund Tk. 0.15 million during the year 2014.

Particulars	Amount in million	Remarks
Green financing expenses	0.15 million	In-House Environmental Management

4.7 Online Banking:

Prime Finance conducts its operational activities among branches under the system of online banking. The company is also increasingly relying on virtual meeting through the use of video conferencing in lieu of physical travel which help saving cost and energy. The company is giving more emphasis to make the easiest way to help environment by eliminating paper waste, saving gas and carbon emission, reducing printing costs and postage expenses.

4.8 Employee Training, Consumer Awareness and Green Event:

Prime Finance has taken in house awareness workshop to cover its entire employees for building awareness about Green Banking among them. Green financing circular, re-financing scheme, present and future steps have been discussed in regular employee meeting to create awareness about Green Banking.

4.9 Disclosure and Reporting:

Disclosure and Reporting to Bangladesh Bank's Green Banking Cell and others on Green Banking Activities are in practice along with periodical upgrading the same in Prime Finance's website.

ACTIVITIES UNDER PHASE-II

4.10 Sector specific Environmental Policies

Prime Finance shall formulate strategies to design specific policies for different environmentally sensitive sectors such as agriculture, agri-business (poultry and dairy), agro farming etc. The company shall make the provision for installing water treatment and effluent treatment plants mandatory for clients having textile, spinning, dyeing, leather processing factories to qualify themselves for receiving financial support from Prime Finance. The environmentally sensitive sectors may be listed as follows:

- i. Agri-Business (Poultry & Dairy)
- ii. Agro Farming
- iii. Leather (Tannery)
- iv. Fisheries
- v. Textile & Apparels
- vi. Renewable Energy
- vii. Pulp & Paper
- viii. Sugar & Distilleries
- ix. Construction & Housing
- x. Light Engineering & Basic metal
- xi. Chemicals (Fertilizers, Pesticides & Pharmaceuticals)

Disclosure on Green Banking Activities - *continued*

- xii. Rubber & Plastic Industry
- xiii. Hospital/Clinic
- xiv. Chemical trading
- xv. Brick manufacture
- xvi. Ship breaking etc.

4.11 Green Strategic Theme:

Prime Finance will determine green targets to be attained through strategic planning. It will determine a set of achievable targets and strategies, and disclose these in their annual reports and websites for green financing and in-house environment management as well.

4.12 Setting up Green Branches

The Prime Finance shall set up Green Branches which will have feature of using natural light, renewable energy and surface & recycled water to the highest possible extent and implementing energy efficient lighting & cross ventilation air movement system and replacing gradually the less energy efficient machinery/equipments by higher energy efficient machinery/equipments. The branches shall be decorated in such a manner that will promote the activities of "Environmental"/"Green Banking" issues to the people.

4.13 Improved In-house Environment Management

Strategy of reuse, recycling of materials and equipments, and reduction of consumable materials and waste minimization strategy should be part of in-house environmental management in Phase-II. Prime Finance would increasingly rely on virtual meeting through the use of video conferencing in lieu of physical travel this would help saving cost and energy.

4.14 Formulation of Specific Environmental Risk Management Plan and Guidelines

Prime Finance is developing and going to follow an environmental risk management manual or guidelines in their assessment and monitoring of project and working capital loans. In addition to the compliance of national regulation the company may set internationally accepted higher environmental standards. In this connection, green initiatives by a group of FIs will not only be effective but

also offer competitive advantage. FIs' alliances may prepare standard and guidelines among themselves for improving Green Banking practices.

4.15 Rigorous Programs to Educate Clients

Prime Finance will initiate workshop, seminar and customer get together program to aware them regarding their participation towards protection the environment from different hazards.

ACTIVITIES UNDER PHASE-III

4.16 Designing and Introducing Innovative Products

Prime Finance is going to introduce environment friendly innovative green products to address the core environmental challenges of the country.

4.17 Extensive level of Reporting

Prime Finance will publish independent Green Annual Report following internationally accepted format like Global Reporting Initiatives (GRI) targeting their stakeholders. There should be arrangement for verification of these publications by an independent agency or acceptable third party. The company will report its initiatives/activities under the said program to the Green Banking and CSR Department of Bangladesh Bank (BB) in specified format as guided by BB on quarterly basis. Prime Finance will keep its annual report and websites updated with the disclosures on green banking activities.

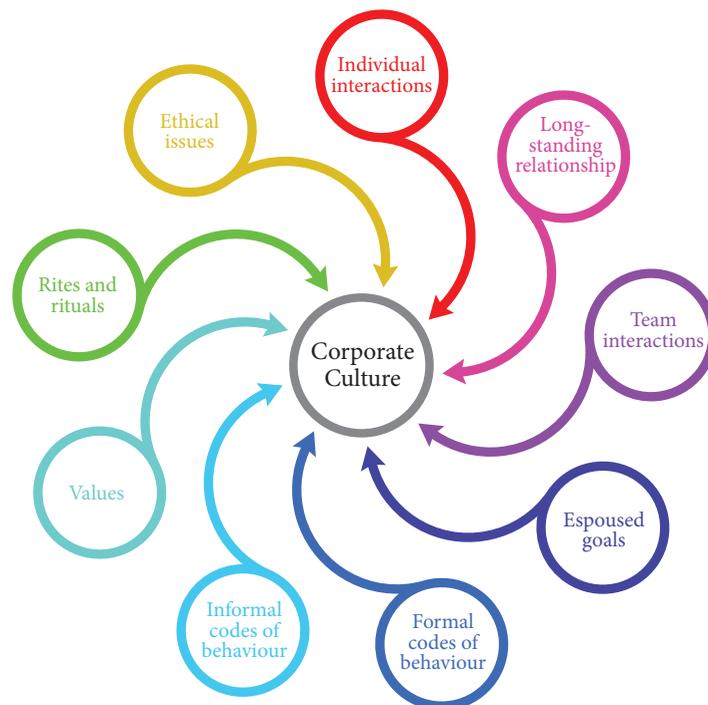
Prime Finance & Investment Ltd is committed to work with the business community for betterment of the community and nation as a whole, through each and every spheres of its efforts. The Board of Directors, Shareholders and all members of operation management are thinking and working in an identical way to achieve the business goal as well as to perform socially desirable fundamental issues. On that very spirit, nationally and globally identified environmental issue also has got top priority.

Human Resources



Corporate Culture

We have a culture where success is celebrated, no matter how big or small. We trust each other and value openness and honesty in our working relationships. Prime Finance provides opportunities for everyone to share their broader goals in life and supports them in exploring and harnessing their unique strengths at work. Maintaining this culture and developing it in a sustainable manner is extremely important to us.



INDIVIDUAL INTERACTIONS

We build relationships and networks with our stakeholders that lead to trust, turn human interactions into results, balance decision-making and consensus building and evolve the culture for productive collaboration. Thus it focuses on developing creative solutions or ideas that improve an existing process or product. Through ongoing collaboration, socialization, and vetting, the idea develops into a viable solution to address a new market opportunity, re-engineer a core process, solve a problem, or create business value.

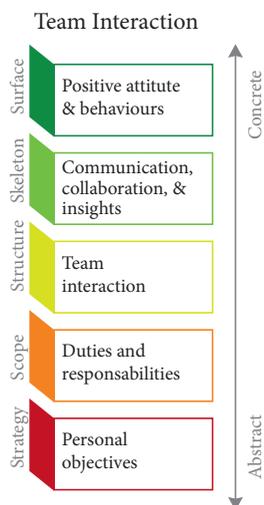
LONG-STANDING RELATIONSHIP

We have long-standing relationships with our clients to provide with a broad range of products and services. We will continue to focus on client satisfaction along with opportunities to provide a greater range of services to clients and deliver full-service solutions for their needs.

By integrating and providing a broad range of services, we believe we can deliver maximum value to our clients at competitive costs. Also, by coordinating and consolidating our knowledge base, we believe we have the ability to deliver the best services to our valued clients.

TEAM INTERACTIONS

Success as of an organization hinges on effective Team Interaction. In Prime Finance we always believe that the results of our work together makes a strong contribution to the overall goals, vision, mission and values of our company. The challenges with functioning as a team lies



in the team culture and the quality and process of interaction between team members. Every team member behaves differently depending on the dynamics that surround them. We always accept as true that the secret to handling Team interaction successfully lies in being able to recognize the combination of styles and learning how to deal with each other. Essentially it lies in knowing when to hold them, when to fold them, when to walk away and when to run for the hills.

ESPOUSED GOALS

Our goal is to widen our customer base to include a more diversely cultural customer base yet our underlying goal is to maintain direct communication, an individualistic marketing strategy, and low power distance brand identities then our goals are in conflict. The conflict occurs because clients influenced by different cultures do not readily use direct communication, individualism, and low power distance. We are always responsive to that and working restlessly to realize the divergence and provide our clients the best service they always deserve.

FORMAL CODES OF BEHAVIOR

We have codes of business conduct for since its inception. The role we play in shaping corporate culture is changing dramatically. The focus is shifting from comprehensive code of rules to regulate conduct to leveraging a values-based code that inspires principled performance among employees, management and executives.

This shift is propelled by both internal and external sources, investors, customers and other stakeholders increasingly want to do business with organizations that have high ethical standards and, as a result, top management and boards of directors are becoming more attuned to the ethical climate of our eminent corporate culture.

INFORMAL CODES OF BEHAVIOR

We recognize that our employees have commitments away from the workplace and encourage working patterns that balance home life and career. We also aim to attract and maintain a diverse employee base with a wide variety of individual characteristics, perspectives and experiences in every part of our business.

VALUES

We reinforce the importance of corporate values and ethical responsibility to the continued success of finance industry. We demonstrate values and principles of responsible business through policies on employment, human rights, environment, and in the conduct we uphold and expect of others.

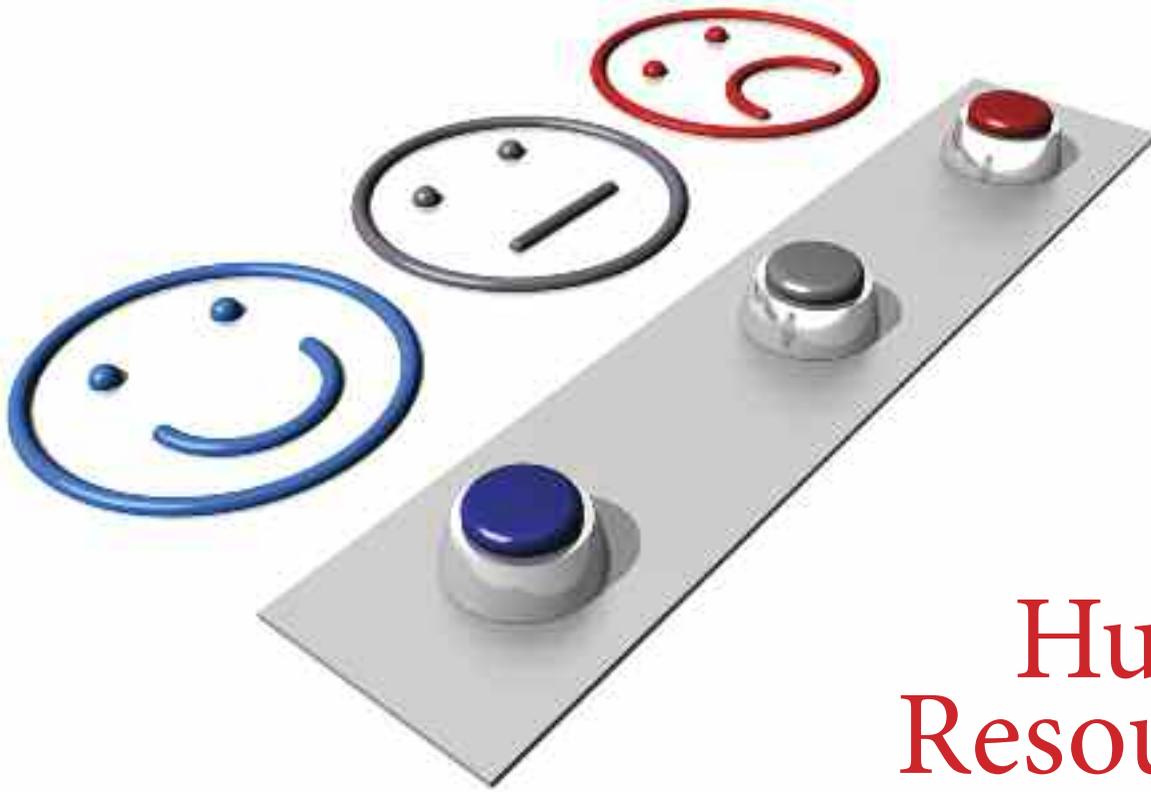
RITES AND RITUALS

What's more important to long-term prosperity is the company's culture-the inner values, rites and rituals that strongly influence its success, from top management to the bottom pool. We set up explicit guidelines for diagnosing the state of one's own corporate culture and for using the power of culture to wield significant influence on how business gets done.

ETHICAL ISSUES

At Prime Finance, we know each day our employees will make decisions that are critical to our success. To help ensure those decisions we have meet our company's ethical standards. We have devoted significant time and resources to maintaining an active and robust ethics program which receptively impacts our corporate culture.

Our success as a business depends on the success of our people. So we make sure that we create an environment where all our employees feel included and able to perform at their best.



Report on Human Resources

“Unless, not fully sentient with the significant role of the HR; An organization cannot attain evolution through its human capital”

One of Prime Finance’s principal strength is the quality and dedication of its employees and their shared sense of being part of a team. Their diverse vantage points and unique abilities create a broad range of skills and knowledge that underpin Company’s work. In order to continue the steady growth of Prime Finance it is essential that it retains key employees and provides attractive opportunity for new personnel.

A great part of success in the financial services industry depends, more than anything else on the know-how, experience, talent and commitment of a Company’s human capital. For Prime Finance to continue to succeed, the Company must be able to attract, develop and retain highly qualified people. Prime Finance’s employees should be able to benefit from its strong business principles, its fast-moving and entrepreneurial spirit and the broad opportunity for individual and team success.

Prime Finance places great emphasis on keeping employees informed about the Company’s vision, strategy and focus. Moreover, the company regularly communicates information regarding current-news of events and achievements with its employees.

HUMAN RESOURCE STRATEGY

- Attract qualified personnel by creating a motivated workplace;
- Retain competent employees by creating a superior workplace;
- Provide new employees with appropriate training from the outset;
- Encourage employees to maintain professional skills and give them the opportunity to develop and grow;
- Ensure maximum employees success - empower the individual, provide an opportunity to show initiative and command independent initiative;
- Maintain a spirit of ambition, efficient decision-making, flexibility and quick responses to changes;
- Create a strong management team;
- Sustain an environment that supports a balance between work and life;
- Ensure equal opportunities, with regard to employment, work facilities, assignments, training, job development and salaries;
- Align the interests of employees with the interests of the organization.

STAFFING

Prime Finance comprises a league of enterprising women and men who are distinguished by their initiative, diligence, imagination, and ambition. The Company's work is driven by a sense of teamwork and solidarity that transcends Company's hierarchy. The people of Prime Finance are part of a culture of integrity and leadership, which they have an active role in creating. They form a community in which people's potential and talents are cultivated with the aim of establishing lifelong careers. High quality employees are trained and fostered, with the goal of developing tomorrow's leaders.

A career with Prime Finance demands a high level of diligence and dedication. The work of the Company requires individuals of unique ability and to this end great efforts have been made in assembling company's current group of employees.

Prime Finance consistently seeks to recruit who can strengthen this diversity, but still support its corporate culture. Likewise, as the Company has grown and expanded its operations, the number of applications from highly qualified people has increased indicating interest from people who are attracted by Company's distinct position and ideology.

Prime Finance believes that having a broad range of age and experience in its workforce helps the Company meet the varied needs of its clients. This is reflected in the structure of the workforce. 85 percent of the Company's employee population is in the 21-40 age range, with the average age of Prime Finance employee being 34 years.

Prime Finance places a special emphasis on ensuring that new positions are filled by the most accomplished candidates, in terms of their education, experience and ability.

Prime Finance's recruitment strategy is based on attracting highly qualified candidates through employee networks, selective head-hunting and advertisement. Management Committee is responsible to ensure the recruitment of diverse talent. The Human Resource Department is an important partner in achieving this.

SMART & BEST HR PRACTICES:

We ensure one of the best HR practices in our organization which leads the attractiveness for new hires and also the retention of competent personnel with their wholehearted effort and loyalty towards the organization. The parameters of our best HR practices are as follows:

Congenial working environment: We believe that the congenial working environment is one of the best perquisites for employees. We assured this perquisite for employees.

Equal employment opportunity: We ensure equal employment opportunity in considering gender, region, religion etc.

Gender equality: We have significant number of female employees which indicates the gender equality in the organization.

Employee development: A strategic skills-improvement plan is a key factor in ensuring the company's success in a rapidly changing world. It's not enough to know what we can achieve today-we must also ensure that we develop at a pace that makes us competitive in the future too. Each employee's development opportunities and willingness to change is of significant importance. In this perspective we are maintaining such working environment and management approaches that prioritizes these factors.

Career growth and progression: Prime Finance ensures the scope for career growth and progression. The best example is our Deputy Managing Director. He joined as Senior Principal Officer and after 15 years of his successful job, now he is the Deputy Managing Director of the Company. It's a milestone in the market regarding Career growth opportunity in Prime Finance.

Recognition of achievements: We recognize the achievements of employees in terms of monetary and non monetary values. We give appreciation letter and also promotions who deserve that in recognition of their performance.

Personal & professional life balancing: We encourage people to stay with family. We maintain the exact work time, we never discourage people to take leave when required. Even we encourage not to encash the annual leave for balancing the personal and professional life. Also we are arranging some social events where the family members are also invited.

Job satisfaction: Prime Finance seeks not only to attract the most qualified personnel, but to retain them by creating a superior working environment and attending to their needs. To ensure success for the Company as a whole, employees are encouraged to engage in synergetic teamwork, and every effort is made to facilitate communication and the flow of information. Employee initiative and responsibility are promoted through challenging assignments where rewards are determined by results.

Employee retention: The Management of Prime Finance believes on long term relationship with the employees. In this connection we are having some strategy like: career progression opportunity, pension scheme, gratuity, provident fund, house loan policy etc.

Length of service: The average length of service within the Company is almost 6 years. The length of service distribution of the Company can be seen in page 52 of this Annual Report.

Employee Turnover: Employee turnover at the Company was at a comparable level to the previous year. The total turnover rate for the Company was 7.58 percent, which is largely dependent on external factors. The real challenge is to keep unwanted turnovers (resignation) at a minimum and we may state that we could meet this challenge with success.

Incentives & rewards: We are always giving incentives and rewards as per the recognition of their contribution towards organization's goal achievement.

Best corporate culture: Our Corporate culture based on common values & practices developed in recent years is a major factor behind our success.

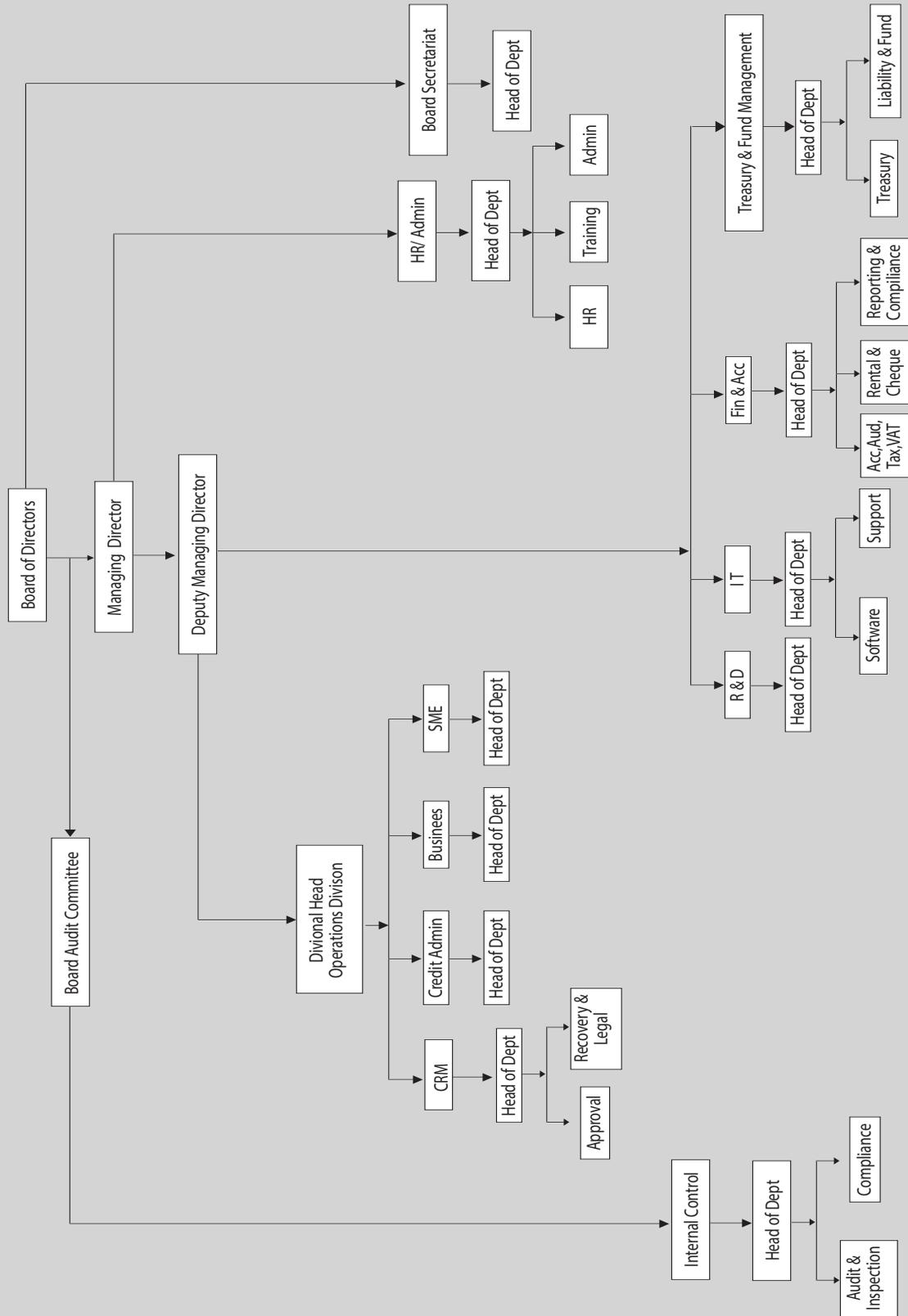
Competent, standard and socially based HR policies: Our Management approach is 'Policy Talks'. The Management encourages taking all operational and functional decisions as per policy. In this regard we have competent, standard, updated and socially based policies to run the functions of the organization in a standard manner. Enabling people to harmonize working life with family life has been one of the strengths of our HR policies.

Remuneration policy, strategy and practices: The Remuneration Committee always considers the significant factor for setting the remuneration and benefit packages for the employees of Prime Finance. They have regard to information on compensation and salary levels in companies in NBFIs sector and in other companies of comparable size, for executive with similar, skill, qualification and experience.

Employee welfare activities: We promote the well-being and performance of our employees through a good number of facilities and measures. Our welfare activities relates to the following:

- **Housing:** Financial facilities at a concessional rate are given to the employees for purchase of land/apartment or construction of building.
- **Food:** The Company provides lunch to all the employees.
- **Transport:** Full-time car is provided to the top Executives. Moreover, car loan along with adequate allowances is given to senior and mid level Executives. Transport facilities for other employees are provided to collect and bringing them to workplace by company's own vehicle.
- **Furniture & household:** Furniture allowance is given to Senior Executives for acquiring furniture & household goods.
- **Cultural and sporting events:** Annual picnic and annual dinner with all employees. We also attend in different corporate tournaments.
- **Annual health checkup:** The Company has an arrangement with a renowned hospital for checking-up of health of all the employees once in every year.
- **Pension scheme:** Prime Finance contributes to a recognized funded pension scheme for the employees serving more than 10 years in the Company.
- **Provident fund:** Amount spent on contribution @ 10% of basic equivalent to employees' contribution
- **Hospitalization benefits:** Amount spent to share the cost of hospitalization of employees and his/her dependent family members.
- **Maternity benefits:** Female employees and the spouses of male employees are entitled to this benefit.

Functional Organogram



Report on Human Capital Management

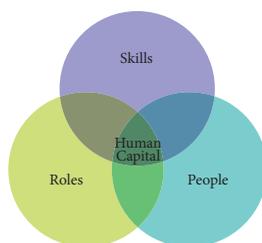
HUMAN CAPITAL

Human Capital is the intersection of an organization's skills, the required roles, and the people available.

Skills: Skills includes hard skills, leadership, business skills and interpersonal skills.

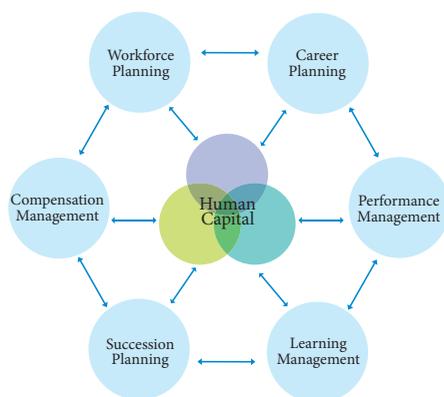
Roles: Roles pertains to jobs, project roles and positions within the organization.

People: People are the key; finding people with the right skills, competencies, experience and education to fill the necessary roles.



HUMAN CAPITAL MANAGEMENT

True human capital management is more than just an HR function. It requires strategic analysis of the entire organization. Prime Finance considers Human as Capital. So to manage Human Capital,



Prime Finance focuses on the following areas specifically & strategically:

Workforce Planning: Planned Human Resource set up can make a significant difference in Organizational performance. So the HR department always does the HR planning which contains assurance of right people, right time, right number

and right place. After assessing the total no. of required workforce for the year an approval in this regard has duly been sought from the authority.

Compensation Management: One of the major motivator is compensation and benefit. To attract and to retain real talent in any industry, attractive and competitive compensation policy is must. Prime Finance ensures the best Compensation practices in the Financial Institutions market.

Succession Planning: For ensuring smooth operation of any industry succession planning does not have second choice. Considering the importance of succession planning Prime Finance always has the room to develop second line management in all areas. To ensure this, it introduces force leave practices for developing and giving scope to the second line.

Career Planning: One of the major requirements or desire of an employee from the employer is career plan. Prime finance clearly defines the career plan for its employees. As instance, two high level executive have started their career with prime Finance fourteen years back. Not only had these more than 35 % employees of Prime Finance started their career with this institute since long and they have been duly recognized and prompted by the organization.

Performance Management: To recognize, to give reward, competency based performance management system is highly required. Considering this statement, Prime Finance practices Competency based Performance Management Model to ensure best performance to appraise good performer. Every employee has been communicated their KPI.

Learning Management: Employees pass significant amount of time in the organization. So to ensure the development of the employees highly depend on the environment of the organization. For this reason Prime Finance ensures an excellent learning environment for ensuring highest level of development of its employee. Like training, on the job training, management meeting, one to one instruction, JIT, counseling etc.

Report on HR Accounting



Human Resource Accounting (HRA) is a new branch of accounting. It is based on the traditional concept that all expenditure of human capital formation is treated as a charge against the revenue of the period as it does not create any physical asset. But now a days this concept has changed and the cost incurred on any asset (as human resources) should be capitalized as it yields benefits measurable in monetary terms.

Human Resource Accounting means accounting for people as the organizational resources. It is the measurement of the cost and value of people to organizations. It involves measuring costs incurred by private firms and public sectors to recruit, select, hire, train and develop employees and judge their economic value to the organization.

‘Man behind the gun is important’, so HR accounting is highly important for an organization to assess the overall strength of the organization. Till

the perfect practices of HR accounting in Bangladesh is very rare. Prime Finance also does not maintain real time HR accounting. It keeps record and prepare some reporting based on the HR accounting data to analyze and to take strategic decisions for the betterment of the organization. Prime Finance believes that the expenses against HR Management are not cost rather investment. So it always tries to allocate more budgets for this purpose. Prime Finance takes some strategic decisions based on HR accounting information:

Manpower Planning: For ensuring proper manpower planning or for recruitment decision, the management always calculate what will be the investment for HR and what will be the cost as the other costs [cost of fund, establishment costs etc.] will remain same for different candidates. So the focus of Management in this regard is HR Accounting

Report on HR Accounting - *continued*

Training & Development Scope: Prime Finance always focus on employee development through training:

Training	2013	2012	2011
Average number of days spent in training per employee	2.39	2.47	3.44
% of employees who participated in at least one training program during the year	41	43	51
No. of employees who participated in at least one training program during the year	31	32	25
No. of training programs participated by employees during the year	27	30	42

Performance Management System: The management always seeks information regarding the investment and output ratio. For sales team there is a specific policy regarding the ratio between salary and target or achievement and commission which clearly indicates that Prime Finance follows HR accounting system

Brand Image: Prime Finance always feels proud that the employees of Prime Finance are the best of the

best in the industry. It seems that HR accounting shows the value of HR asset in the mind of the people. Prime Finance & Investment always tries to consider all factors to assess the strength of the company for internal and external uses though it does not maintain proper Accounting for Human Resources. For taking different strategic decision regarding Human Resources, Management always considers HR Accounting information.

Some of the information [as on 31 December 2013] is here for reference:

Particulars	2013	2012	2011
Total Employees	89	74	66
Net income per employee (Tk.)	2,151,524	3,894,651	7,910,192
Operating revenue per employee (Tk.)	20,296,035	24,526,794	27,523,971
Assets per employee (Tk.)	171,850,136	197,595,280	211,455,331
Direct Investment for HR	122,180,000	93,410,000	107,610,000
Training & Development	1,067,690	313,734	913,551
Medical & Employee Welfare	24,526,607	9,199,677	31,754,200

Salary & Allowances for Human Resources:

Salary & allowance (in million Taka)	2013	2012	2011
Total Salary	116.78	88.01	103.69
MD's Salary	5.40	5.40	3.92
Total Benefits	122.18	93.41	107.61

Prime Finance always tries to ensure right number of people in right place in right time. For ensuring smooth operations the Management of Prime Finance always concern about the ratio among junior, mid and senior management:

Staff Strength

	2013	2012	2011
Senior Management	5	4	5
Mid level Management	23	22	18
Junior level Management	43	30	26
Support Stuff	18	18	17
Total	89	74	66

Report on HR Accounting - *continued*

Change in staffing level	2013	2012	2011
Total employee at the beginning	74	66	67
Recruitment during the year	22	14	19
Departures (retirement/resignation etc.)	7	5	12
Transferred to Subsidiary Company (Prime Finance Capital Mgt. Ltd.)	-	1	8
Changes during the year	15	8	1
Total employee at the end	89	74	66

Gender Balance: Prime Finance also focus on gender balancing. It always tries to recruit female where possible. It gives equal employment opportunity for both male and female. There is no discrimination in gender. Right now there are 12 females working in different department while the number of male is 77.

Prime Finance has an excellent combination in terms of age and seniority of employees. Age analysis of the employees as at 31 December

Age group	Senior Management	Mid level Management	Junior level Management	Support Staff	2013 Total	2012 Total	2011 Total
Above 60	1	-	-	-	1	1	1
51 – 60	-	2	-	1	3	3	3
41 – 50	2	1	-	4	7	7	4
31 – 40	-	20	20	8	48	40	34
21 – 30	-	2	23	5	30	23	23
20 & below	-	-	-	-	-	0	1
Total	3	25	43	18	89	74	66

Average age of the employees as at 31 December 2013 was 33.98 years (2012:34.54)

Prime Finance HR Accounting shows the data that it has an excellent retention strategy. Employee feels that service length of Prime Finance is an investment for their career. Service analysis of the employees as at 31 December

Age group	Senior Management	Mid level Management	Junior level Management	Support Staff	2013 Total	2012 Total	2011 Total
Above 10	2	5	2	6	15	12	10
7 – 10	-	9	3	2	14	11	8
5 – 7	-	2	1	2	5	9	14
2 – 5	1	6	10	7	24	12	11
Below 2	-	3	27	1	31	23	12
Total	3	25	43	18	89	66	67

Report on

Remuneration

COMPOSITION

Remuneration Committee is comprised with Mr. Asad Khan, Managing Director, Mr. Md. Ahsan Kabir Khan, Deputy Managing Director, Mr. Md. Rezaul Haque, Executive Vice President and Mr. R. N. Zaidi, Head of HR & Admin.

FUNCTIONS

1. Analyze and review the industry compensation policy to formulate competitive compensation packages for talent retention.
2. To review and recommend to the Board for approval, the overall remuneration philosophy and policy of the Company, including the level and structure of fixed pay, variable pay, perquisites to employees of the Company, and any other form of compensation as may be included from time to time. This was to be undertaken keeping in mind the strategic objectives, market environment and the regulatory framework as may exist from time to time.
3. To review overall performance of the employees and recommend to the Board through Management Committee annual bonus.
4. To adjust COLA [cost of leaving adjustment] for introducing and for practicing competent compensation policy

REMUNERATION POLICY

Prime Finance believes that to attract the right talent and to retain the competent people in the organization, the Remuneration Policy should be structured in line with the industry practices and standards. Remuneration structure for employee includes basic salary and perquisites. Other benefits include gratuity, provident fund, retirement benefit etc. Performance of the employees is measured in respect of pre-determined goals and annual increment also fix based on that evaluation.

EXECUTIVE DIRECTOR'S REMUNERATION

Only the Managing Director falls under this criteria. Remuneration of Managing Director and Senior Management is determined by the Board. Performance of Managing Director and Senior Management are reviewed half yearly basis against pre-determined financial and non financial goals set for them. Remuneration paid to the Managing Director is given on 177 of this Annual Report.

NON EXECUTIVE DIRECTOR'S REMUNERATION

All the Directors of the Board except Managing Director are non-executive Director. They are entitled to get fees for attending each Board and Board Committee Meetings. The fees payable in this regard is BDT 5000. Information relating to remuneration given to each Director for the year under review is given on 100 page of this annual report.

Meet our people

We believe that work is more than a place you go every day. It should be a place of exploration, creativity, professional growth and interpersonal relationships. It's about being inspired and motivated to achieve extraordinary things. We want our people to take pride in their work and in building ideas others love. After all, it's the combined talents, skills, knowledge, experience and passion of our people that make us who we are.

Top Management



Asad Khan
Managing Director

Md. Ahsan Kabir Khan
Deputy Managing Director

Md. Rezaul Haque
Head of Operations Division

Board Secretariat



Syed Moniruzzaman
AVP & Company Secretary

Md. Omar Faruque
Assistant Manager

Credit Risk Management



Gazi Nilufar Yeasmin
Sr. Vice President & Head of CRM

Mohammad Yeamin Kabir
AVP, Head of Recovery & Legal

Mohammed Zakirul Islam
Manager

Deluar Hossan
Executive Officer

Finance & Accounts



Lingkon Mondal
AVP & CFO (Current Charge)

Mohammad Zaved Lakiyet
Assistant Vice President

Tarana Yasmin
Senior Manager

Md. Manowar Hossain
Assistant Manager

Md. Anwar Shahadat
Executive Officer

Khairul Islam
Executive Officer



Md. Moazzem Hossain
Executive Officer

Md. Shahidul Islam
Senior Officer

S M Salahuddin Yusuf
Officer

Md. Ibrahim Jewel
Officer

Meet our people - *continued*

Treasury & Fund Management



Mansura Moin
Senior Manager



Md. Anisuzzaman
Senior Manager



Md. Rashadul Islam
Manager



Mohammad Munim Mansur
Management Trainee



Md. Moniruzzaman Ripon
Senior Executive Officer



Shamima Akther
Executive Officer



Naima Akter
Senior Officer



Abu Shofian
Officer



Md. Shahidul Islam
Officer



Kamruzzamn
Officer



Shamim Ahmed
Junior Officer

Business & SME Finance



Gulshan Ara Hafiz
VP & Head of Business & SME



ABM Haideruzzaman
Assistant Vice President



Md. Faqrul Islam Majumder
Senior Manager



Muhammad Anisuzzaman
Senior Manager



Tazrian Hoque
Manager



Umme Anwar Rebeka Sultana
Manager



Mohammad Wasim Khan
Manager, Factoring



Asif Raihan Chowdhury
Assistant Manager



Rajib Al Moni Jhuton
Assistant Manager



Md. Mahmudul Hasan
Junior Officer



M. Hasibuddin
Junior Officer



Md. Zakaria Ashik
Junior Officer



Md. Bipul Rabbi
Junior Officer

Meet our people - *continued*

HRM & Administration



R M Nasrullah Zaidi
AVP & Head of HRM & Admin



Mohammed Faruque
Assistant Vice President



Md. Kamrul Islam Ratan
Assistant Vice President



Md. Motaher Hossain
Manager



Md. Masudur Rahman
Assistant Manager



Sonia Akter
Junior Officer



Md. Hamidur Rahman Shagor
Junior Officer



Md. Abu Jafar
Junior Officer

Internal Control & Compliance



Feroz Ifekher
Sr. Manager & Head of ICC



Md. Shakir Ul Haque
Assistant Manager

Information Technology



Ahsanullah M Dewan
AVP & Head of IT



Muhammad Saiful Alam
Assistant Manager



Md. Zahid Anwar
Assistant Manager

Credit Administration



Humayun Rashid
AVP & Head of Credit Admin



Md. Shofikul Islam
Assistant Manager



Tania Khan
Assistant Manager

Meet our people - *continued*

■ Chittagong Branch



Shamrat Kabir
Manager & Branch-In-Charge



Ali Sayka Khanam
Assistant Manager



Joly Chowdhury
Assistant Manager



Rahatullah Zaheed
Assistant Manager



Didarul Islam
Assistant Manager



Md. Shoheb Rana
Senior Officer



Piyasha Barua
Junior Officer



Md. Arfan Uddin
Junior Officer

■ Rajshahi Branch



Adnan Wasim Mahmud Hasan
Senior Officer



Md. Mizanur Rahman
Senior Officer

Our Governance

Chairman's Letter on Governance

Dear Shareholder,

I am pleased to report that your Company has again complied in full with the Bangladesh Securities and Exchange Commission's Corporate Governance Code and the guidelines issued on Corporate Governance by Bangladesh Bank.

Good corporate governance is more than just awareness and adherence to the Code. It is about the Board, under my stewardship, setting the right tone at the top. As Chairman, a key part of my role is to ensure that the composition of the Board is appropriate to drive the strategy forward; that appropriate behaviors are demonstrated in the Boardroom and that there is an environment in which challenge is expected and achieved.

As a Board, we pride ourselves on high standards of corporate governance. It is at the heart of everything we do. We monitor developments and trends in corporate governance both in the Bangladesh and internationally, adopting any emerging practice we feel would improve our governance whether or not it becomes mandatory. We engage regularly with our shareholders and welcome their feedback on our approach to governance and their statements of policy in terms of what they expect. This feeds into our reviews of governance and has led to us adopting many changes well ahead of them becoming requirements.

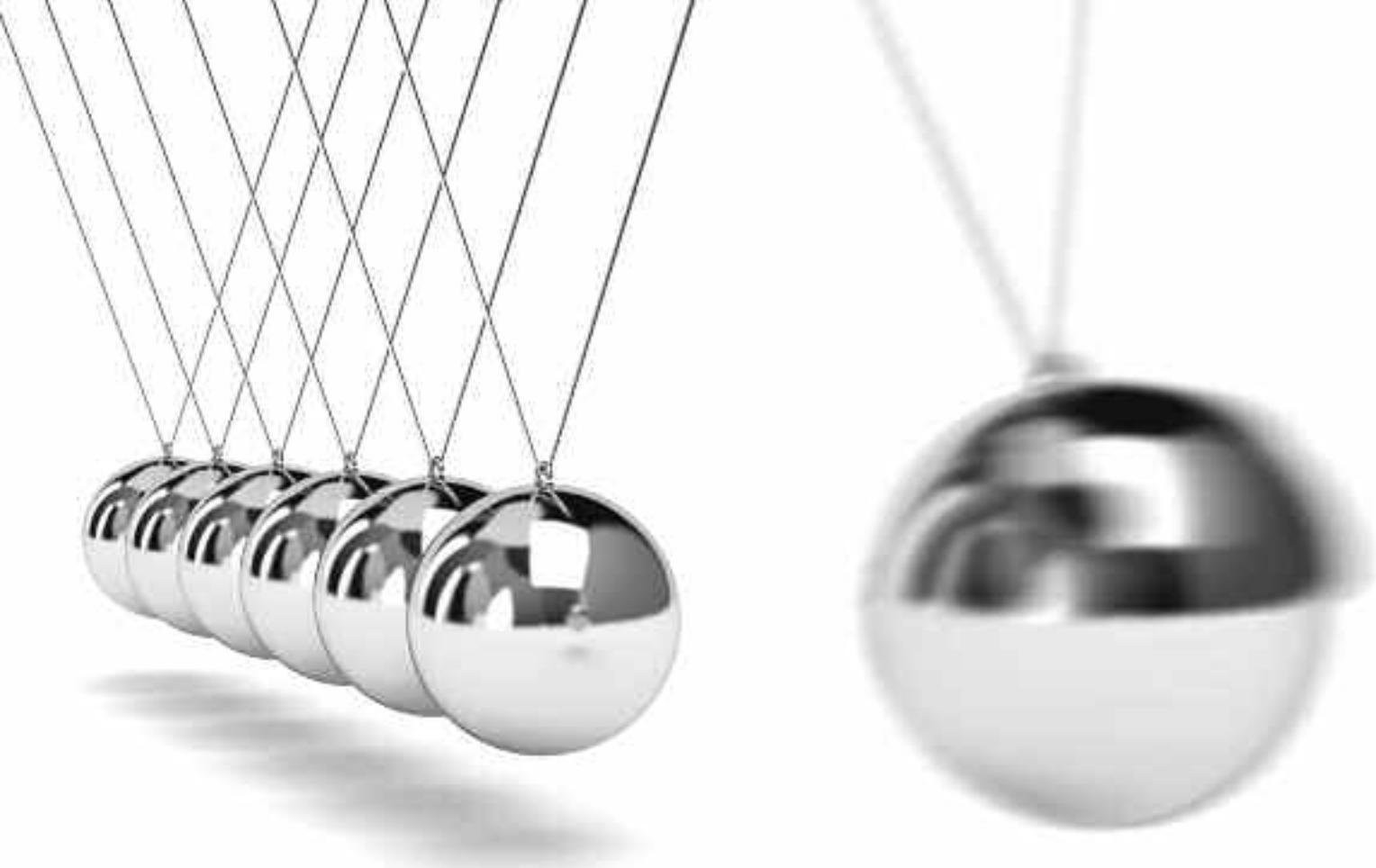
We aim to create and sustain value over the long term by understanding the external factors that present risks and opportunities for our business, thereby ensuring our strategy is appropriate; building strong and stable relationships with our clients, employees and shareholders; and ensuring that we manage our risks and resources, including capital, appropriately. Our strategy is focused on three key stakeholders, namely our clients, our human resources and our shareholders and we ensure our Board discussions are focused on these issues.

We believe that our governance processes are sound and we will continue deploying our efforts for any enhancement require.

The report that follows sets out how we have complied with the Bangladesh Securities and Exchange Commission Code on Corporate Governance and Bangladesh Bank's Corporate Governance guidelines.



K. M. Khaled
Chairman



Report on

Corporate Governance

“Good corporate governance is an indispensable requirement for sustainable corporate success”

Corporate Governance is a set of policies, processes and procedures affecting the way a company is controlled and administered. It covers stakeholders, the relationship between them, the company and the strategic vision of the company. The stakeholders comprise shareholders, management, board of directors, employees, depositors, customers, creditors, suppliers, regulators and society at large.

The Company believes that principles of Corporate Governance belong to the foundation of transparency, fairness, accountability, compliance with the laws, required disclosures, professionalism, maximizing shareholders value. The Board considers itself as a Trustee of its Shareholders and acknowledges its responsibilities towards them for creation and safeguarding their wealth.

Company's philosophy of Corporate Governance represents the dual goals of protecting the interests of all stakeholders while respecting the duty of the board and management to oversee the affairs of the company and promote long-term growth and profitability.

CORPORATE GOVERNANCE APPROACH

Prime Finance's approach to governance, which has remained largely consistent over time, is to:

- promote the long term profitability of Prime Finance while prudently managing risk
- drive superior and sustainable shareholder value over the long term through the alignment of the interests of stakeholders and employee
- meet stakeholder expectations of sound corporate governance as part of Prime Finance's broader responsibility to clients, shareholders, investors and the community in which it operates.

Prime Finance recognizes that a key factor in delivering long term shareholder returns is providing superior services to the clients. High standards in corporate governance are fundamental in maintaining PFIL's one of the leading position within the non banking financial sector.

Report on Corporate Governance - *continued*

Continuous review and adherence to strong corporate governance practices help enhance compliance levels according to standards and best practice. Prime Finance (the Company/Company) shall continue its effort to enhance shareholders value, protect their interests and defend their rights by practicing the pursuit of excellence in corporate life. The Company shall not only comply with all statutory requirements including the Corporate Governance Code of the Bangladesh Securities and Exchange Commission and the High Level Controls Module of the Central Bank of Bangladesh but also formulate and adhere to strong corporate governance practices.

CORPORATE GOVERNANCE PRINCIPLE

The core corporate governance principles that regulate the relationships between Prime Finance's management, shareholders, employees and third parties (i.e. customers, legal authorities, suppliers, and all types of individuals and institutions which the Company does business with) are stipulated below.

Integrity

The Company is committed to the principle of integrity in its activities, operations and relationships with all of its stakeholders and other parties.

Credibility

Aware that customer confidence lies at the heart of business, Prime Finance provides customers and all other stakeholders with clear, comprehensive and accurate information and offers timely and comprehensive services.

Non-discrimination

Prime Finance refrains from anchoring prejudice against stakeholders based on gender, behavior, opinion or ethnic origin and does not discriminate against anyone under any condition or circumstance.

Compliance

Prime Finance abides by all laws, regulations and standards.

Transparency

Except for the information deemed commercial secret, the Company informs customers and the public at large thoroughly, accurately and promptly.

STATEMENT OF COMPLIANCE

Prime Finance being a listed company in Dhaka Stock Exchange and Chittagong Stock Exchange is committed

to maintain the highest standards of Corporate Governance. The adoption and implementation of corporate governance framework is the responsibility of the Board of Directors (Board), and this effort is in line with the policies of regulatory authorities and statutory requirements in Bangladesh. The Board has adopted a comprehensive framework of Corporate Governance Guidelines which are designed to properly balance performance and conformance and thereby allow the Company to undertake, in an effective manner, the prudent risk-taking activities which are the basis of its business. The Guidelines and the practices of the Company comply among other with the Guidelines issued by the Bangladesh Securities and Exchange Commission (BSEC) vide its notification dated August 07, 2012, as well as the Code of Corporate Governance as per DFIM circular no. 7 dated 25 September 2007 of Bangladesh Bank.

STATEMENT OF ETHICS

Prime Finance ensures high standards of ethics and corporate behavior including transparency in the conduct of business. Understanding the client's expectation, Prime Finance always concentrates on extended and fixing fair terms in favor of the client. 'Ethical Compliance Committee' has been formed for setting and promoting ethical standard, ensuring compliance indicator and empowering to improve moral of the employees.

BANGLADESH SECURITIES AND EXCHANGE COMMISSION'S NOTIFICATION ON CORPORATE GOVERNANCE

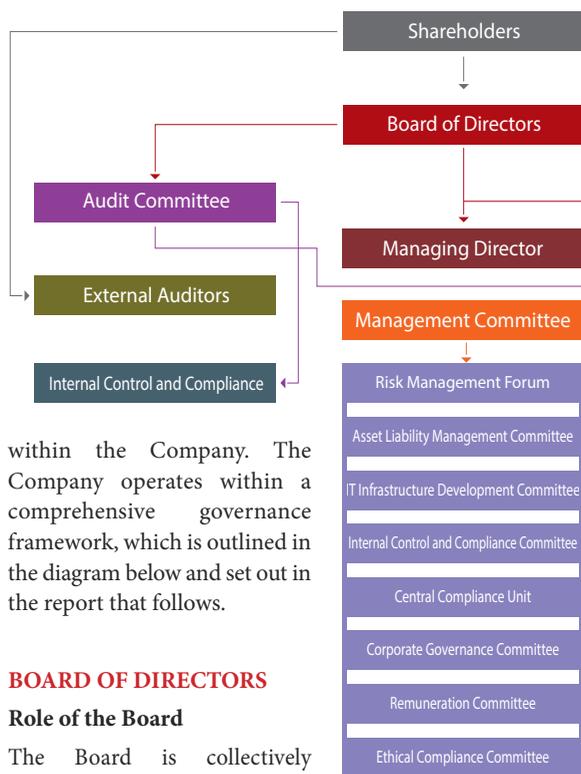
As Prime Finance is listed on the Stock Exchanges in Bangladesh, we comply with the BSEC's notification on Corporate Governance. For the year ended 31st December 2013, we have complied with the relevant provisions set out in page 158-163 in this report.

BANGLADESH BANK'S GUIDELINE ON CORPORATE GOVERNANCE

Being a Financial Institutions, Prime Finance is regulated under direct supervision of Bangladesh Bank and is also subject to the Guidelines on Corporate Governance of Bangladesh Bank circulated vide DFIM circular no. 7 dated 25 September 2007 which is published in page 116-118 of this report.

CORPORATE GOVERNANCE FRAMEWORK

Good corporate governance practices are not just a matter for the Board but are at the heart of everything that we do



within the Company. The Company operates within a comprehensive governance framework, which is outlined in the diagram below and set out in the report that follows.

BOARD OF DIRECTORS

Role of the Board

The Board is collectively responsible for the long term success of the Company. The role and responsibilities of the Board of Directors are set out in the Board Charter in addition to the responsibilities outlined in the Memorandum and Articles of Association. It achieves this by:

- Setting the strategic direction and long-term goals of the Company and ensuring that adequate resources are available to meet these objectives and overseeing delivery against it;
- Approving and monitoring capital and financial plans to ensure that they are in line with the Company’s strategic directions; the annual budget; the annual and interim financial statements; and capital expenditures and strategic acquisitions and divestments;

- Establishing a risk strategy and a framework for risks to be assessed and managed;
- Determining the culture, values and standards;
- Monitoring financial performance and deviations of the budgeted and the actual figures;
- Monitoring and reviewing management performance;
 - Oversight of resources including people and other key resources e.g. IT, and by ensuring that appropriate and effective remuneration policies and succession planning arrangements are in place;
- Ensuring that the necessary policies are in place to meet the strategic objectives and oversee effective implementation of the same.

COMPOSITION OF THE BOARD

The Board composition is based on the Company’s Articles of Association and guidelines of regulatory authorities in this regard. The Board represents a mix of high-level professional skills and expertise. The Board provides leadership, strategic guidance, objective and independent view to the Company’s management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosure.

As on 31 December 2013, the Board of Prime Finance’s have 11 Directors, comprising Eight Non Executive Directors, including the Chairman and Three Independent Directors as defined under the Corporate Governance Guidelines of the Bangladesh Securities and Exchange Commission. The Managing Director of the Company being the Executive Director considered as the ex-officio member of the Board. Detailed profiles of the Directors have been discussed on page 16-19 of this annual report. Furthermore, in compliance with the corporate governance requirements, the Board Committees consist of members with adequate professional background and experience. The composition of Board of Directors as on 31 December 2013 is as follows:

Non-executive Directors

i)	Mr. K. M. Khaled, Representing Khaled Textile Mills Ltd.	Chairman
ii)	Mr. Md. Aminul Haque, Representing Acorn Limited	Director
iii)	Mrs. Muslima Shirin, Representing Mawsons Limited	Director
iv)	Mr. Mohammad Masudur Rahim, Representing East Coast Shipping Lines Ltd.	Director
v)	Mr. Z. M. Kaiser, Representing Maksons (Bangladesh) Limited	Director
vi)	Mr. M. Shahadat Hossain Kiron, Representing Agami Apparels Ltd.	Director
vii)	*Mr. Qazi Saleemul Huq, Representing GQ Enterprise Ltd.	Director
viii)	Mr. Tauseef Iqbal Ali	Director

* Approved on 27 March, 2013 in 17th AGM

Independent Directors

i)	Prof. Dr. Parimal Chandra Datta	Independent Director
ii)	Mr. Kazi Md. Mortuza Ali	Independent Director
iii)	Mr. Mahibul Islam Chowdhury	Independent Director

Executive Director

i)	Mr. Asad Khan	Managing Director
----	---------------	-------------------

DIRECTOR'S INDEPENDENCE

Other than Managing Director all directors in the Board are non-executive Director. The non-executive Directors are independent from management. Their role is to advise and constructively challenge management and monitor the success of management in delivering the agreed strategy within the risk appetite and control framework that is set by the Board. There are no such relationships or circumstances relating to any of the Directors, which might cause any of them not to be considered independent. The Board considers that its constitution brings an appropriate balance of experience and expertise in judging matters of strategy, performance, resources, internal controls and corporate governance. Their wide-ranging experience and particular areas of knowledge and expertise continue to add value to the deliberations of the Board. The Directors biographies appear on pages 16-19 illustrate that the Directors have a complementary range of financial, operational and entrepreneurial experience which ensures that no single Director dominates in the decision making process.

TERM OF BOARD MEMBERSHIP

As per the provisions of the Companies Act, 1994 and Articles of Association, one-third of the Board members (other than Executive Directors) who are subject to retire by rotation, retire every year and approval of shareholders is sought for the re-appointment of such retiring members, if eligible. Election or re-election of a Director to shareholders shall be accompanied by a recommendation from the Board. Approval of shareholders was sought for appointment of Independent Directors. As per Corporate Governance Guidelines, term of the Independent Director is for three years and upon completion of the term they are eligible for re-appointment by the shareholders for another one term for three years.

SELECTION AND APPOINTMENT OF NEW DIRECTORS

Induction of any new member is the responsibility of the Board of Directors. The Board can exercise its authority for

appointing alternative director and additional director. While inducting a new member the Board considers existing composition and organization of the Board, and the requirement of new skill sets, if any, potentiality of the candidates in terms of expertise, skills, attributes, personal and professional backgrounds and ability to attend meetings. The person being appointed as an additional director shall retire in the immediate next Annual General Meeting (AGM) and may offer himself for re-appointment.

The Managing Director is also appointed by the Board subject to approval of the Central Bank. Any new appointment to the Board requires intimation to the Central Bank, the Bangladesh Securities and Exchange Commission (BSEC) and Stock Exchanges.

Except for the Managing Director, Articles of Association of the Company requires that at least one-third of the Directors to retire by rotation in each year. They are, however, eligible for reappointment by the Shareholders in the Annual General Meeting (AGM).

DISCLOSURE AND DECLARATION BY THE NEW DIRECTOR

Immediate after appointment of a non-executive Director, a details biography along with a declaration on his non-engagement with other financial institutions is required to submit to Bangladesh Bank. A declaration by non executive and other Director is also required to provide to the Central Bank that he is not a loan defaulter. As per Financial Institutions Act, 1993, a person cannot be a Director of more than one financial institution. A loan defaulter is also disqualified to become a Director of a financial institution. Any change in the Board is required to report to the regulators as per listing regulations.

INDUCTION, BUSINESS AWARENESS AND DEVELOPMENT

Each new Director receives an induction presentation, an information memorandum and a personalized induction program. The induction presentation explains their responsibilities as a Director of the company and sets out an overview of the company and its businesses. The information pack gives details of the disclosures that Directors are required to make to comply with various laws

Report on Corporate Governance - *continued*

and regulations. The Company Secretary along with other existing Directors conducts the induction presentation session.

MEETINGS OF THE BOARD

The Company plans and prepares the schedule of the Board and Board Committee meetings in advance to assist the Directors in scheduling their program. The schedule of meetings and agenda for meeting is finalized in consultation with the Chairman of the Company. The agenda of the meeting is pre-circulated with detailed notes and supporting documents.

Under Bangladeshi laws, the Board of Directors must meet at least four times a year. The Company held a minimum of one Board meeting in each quarter as required under the Companies Act, 1994. During the year under review the Board of Prime Finance met thirteen times on the following dates:

(i) February 16, 2013 (ii) February 23, 2013 (iii) March 16, 2013 (iv) April 27, 2013 (v) May 11, 2013 (vi) June 06, 2013 (vii) July 22, 2013 (viii) July 29, 2013 (ix) September 07, 2013 (x) October 08, 2013 (xi) October 29, 2013 (xii) November 19, 2013 (xiii) December 27, 2013.

ATTENDANCE OF DIRECTORS

Details of Directors attendance at Board meetings and Committee meetings are given in page 100 of this annual report.

OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

A secretariat is present to inform and communicate with the members of the Board of Directors. The Board of Directors met thirteen times during the year. Members of the Board of Directors make every effort to attend every meeting and to convey their opinions. The Chairman of the Board of Directors determines the agenda of the Board of Directors meetings in consultation with the other Board members and the Managing Director. Information and documents related to the matters on the meeting agenda are made available for the examination of the members of the Board of Directors sufficiently before the meeting. Members of the Board of Directors may make motions to the Chairman of the Board to amend the agenda prior to the meeting. Agenda are discussed openly and from every possible perspective at the Board of Directors meetings. The Chairman of the Board of Directors makes the best effort to ensure the active participation of the members in

Board meetings. For a resolution to be passed by the Board of Directors, a quorum consisting of five member's presence is necessary. A simple majority of the members in attendance is sufficient to adopt resolutions. Decisions of Board of Directors on the respective agenda items are recorded by the Company Secretary. The minutes of the meeting is signed by the Chairman and present it in the subsequent Board meeting for confirmation. If there be any dissenting votes regarding the resolution(s), the name of the member and reason are recorded in the minutes and dissenting reason also signed by the dissenting member(s).

Members of the Board of Directors are not participated in the discussion of matters concerning their personal benefit or the benefit of their relatives/related concern. In case such a matter becomes the subject of a Board discussion, the concerned member is required to inform the Board of his connection. The interested director is not counted in the quorum and the director remains silent while passing the resolution and the same is recorded in the minutes of that meeting.

In the course of Board and Committee meetings, the Managing Director, unit heads and key management personnel make presentations to the Board. The Board is updated on the discussions at the Committee meetings and their recommendations through the Chairman of the respective Committees.

INFORMATION GIVEN TO THE BOARD

As part of the regulatory requirement the Company provides the following information to the Board. Such information is submitted either as part of the agenda papers in advance of the meetings or by way of presentations and discussion materials during the meetings. Few of the agenda are presented below:

- Annual operating plans and budgets, capital budgets, updates and all variances
- Quarterly, half yearly and annual results of the Company
- Minutes of meetings of the Audit Committee, Executive Committee and Subsidiary Company
- Key performance indicators of Managing Director and other top level executives
- Policy regarding managing core risk and others
- Information on usage and expenditure of vehicles in the transport pool
- Information on new circulars and notifications issued by the regulators

POST MEETING FOLLOW-UP MECHANISM

The important decisions taken at the Board/Board Committees' meetings are communicated to the concerned departments/divisions promptly. An action taken/status report on the decisions of the previous meeting(s) is placed at the next meeting of the Board/Board Committees for information and further recommended action(s), if any.

CONFLICT OF INTEREST

Directors are required to monitor continuously and disclose any potential conflicts of interest that may arise. Directors must:

- disclose any actual or potential conflicts of interest that may exist as soon as the situation arises;
- take necessary and reasonable steps to resolve any conflicts of interest within an appropriate period, if required by the Company's Board or deemed appropriate by that director;
- comply with the requirements of Companies Act 1994 about disclosing interests and restrictions on voting.

Any proposed board or executive appointments being considered by Directors must be discussed with the Chairman. Any related-parties transactions by Directors must be reported in writing to the Chairman and, where appropriate, raised for consideration at the next Board meeting.

MATERIAL CONTRACTS

Since the end of the previous financial year, no material contracts involving the interest of any director or controlling shareholder of the Company has been entered into by the Company or subsidiary company, and no such contract subsisted as at 31 December 2013, save as disclosed via stock exchanges and publications.

RELATED PARTY TRANSACTIONS

The Company has embedded procedures to comply with all regulations governing related party transactions. All new directors are briefed on all relevant provisions that affect them. All credit facilities to related parties are continually monitored. Checks are conducted before the Company enters into credit or other transactions with related parties to ensure compliance with regulations.

The details of related party transactions are discussed in detail in page no. 225 of this annual report. All related party transactions during the year, in the ordinary course of business or otherwise, were placed before the Board. All related party transactions were on arm's length basis.

DEALINGS IN SECURITIES

In conformance with the notification prescribed by Bangladesh Securities and Exchange Commission, Prime Finance directors and employees are prohibited from trading in Prime Finance securities two months before the end of the financial year to till approval of financials by the Board. And in conformance with the listing regulations directors and employees are prohibited from trading in Prime Finance securities five market days of release of any price sensitive information. In addition, directors and officers are prohibited at all times from trading in Prime Finance securities if they are in possession of material non-public information.

DIRECTORS' REMUNERATION

The Directors do not get any performance based remuneration or incentive. The Board members get only fees for attending Board/Committee meetings to the maximum of Tk. 5,000 per meeting. The remuneration package of the Managing Director is determined by the Board which requires approval from the Central Bank.

The Managing Director is appointed for a period of three years during which the remuneration cannot be reviewed without the approval of Bangladesh Bank. Renewal is considered prior to the expiration of each term. The fixed compensation components are negotiated and determined at the time of appointment/renewal. The Managing Director may get yearly performance bonus not exceeding Tk. 1 (one) million.

DELEGATION OF AUTHORITY

To assist the Board in carrying out its functions and to provide independent oversight of the internal control and risk management framework, a substantial part of the Board's responsibilities are delegated to the Board's Committees. These committees enable the Board to better carry out its stewardship and fiduciary responsibilities. Each of the Committees is chaired by an experienced Chairman and comprises Independent Non-Executive Members only. The Board is kept up to date on the activities of the Committees through reports from the Committee Chairmen at each board meeting.

In addition, the Board has delegated certain responsibilities to the Management on some matters within defined parameters. These include development and recommendation of strategic plans for consideration by the Board reflecting the long term objectives and priorities established by the Board, including implementation of the strategies and policies of the Company as determined by the Board; monitoring the operating and financial results against plans and budgets; monitoring business operations

Report on Corporate Governance - *continued*

against objectives; prioritizing the allocation of capital, management and control of borrowing limits and treasury policy; technical and human resources and developing and implementing risk management systems and operation of Bank Account.

BOARD COMMITTEES

The Board committees are formed and their members are appointed by the Board of Directors amongst the non-executive and Independent Directors. They are considered the high level link between the Board and the Senior Management. The objective of these committees is to assist the Board in supervising the actual operations of the Company, by reviewing any issues that are submitted by the Senior Management and making recommendations to the Board for their final review. The Board reserves the right to form temporary committees and discontinue them, from time to time as necessary. Furthermore, the members of the Board are provided with copies of the meeting minutes of the said committees as required by the regulators. In accordance with the Central Bank circular no financial institution can form committees of the Board other than Audit and Executive Committee. The Company has also complied with this circular and formed the following two committees;

- Audit Committee
- Executive Committee

The Board also laid down specific roles and responsibility of the committees. Details of the Terms of Reference for Board Committees can be found in the Company's website and summary can be found later of this annual report.

AUDIT COMMITTEE

Audit Committee comprises with four Non-executive Directors and one Independent Director who is also the Chairman of the Committee. The members of the Committee are elected by the Board. In 2012, the mandate of the Audit Committee was updated to include additional corporate governance responsibilities.

The committee among others is also responsible for:

- Assisting the Board in its oversight of (i) the integrity and reporting of the Company's quarterly and annual financial statements, (ii) compliance with legal and regulatory requirements; and (iii) the qualifications, independence and performance of the Company's internal and external auditors.
- Assisting the Board in fulfilling its statutory and fiduciary responsibilities with respect to internal controls, accounting policies, auditing and financial reporting practices.

- Overseeing performance of the Company's internal audit function, independent audits and regulatory inspections.
- Overseeing the Company's compliance with the rules of good corporate governance.

As per Bangladesh Bank circular, the members must meet at least 4 times in a year. The mandate of the Audit Committee provides further particulars on financial reporting processes, process improvements, and additional ethical and legal compliance overview responsibilities. The Head of Internal Audit reports functionally to the Audit Committee and administratively to the Managing Director.

Review of quarterly Financials:

The Audit Committee reviewed quarterly, half yearly and annual financials of the Company prior to submission to the Board of Directors for approval. The review ensures that the financial reporting and disclosure are in compliance with the Companies Act 1994, the Financial Institutions Act, 1993 and other applicable approved accounting standards such as IAS, IFRS, BAS etc.

In case of reviewing of the annual audited financial statements, the Audit Committee discussed with the Management and the statutory auditors regarding the accounting principles and standards that were applied and their judgment of the items that may affect the financial statements and after satisfying the Committee recommended to the Board for approval.

EXECUTIVE COMMITTEE

Executive Committee comprises with five non-executive Directors. The members of the Committee are elected by the Board. The mandate of the Executive Committee requires it, among other things, to:

- Assist the Board in formulating the executive policy of the Company and controlling its implementation.
- Assist the Board by reviewing, evaluating, and making recommendations to the Board with regards to key strategic issues.
- Approve credit limits that exceed the authority of the Management Committee subject to the limits approved by the Board.
- Carry out additional responsibilities specifically mandated to the committee by the Board.
- Exercise, in circumstances in which it is impossible or impractical to convene a meeting of the Board and subject to applicable law and the Constitutional Documents, the powers of the Board on matters for which the Board has not otherwise given specific direction.

Report on Corporate Governance - *continued*

The Board may advise or modify or amend any decision of the committee. In all cases, the members of the committee must exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders.

MEMBERS OF THE BOARD COMMITTEE

As mentioned earlier, each Committee of the Board has been formed with specific Charter. The Charter defines

the extent of the authority delegated to each Committee. The Charter, including the composition of the Committee, are reviewed and updated as and when necessary to ensure ongoing compliance. The Board is kept fully informed of the work of those Committees from time to time. The list of different Board Committees and its members is given hereunder:

<i>Name of the Members</i>	<i>Audit Committee</i>	<i>Executive Committee</i>
Mr. Md. Aminul Haque	Member	Member
Mrs. Muslima Shirin	Member	Member
Mr. Z. M. Kaiser	Member	Member
Mr. Tauseef Iqbal Ali	---	Chairman
Mr. Mohammad Masudur Rahim	---	Member
Mr. M. Shahadat Hossain Kiron	Member	---
Prof. Dr. Parimal Chandra Datta	Chairman	---

DISCLOSURE OF DIRECTORS' REMUNERATION

Directors of the Company are not eligible for any remuneration other than the meeting attendance fee as prescribed by the Bangladesh Bank. During the year under review, Board of Directors was eligible for attendance fee of Tk. 5,000 per meeting of Board,

Executive Committee and Audit Committee. Remuneration paid to the Managing Director is disclosed on page 177 of this Report. Remuneration paid to the Directors for attending Board/ Committee Meetings during the year 2013 is given below:

Name of the Directors	Board		Audit Committee		Executive Committee		Total
	Attendance	Fee	Attendance	Fee	Attendance	Fee	
Mr. K. M. Khaled	12	60,000	---	---	---	---	60,000
Mr. Md. Aminul Haque	12	60,000	5	25,000	7	35,000	120,000
Mrs. Muslima Shirin	13	65,000	6	30,000	8	40,000	135,000
Mr. Z. M. Kaiser	12	60,000	6	30,000	7	35,000	125,000
Mr. Mohammad Masudur Rahim	11	55,000	---	---	7	35,000	90,000
Mr. M. Shahadat Hossain Kiron	6	30,000	4	20,000	---	---	50,000
*Mr. Qazi Saleemul Huq	2	10,000	---	---	---	---	10,000
Mr. Tauseef Iqbal Ali	13	65,000	---	---	8	40,000	105,000
Prof. Dr. Parimal Chandra Datta	13	65,000	6	30,000	---	---	95,000
Mr. Kazi Md. Mortuza Ali	13	65,000	---	---	---	---	65,000
Mr. Mahibul Islam Chowdhury	12	60,000	---	---	---	---	60,000
Total		595,000		135,000		185,000	915,000

* Approved on 27 March, 2013 in 17th AGM

CHARTER OF THE BOARD AND ITS COMMITTEE

The Charter of the Board of Directors and its Committees setting out its key functions has been given on pages 113-115 of this Annual Report.

SETTING OUT THE DIRECTORS RESPONSIBILITIES

A separate statement as to the preparation and presentation of financial statements is given on page 138 of this Report. A Management report on the operational review and segmental analysis of the Company is given on pages 40-52 of this Report.

SEPARATE ROLE OF THE CHAIRMAN & MANAGING DIRECTOR

Chairman of the Board and Managing Director of the Company are different persons. The responsibilities of the Chairman and the Managing Director are separate, thereby preventing unfettered powers of decision making on a single hand. The Chairman is a Non-executive Director while the Managing Director is an Executive Director.

ROLE OF THE CHAIRMAN

The Chairman is elected by the board from the non-executive directors. The Chairman is responsible for the overall leadership and efficient functioning of the Board of Directors. The Chairman of the Board is also responsible of maintaining a role in recommending the skills and experience that the Board should contain and exhibit, for its effective operation, encourage active engagement and participation by all members of the Board, promote the highest standards of corporate governance, ensure clear structure for the effective running of the Board Committees, ensure the long-term sustainability of the Company, set the Board's agenda, ensure that Directors receive accurate, timely and clear information to enable the Board to take sound decisions and to identify the development needs of the Board as a whole to enhance its overall effectiveness as a team.

ROLE OF THE MANAGING DIRECTOR

The Managing Director is responsible for the day-to-day management, operations and administration of the company. He also responsible to implement, manage and administer corporate business strategy, ensure adherence to policies and procedures, applicable regulations and laws, and monitoring exceptions and serious deviations, manage the overall human resources and skills/competencies pool to ensure the effective and efficient running of the company, represent the company with customers, suppliers, governments, financial institutions, the media, the community and the public. He is also accountable to the Board for the financial and operational performance of the company.

ROLE OF THE COMPANY SECRETARY

The Company Secretary is responsible for ensuring appropriate information flow within and to the Board, the Board Committees and between the senior management and non-executive directors. The Company Secretary plays a key role in ensuring that the Board procedures are followed and regularly reviewed. The Company Secretary ensures that all relevant information and documents are made available to the directors and senior management for effective decision making at the meetings. The Company Secretary is primarily responsible to ensure compliance with applicable statutory requirements and is the interface between the management and regulatory authorities for governance matters. The Company Secretary supports in designing and facilitating induction programs for new non-executive Directors and in putting together development program for Directors. The authority of the appointment of the Company Secretary is vested to the Board.

ROLE OF THE HEAD OF INTERNAL CONTROL & COMPLIANCE

The head of Internal Control & Compliance is responsible for reporting to the Board Audit Committee regarding any deviation from accounting and internal control systems of the company. He is also responsible for ensuring regulatory compliance of the company. The authority of the appointment of the head of Internal Control & Compliance is vested to the Board.

MANAGEMENT

The senior management team is responsible for the day-to-day management of the Company entrusted to it by the Board. It is headed by the Managing Director, who is assisted by the Deputy Managing Director, Executive Vice President, Chief Financial Officer, Company Secretary and Head of Department of Corporate Finance, Lease & SME, CRM, Credit Admin, HR & Admin, IT and Treasury etc.. The biographies of the members of the senior management team are set out on page 20-23 of this Annual Report.

MANAGEMENT COMMITTEE

The Committee comprises of the top management of the Company including Managing Director and assists the Board and Board Committees to achieve the organizational objective. The Committee operates within the periphery of delegated authority from the Board and specific terms of reference. In fulfilling its principal responsibility for the day-to-day management of the Company, the senior management team is required to implement Board approved policies and effective controls, within the strategy and objectives set by the Board. The members of the Management Committee are appointed by the Board.

Sub-Committee

Eight Committees assist the Managing Director and Management Committee in the management of the Company:

- Risk Management Forum
- Asset and Liability Management Committee
- IT Infrastructure Development Committee
- Internal Control and Compliance Committee
- Central Compliance Unit
- Corporate Governance Committee
- Remuneration Committee
- Ethical Compliance Committee

These committees derive their authorities from the Management Committee, based on the authorities and limits delegated by the Committee.

Letters of appointment are issued to the members of the senior management team setting out their specific responsibilities and accountabilities that include assisting with and contributing to the following:

- Formulation of the Company's strategic objectives and direction.
- Formulation of the Company's annual budget and business plan.
- Ensuring that high-level policies are in place for all areas and that such policies are fully applied. The setting and management of risk/return targets in line with the Company's overall risk appetite.
- Determining the Company's overall risk-based performance measurement standards.
- Reviewing business units' performance and initiating appropriate action.
- Ensuring that the Company operates to the highest ethical standards and complies with both the letter and spirit of the law, applicable regulations and codes of conduct.
- Ensuring that the Company is an exemplar of good business practice and customer service.

Their attention is also drawn to the fact that these obligations are in addition to their specific functional responsibilities and objectives, and those set out in the Company's Corporate Policy Manual.

Members of the Management Committee and sub-committee are given on page 107-109 of this Annual Report.

APPRAISAL OF THE MANAGING DIRECTOR

The Managing Director is entrusted with the Management of the Company's operations and he is fully accountable to the Board. Performance of Managing Director including the top Management is assessed by the Board on half yearly.

REMOVAL OF THE MANAGING DIRECTOR

The Board is not authorized to remove the Managing Director without prior consent from the Central Bank.

RISK MANAGEMENT

In accordance with Central Bank, the Company has laid down five Risks Management Policy on Credit Risk, Anti Money Laundering and Combating Terrorist Financing, IT Policy, Asset Liability Management Policy and Internal Control and Compliance defining risk profiles involving strategic, technological, operational, financial, organizational, legal and regulatory risks within a well defined framework. The Risks Management Policy act as an enabler of growth for the Company by helping its businesses to identify the inherent risks, assess, evaluate and monitor these risks continuously and undertake effective steps to manage these risks.

The Committees especially formed for this purpose consisting of senior executives of the Company periodically reviews the robustness of the aforesaid Risk Management Policies. The periodical update on the risk management practices and mitigation plan of the Company and subsidiaries are presented to the Audit Committee and Board of Directors. The Audit Committee and Board periodically review such updates and findings and suggest areas where internal controls and risk management practices can be improved. These Committees also ensure compliance of the respective policies approved by the Board.

INTERNAL CONTROL

The Board has ultimate responsibility for establishing an effective system of internal control. It is designed to manage rather than eliminate the risk of failure to achieve the business objectives and to provide reasonable but not absolute assurance that assets are safeguarded against unauthorized use or material loss and those transactions are properly authorized and recorded. The internal control system embraces all business risks, including financial, operational and strategic risks. Accountability for managing risks is delegated to the Risk Committees who review and assess risk management matters as part of their business processes and risks controls and actions are regularly adjusted in response to the changing market environment.

Major elements of the control environment are as follows:

- Regular Board meeting with comprehensive agenda dealing with all major aspects of business;

Report on Corporate Governance - *continued*

- Regular Board Committee meeting to discuss issues as clearly defined in their charter;
- Regular Management Committee meetings with specific issues relating to operation of the Company;
- An established management structure and delegation of authorities with job descriptions for each division and section;
- Defined operating guidelines and procedures with authorization limits at appropriate levels;
- An internal audit department directly reporting to the Board Audit Committee in compliance with procedures and authority limits;
- A comprehensive annual budgetary system with ultimate approval by the Board;
- Accounting and operational manuals;
- Review and analysis of fund position on daily basis;
- Well defined policies relating to personnel issues;
- A comprehensive financial reporting system including actual performance with budget.

ADHERES TO STANDARDS ISSUED BY ICSB

The Institute of Chartered Secretaries of Bangladesh (ICSB) has issued 'Secretarial Standards' on key corporate functions like Board Meetings and General Meetings. Although these standards are not mandatory, the Company adheres to them voluntarily.

CERTIFICATION BY MD AND CFO

Certification as required under the Corporate Governance Notification has provided by Mr. Asad Khan, Managing Director and Mr. Lingkon Mondal, CFO current charge of the Company and it can be found on page 166 of this annual report.

APPOINTMENT OF COMPLIANCE AUDITOR

According to BSEC Notification dated August 07, 2012 on Corporate Governance the company is required to obtain a certificate from a practicing Professional Accountant/Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines. In compliance with the above Notification S. Abdur Rashid, FCS practicing chartered secretary of SARashid & Associates has been appointed to conduct compliance audit in this regard.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

The Auditors' certificate on compliance of Corporate Governance Notification can be found in page 165 of this Annual Report.

APPOINTMENT OF STATUTORY AUDITORS

The Auditor is appointed by the shareholders in the AGM. Based on the recommendation of the Audit Committee, the Board of Directors recommends to the Shareholders for appointment of Auditors. The remuneration of the Auditors is also fixed by the shareholders in the AGM. The appointment of Auditors is subject to approval of Bangladesh Bank. We are required to obtain consent from Bangladesh Bank as to the appointment of Auditors in each year. As per Financial Institutions Act, 1993 and BSEC's Order an Auditor cannot be appointed for more than three consecutive years.

INDEPENDENCE OF STATUTORY AUDITORS

The Company's statutory auditors are prohibited from non-audit services as prescribed by the Bangladesh Securities and Exchange Commission vide its Notification dated 07 August 2012. Tax and other professional services of the Company are conducted by separate professional Firms to ensure the Auditors' independence. A. Hossain & Co., Chartered Accountants retains for company taxation services on the other hand A. Hossain & Associates and Capital Law Chamber provides legal services to the Company. If there is uncertainty as to whether a matter falls within the permitted services, the matter is referred to the Head of Internal Control & Compliance, the Chief Financial Officer and the Company Secretary who will consult with the Audit Committee.

ACCOUNTING TREATMENT

In the preparation of financial statements, the Company has followed the Accounting standards as prescribed under the Companies Act 1994, BAS and IAS as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). The Accounting Policies followed by the Company, to the extent relevant, are set out elsewhere in this Annual Report.

BUDGETARY PROCESS

Each year, the Board approves the annual budget. Performance is monitored and relevant actions are taken throughout the year through quarterly reporting to the Board on variances from the budget, together with information on key operational areas.

ANTI-MONEY LAUNDERING

The Company's anti-money laundering and combating the financing of terrorism (AML/CFT) procedures and guidelines conform to the legal and regulatory requirements of the Bangladesh. These legal and regulatory requirements reflect the FATF recommendations on Money Laundering and special recommendations on Terrorist Financing.

Report on Corporate Governance - *continued*

Prime Finance AML/CFT procedures and guidelines apply to all of the offices, branches of the company. Systems are in place to ensure that business relationships are commenced with clients whose identity and activities can reasonably be established to be legitimate, to collect and record all relevant client information, to monitor and report suspicious transactions, to provide periodic AML/CFT training to employees, and to review with external auditors the effectiveness of the AML/CFT procedures and controls. A proactive structure of officers is in place to ensure compliance with AML/CFT procedures, and the timely update of the same to reflect the changes in regulatory requirements. This structure consists of the Chief Anti Money Laundering Compliance Officer and Branch Anti Money Laundering Compliance Officers.

MEANS OF COMMUNICATION

Interim and final financial results are communicated to the concern regulators within the stipulated time line and also published in two national daily newspapers, one in Bangla and another in English. Half yearly financials are sent to the respective shareholders address and key information of the said financials published in national daily newspaper. Audited final financial statements along with Directors' report and notice of the AGM are sent to the respective shareholders address. Audited financials except notes to the account also published in two national daily newspapers. All the financial results are also posted in the company's website at www.primefinancebd.com.

PRICE SENSITIVE INFORMATION

Price Sensitive Information means any such information which if published, may influence market price of the concerned security. According to the guideline, price sensitive information is disseminated within 30 minutes of the decision or immediately upon getting such information to the BSEC and the Stock Exchanges. Besides, the price sensitive information also published in two widely circulated national daily newspapers, one in Bangla and the other in English.

Website: The basic information about the company is provided on the Company's website and the same is updated regularly. It contains comprehensive database of information of interest to our investors including the financial results and Annual Report of the Company, information on dividend declared by the Company, any price sensitive information disclosed to the regulatory authorities from time to time.

Annual Report: Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial

Statements, Directors' Report, Auditors' Report, Notice of AGM and other important information is circulated to members and others entitled thereto.

AGM, Board and Board Committee Minutes Submission:

In accordance with the requirement of regulatory authority minutes of the Board, Board Committee and Annual General Meeting are submitted to the respective regulators within the stipulated time line.

COMMUNICATION WITH SHAREHOLDERS

The investor relations activities of the Company are designed to provide a balanced level of communication between the Company and its stakeholders. Established procedures are in place to ensure timely release of price sensitive information. The Company also publishes its quarterly, half yearly and annual results within the time periods stipulated by the Bangladesh Securities and Exchange Commission, Stock Exchanges and Bangladesh Bank.

The announcements and other important information are posted in the Company's website. The website also contains corporate information which is updated on a regular basis and includes a corporate governance section which contains details of the Company's adherence to the Code and the full terms of reference of the Board and its Committees.

ANNUAL GENERAL MEETING

At the AGMs, a review is given of the progress of the business over the last year and there is a discussion of current issues. Shareholders are encouraged to attend the meetings and ask questions and the question and answer sessions form an important part of the meetings. General Meeting is such an assembly where shareholders are interacted with the Directors and put their observation as well as suggestion regarding the development of the Company. In general meeting shareholders can exercise their right by giving vote for passing specific agenda. Shareholders also give approval for appointment of non-executive and Independent Director. The business generally conducted includes approval/adoption of the Annual Report and Accounts, appointment of directors, dividend declaration, and appointment of external auditors.

General Meetings of shareholders of PFIL is held at times and places decided by the Boards. The Annual General Meeting is normally attended by all Directors. The external auditors are welcomed to the AGMs and they are entitled to speak to the queries. The Eighteenth Annual General Meeting will be held on 30 March 2014.

SHAREHOLDER'S RIGHT

A shareholder can appoint proxy for attending the meeting. In accordance with the provisions of the Companies Act, 1994, the Notice of the 18th Annual General Meeting along with Audited Accounts, Directors Report, and Proxy Card were sent to shareholders 14 days before the meeting. The notice also published in the national dailies. The AGM may, in principle, pass resolutions without regard to the number of shareholders present at the meeting or represented by proxy as the case may be. Resolutions generally require the approval of a majority of the votes represented at the meeting.

The AGM/EGM is convened by the Board or, if necessary, by the shareholders' holding at least 10% of the issued share capital. Five members present in person or by proxy or any member or members holding not less than one-tenth of the issued capital which carries voting rights shall be entitled to demand a poll.

Dividend Announcements

The Board of Directors of the Company has recommended 15% Cash Dividend for the financial year ended December 31, 2013, subject to the declaration by shareholders at the ensuing AGM. The dividend, if declared, will be paid within 30 days of Meeting.

Record date for the purpose of Dividend and AGM

All the shares of the Company are in dematerialized form and to determine the entitlement of shareholders to attend the AGM and receive the Dividend, if any, for the year ended December 31, 2013, the Board of Directors has fixed the Record Date on 11 March 2014.

Dividend Remittance

Dividend on Equity Shares as recommended by the Directors for the financial year ended December 31, 2013, when declared at the AGM will be paid to all those equity shareholders whose names shall appear in the CDS Register as on 11 March 2014. The dividend will directly be credited to the respective shareholders beneficiary owners account no and through respective bank account. After completion of disbursement a paper announcement will be made informing the shareholders about the date of dividend disbursement.

HUMAN CAPITAL

Human capital is the stock of competencies, knowledge, social and personality attributes, including creativity, cognitive abilities, embodied in the ability to perform labor so as to produce economic value. It is an aggregate economic view of the human being acting within economies, which is an attempt to capture the social,

biological, cultural and psychological complexity as they interact in explicit and/or economic transactions.

Human capital is distinctly different from the tangible monetary capital due to the extraordinary characteristic of human capital to grow cumulatively over a long period of time. The growth of tangible monetary capital is not always linear due to the shocks of business cycles. During the period of prosperity, monetary capital grows at relatively higher rate while during the period of recession and depression there is deceleration of monetary capital. On the other hand, human capital has uniformly rising rate of growth over a long period of time because the foundation of this human capital is laid down by the educational and health inputs.

Prime Finance emphasizes on managing the human capital in a prudent way. True human capital management is more than just an HR function. It requires strategic analysis of the entire organization. WE consider Human as Capital. So to manage Human Capital, Prime Finance focuses on Workforce Planning, Compensation Management, Succession Planning, Career Planning and Learning Management specifically & strategically.

COMPENSATION

The Company remunerates its officers fairly and responsibly. The remuneration of officers must be sufficient to attract, retain and motivate persons of the quality needed to run the Company successfully, and the Company must avoid paying more than is necessary for that purpose. The Board ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Company, and do not give rise to conflicts between the objectives of the Company and the interests of individual Directors and key executives.

STAFF COMPENSATION

The total compensation package for employees comprises basic salary, contributory provident fund, gratuity scheme, hospitalization and other benefits plans, employee home loan, employee transport assistance scheme, employee furniture and household assistance scheme, maternity benefits, retirement benefit etc. In determining the composition of the package, the nature of the role performed and market practice are taken into consideration. To ensure that its remuneration package is competitive, the Company regularly reviews its base salary ranges and benefits package based on market data.

ENVIRONMENTAL AND SOCIAL COMPLIANCE

Prime Finance recognizes that it is part of a wider community of shareholders, customers, suppliers, employees and other stakeholders and recognizes that the Company has a responsibility to act in a way that respects

the environment. It is the policy of Prime Finance, so far as is reasonably practical, to protect and conserve the local and wider environment from any adverse impacts caused by its operations.

WORKING ENVIRONMENT

The Company provides its employees state of the art office equipments and encourages employees to save energy while working with these equipments. All the equipments are configured in such a way that consumes less power and energy. We also maintain better control of temperature. The promotion of electronic mail and telephone rather than paper mail is encouraged. Energy saving lamps are used wherever possible and steps are taken to ensure that all lights are turned off when they are not in use.

RECYCLING AND WASTE REDUCTION

Recycling is implemented where possible in relation to paper, glass and residual waste. Printing is carried out through central printers in order to reduce paper consumption. Employees are encouraged to separate waste.

HEALTH AND SAFETY

The Company strives to provide and maintain a safe environment for all employees, customers and visitors to its premises and to comply with relevant health and safety legislation.

TRANSPORTATION

Transport pool are regularly monitored and maintained properly with an objective to ensure reducing of carbon emission. Drivers are asked to conserve their speed as this is more energy efficient and ensure prevention of accident.

SOCIAL

Prime Finance always encourage its clients and vendors to comply with relevant legislation to ensure environmental issues and before funding, properly scrutinize to ensure that the client may not have any direct/indirect influence in terrorist financing activities. Prime Finance take special monitoring before funding in the sectors which may have adverse impact on environment.

SUBSIDIARY COMPANY

Prime Finance Capital Management Ltd. (PFCML) is a subsidiary of Prime Finance. PFCML is non-listed company doing business as merchant bank. According to Corporate Governance Notification Professor Dr. Parimal Chandra Datta, Mr. Kazi Mohammad Mortuza Ali and Mr. Mahibul Islam Chowdhury have been appointed as Independent Directors on the Board of PFCML. The minutes of the meetings of the Board of Directors of subsidiary company are placed before the meeting of Board of Directors of the Company and the attention of the directors is drawn to all significant transactions and arrangements entered into by subsidiary companies.

Nomination of Independent Director in the Subsidiary

In accordance with the Corporate Governance Notification the Board has made nomination of Independent Director in the subsidiary company.

REVIEW OF GOVERNANCE PRACTICES

It has been attempted in this Report to present the governance practices and principles being followed at Prime Finance, as evolved over the years, and 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.



Report on

Management Committee

MANAGEMENT COMMITTEE

The Board delegates responsibility for the day-to-day management of the Company to the Management Committee. The Committee is responsible for ensuring that the business is operating effectively within the strategy and risk appetite agreed by the Board. The Managing Director is the Chairman of the Committee.

Members:

Mr. Asad Khan
Managing Director

Mr. Md. Ahsan Kabir Khan
Deputy Managing Director

Mr. Md. Rezaul Haque
EVP & Head of Operations and Marketing.



Report on Management Committee - *continued*

Risk Management Forum:

Risk Management Forum is mainly responsible for designing overall risk management strategy, communicating views of the board and senior management regarding the Risk Management, culture and risk Appetite all over the Company, preparing risk management policies and procedures, monitoring the prescribed/threshold limits of Risk Appetite, developing, testing, and observing the use of models to measure and monitor the risks, developing and overseeing implementation of stress testing, overseeing the Capital Management functions in accordance with the Risk Based Capital, adequacy measurement accord i.e. BASEL-II /III, determining the most cost-effective way to minimize the risks, highlighting the risky portfolios and deficiencies, reviewing the market conditions, identifying the external threats and providing with recommendations for precautionary measures accordingly; and developing overall information system/MIS to support risk management functions of the Company.

Members:

Mr. Syed Moniruzzaman
Company Secretary and Chief Risk Officer

Mr. Ahsanullah M Dewan
AVP & Head of IT

Mr. R. M. Zaidi
AVP & Head of HR & Admin

Mr. Lingkon Mondal
AVP & CFO (CC)

Mr. Humayun Rashid
AVP & Head of Credit Admin

Mr. Md. Feroz Iftekher
Sr. Manager & Head of ICC

Mr. Md. Faqrul Islam Majumder
Sr. Manager, Corporate Finance

Mr. Md. Anisuzzaman
Sr. Manager, Treasury

Asset Liability Management Committee:

ALCO's responsibilities include developing investment, pricing and funding strategy and making decisions on day to day liquidity management. Monitor the Company's liquidity and interest rate maturity mismatch.

Members:

Mr. Asad Khan
Managing Director

Mr. Md. Ahsan Kabir Khan
Deputy Managing Director

Mr. Md. Rezaul Haque
EVP & Head of Operations and Marketing

Ms. Gulshan Ara Hafiz
VP & Head of Business and SME

Mr. Lingkon Mondal
CFO (CC)

Mr. Syed Moniruzzaman
Company Secretary

Mr. Md. Zaved Lakiyet
AVP, F&A

Mr. Humayun Rashid
AVP & Head of Credit Admin

Mr. Md. Faqrul Islam Majumder
Sr. Manager Corporate Finance

Other Dept. Head

IT Infrastructure Development Committee:

Mainly responsible for infrastructure, automation, development and security activities related to Information Technology are in line with the regulatory requirement and operation friendly.

Members:

Mr. Md. Rezaul Haque
EVP & Head of Operations and Marketing

Ms. Gulshan Ara
VP & Head of Business and SME

Mr. Ahsanullah M. Dewan
AVP & Head of IT

Mr. R N Zaidi
AVP & Head of HR and Admin

Mr. Lingkon Mondal
CFO (CC)

Mr. Syed Moniruzzaman
Company Secretary

Mr. Md. Faruque
AVP, HR and Administration

Ms. Monsura Moin
Sr. Manager, F&A

Mr. Md. Faqrul Islam Majumder
Sr. Manager Corporate Finance

Mr. Md. Rashadul Islam
Manager, Liability & Fund Management

Internal Control and Compliance Committee:

Internal Control and Compliance Committee is mainly responsible for establishing and maintaining adequate internal control systems are in place to ensure compliance of the Company, developing internal control process, procedures and policies to ensure that the company's

Report on Management Committee - *continued*

business activities and associated risks are well managed.
Review effectiveness of internal control mechanism.

Members:

Mr. Md. Ahsan Kabir Khan
Deputy Managing Director

Mr. Md. Rezaul Haque
EVP & Head of Operations and Marketing

Mr. Feroz Iftekhar
Head of ICC

Central Compliance Unit:

Mainly responsible to formulate policies, procedures for preventing money laundering and terrorist financing activities, identify suspicious transaction, report suspicious transaction to the regulators.

Members:

Syed Moniruzzaman
*Company Secretary and
Chief Anti Money Laundering Compliance Officer*

Mr. Md. Lingkon Mondal
CFO (CC)

Mr. Md. Zaved Lakiyet
AVP, F&A

Mr. Md. Anisuzzaman
Sr. Manager, Treasury

Mr. Md. Rashadul Islam
Manager, Fund & Liability Management

Corporate Governance Committee:

Corporate Governance Committee is mainly responsible for ensuring that the Company adopts and enhances sound Corporate Governance practices, which are consistent with the regulatory requirements and also reflects the best market practices in Corporate Governance and make recommendations to the Board as appropriate.

Members:

Mr. Md. Ahsan Kabir Khan
Deputy Managing Director

Mr. Md. Rezaul Haque
EVP & Head of Operations and Marketing

Mr. R N Zaidi
AVP & Head of HR and Admin

Syed Moniruzzaman
Company Secretary

Remuneration Committee:

Mainly responsible for setting policies, review competitiveness of the existing pay structure, review annual incentive plans, review performance appraisal process and recommend to the Board for yearly increment.

Member:

Mr. Md. Ahsan Kabir Khan
Deputy Managing Director

Mr. Md. Rezaul Haque
EVP & Head of Operations and Marketing

Mr. R N Zaidi
AVP & Head of HR and Admin

Ethical Compliance Committee:

Mainly responsible for setting ethical standard and formulate compliance indicators, guidelines, policy etc. It also designs action plan to improve morale of the employees and develop systems which are consistent with social and ethical compliance requirement.

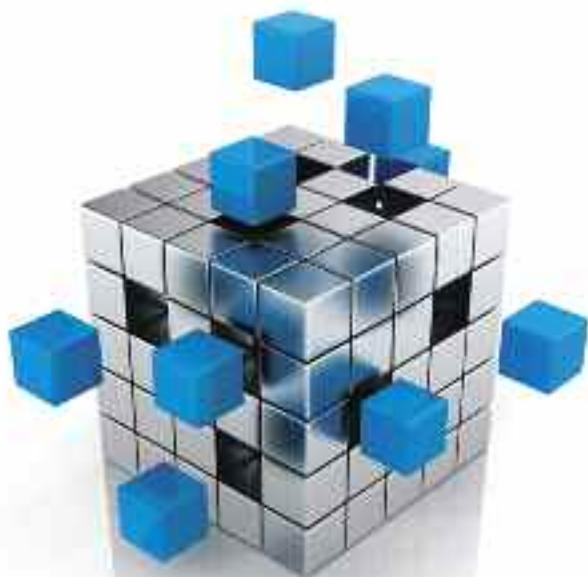
Member:

Mr. Md. Rezaul Haque
EVP & Head of Operations and Marketing

Mr. R N Zaidi
AVP & Head of HR and Admin

Mr. Syed Moniruzzaman
Company Secretary

Mr. Kamrul Islam
AVP, HR



Board's Structure

The Board of Prime Finance comprises of Directors with versatile qualification, expertise and experience. The selection of the Board members shall always be for the purpose of their ability to add value to the Company. It provides entrepreneurial leadership to the Company within a framework of prudent and effective controls which enable risk to be assessed and managed.

COMPOSITION

On 31 December 2013, the Board of Directors of Prime Finance comprises of twelve members including Managing Director who is an executive director considered as the ex-

officio member of the Board. As per FID Circular No.# 9 dated 11 September, 2002 of the Bangladesh Bank, the size of the Board of a Non-banking Financial Institution shall be minimum of nine and maximum eleven excluding the Managing Director. As per Bangladesh Securities and Exchange Commission's Corporate Governance Notification dated August 07, 2012, a listed Company should have Independent Director of at least one-fifth of the total number of Directors.

The Board of Prime Finance comprises of twelve members as under:

None-executive Director	Mr. K. M. Khaled	Nominated Director
	Mr. Md. Aminul Haque	
	Mrs. Muslima Shirin	
	Mr. Mohammad Masudur Rahim	
	Mr. Z. M. Kaiser	
	Mr. M. Shahadat Hossain Kiron	
	*Mr. Qazi Saleemul Huq	
Executive Director	Mr. Tauseef Iqbal Ali	Director
	Prof. Dr. Parimal Chandra Datta	Independent Director
	Mr. Kazi Md. Mortuza Ali	
	Mr. Mahibul Islam Chowdhury	
	Mr. Asad Khan	Managing Director

NON-EXECUTIVE DIRECTOR

There are eleven Non-executive Directors. None of the Directors takes part in the day to day operations of the Company. They attend only in the Board/Board Committees meeting to discuss the agenda reserved for the Board/Committee. They are expected constructively to develop strategy, to participate actively in the decision-making process of the Board, and to scrutinize the performance of management in meeting agreed goals and objectives.

CHAIRMAN

The Board Chairman is the liaison between the board and management and between the board and shareholders and responsible for running the board smoothly and effectively. Mr. K. M. Khaled nominated by Khaled Textile Mills Limited

is the honorable Chairman of the Board and technically, the leader of the Company. He has been maintaining a strong communication with other Directors, Managing Director and high-level executives for formulating the company's business strategy. Chairman of the Board cannot be a member in Board Committee of the Company. As per Articles of Association, the Chairman is elected from the Board of Directors for a specific period of time.

INDEPENDENT DIRECTOR

In compliance with BSEC's Corporate Governance Guidelines at least one-fifth Directors should be the Independent Directors of the Company. In this regard, there are three Independent Directors in the composition of the Board. Independent Directors required to have some qualifications such as he or she has no material relationship

* Approved on 27 March, 2013 in 17th AGM

Board's Structure - *continued*

with Prime Finance & Investment Limited (either as a partner, shareholder or officer of an organization that has a relationship with Prime Finance) that would preclude that nominee from being an Independent Director. For the purpose of such determination, the Directors consider that the Independent Director does not hold any share or holds less than one percent shares of the total paid up capital of the Company, who is not connected with the Company's Promoters or Directors or Shareholders who holds one percent or more than one percent shares of the total paid up shares of the Company, on the basis of family relationship; who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associate companies, who is not a member, Director or Officer of any Stock Exchange and who is not a shareholder, director or officer of any stock exchange or an intermediary of the capital market.

TENURE AND RETIREMENT

The office of Non-executive Directors is subject to retirement. At least one-third of the non-executive Directors shall retire by rotation in every Annual General Meeting and being eligible offer themselves for re-election. The Independent Directors are appointed by the Board but this appointment requires approval from the shareholders in AGM and if it is approved then it is considered as effective. The Managing Director is appointed for period of three years

BOARD STRUCTURE RELATED INFO

Structure of Board of Directors	Total 12 members	
<ul style="list-style-type: none"> Non-Executive Directors Independent Directors Executive Directors 	<ul style="list-style-type: none"> 8 persons 3 persons 1 person 	<ul style="list-style-type: none"> Non- Executive directors Independent directors Executive director
Gender representation in Board of Directors	FY-2013	
<ul style="list-style-type: none"> Male Directors Female Directors 	<ul style="list-style-type: none"> 10 nos. 1 no. 	<ul style="list-style-type: none"> Male Directors Female Directors
Number of Meetings	FY-2013	
<ul style="list-style-type: none"> Board of Director meeting Audit Committee meeting Executive Committee meeting 	<ul style="list-style-type: none"> 13 meetings 6 meetings 8 meetings 	<ul style="list-style-type: none"> Board of Directors Meeting Audit Committee Meeting Executive Committee Meeting
Board Committees Member	FY-2013	
<ul style="list-style-type: none"> Audit Committee Executive Committee 	<ul style="list-style-type: none"> 5 members 5 members 	<ul style="list-style-type: none"> Executive Committee Audit Committee
New Appointment of Director in the FY-2013	*Mr. Qazi Saleemul Huq, nominated by GQ Enterprise Ltd.	
Percentage of attendance in each Board and its Committee meeting	FY-2013	
<ul style="list-style-type: none"> Board of Director meeting Audit Committee meeting Executive Committee meeting 	<ul style="list-style-type: none"> 83% 90% 93% 	<ul style="list-style-type: none"> Board of Directors Meeting Executive Committee Meeting Audit Committee Meeting

* Approved on 27 March, 2013 in 17th AGM

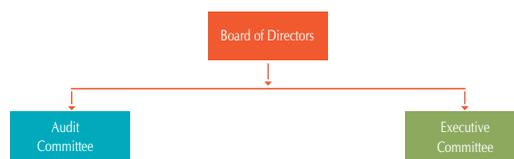
subject to approval of the Bangladesh Bank. The office of the Managing Director being an Ex-officio Director is not subject to retirement.

DIRECTORS REMUNERATION

Except the Managing Director, none of the Director holds any position of profit and does not receive any remuneration other than fees for attending the Board/Committee meetings. The fees payable to a Director is Tk. 5,000 for attending each meeting. Managing Director is not entitled to receive fee for attending Board and its Committee Meetings.

BOARD COMMITTEE

In compliance with Bangladesh Bank, DFIM circular letter no. 18 dated 26 October 2011, the Board has formed only two committees to consider some matters in more detail and make recommendations and in certain circumstances take decisions on behalf of the Board. All the Board Committees are comprised entirely of Non-executive Directors.



Membership of Directors in the Board Committees is given on page 100 of this Annual Report.

Board's Structure - *continued*

CHARTER OF THE BOARD AND ITS COMMITTEES

The Board itself and all its Committees have a written Charter that describes the purposes, duties, responsibilities and delegations. Summary of the Committee Charters are available on page 113-115 of this Annual Report

DIRECTORS' RESPONSIBILITY

Board of Directors are appointed by the shareholders to act on behalf of them to run the affairs of the business. They are accountable to the shareholders and each year the company holds Annual General Meeting (AGM) in which a report on the performance of the Company is placed.

The Directors are responsible for developing and upgrading Prime Finance's Governance Principles, Code of Business Conduct, and the Charter of each Committee on which such Director serves. For review, materials are provided to the members in advance of Board/Committee meetings. Besides these they will ensure the adequacy of financial and operational systems and internal control as well as the implementation of corporate ethics.

COMMUNICATION TO DIRECTOR

Interested parties may communicate with any Director by sending mail addressing the Company Secretary, Prime Finance & Investment Limited, 63 Dilkusha C.A., Dhaka-1000 or by e-mail at corporateaffairs@primefinancebd.com

Charter of the

Board and its Committees

The purpose of the Charter is to outline the principal roles, functions, responsibilities, authorities and powers of the Board and its various Committees to enhance coordination and communication between the Board and Management for the wellbeing of the Company and its stakeholders.

SUMMARY OF THE CHARTER OF THE BOARD OF DIRECTORS

Strategic planning process:

- Set the vision and mission of the Company.
- Determine the yearly goals of the Company and to draw up strategic plan and technique.
- Monitor quarterly implementation and effectiveness of the approved strategic plan and technique and make necessary changes, if any, after discussion with management.
- Review the Company's business plans and the inherent level of risk in these plans.
- Assess the adequacy of capital to support the business risks of the Company.
- Ensure that the processes are in place to identify the risk of Company's business
- Review the processes that ensure respect for and compliance with applicable regulatory, corporate, securities and other legal requirements

Financial Management:

- Approve the annual budget and targets, annual financials and interim results and monitor financial performance.
- Ensure financial results are reported fairly and in accordance with IFRS.
- Recommend to shareholders the Annual Report / financial statements released by Management and ensure that any reports issued by the Company, including the financial statements, present a 'true and fair' view of its position and performance.
- Approve the delegation of responsibilities and authorities to Board Committees and to Managing Director and Executive Management;
- Approve purchase/construction of land, building and vehicle.
- Approve authority for bank account operation.

Loan/Lease/Investment Management:

- Approve the policy related with proposal evaluation,

acceptance, disbursement, collection and monitoring of loan/lease/investment.

- Delegate approval authority of a certain limit to Managing Director & Executive Management for sanctioning of loan/lease/investment proposal.
- Approve large loan/lease/investment.

Risk Management:

- Approve and review the risk management guideline.
- Ensure principal risks are identified and Management has implemented appropriate systems to manage these risks.
- Ensure that the systems and controls framework, including the Board structure and organizational structure of the Company is appropriate for the Company's business and associated risks.
- Review the processes that ensure compliance with applicable regulatory, corporate, securities and other legal requirements.

Internal Control:

- Assess the adequacy of the systems of risk management, internal control, control environment and legal compliance.

Human Resource Management:

- Approve service rules of the Company and any amendment thereof.
- Ensure independence of the administrative system regarding recruitment, promotion, transfer and disciplinary action are governed under the service rules.
- Ensure that succession programs and plans are in place.

Governance:

- Approve the Company's corporate governance framework and ensure it conforms to best practices and regulatory and statutory requirements.
- Approve the organizational/management structure and responsibilities.
- Establish appropriate structures and procedures to allow the board to function independently of management.
- To the extent feasible, satisfying itself that the Managing Director and other senior officers create a culture of integrity throughout the organization.

Charter of the Board and its Committees - *continued*

Performance Measurement Systems:

- Approve performance objectives and performance measurement systems.
- Review the performance of Board, Board Committees and Executive Management.

Business Decisions:

- Approve and monitor the progress of material financial restructurings, including mergers, acquisitions, annual budgets, dividends etc. affecting the balance sheet.
- Approve financings and changes in authorized capital.
- Approve entering into, or withdrawing from, businesses or service lines.

Compliance:

- Ensure the Company operates at all times within applicable laws and regulations, including an effective Code of Conduct and Anti Money Laundering and Countering Financing of Terrorism policies.
- Ensure that the Company's policies and procedures manuals comply with all government and regulatory requirements covering all operations.

Communications:

- Develop and implement an investor relations program or shareholder communications process for the Company.

Delegation of Authority:

- Approve the delegation of responsibilities and authorities to Board Committees and to Executive Management; and reserve certain powers for the Board.

External Auditors:

- Recommend the appointment of the external auditors (and the remuneration payable); to the shareholders and seek their no objection.

Listing Requirements:

- Oversee the ongoing obligations in respect of the listing requirements, including but not limited to issues relating to disclosure, dissemination of price sensitive information and other communication, and the prevention of market abuse and insider trading;

SUMMARY OF THE CHARTER OF THE AUDIT COMMITTEE

Risk Management and Internal Control:

- Evaluate whether the Management has been able to build up the appropriate administration culture regarding the importance of internal control system and risk management;
- Review all the policies developed by the Management regarding IT system and management information system (MIS);
- Review the recommendations as provided time to time by the internal and external auditors to build a strong internal control framework have been administered by the Management or not;
- Review the existing Risk Management process to ensure effective mitigation & control system;
- Inform the Board regularly after review of the steps taken against findings of forgery, limitations of internal control system or identification of similar sectors by the internal, external and inspection team of regulatory authority;
- Monitor the effectiveness of the Company's risk based internal control system.

Financial Reporting:

- Review whether the financial statements are contained with full & applicable disclosures and are prepared in accordance with the policies and procedures directed by the Bangladesh Bank and in compliance with accounting and reporting standards required by law or supported by appropriate professional or other authorities.;
- Monitor and recommend interim results announcements and any other formal announcement relating to its financial performance;

Internal Audit:

- Review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- Review and assess the annual internal audit plan;
- Monitor and review the expertise & effectiveness of the company's internal audit function in the context of the company's overall risk management system;
- Recommend to the Board for changing accounting principles, if any;

External Audit:

- Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor;

Charter of the Board and its Committees - *continued*

- Review the annual audit activities and audit report;
- Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
- Review the management's response to the auditor's findings and recommendations.

Compliance with existing Laws & Regulations:

- Review compliance with existing laws & regulations of the relevant regulators and policies approved by the Board.

Reporting Responsibilities:

- The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- The Committee shall compile a report to shareholders on its activities to be included in the company's Annual Report.
- The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-
 - a) report on conflicts of interests;
 - b) suspected or presumed fraud or irregularity or material defect in the internal control system;
 - c) suspected infringement of laws, including securities related laws, rules and regulations;
 - d) any other matter which shall be disclosed to the Board of Directors immediately.

Others:

- Report to the Board quarterly, regarding corrective measures taken against error, fraud, deceit, or other irregularities identified by the auditors (internal or external) or regulatory authority;
- Undertake any other projects relating to its remit which it considers appropriate or as requested by the Board.

SUMMARY OF THE CHARTER OF THE EXECUTIVE COMMITTEE

The Executive Committee will review and evaluate the following matters:

- Review and preparation of short-term, medium-term and long-term plans and policies to fulfill Company's goals/objectives, as per the directions of the Board.
 - Review business plans to be submitted to the Board. The Committee shall periodically review Company's achievements and recommend to Board appropriately;
 - Review implementation of the business policy;
 - Review significant risks and quality of credit portfolio;
 - Review the overdue position of clients of the company;
 - Review the write off loan/lease status of the company and recovery thereof;
 - Review management succession plans for executive positions;
 - Review major compensation policies and recommend incentive program;
 - Evaluate effectiveness of the HR Policy in carrying out the duties specified in its charter.
- the Committee have the following approval authority:
- Approve credit proposals and corporate guarantee up to certain limit;
 - Approve all pre-IPO placement/underwriting proposals up to certain limit;
 - Approve all administrative expenses up to certain limit;
 - Approve reduction of interest rate of lease/loan up to certain limit;
 - Approve waiver of unrealized delinquent charge up to certain limit;
 - Approve purchase/disposal of the fixed/floating assets of the company as per the regulatory guideline in this regard.

Compliance Report on

Bangladesh Bank's Guidelines on Corporate Governance

Bangladesh Bank requires the Financial Institutions to comply with the guidelines on Corporate Governance as per the DFIM circular no. 7 dated 25 September 2007. The Board of Directors of the Company has taken appropriate steps to comply with the guidelines and implemented the same. Status report on compliance with those guidelines is given below:

Sl.	Particulars	Compliance status	Reference
01.	Responsibilities and authorities of Board of Directors The responsibilities of the Board of Directors are mainly related to evaluation and developing strategy. Those are as-		Refer to Charter of Board and its committee on pages 113-115 of this Annual Report.
	A. Work-planning and strategic management:	Complied	
	i. The Board shall determine the vision/mission of the Company. Board shall also determine the strategy and work-planning for enhancement of institutional efficiency and other policy matters on annual basis. Board shall make necessary amendments on the strategy on quarterly basis.		
	ii. The Board shall have its analytical review to be incorporated in the Annual Report as regard to the success or failure in achieving the target as set out in the annual work plan and inform the same to the shareholders in the Annual General Meeting (AGM).	Complied	Refer to 'Operating results' and 'Significant deviation in operating results' of Directors report on Page 146 of this Annual Report.
	iii. The Board shall determine Key Performance Indicators for chief executive along with other top level executives and re-assess on half-yearly basis	Complied	
	B. Formation of sub-committee: For making timely decision, executive committee can be formed with the member of the Board of Directors. No Committee other than Executive Committee and Audit Committee can be formed. (As amended through circular number 18, dated October 26, 2011)	Complied	Refer to 'Board and its committee' on page 111 of this Annual Report.
	C. Financial management:	Complied	
	i. Annual budget and statutory financial reports shall be authorized by the Board of Directors.		Refer to 'Charter of the Board and its committees' on page 113-114 of this Annual Report.

Compliance Report on Bangladesh Bank's guidelines on Corporate Governance - *continued*

Sl.	Particulars	Compliance status	Reference
ii.	Board shall review company's statement of income and expense, statement of Loan/Lease, liquidity requirement, capital adequacy, adequacy of provision, action taken for legal cases and recovery of default loan	Complied	Refer to 'Charter of the Board and its committees' on page 113-114 of this Annual Report.
iii.	The Board shall approve the procurement policy and shall accordingly approve the delegation of power for making such expenditure. The maximum delegation of power shall rest on the CEO and top management. However, decision relating to purchase of land, building, and vehicle shall remain with the Board.	Complied	Refer to 'Report on Corporate Governance' on page 98 of this Annual Report.
iv.	Bank account of the Company shall be operated by a group constituted from amongst the Management which must be approved by the Board and having dual signatures(As amended through circular number 09, dated October 08, 2007)	Complied	Refer to 'Report on Corporate Governance (Delegation of Authority)' on page 98 of this Annual Report.
D. Loan/Lease/Investment management:			
i.	The policies, strategies, procedures etc. in respect of appraisal of loan/lease/investment proposal, sanction, disbursement, recovery, rescheduling, and write-off shall be made with the Board's approval under the purview of the existing laws, rules and regulations. The Board shall specifically delegate the power of sanction of loan/ lease/ investment and such delegate should desirably be made among the CEO and other top management of the company.	Complied	Refer to 'Report on Corporate Governance' on page 98 of this Annual Report.
ii.	No director shall interfere directly or indirectly in the process of loan approval.	Complied	
iii.	Approval shall be taken from Board of Directors for large loan, lease or investment (As amended through circular letter number 06, dated June 17, 2012)	Complied	
E. Risk Management:			
	Core Risk Management Guidelines shall be approved by the Board of Directors of the Company.	Complied	Refer to 'Report on Risk Management' on page 124-128 of this Annual Report.
F. Internal Control & Compliance:			
	Audit Committee shall be formed for effective implementation of an integrated internal control system of the Company and for keeping loan/lease/investment quality at a desired level. Board Audit Committee shall review the report provided by the Internal Control & Compliance Department, the external auditor and the Bangladesh Bank shall make comments thereon.	Complied	Refer to Report on the Audit Committee on page 121-122 of this Annual Report.
G. Human Resources Management (HRM):			
	Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, HR development etc. and service rule shall be framed and approved by the Board. The Chairman or the Board shall no way involve themselves or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the service rules. No member of the Board shall be included in the selection committees for recruitment and promotion of different levels except the positions MD, DMD and GM or equivalent.	Complied	Refer to the 'Report on Human Resources' on pages 78-80 of this Annual Report.

Compliance Report on Bangladesh Bank's guidelines on Corporate Governance - *continued*

Sl.	Particulars	Compliance status	Reference
	<p>H. Appointment of Managing Director and increase of salaries & allowances: Board of Directors shall appoint a competent Managing Director with approval of the Bangladesh Bank. Board shall approve any increment of salaries and allowance of the Managing Director subject to approval from Bangladesh Bank.</p>	Complied	
	<p>I. Benefit to Chairman: 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.</p>	Complied	Refer to 'Report on Corporate Governance' on page 93-106 of this Annual Report.
02.	Responsibilities and duties of Chairman:		
	i. Chairman shall not personally possess the jurisdiction to apply policy making or executive or authority. He shall not participate in or interfere into the administrative or operational and routine affairs of the Company.	Complied	Refer to 'Report on Corporate Governance' on page 93-106 of this Annual Report.
	ii. The minutes of the Board meeting shall be signed by the Chairman	Complied	Refer to 'Report on Corporate Governance' on page 93-106 of this Annual Report.
	iii. Chairman shall sign-off the proposal for appointment of Managing Director and revision of his salaries & allowances.	Complied	Refer to 'Report on Corporate Governance' on page 93-106 of this Annual Report.
03.	Responsibilities of Managing Director		
	The Managing Director or Chief Executive Officer of the company or whatsoever be called, shall work under the following area-		
	i. 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	Refer to 'Report on Corporate Governance' on page 93-106 of this Annual Report.
	ii. Managing Director shall ensure compliance of Financial Institutions Act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities.	Complied	
	iii. All recruitment/promotion/training, except recruitment/ promotion/ training of DMD & GM (as equivalent to EVP) shall be vested upon the Managing Director. He shall act such in accordance with the approved HR Policy of the Company.	Complied	Refer to 'Report on Human Resources' on page 78-80 of this Annual Report.
	iv. Managing Director may re-schedule job responsibilities of employees.	Complied	
	v. Managing Director may take disciplinary actions against the employees except DMD & GM (as equivalent to EVP).	Complied	
	vi. 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.	Complied	

Internal Control



OBJECTIVES

The aim of internal control is to provide reasonable assurance, by means of system of processes and procedures implemented by Prime Finance, that the following three objectives may be achieved:

- Optimization of operational efficiency;
- Accuracy of financial information;
- Compliance with the laws and regulations currently in force.

As in the case with any control system, the Company's internal control system cannot guarantee that all risk of error or fraud is fully eliminated or controlled.

INTERNAL CONTROL PROCEDURE

Prime Finance believes on the principle of decentralization of authority and responsibility. Consequently, responsibility for the implementation of appropriate internal control procedures governing risk management, financial control and compliance with legislation is delegated to the managers of each department of the Company.

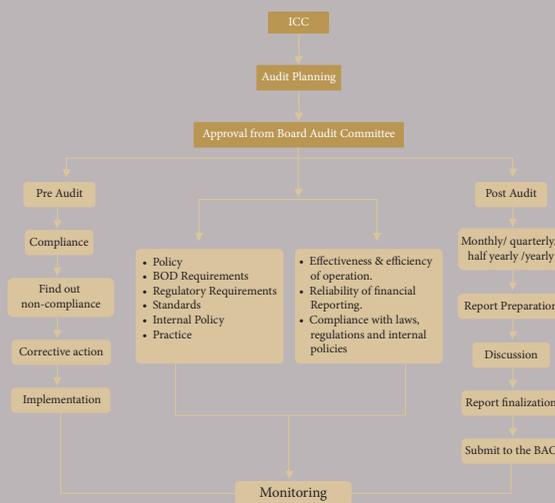
To ensure the consistency of Company's procedures with each department, senior management relies on the functional department to draw up the procedures necessary for the proper operation of controls, issue instructions regarding their implementation and ensure compliance with the said instructions.

The key operations and the internal control procedures applicable to them are described below:

Internal control procedures in respect of financial and accounting information.

Financial and accounting information is prepared centrally. These financial statements generated from the software application that is used by different departments and is in compliance with the IAS and IFRS as adopted by the ICAB.

Reports are produced monthly and prepared in the following month to which they relates whereas full accounting consolidation



Report on Internal Control - *continued*

are produced quarterly and prepared within the following month to which they relate. The preparation of the annual financial statements is the responsibility of the Management under the control of the Audit Committee and Company's Auditor. The quarterly & half-yearly Financial Statements are prepared by the Management under the control of Audit Committee.

External financial information

Financial communication to external parties consists of financial statements prepared by the Management, submitted to the Board and reviewed by the Audit Committee and audited by the Statutory Auditors.

Cash position and financing

Responsibility for cash management is delegated to the treasury department by means of well defined procedures and delegation. Any departure from the general rules requires the prior authorization of ALCO.

The finance & accounts department is responsible for borrowings and investment with a term more than six months. Responsibility for borrowings and investment with a term of less than six months is delegated to the treasury departments, which are required to comply with specific procedures: position of the banks involved, risk-free investment and monitoring of financial transactions.

Borrowings and investments are monitored on monthly basis by means of report produced by the treasury and finance & accounts department and submitted to Senior Management.

Procedures and inspections

With the objective of producing high quality financial and accounting information, Prime Finance has introduced procedures and instructions tailored to every section. These procedures are grouped by topic and deal mainly with accounting, treasury, regulatory and reporting issues.

The internal control & compliance department is independent from management. It audits the activities and systems of different departments in accordance with an audit plan, particularly in order to assess and improve the accuracy and reliability of the accounting and financial information.

The internal control & compliance department coordinates relations with external auditors.

AREA OF INTERNAL CONTROL

Industrial investment

Industrial investments are made through different sections particularly the Corporate Finance, SME Finance, and Real Estate Finance. Every project proposal passes through the Management Committee to the approving authority depending on the size of investment. The authorities are Management Committee, Executive Committee and the Board. The sanction limit for each level is defined and distinct. The proposal is also passed through the CRM that assesses the probable risks associated with the project and gives a report on it which is attached to each proposal under the signature of the head of Credit Risk Management.

Customer relation

With the aims of specifying and formalizing certain practices regarding contractual relations with its clients, Prime Finance has developed a procedure for managing client risk: limit in respect of

credit, delegation of authority, security, insurance and documentation.

The legal department analyzes the legal provisions applicable to financing agreements executed between Prime Finance and the clients. We have standard documents defining the conditions with which the agreements should comply in order to reduce the level of risk. These standard documents are regularly reviewed by the concerned department.

Human resources

The Human Resources department organizes career and skills development for those positions requiring a high level of responsibility. It carries out the performance evaluation program in each year. This department provides industry information to the management as to the emolument and benefits. It also ensures that information for management reports is obtained and circulated. Human Resources department is responsible for ensuring compliance with the service rules and regulations.

Information technology

The information technology department is responsible for integrating and ensuring the consistency of the hardware and software used. In Prime Finance, most data processing is carried out by means of integrated software packages. Back up of the data base is stored in a safe custody on daily basis at outside business premises.

PROCEDURES TO ENSURE CONTINUOUS IMPROVEMENT

Research and Development

Prime Finance has taken initiative to strengthen further its Research and Development department to draw up Company's procedures concerning the management of programs for developing services and improving communication system.

Prime Finance has decided to carry out an assessment procedure to review internal control procedures in respect of accounting and financial information, human resources, research and development, information technology and terms & conditions applicable to financing agreements between clients and Prime Finance.

These assessment procedures enabled action points to be drawn up. It is expected that functional departments will begin to take action in respect of these points.

This gradual process of improving internal control procedures will continue in 2013 and onward.

Internal Control & Compliance Committee

Prime Finance has established Internal Control & Compliance Committee that is tasked with various duties relating to Internal Control & Compliance Department. Internal Control & Compliance Committee also talked about audit report which prepared by Internal Control & Compliance Department.

Internal Control & Compliance Committee is chaired by Managing Director. The members of this committee are Deputy Managing Director, Executive Vice President & Head of Operation, Head of Internal Control and such other members and / or attendees as the committee from time to time considers appropriate. The Committee's role is to review and monitor the duties and responsibilities of Internal Control & Compliance Department.



Report of the

Audit Committee

The role and terms of reference of the Audit Committee is to assist the Board in fulfilling their oversight responsibilities regarding the integrity of Prime Finance's financial statements, risk management and internal control, compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, and the performance of the internal audit function.

COMPOSITION

The Audit Committee is comprised only of Non-Executive Directors including one Independent Director. The Independent Director is the Chairman of the Committee. During 2013 the Committee comprised of Professor Parimal Chandra Datta, PhD (Chairman), Mr. Md. Aminul Haque, Ms. Muslima Shirin, Mr. Z. M. Kaiser and Mr. M. Shahadat Hossain Kiron. In compliance with Bangladesh Bank circular dated October 26, 2011 and BSEC's Corporate Governance Notification, Syed Moniruzzaman, Company Secretary of the Company act as the Secretary of the Audit Committee. The Board has satisfied itself that the current members of the Audit Committee are competent in financial matters and have recent and relevant experience. For the purposes of the Corporate Governance Notification, all the members of Committee are financially literate and Professor Dr. Parimal Chandra Datta is a financial expert.

MEETING AND ATTENDANCE

According to the circular issued by Bangladesh Bank dated October 26, 2011, the Audit Committee must meet at least four times a year which also supported by the charter of the Committee. During the year 2013, under review the Audit Committee of Prime Finance met 6 (six) times on the following dates:

- (i) February 23, 2013
- (ii) March 16, 2013
- (iii) May 11, 2013
- (iv) July 29, 2013
- (v) October 29, 2013
- (vi) December 27, 2013.

NAME	POSITION	NO OF MEETINGS	PERCENTAGE
		ATTENDED DURING THE YEAR	
Prof. Dr. Parimal Chandra Datta	Chairman, Independent Director	6/6	100%
Mr. Md. Aminul Haque	Member, Non-executive Director	5/6	83%
Mr. Z. M. Kaiser	Member, Non-executive Director	6/6	100%
Mrs. Muslima Shirin	Member, Non-executive Director	6/6	100
Mr. M. Shahadat Hossain Kiron	Member, Non-executive Director	4/6	67%

FUNCTIONS AND ACTIVITIES:

During the year, principal activities were as follows:

Control Issues

- reviewed internal control and risk management systems;
- considered the effectiveness of the Company's internal controls over financial reporting;
- reviewed impairment methodologies;

Report of the Audit Committee - *continued*

Financial Results

- reviewed reports from the Chief Financial Officer on the quarterly and annual financial statements, including other financial statements and disclosures prior to their publication;
- reviewed the Annual Report, these reviews incorporated the accounting policies and key judgments and estimates underpinning the financial statements as disclosed in Notes to the Account.

Internal Audit Matters

- received reports from the internal auditors;
- monitored the performance of the Internal Audit function;
- reviewed the Internal Audit Plan
- reviewed appropriate systems and controls are in place for effectiveness of internal audit function
- monitored independence of audit work

External Audit Matters

- reviewed the effectiveness and independence of the statutory auditors;
- recommend appointment, remuneration of the statutory auditor;
- reviewed the annual audit activities and audit report

Governance and Compliance

- reviewed issues concerning inspection report of Bangladesh Bank;
- reviewed compliance with existing laws & regulations;
- reviewed financials of subsidiary;
- reviewed its Terms of Reference to satisfy itself that they enable the Committee to fulfill its responsibilities.

Risk Management and Internal Control Arrangements

- reviewed Anti Money Laundering and Combating Terrorist Financing Policy.
- monitored appropriate administration culture as prevailing
- monitored the steps taken against findings of inspection team of regulatory authority

REPORTING

The Audit Committee time to time reports to the Board on its activities. According to BSEC notification, during the year 2013, findings on the following were not emerged, as a result no such reporting was required:

- Report on conflict of interest;
- Suspected or presumed fraud or irregularities or material defect in the internal control system;
- Suspected infringement of laws, including securities related laws, rules and regulations.

EXTERNAL AUDITORS

A. Qasem & Co., Chartered Accountants, Gulshan Pink City, Suit # 01-03 (Level-7), Plot # 15, Road # 103, Block – CEN(C), Gulshan Avenue, Dhaka, were re-appointed as statutory auditors of the company at the 17th Annual General Meeting held on 27 March 2013. The Firm audited the financial statements as of 31 December 2013. The Audit Committee conducted a formal evaluation of the effectiveness of the external audit process.

As per the Financial Institutions Act, 1993 and BSEC's order dated 27 July 2011 stipulated that statutory auditor of a Financial Institution cannot be appointed for more than three consecutive years. In this regard, A. Qasem & Co., Chartered Accountants Chartered Accountants has completed their third year of audit and hence not eligible for re-appointment. Ahmed Zakir & Co. and Artisan, Chartered Accounts have expressed their intention to become the statutory auditor of the Company for the FY-2014. The Audit Committee reviewed their proposal and conducted a formal assessment then recommended to the Board for appointment of Ahmed Zakir & Co., Chartered Accountant as the statutory auditor for the FY-2014. On the recommendation of the Audit Committee, the Board of Directors will be proposing the appointment of Ahmed Zakir & Co., Chartered Accountant as the statutory auditor to the shareholders at the 18th AGM in 30 March 2014.

INDEPENDENCE OF EXTERNAL AUDITORS

The Company's external auditors are prohibited from non-audit services as prescribed by the Bangladesh Securities and Exchange Commission vide its Notification dated 07 August 2012. Tax and other professional services of the Company are conducted by separate professional Firms to ensure the Auditors' independence. A. Hossain & Co., Chartered Accountants retains for company taxation services on the other hand A. Hossain & Associates and Capital Law Chamber provides legal services to the Company. On the other hand SARashid & Associates, Chartered Secretary has conducted the Corporate Governance audit of the company. If there is uncertainty as to whether a matter falls within the permitted services, the matter is referred to the Head of Internal Control & Compliance, the Chief Financial Officer and the Company Secretary who will consult with the Audit Committee.

AUDIT COMMITTEE TERMS OF REFERENCE

The Audit Committee's terms of reference are reviewed annually by the Committee taking into account relevant legislation and recommended good practice. The terms of reference can be found on [page 114-115] viewed on Company's website.

sd/-

Prof. Dr. Parimal Chandra Datta
Chairman
Audit Committee



Risks & Business Continuity



Report on

Risk Management

As a financial institute Prime Finance is undergone through a variety of risks that are inherent in carrying out the business activities. While they cannot be completely eliminated, we work to manage risk through our internal control environment. Prime Finance's risk management process enables management to identify, manage and prepare for risks in an informed, controlled and transparent manner. Managing Risk in a disciplined and integrated manner is key to the sustainable development of the Company. The Company's risk management framework seeks to provide appropriate and independent risk oversight across the company and is essential to building competitive advantage and stability for the company. An effective risk management framework is facilitating the company to achieve optimum trade-off between risks and returns. Prime Finance continues to build upon robust risk management foundation and strives for continuous improvement, including benchmarking against best practices and enhancing risk management infrastructure, processes and capabilities.

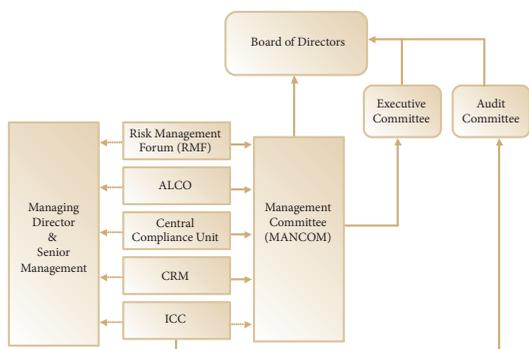
OBJECTIVE

At a strategic level, Prime Finance risk management objectives are:

- To identify the material risks.
- To formulate the Risk Appetite and ensure that business profile and plans are consistent with it.
- To optimize risk/return decisions by taking them as closely as possible to the business.
- To ensure that business growth plans are properly supported by effective risk infrastructure.
- To manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions.
- To help executives improve the control and co-ordination of risk taking across the business.

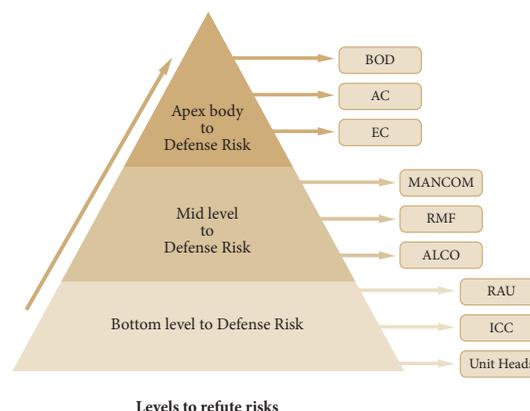
RISK MANAGEMENT FRAMEWORK

We have a robust risk management framework, which assigns accountability and responsibility for the management and control of risk. The Board of Directors of Prime Finance has overall responsibility for managing risks. Whilst the Board approves and reviews risk management policies and strategies of the Company, the management establishes procedures to implement the policies and strategies. The Risk Management Forum (RMF) and Asset Liability Management Committee (ALCO), comprising Executive and Senior Management, are high level management committees responsible for the overall management of the risk profile of the Company. Risk Analysis Unit assists RMF for appropriate decisions making by providing analytical data on important risk related issues, policies, procedures and reviews implementation of its decisions. ALCO reviews issues relating to the statement of financial position at a micro level. The Credit Risk Management Department is responsible for identifying risk characteristics inherent in new and existing products, activities, industries as well as establishing or developing relevant policies, procedures and exposure limits to mitigate these risks. The CRMD also establishes systems and



processes for monitoring market and operational risks. The CRMD generates regular reports on Credit Risk exposures, performs credit rating reviews and monitors credit limits. The Credit Administration Department (CAD) ensures that the provisions of Credit Risk policies are complied with. The internal audit department assess whether the policies and procedures are complied with and, if necessary, suggest ways of further improving internal procedures. Management is accountable to the Board for ensuring the effectiveness of risk management and adherence to the risk appetite. Our risk management framework which is set out in the diagram below encompasses structures that are strategically linked with performance management enabling us to focus on the areas that drive our risk strategy.

LEVELS TO REFUTE RISK



Levels to refute risks

The various risks to which the company is exposed to and how the company manages them is discussed in the following paragraphs.



CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk of loss resulting from the failure of borrowers or counterparties to meet their debt or contractual obligations. Concentration of Credit Risk arises when a number of counterparties are engaged in similar business activities fail to meet contractual obligations, due to them being affected by changes in economic, political or other conditions.

Management of Credit Risk

The company attempts to control Credit Risk by monitoring credit exposures continuously, limiting transactions with specific counterparties, assessing the creditworthiness of counterparties, diversifying lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses, and by obtaining security wherever necessary and appropriate. In addition to

Report on Risk Management - *continued*

monitoring credit limits, the company manages credit exposures by entering into collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposures.

The company has well defined policies and procedures for identifying, measuring, monitoring and controlling Credit Risk at the level of individual, SME and corporate level credit. Credit limits are approved after a thorough assessment of the creditworthiness of the borrower or counterparty, including the purpose and structure of the credit, and its source of repayment. Credit proposals are reviewed by the Credit Risk Management Department and senior management before approval by the appropriate approving authority is obtained. Such reviews are conducted independently of business units. All policies relating to credit are reviewed and approved by the Board of Directors. Management Committee, consisting of three senior management level executives reviews and approves lower credits and Executive Committee consisting of five members of Board reviews and approves medium range credits. In addition, all larger credits in excess of the approval authority of the Executive Committee are approved by the Board of Directors. Credit proposals are placed before the approving authority after properly scrutinizing the Management and Credit Risk Management Department the risks associated with the proposals. The proposals also contain recommendation of Management and Credit Risk Management Department.

Day-to-day monitoring of client exposure is the responsibility of the respective business relationship executive. The Company's Credit Administration Unit ensures that credit facilities are released after appropriate approval and against proper documentation.

Counterparty credit limits are established for all customers after careful assessment of their creditworthiness and approval as per the levels of authority (approved by the Executive Committee and the Board of Directors). These are also subject to large credit exposure limit criteria of the Central Bank.

The credit growth, quality and portfolio composition are monitored continuously to maximize the risk adjusted return and reduce the level of incidence of impairment and accretion of marginal credits. The Company monitors concentration risk by establishing limits for maximum exposure to counterparty and industry. Such limits are also stipulated for each product. These limits are approved after detailed analysis and are reviewed and monitored regularly. The Company has a risk asset rating policy which defines criteria for rating risk

assets. All credits are assigned a rating in accordance with the defined criteria. All lending relationships are reviewed at least once in a year and more frequently in case of non-performing assets (NPAs). The portfolio of non-performing assets is managed by skilled and experienced staff, under separate recovery / loan remedial units. The Company endeavors continuously to improve upon the internal Credit Risk rating methodologies and Credit Risk management policies and practices, to reflect the true Credit Risk of the portfolio and the credit culture in the Company.

LIQUIDITY RISK

Liquidity risk is the current and prospective risk arising from the inability of the Company to meet its contractual or regulatory obligations when they come due without incurring substantial losses. Liquidity obligations arise from withdrawals of deposits at maturity, repayments of purchased funds, and extensions of credit and working capital needs. The Company seeks to project, monitor and manage its liquidity needs under normal as well as adverse circumstances. To guard against this risk, the Company has diversified funding sources, assets are managed with liquidity in mind and liquidity positions are monitored, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

Management of Liquidity Risk

The primary tool of monitoring liquidity risk is the maturity mismatch analysis, which presents the profile of future expected cash flows under pre-defined scenarios. Internal control processes and contingency plans for managing liquidity risk have been developed under the Asset and Liability Management (ALM) Policy of the company. This incorporates an assessment of expected cash flows and the availability of liquid funds which could be used if required. The ALCO regularly monitors the maintenance of the liquidity position of the Company and considering the high encashment trend of corporate large deposits ALCO decided to concentrate on retail or individual deposits. The Company maintains various statutory deposits with central bank and has taken lines of credit from various Company's and financial institutions. The Company also draws up contingency plans to deal with extraordinary conditions of Liquidity Risk after comprehensive scenario analysis.

As part of its management of liquidity risk inherent in its financial liabilities, the Company employs a number of

Report on Risk Management - *continued*

strategies. These include maintaining sufficient liquid assets, maintaining diversified sources of liquidity, and having robust internal control processes and contingency plans.

MARKET RISK

Market Risk is the risk that the Company's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices etc. Market risk mainly arises from the activities undertaken by the company's Treasury Department in money market portfolios.

Management of Market Risk

A Board approved limit structure has been adopted by the company to mitigate and monitor the market risk of the company. Further the Senior Management has ensured the effective monitoring and managing of market risk through the following approaches:

1. Review market risk policies and limits and obtains approval from the Board of Directors for market risk policies and limits.
2. Asset Liability Management Committee (ALCO) monitors and manages the market risk of the Company.
3. The Treasury Office independently monitors all significant market risks and reports to Managing Director and ALCO.
4. Market risks arising from interest rate volatility is managed with direction from the ALCO which continuously monitor the cost of funds of the Company and initiate necessary action to ensure that required margins are maintained by the Company.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events, including legal risk, but does not include strategic or reputational risk.

Management of operational risk

Operational risk exposures are managed through a consistent set of management processes that drive risk identification,

assessment, control and monitoring. The Risk Management Forum oversees the management of operational risks across the Company, with the support of the independent internal control and compliance department which is separate from the business functions. All business units are responsible for setting and maintaining standards for operational risk management. The Company has clearly defined operations procedures for each of its products and services. It also has advanced computer systems that enable it to run operations with speed and accuracy. Internal control conducts regular reviews of all business areas of the Company and reports control deficiencies and exceptions to the Company's policies and procedures. It also recommends measures to mitigate Operational Risk, which are implemented by management immediately.

The Company also has a contingency plan to take care of any failure of its computer systems. As part of its disaster recovery plan, regular back-ups are made for all important datasets, and stored outside the Company's premises. This ensures that in case of any system failure, the Company will be able to continue its operations without losing critical data or business transactions.

INFORMATION TECHNOLOGY RISK

Information and Information Communication Technology are assets of vital importance to Prime Finance; they are central to the daily operation and to the future advancement of the Company. IT risk arises from incidents like a minor interruptions of service (i.e. network is down for ten minutes) or even from a major disaster like losing a working area (i.e. collapse of the building). The potential threats from IT risks required us to manage our operations in fault tolerant perspective and ensuring that operations after any disaster will be handled smoothly.

Management of Information Technology Risk

Information and Information Communication Technology are assets of vital importance to Prime Finance; they are central to the daily operation and to the future advancement of the Company. The Board has approved the Information Security Policy which defines the principles of establishing effective security measures to ensure confidentiality of information that is held on computer systems to support critical activities and the implementation of appropriate controls to protect information from intentional or accidental

Report on Risk Management - *continued*

disclosure, manipulation, modification, erasure or copying. To ensure that operational requirements are met in an effective and efficient manner, IT Infrastructure Committee is continuously upgrading necessary software and hardware. A Disaster Recovery Site (DRS) has been established in order to assure that critical business operations can resume normal processing within a reasonable time frame. The DR site has been equipped with compatible server and hardware to support the critical services of the business operation in the event of a major disaster.

REGULATORY AND COMPLIANCE RISK

Regulatory risk arises from a failure or inability to comply fully with the laws, regulations applicable specifically to the financial services industry. Non-compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, cancellation of license to operate. In addition, reputational damage may lead to a reduction in franchise value.

Management of regulatory risk

Regulatory Risk is owned and managed by the respective department head. A checklist is available for regulatory compliance and specific reports on regulatory compliance are prepared and submitted in timely manner.

REPUTATIONAL RISK

Reputational risk is the potential for damage to the Company, resulting in loss of earnings or adverse impact on market capitalization as a result of stakeholders taking a negative view of the Company or its actions. Reputational risk could arise from the failure of the Company to effectively mitigate the risks in its businesses including credit, liquidity, market, regulatory, legal or other operational risks. Damage to the

Company's reputation could cause existing clients to reduce or cease to do business with the Company and prospective clients to be reluctant to do business with the Company.

Management of reputational risk

All employees are responsible for day to day identification and management of reputational risk. Reputational risk may also arise from a failure to comply with environmental and social standards. Our primary social impacts arise through our relationship with our clients and customers and the financing decisions we take. We have mechanisms in our origination and credit processes to identify and assess social risks. We have also left out certain business lines to avoid social risks. A comprehensive list of legal and regulatory compliance is tabled at monthly Risk Management Forum meetings. Decisions of the subsidiary company are regularly reviewed by the Board to oversee compliance to rules and regulations by the subsidiary company.

COUNTERING MONEY LAUNDERING AND COMBATING TERRORIST FINANCING

Prime Finance formulated policy and procedures as well as a "Know Your Customer" policy and procedures as part of its effective strategy for countering the laundering of criminal proceeds and the financing of terrorism that complies with the requirements of central bank. We have dedicated committee named Central Compliance Unit to constantly oversee its level of compliance and followed contemporary developments to comply with the methodologies pertaining to the implementation of standards published by the Central bank. The Company arranges training programs covering the matter of countering laundering of criminal proceeds and financing of terrorism in the NBF system in 2013. The Company also strives to ensure relevant compliance in this regard.

Risk and Capital Adequacy

Risk arises in all financial business operations like any other business, and well management of it is the prerequisite of success. Successful risk management requires a strong culture focusing management of it and a common approach that permeates the entire company to face it. Prime Finance builds its approach to risk management on the concept of three lines of defense, which signifies a clear division of responsibilities between the risk owner, the control functions, and risk management related departments.

In 2013 Prime Finance continued to reduce its overall risk level. Credit risk was lowered through a decrease of high risk credit exposures and through improved asset quality. Despite turbulent market conditions, Prime Finance exposure to market risk remains low with stable income generation. Liquidity risk was reduced from already conservative levels through continued prolongation of the maturity profile, additional diversification of funding base and increased liquidity reserves. The equity capital has increased by the end of the year. Prime Finance's Tier 1 ratio was 23.72%, making it one of the most well capitalized NBFIs in Bangladesh.

Basel II attempted to accomplish mitigation of risk by setting up risk and capital management requirements designed to ensure that a company has adequate capital for the risk the company exposes itself through its lending and investment practices.

The Basel II consists of three pillars:

Pillar-1 (Minimum Capital Requirement)

Pillar-1 defines the rules for calculating the minimum regulatory capital requirement considering the different constituents of capital risk such as credit risk, operational risk and market risk.

Credit risk - The risk that counterparty will not meet its financial obligations to the Group, and the Risk that pledged

collateral will not cover the claims of the Group. The credit risk includes counterparty risk, concentration risk and settlement risk.

Market risk - The risk to value, earnings, or capital arising from movements of risk factors in financial markets. This risk includes Interest rate risk, Currency risk, Equity risk, and Commodity risk and risks from changes in volatilities or correlations.

Operational risk - The risk of losses resulting from inadequate or failed internal processes, people and systems, or from external events. The definition of operational risk includes legal risk and compliance risk.

Pillar-2 (Supervisory review)

Pillar-2 addresses the framework to the supervisory review process to ensure that the Company has sound internal processes to enable it to perform a thorough evaluation of its risks and therefore assess the required capital.

Pillar-3 (Market disclosure)

Pillar-3 specifies public disclosure requirements to enable market participants to assess key pieces of information on risk exposures and process of the company.

Prime Finance is always aware of compliance all regulatory guidelines. The implementation of risk based regulatory capital adequacy framework for Financial Institutions has been following on the basis of instructions that are articulated in the guideline for implementation of BASEL-II.

The Basel Implementation Unit (BIU) is responsible for the implementation of Basel-II. Managing risk based capital adequacy is the most important responsibility of the Company as it runs the risks. Specifically, the Basel Implementation Desk (BID) under the Risk Management Department manages the Basel activities.

Minimum Capital Requirement (MCR) under prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions (CAMD)

Sl.	Particulars	2013	2012
A.	Eligible Capital (Table B)		
1	Tier-1 Capital	5,027.90	4,884.61
2	Tier-2 Capital	227.70	237.01
3	Total Eligible Capital (1+2)	5,255.60	5,121.62
B.	Total Risk Weighted Assets (RWA) (Table C)	21,195.40	22,725.70
C.	Capital Adequacy Ratio (CAR) (A3/B)*100	24.80%	22.54%
D.	Core Capital to RWA (A1/B)*100	23.72%	21.49%
E.	Supplementary Capital to RWA (A2/B)*100	1.07%	1.04%
F.	Minimum Capital Requirement (MCR)	2,119.54	2,272.57

Report on Risk and Capital Adequacy - *continued*

Eligible Capital

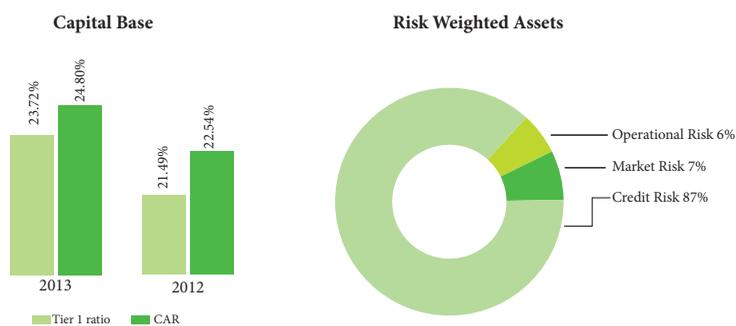
TABLE B

Sl.	Particulars	2013	2012
1	Tier-1 (Core Capital)		
1.1	Fully Paid-up Capital/Capital lien with BB	2,729.20	2,274.30
1.2	Statutory Reserve	813.40	813.40
1.3	Retained Earnings	706.50	1,089.70
1.4	Minority interest in Subsidiaries	778.90	707.20
1.5	Sub-Total: (1.1 to 1.4)	5,027.90	4,884.60
1.6	Deduction from Tier-1(Core Capital)	Nil	Nil
1.7	Total Eligible Tier-1 Capital (1.5-1.6)	5,027.90	4884.60
2.	Tier-2 (Supplementary Capital)		
2.1	General Provision (Unclassified loans up to specified limit + SMA+ off Balance Sheet exposure+ provision for diminution in value of investments)	116.70	126.00
2.2	Assets Revaluation Reserves up to 50%	111.00	111.00
2.3	Sub-Total (2.1 to 2.2)	227.70	237.00
2.4	Deductions if any	Nil	Nil
2.5	Total Eligible Tier-2 Capital (2.3-2.4)	227.70	237.00

Risk Weighted Assets (RWA)

TABLE C

Sl.	Particulars	2013	2012
A	Credit Risk:		
	On-Balance sheet	18,500.90	18,994.63
	Off-Balance sheet	Nil	Nil
B	Market Risk	1,363.40	1,656.64
C	Operational Risk	1,331.10	2,074.43
	Total : Risk Weighted Assets	21,195.40	22,725.70



In this world of economic development and multitasking business arena, capacity of resilience and shock absorption is most vital for sound business continuation. As part of that

implementation of BASEL II and maintain of RWA with surplus capital indicates sound financial wealth of Prime Finance & Investment Limited.

Underpinning BASEL III

To survive with the international preminent practices and to make the capital more risks sensitive as well as more shock resilient, regulatory authorities have considered various measures to increase the stability of the financial markets and prevent future negative impact on the economy. The Basel III framework includes higher minimum capital requirements and conservation and countercyclical buffers, revised risk-based capital measures, a leverage ratio and liquidity standards. The framework was designed to strengthen the resilience of the financial sector. The new capital standards and capital buffers will require FI's to hold more capital, mainly in the form of common equity.

After succession of rigorous adherence to BASEL I and BASEL II under meticulous implementation framework of Bangladesh Bank (BB), Prime Finance is looking forward to implement BASEL III. As Bangladesh has started preparations to implement the Basel III framework, our major focuses is always on strengthening the capital and liquidity rules and remain updated ourselves.

About BASEL III

BASEL III is fabricated lying on the Basel I and Basel II accord, and seeks to improve the particular sector's ability to deal with financial and economic stress, improve risk management and strengthen the FI's transparency. A focus of Basel III is to foster greater resilience at the individual FI level in order to reduce the risk shocks. It has been prepared on the basis of three pillars: minimum capital requirement, supervisory review process and market discipline.

Basel III is divided in two main parts:

- Regulatory capital
- Asset and liability management

PART I: REGULATORY CAPITAL

CAPITAL

Introduction of a new definition of capital to increase the quality, consistency and transparency of the capital base. As the recent crisis demonstrated that credit losses and write-downs come out of retained earnings, which are part of FI's tangible common equity base, under Basel III common equity (i.e., common shares and retained earnings) must be the predominant form of Tier 1 capital. On top of these own funds requirements, supervisory authorities may require extra capital to cover other risks following Pillar 2 (as it is also under the current framework). Basel III foresees a transition period before the new capital requirements apply in full. Prime Finance has in excess of regulatory paid up capital over the last few years covering the capital adequacy ratio, which is one of the highest in the industry now.

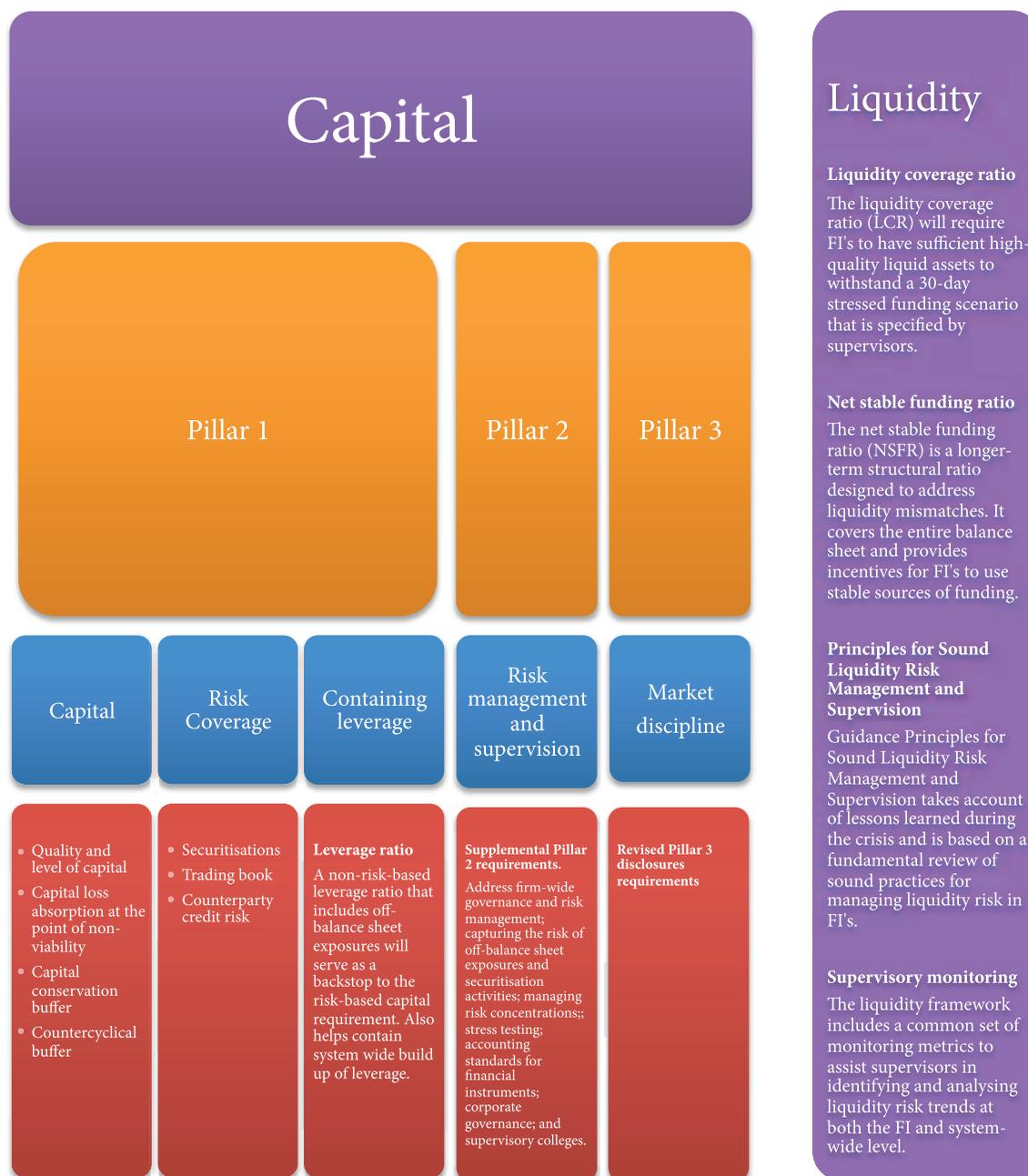
CAPITAL BUFFERS

Basel III introduces two capital buffers in addition to the capital requirements: a capital conservation buffer and a countercyclical capital buffer.

Capital conservation buffer

The capital conservation buffer, certain percentage of RWA, applies at all times and it is intended to ensure that institutions are able to absorb losses in stress periods lasting for a number of years. Prime Finance has sufficient capital buffers which are depicted below:

Particulars	2013	2012
Total Risk Weighted Assets (RWA)	21,195,369,292	22,725,700,393
Minimum Capital Requirement (MCR) (10% of RWA)	2,119,536,929	2,272,570,039
Excess	3,136,030,388	2,849,036,912



BASEL III framework

Countercyclical capital buffer

The countercyclical capital buffer is introduced to achieve the broader macro-prudential goal of protecting the business sector and the real economy. Based on regulators requirement Prime Finance is always compliant to which is also supportive to real economy.

PART 2: ASSETS AND LIABILITIES MANAGEMENT

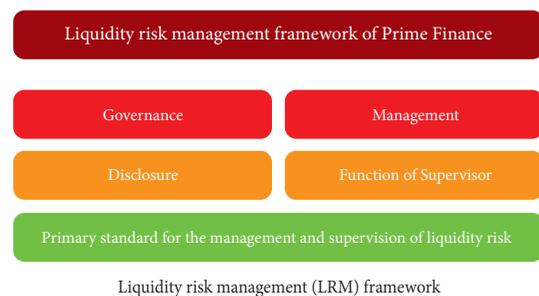
Basel III includes a new liquidity standard introducing two liquidity ratios.

The Liquidity Coverage Ratio (LCR) is introduced to improve the short-term resilience of the liquidity risk profile of institutions, requiring them to hold a buffer of “high

Underpinning BASEL III - *continued*

quality” liquid assets to match net liquidity outflows during a 30-day period of stress. At present Prime Finance has sufficient liquidity which is indicated by excess CRR and SLR.

The Net Stable Funding Ratio (NSFR) is designed to promote resilience over the longer term by requiring institutions to fund their activities with more stable sources of funding on an ongoing structural basis. Prime Finance maintains a strong long term sources includes bank loan, strong equity base, retained earnings, other reserves etc.



OVERALL SUPERVISION PROCESS

(a) Enhanced governance

The non-binding nature of most of the corporate governance principles which contributed to the lack of compliance with these principles should be transformed into binding regulations. This should help avoid excessive risk taking. Prime Finance performs the following for strengthening of the corporate governance framework:

- Increasing the effectiveness of risk oversight by Boards;
- Improving the status of the risk management function; and
- Ensuring effective monitoring by supervisors of risk governance.

(b) Leverage ratio

To prevent an excessive build-up of leverage on institutions balance sheets, Basel III introduces a non-risk based leverage ratio to supplement the risk-based capital framework of Basel II. This new regulatory tool is not intended to be a binding instrument at this stage but as an additional feature that can be applied on individual FIs at the discretion of supervisory authorities. Prime Finance always ensure and maintain logical leverage ratio to minimize risk.

(c) Risk mitigation

Three types of risks – credit risk, market risk and operational risk – have to be considered under the minimum capital requirement. In addition to the strict exposure limits distinguished above, Prime Finance uses a number of different risk mitigation approaches to manage risk appetite for its different exposures.

At the end we can presume that for future resilience of BASEL III compliance Prime Finance is in pioneer role among others. Prime Finance is always in precaution to comply and implement the requirement of contemporary thinking, especially BASEL III.

Report on

Going Concern



Listed Companies are required by BSEC to report on its ability to continue as going concern. The Board of Directors of Prime Finance has made annual assessment about whether there exists a material uncertainty which may cast significant doubt upon the Company's ability to continue as going concern. The Director's assessment of whether the company is a going concern entity involves making appropriate inquiries including review of budget and future outcome of inherent uncertainties in existence. The Directors are convinced from the following indications, which give reasonable assurance as to company's continuance as a going concern for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing accounts.

FINANCIAL INDICATIONS

Optimistic net current assets:

Prime Finance has positive net current assets of Taka 832.02 million as on 31 December 2013. It signifies Company's ability to meet its short-term obligations using the short-term assets.

Less reliance on short term borrowing:

At the end of 2013, total short term borrowings of the Company were Taka 1,179.78 million, representing only 9.76 percent of total liabilities that indicates the Company has least reliance on short term borrowings.

Continuous financial support by lenders:

The Company has a very good track record and reputation in settlement of its obligation with its lenders/depositors. So, we enjoy easy and fair access to the funding sources to meet our increasing need for growth.

Optimistic operating cash flows:

Cash flow statement of the Company for the year 2013 shows optimistic operating cash flows of Taka 221.85 million. Statement of liquidity also demonstrates overall positive liquidity gap representing strong ability to meet current and future obligations.

Positive key financial ratios:

The Company has a very positive financial ratio as evident from financial summary given on page 37 of this Annual Report. Such positive financial ratios indicate Company's sound financial strength and good prospects.

Consistent payment of dividends:

The Company has been paying dividend consistently to its shareholders over many years. Dividend payment record is given on page 279-282 of this Annual Report, which reflects company's long-term vision. Every year since listing, the Company has been continuously paying stock and/or cash dividend that reflects Company's long-term viability in operational existence.

Trustworthiness in payment of obligations:

The Company has strong sincerity in terms of payment of its obligations to the lenders. The Company is very particular in fulfilling the terms of loan agreement.

Fixed term debt with realistic renewal or repayment:

At the close of financial year 2013, total fixed term borrowings of the Company were Taka 9,636.03 million. Based on past experience we can say that there is every possibility that major part of the debt would be renewed further.

Performance growth:

Prime Finance has excellent growth in its operating performance. Company's total investment has increased from Taka 13,836.13 million to Taka 16,099.59 million, indicating a growth of 16.36 percent over last year. Total consolidated operating revenue is Taka 2,149.61 million and total profit after tax is Taka 370.68 million. All those indicators support Company's continuance in foreseeable periods.

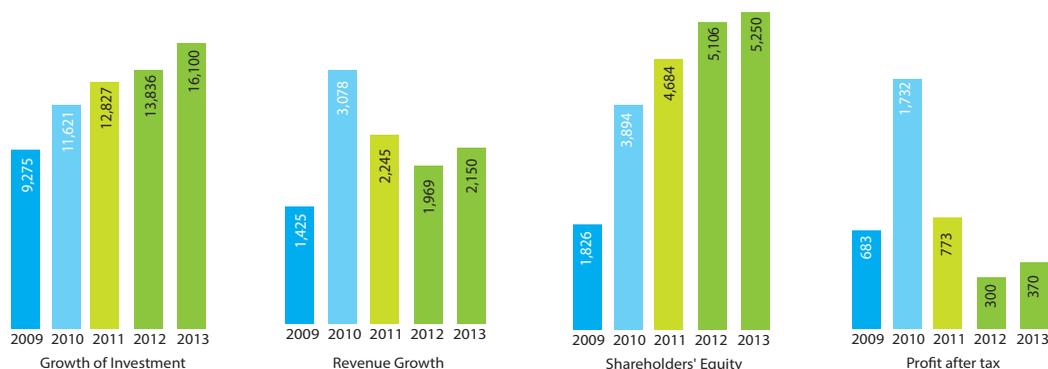
OPERATING INDICATIONS

Diversified product lines:

Company has also expanded its products/services line by introducing new product like Triple money program, Earned ahead, Periodical Income Deposit, Prime Priority FD account, Prime Doctor's FD, Prime Professional FD, Prime Contribution FD etc. Business expansion has also gained by investing in associated companies namely PFI Securities Ltd., Prime Finance Asset Management Company Ltd. and Prime Prudential Fund Ltd. and investing in subsidiary company, Prime Finance Capital Management Limited. These represent Company's intention for perpetuity.

Corporate environment and employee satisfaction:

There exists a very good corporate environment in the Company. Prime Finance is an excellent work place with friendly environment. Communication among the employees is very excellent. The company endeavors to be honest and practices fair treatment to all employees which ensures good corporate environment. The Company pays a very competitive compensation package and there exists a good number of employee benefits like transport benefit, annual health check-up, death benefit, hospitalization benefit, disability benefit, maternity benefit, performance related bonus, pension, gratuity, provident fund etc., which considered to be instrumental for employee satisfaction.



Report on Going Concern - *continued*

OTHER INDICATIONS

Credit rating

Prime Finance has assigned the long term rating of 'AA-' and short term rating of 'ST-2' which indicates the consistent upholding of good capital base, good franchise value, diversified product lines being supported by a sound corporate structure and strong management team.

Maintenance of sufficient capital:

As on 31 December 2013, the Company's total consolidated equity stands at Taka 5,249.84 million. While the minimum paid-up capital as required by Bangladesh Bank is Taka 1,000.00 million, Company's paid-up capital as on 31 December 2013 is Taka 2,729.16 million. The Board recommended 15 percent of cash dividend for the year 2013.

Strong equity base:

As on 31 December 2013, total equity of the Company stands at Taka 5,249.84 (2012: 5,106.59 million) representing an increase of 2.81 percent over last year that reflects company's long-term viability.

Strong CAMEL rating:

CAMEL rating is used by Bangladesh Bank as a tool for evaluating the strength and performance of a non-banking financial institution. The composite rating adjudged by Bangladesh Bank signifies satisfactory performance of Prime Finance. In that report, there was no adverse material observation of Bangladesh Bank on the activities of Prime Finance.

Changes in Government policy:

Management anticipates no significant change in legislation or government policy, which may materially affect the business of the Company.

Based on the above indications, directors feel it is appropriate to adopt going concern assumption and there is no material uncertainty in preparing the financial statements. Adequate disclosures have been made in the financial statements and different sections of the annual report to understand the appropriateness of going concern basis in preparing financial statements.

Directors' Report & Financial Statements



Statement on

Directors' Responsibility

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable laws and regulations. In this regard, they prepare Directors' report and Financial Statements for each financial year for presentation before the shareholder in Annual General Meeting.

DIRECTORS' RESPONSIBILITIES REGARDING FINANCIAL STATEMENTS

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing the Financial Statements presented on pages 168-233 include appropriate accounting policies based on the Companies Act, 1994, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), Bangladesh Securities and Exchange Rules 1987, Notification and the Listing Regulations of the Dhaka and Chittagong Stock Exchanges. The Directors have the power not to approve the accounts unless they satisfied that they give a true and fair view of the state of the affairs of the Company

The financial statements are required by law and International Accounting Standards to present fairly the financial position of the Company and the performance for the period. In preparing financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make reasonable and prudent judgments and estimates;
- state that all applicable accounting standards have been followed i.e. the financial statements have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the ICAB;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- ensure that the viability of the company is supported by the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act, 1994. Under applicable laws and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that laws and regulations.

Statement on Directors' Responsibility - *continued*

DIRECTORS' RESPONSIBILITY RELATED WITH STATUTORY AUDITORS

Directors are initially responsible for recommendation of appointment/re-appointment of statutory auditors for the Company along with their fees subject to approval from the Central Bank and finally from shareholders in annual general meeting.

The financial statements have been audited by Statutory Auditors must be a Chartered Accountant firm, which was given unrestricted access to all financial records and related data. The auditors have full right of entry to inspect the minutes of all meetings of the Board of Directors and committees of the Board as well as in the minutes of the Annual General Meeting. In this regard Directors confirmed that auditors are aware all relevant information regarding their audit purpose and believe that all representations made to the independent external auditors during their audit were valid and appropriate.

DIRECTORS RESPONSIBILITY TO BANGLADESH BANK'S CORPORATE GOVERNANCE GUIDELINES

In accordance with the guidelines on Corporate Governance of Bangladesh Bank, the Board of Directors is required to ensure the following matters:

- Determined the vision/mission, strategy and annual work planning for enhancing the efficiency of the Company.
- Approve annual budget, operating plans and ensure the effective implementation of integrated internal control system.
- Evaluate the key performance indicators for top executives.
- Ratified the minutes of Board's Committee on regular basis.
- Approved and upgrading different policies for improving competence and protecting against core risks and provide discretion on various laws, rules and regulations.

DIRECTORS' RESPONSIBILITY TO THE DIRECTORS REPORT

In compliance with the requirements of the BSEC's Corporate Governance Notification and Listing regulations of DSE and CSE the Directors are also required to declare certain matters in their report which inter alia include as under:

- relevant information regarding the industry outlook and possible future developments of the industry have been discussed;
- segment-wise or product-wise performance has been given;

- risks and concerns have been discussed;
- gross profit margin and net profit margin have been discussed;
- statement on related party transactions have been disclosed;
- remuneration paid to directors including independent directors have been disclosed.
- financial statements and other information included in the Annual Report fairly present in all material respects, the state of affairs of the Company;
- in preparing the financial statements, information has been obtained from the books of accounts, which have been maintained properly as required by the law;
- in preparation of financial statements, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments;
- explanation on significant variance if occurs between quarterly financial performance and annual financial statements have been discussed;
- financial statements have been prepared in observance of Bangladesh Accounting Standards, Bangladesh Financial Reporting Standards, the Companies Act, 1994, the Securities and Exchange Rules, 1987 and all other applicable rules and regulations;
- the Directors have the general responsibility for taking such measures as is reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- it is the responsibility of the Directors to conduct appropriate enquires and analysis of financial reporting and other relevant indicators which give reasonable assurance as to the Company's ability to continue as going concern;
- significant deviation in operating results has been discussed;
- the system of internal control is sound in design and has been effectively implemented and monitored;
- key operating and financial data for at least last five years has been disclosed;
- name of Directors at any time during the Financial Year and their pattern of shareholdings have been disclosed.
- number of board meetings held during the year and attendance by each director have been disclosed;

The Directors confirm that the Directors' Report includes the report on above matters and further confirm that Financial Statements have been prepared in compliance with the laws, rules and regulatory guidelines.



Directors' Report

On behalf of the Board of Directors and Management, it is indeed a great privilege for me to welcome you to the 18th Annual General Meeting of the Company. We are pleased to place herewith the Directors' Report and the Auditors' Report together with the Audited Financial Statements of the Company for the year ended December 31, 2013 for your valued consideration, adoption and approval. These were approved by the Board of Directors on 01 March 2014.

The Directors' Report has been prepared in compliance with the Section 184 of the Companies Act 1994, BSEC's Notification of 2012, the Listing Regulations of Dhaka and Chittagong Stock Exchanges, guidelines of Bangladesh Bank and other applicable rules and regulations. 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.

WORLD 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.

Directors' Report - *continued*

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 and the inadequate improvements in the provision of power, gas and infrastructure 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 non-food 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 deterred 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. The dynamic ready-made garments sector has been a key contributor to Bangladesh's strong economic performance and to women's empowerment. But this industry is now at a critical crossroads, as recent high-fatality factory fires and a building collapse have exposed the hazards workers face

Directors' Report - *continued*

and also severely tarnished the industry's image. Following the tragic garment factory collapse in April 2013, comprehensive protocols were signed to foster worker safety and welfare.

Some structural reforms have moved forward. The new VAT law is being implemented; an online tax registration system was introduced; amendments to the Banking Companies Act have been passed, progress is being made in identifying critical weaknesses in the state-owned commercial banks; the Labor Law was amended and 3G licenses rolled out through auction.

OUTLOOK AND RISKS

Traditional risks remain while newer challenges mount. The global economy is slowly getting back on its feet, albeit with some hesitancy and unevenness. Bangladesh's growth outlook depends on internal stability and structural reforms.

The outlook is subject to several macro vulnerabilities: further growth slowdown due to internal strife, the prospect of resurgent inflation due to disruptions in supply chain and wage push factors, decline in exports and remittance growth, fiscal expansion due to increased recurrent expenditures in response to political pressures, and failure of financial intermediation.

Removing Bangladesh's favored access to the United States market under the Generalized System of Preferences (GSP) program may not hurt Bangladesh's garment industry unduly, as the benefits to the industry were non-existent, but if the EU were to suspend Bangladesh's favored access to its markets, Bangladesh could see its total exports fall by as much as 4.1 to 8%.

The major challenge is to elevate private investment to the level envisaged in the perspective plan. Despite relentless efforts, the whole setting is not yet conducive for private sector investment. Conversely, the areas of strengths and opportunities are extensive and bright. Firmness in export and remittance earnings, ongoing higher investment in physical and social infrastructure, progress in human development, diffusion of technology, matured macroeconomic management, and vibrant domestic economy are giving competitive edge to Bangladesh.

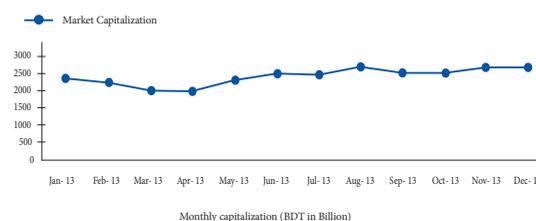
A positive development is the financial inclusion programme spearheaded by Bangladesh Bank. Millions have been brought into the banking network either through opening of bank accounts or with increased access to mobile banking. The measures adopted to bring the masses into the fold of banking network are likely to have far reaching positive impact for the country.

CAPITAL MARKET SCENARIO

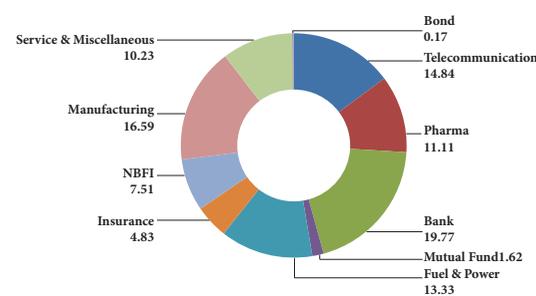
From the beginning of 2010 to 2012, we had seen both sides of stock market booms and bust. The FY- 2011 and 2012 are years of depressive performance. The year 2013 held promises aplenty for the capital market, but the lingering political turmoil hacked most of it down. Throughout the year 2013, stock market tried several time to turn around from the last couple of years and however, it managed to buck the downward trend of the past two years. The turnover ratio in 2013 is comparable with the levels recorded during 2004-2006 at a time when the market was functioning in a stable environment. The DSE daily average turnover as a percentage of market capitalization was 0.16% in 2013.

DSE General Index:

On January 28, 2013 DSE launched new free float based index for capital market improvement. The new index includes DSEX, an all share index and DS30, an index composed of selected 30 shares from DSE. In the month January, 2013 and December, 2013 the DSEX Index were 4136.30 and 4266.55 respectively where as in January, 2012 DSE General Index was 4153.96 and stood at 4219.31 in December, 2012, which reflects 1 percent positive growth.



In the year January, 2013 market capitalization was BDT 2,403.67 billion and BDT 2,647.80 billion in December, 2013. On the other hand, in January, 2012 and December, 2012 market capitalization were BDT 2,230.35 billion and BDT 2,403.55 billion respectively.



Directors' Report - continued

Market capitalization increased 11 percent in 2013, spearheaded by a general increase in initial public offerings (IPOs). Fifteen new securities were listed during the year through IPO where 13 were equity stocks that raised Tk. 833 crore and two mutual funds worth BDT 100 crore each. With the inclusion of the new securities, the total number of listed securities on the DSE currently is 529.

In 2013, Government and capital market regulators took several steps to bring back investors having negative equity following the market debacle in 2010 as well as their confidence. In this regard, tax rebate for capital market investors, exemption of credit for marginal level investors as well as influence the institutions to generate more investments in the capital market. To bring transparency to the market the parliament passed the Demutualization Act, 2013 on April 29, 2013 to separate the bourses management from the ownership. The plan of demutualization process has been approved by the BSEC on September 25, 2013 and by this way the stock exchanges turned into a profitable organization from its current status of non-profit ones, where the shareholders would get dividend.

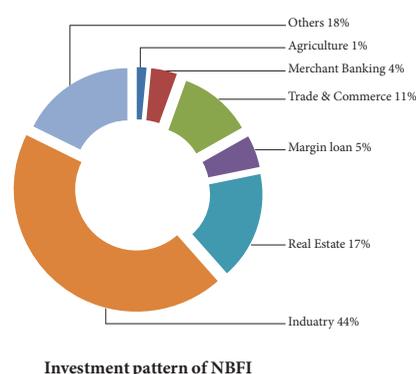
Finally, BSEC's endeavor to bring in the qualitative changes helped it achieve a higher regulatory status from the International Organization of Securities Commissions (IOSCO), the association of national securities regulatory agencies. It has been upgraded to an A-category regulatory agency which ensures the regulator's access to international cooperation on securities markets worldwide.

INDUSTRY ANALYSIS

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 NBFIs disbursed total loans of BDT 23,205.07 crore 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.



INDUSTRY OUTLOOK

The role of the NBFIs must be taken into consideration based on the long term nature of funding. In the upcoming era to meet the diverse financial need of various sectors, NBFIs' role shall increasingly be viewed in terms of economic development of the country through long term funding as well as to integrate more in the SME sectors thereby deepening the country's financial system. As the development process proceeds, NBFIs become prominent alongside the banking sector. Therefore the regulators observation and time to time prudent guideline brings the sector into more matured level.

There has been a strategic shift in the treasury patterns of most NBFIs. On the back of the lessons learnt in 2012 relating to severe credit squeeze, most of the NBFIs are now sourcing a major portion of their funds through dedicated Liability Management Units. In 2013 NBFIs have reduced their dependence on banks and have promoted creative liability products to attract depositors. This trend is likely to intensify further. From 2012 to June, 2013 total deposit increased almost 20% in NBFIs sector and as the liquidity flow sounds good it is expected to cross the previous year's percentage in 2014.

In 2013 excess liquidity in the market on account of sluggish investment has squeezed the spread of NBFIs. It was in stark contrast to the year 2012 when contractionary monetary policy on account of reining in inflation had a dampening effect on investment. This resulted in finding creative solutions through focusing of new asset products in the SME sector and making

increasing inroads in the consumer financing arena. On account of the nature of its business, NBFIs have inherent advantages in the SME sector and there are increasing evidences that many of the institutions are intensifying their forays in this sector.

BUSINESS ACTIVITIES

The financial system is the ultimate engine for achieving economic prosperity of a country, and is involved in the mobilization of financial resources from the surplus to the deficit sector. The development of both banks and non-bank financial institutions are necessary for assuring a strong and stable financial system for the country as a whole. Financial sector in Bangladesh has come across a turbulent year facing many odds and pitfalls in the macroeconomic fundamentals.

Prime Finance's strategic objective is to ensure diversification of its total investment portfolio in a balanced and prudent manner. This year the Company has also been able to maintain the objective of diversification. Out of total investment BDT 10,778.96 million this year highest allocation was in Trade & Commerce sector at 29.81 percent followed by Iron, Steel and Engineering at 13.34 percent, Garments and Knitwear at 7.37 percent, Transport and Aviation at 5.31 percent and so on.

In order to meet our funding requirements, we have diversified our funding sources giving more emphasis on deposit mobilization. At the end of the year, deposits were 56% of total liabilities. On the other hand we maximized utilization of call money as one of our funding sources since interbank call money rate this year remained soft and on the stable side in comparison with the previous year.

The country's secondary stock market experienced sluggishness throughout the year. Though we could not ensure hefty return on our investment but we ended this year with a positive return of BDT 30.74 million.

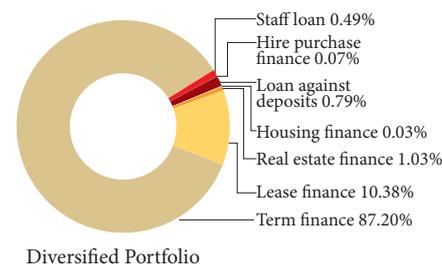
PRINCIPAL ACTIVITIES

Prime Finance commenced operations by providing leasing and hire purchase financing for customers subsequently the Company started financing Corporate, SME and Real Estate sector in the form of term and lease financing. The year under review the Company introduced two new product segments namely consumer finance and factoring. The year 2013 also saw an intensification of drive in SME sector.

DIVERSIFIED PORTFOLIO

Diversification of products is one of the Company's strategic priorities. Well diversified portfolio of Prime Finance includes Term Loan Finance that represents 87.20 percent of total loans, followed by lease finance 10.38 percent, Real Estate finance 1.03 percent and SME finance 18.64 percent etc.

Despite economic slowdown and political turmoil throughout the year and low industrial development we ended the year with a fresh financing of BDT 2,935.66 million The company's total investment portfolio at December 31, 2013, stood at BDT 10,778.96 million representing an increase of 10.53 percent over the last year. The Company's investment activities were driven mainly by term, lease, real estate and SME financing. A total of 62 agreements were executed during the year 2013 for BDT 2,259.20 million.

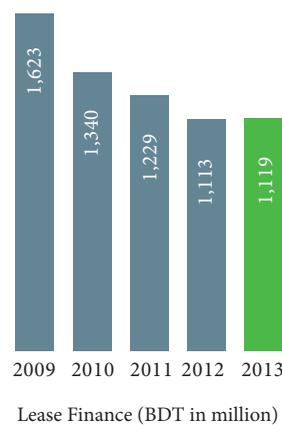


FINANCING ACTIVITIES

We continued investment with a selective and cautionary approach taking adequate consideration on the risk elements. We remained focused in terms of the quality of finance and maintain high credit requirements for clients. While pricing we considered the risk profile of the transaction. Our strict lending and pricing policy helped to stabilize profitability in 2013 and to ensure three percent spread over financing. Due to economic sluggishness and overall slow movement of the industry, expected return from the recovery of loans/leases could not be attained. But our relentless effort helped in ending the year with a decrease in NPL from 9.89 to 7.63 last year.

Lease finance

Lease financing, principal fund based activity of the Company, represents asset based financing. Through lease financing we facilitated small and medium type enterprises to access to the finance. We offer leasing as a modern financial instrument for managing corporate investments in movable equipment. We

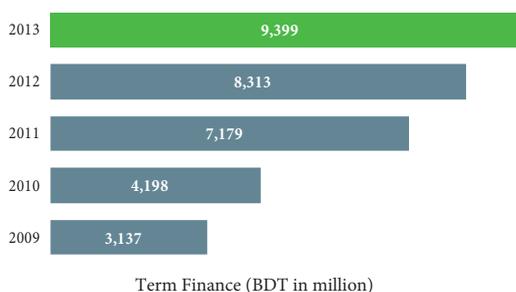


Directors' Report - continued

concentrated only on full payout financial lease transaction for financing a wide range of capital machinery, equipment and vehicles. In 2013, Prime Finance was able to maintain consistent growth in lease finance. During the year, total investment under finance lease was BDT 509.11 million. As on 31 December 2013 gross lease rental receivables were BDT 2018.64 million. Lease income earned during the year marginally decreased by 2.98 percent.

Term finance

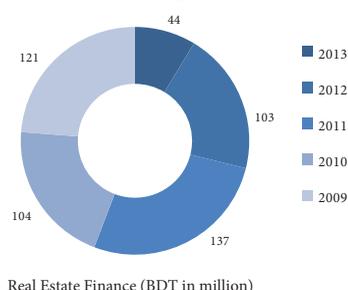
We offer short, medium and long term finance to the customers to cater their long-term physical investment needs besides meeting short term cash crunches. Our short term finances are usually for one year where medium and long term finances are for three to four years term. We offered working capital, work order, bill discounting, finance against term deposit, project finance



etc. with the view to meet the diversified needs of our customers. Term finance continued to be a core product for Prime Finance. The strategy of focusing on the profitable, low risk business was continued. Particularly in this area, the market was characterized by fierce competition and hence strong pressure on margins. Despite this difficult market environment, we managed to book new business at a satisfactory rate and our investment in term finance enhanced 13.08 percent compare to 2012.

Real-estate finance

We offer this product only to the real estate developers for construction of residential apartment, construction of commercial building and corporate office. Due to political, regulatory and economic conditions we were slow and selective in financing Real Estate sector. Besides the reasons mentioned earlier stoppage of gas & electricity connection to the newly built apartments, sluggishness in the



stock market and the ineffective role of REHAB had contributed to the overall slowdown of real estate sector business. Despite this in 2013, total investment in this product was BDT 90.78 million which has been provided to the very few proven customers.

Consortium Finance

Prime Finance helps raise fund to implement projects that require large-scale investments in the form of debt and equity from multiple sources. Other banks/financial institutions are made financial partners who negotiate and decide upon basic terms and conditions for specific projects.

Geographical segments

Prime Finance provides services through its three offices geographically diversified in the areas namely Dhaka, Chittagong and Rajshahi.

Liquidity and funding

The Company maintains sufficient facilities to meet its normal funding requirements. These facilities are primarily in the form of bank facilities arranged on a bilateral basis with a number of commercial banks and term deposits mobilized from individuals and institutions ranging for a period from 3 months to around 5 years. The Company preferably utilizes fund of the call money market to meet its immediate requirement of funds.

Diversity and inclusion

The Prime Finance renewed its commitment to the principles of diversity and inclusion during 2013. Prime Finance recognizes that the diversity of its workforce is a considerable asset to the business and believes that an inclusive environment will enable all employees to develop their full potential and enable Prime Finance to attract and retain the best talent.

OPERATING AND FINANCIAL

PERFORMANCE OF THE COMPANY

Profit before tax improved from BDT 413.08 million in the previous year to BDT 469.19 million in the year under review and profit after tax also reflected an increase from BDT. 300.19 million to BDT 370.68 million. Other Operating income increased from BDT 235.98 million to BDT 316.30 million in the year under review. Operating income consists of leases and loans. Intensified marketing efforts successfully grew the total investment portfolio. However, as the loan lease portfolio consists majorly of corporate clients, there was a certain degree of margin compression which resulted in a lower contribution

Directors' Report - *continued*

towards growth. The net interest income of BDT 225.07 million reflects an increase of 80.07% compared to BDT 124.99 million in the previous financial year. Operating expenses at BDT 1581.03 million reflects an increase of 1.61% over BDT 1556.03 million due to increase in provision of employee retirement benefit expenses and other overheads. The rigorous credit evaluation process enabled the company to contain asset quality with gross non-performing loans on core business inclusive of leases and loans (NPL) to total advances recorded at 7.63%. Interest bearing liabilities accounted for 63.62% of the total liabilities and shareholders' funds, a marginal decline compared to 64.44% in the previous year. Deposits from customers grew from BDT 838.26 million to BDT 1,331.55 million in the current year, an increase of 58.85%. The weighted average number of ordinary shares outstanding during the year was 272.91 million (2012: 227.43 million). The financial results of the Company for the year 2013 with a comparison of 2012 are summarized below:

(BDT in million except per share data)	2013	2012
Operating revenue	2,149.61	1,969.11
Operating expenses	1,581.03	1,556.03
Profit before tax	469.19	413.08
Provision for tax	98.51	112.89
Profit after tax	370.68	300.19
Earnings per Share (Re-stated)	1.10	0.86

OPERATING RESULTS

Despite political turmoil and overall economic slowdown we able to maintain positive growth of 9 percent in operating revenue compare to last year. Operating profit for the year 2013 has increased by 13.58 percent to BDT 469.19 million (2012: BDT 413.08 million).

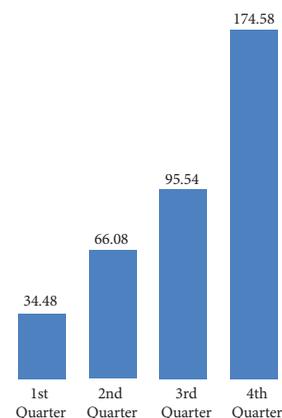
SIGNIFICANT VARIANCE BETWEEN QUARTERLY AND ANNUAL RESULTS

The cost of fund has gradually reduced in the last part of FY 2013 and the cost of fund was comparatively higher at the first part, so spread was higher in the last part of the FY, resulting higher income at the ending part of the financial year.

Capital gain from share market mainly resulted at the end part of the year compared to the first part. Again dividend income from the share in held was credited to our account mainly at the last part of the year and both resulted

comparatively higher income in the second part of the year.

Income from collection from write off loan, interest on deposits in other organization was mainly earned at the second part of the year. Besides, because of having grace period, results of financing in current period have accrued in the last part of the year.



Profit after Tax 2013 (BDT in million)

FIVE YEARS DATA

Key operating and financial data of preceding 5 (five) years of the Company has been summarized on 37 page of this Annual Report.

SUBSIDIARY

Prime Finance Capital Management Limited (PFCML) is a subsidiary of country's leading financial institution-Prime Finance & Investment Limited. Since 1996, PFCML has been in the capital market as a full-fledged merchant bank in the name of merchant banking wing of Prime Finance & Investment Limited to serve individual clients, small and large companies with a full range of issue management, underwriting, portfolio management and corporate advisory services. Later on, as per BSEC's guidelines, the merchant banking wing was converted into separate subsidiary company and was incorporated in 18 March 2010 as a public limited company with initial authorized capital of BDT 2,500 (two thousand five hundred) million and an initial paid-up capital of BDT 1,000 (one thousand) million. Presently the company has BDT 1,600 million paid up capital.

PFCML is recognized across the country for its expertise in issue management service. It has a track record of managing 36 issues (25 IPOs and 11 Rights Issues) of as many 10 sectors ranging from manufacturing to power sector. As a full-fledged merchant bank, Prime Finance Capital Management Ltd. actively participates in underwriting of Initial Public Offering (IPOs), Repeat Public Offering, Rights Issues, Alternative Securities like various types of Bonds. The company has so far underwritten 73 public issues. It is evident that PFCML has the attitude to comply the relevant laws very strictly. Thus, it has built hard earned image of "fully compliant Merchant Bank".

Directors' Report - continued

Besides, the company provides portfolio management services with high standard, excellent customer services, professionalism. Clients receive tailored financial solutions for trading securities. Currently it has more than a thousand portfolios managed through 4 designated brokerage houses. PFCML offers industry leading support to its clients through a suite of innovative, easy-to-use services. Working with its clients as strategic partners, it creates and executes winning solutions, which address our clients' most pressing strategic, financial and investment needs—anywhere in Bangladesh.

The team members of PFCML stand by clients through building and maintaining solid partnerships. The team always places its client relationships first and is proud to conduct its business based on Client Satisfaction, Respect to the Individual, Teamwork, Responsible Citizenship, and Integrity.

SHARE OF INCOME FROM SUBSIDIARY AND ASSOCIATE COMPANIES

Prime Finance Capital Management Ltd. (PFCML) is the subsidiary of Prime Finance involve in issue management, underwriting, portfolio management and corporate advisory services. PFCML is recognized across the country for its expertise in issue management service. Presently the company has BDT 1,600 million paid up capital where Prime Finance holds 60% shares.

Recommended dividend: The Board of Directors has recommended 10 percent stock dividend for the year ended 31st December 2013.

MOVEMENT OF INVESTMENT IN SUBSIDIARY AND ASSOCIATES

Movement of investment in associates & subsidiary:

(Figures in BDT)	Balance as on 1 Jan 2013	Investment/ (Adjustment)	Revaluation Reserve	Profit/(loss) under equity method	Balance as on 31 Dec 2013
PFI Securities Ltd.	1,102,160,510	-	-	58,542,108	1,160,702,618
PFAMCL	32,452,629	-	-	3,491,099	35,943,728
Prime Prudential Fund Ltd.	14,205,460	-	-	(1,185,120)	13,020,340
Prime Finance Capital Mgt. Ltd.	960,000,000	-	-	-	960,000,000
Total	2,108,818,599	-	-	60,848,087	2,169,666,685

RELATED PARTY TRANSACTION

Compliant Steps have been taken by the Board to avoid any conflict of interests that may arise, in transacting with related parties as per the definition of BAS & IFRS. A statement of related party transactions has been presented in note no. 37 on page no. 225 of this Report.

PFI Securities Ltd., a full fledged international standard Stock Dealer and Stock Broking company provides services to the individuals and institutional Investors. PFI Securities Limited is a registered member of both the bourses in Bangladesh; Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. (CSE). PFI Securities Ltd. is the associate company of Prime Finance. Presently the company has BDT 1674.40 million paid up capital where Prime Finance holds 46.15% shares.

Recommended dividend: The Board of Directors has recommended 5 percent stock dividend for the year ended 31st December 2013.

Prime Finance Asset Management Company Limited, the asset manager of first ever unit fund in the Bangladesh Capital Market along with few others mutual and unit fund is the another associate company of Prime Finance. Presently the company has BDT 66 million paid up capital where Prime Finance holds 49% shares.

Recommended dividend: The Board of Directors has recommended 10 percent cash dividend of BDT 10 Per share for the year ended 31st December 2013.

Prime Prudential Fund Limited is also an associate company of Prime Finance. Presently the company has BDT 24.60 million paid up capital where Prime Finance holds 40% shares.

Audited financial statements of the subsidiary and associate companies are given on pages 234-273 of this Annual Report.

CAPITAL EXPENDITURE

The Total Capital Expenditure on acquisition of Property, plant, computer applications, software and equipment, of the Company amounted to BDT 4.21 million (BDT 7.71 million 2012). The detailed note on acquisition of Property, Plant and Equipment is given under the note no 08 of the Financial statements in the page no 206.

Directors' Report - *continued*

CAPITAL INFUSION

During the year, there was a equity capital infusion of 45.48 crore resulted reflection of issuance of 4,54,86,080 equity shares at BDT 10 per share for 20% stock dividend for the year 2012. Consequent to this, the paid-up equity share capital stands increased to 27.29 crore from 22.74 crore.

EVENTS OCCURRING AFTER THE REPORTING DATE

As at the date of this report, the directors are not aware of any matter or circumstance that has arisen since the end of the year 2013 that has significantly affected or may significantly affect the operations of the Company, the results of its operations or its state of affairs, which is not already reflected in this report other than the following:

On 01 March 2014, Prime Finance announced 15 percent cash dividend for the FY-2013. Details of the announced dividend declared during the financial year are disclosed in note 46 of the Financial Report.

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.

APPROPRIATIONS OF PROFIT (BASED ON SEPARATE F/S)

Taking into account the profit available for distribution after complying with the regulatory requirements, the Board recommended 15 percent cash dividend (BDT 1.5 per share) for the year ended 31 December, 2013 for approval of Shareholders in the Eighteenth Annual General Meeting. The Board proposed the following appropriations:

	Amount in million BDT
Net profit for the year 2013	191.49
Retained earnings at the beginning of 2013	989.02
Total profit available for appropriation	447.67
Proposed Appropriations	
Transferred to statutory reserve	38.30
Proposed stock dividend	Nil
Proposed cash dividend	409.37

DIVIDEND

Prime Finance aims to provide commendable and sustainable rate of dividend to its shareholders. In connection with this the Board of Directors in its meeting held on 01 March 2014 recommended 15 percent cash dividend for the year 2013. Moreover, the Company has been paying dividend consistently for many years.

ANNUAL GENERAL MEETING

Annual General Meeting is the biggest program for the Company in a year. All shareholders are encouraged to attend and/or participate in AGM to deliberately give their opinion regarding any facts of the company. Shareholders can attend in person or send a proxy as their representative. The notice of AGM and proxy form is also available for shareholders in the official website.

A summary of the agenda in AGM is given below:

Ordinary Business :

- To receive, consider and adopt the audited financial statements of the Company for the year ended 31 December 2013 together with the reports of the Directors' and Auditors' thereon;
- To declare dividend for the year ended 2013 as recommended by the Board of Directors;
- To elect/re-elect Directors in terms of the relevant provision of the Articles of Association of the Company;
- To appoint Auditors and fixation of their remuneration.

Special Business : Nil

NOTICE OF THE ANNUAL GENERAL MEETING

Notice of the Eighteenth Annual General Meeting of the Company is given on page no. 276 of the Annual report.

DIRECTORS' MEETING, ATTENDANCE & REMUNERATION

During the year ended 31 December 2013 total thirteen meetings were held. During this year, all of the Directors serving on the Board attended were more than 84 percent of the aggregate of the total number of meetings of the Board of Directors. The attendance in the Board meetings by each Director is given in Annexure-1 on page 155 of

Directors' Report - *continued*

this Annual Report. Please note that the amount of total remuneration which has paid to the Directors including Independent Directors is given in note no. 26 on page no. 221 of this Annual Report.

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY

The Directors confirm that to the best of each director's knowledge and belief:

- the financial statements, prepared in accordance with IAS/IFRS and BAS/BFRS as adopted by ICAB, give a true and fair view of the assets, liabilities, financial position and results of the Company, and
- the management report contained in the operational and financial review includes a fair review of the development and performance of the business and the position of the company, together with a description of principal risks and uncertainties that may face.
- the internal control system is properly designed, implemented and effectively monitored.

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. A statement of the Directors' responsibility in relation to financial statements has been given on page 138-139 of this Annual Report.

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. A separate report on Directors' Responsibilities as to the preparation of financial statement is set out on page 138-139 in this Annual Report.

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. The Internal Audit regularly reviews of the Prime Finance's operations, examine the business processes and evaluate the adequacy and efficiency of financial and operating controls and highlights significant risks. 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.

There are policies and procedures in place to ensure compliance with internal control and the prescribed laws and regulations. These policies and procedures are set out in the company's Standard Practice Instruction and are

Directors' Report - *continued*

updated from time to time in tandem with changes to the business environment or regulatory guidelines. A statement on Internal Control is given on page 119-120 in this Annual Report.

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 fee it is appropriate to adopt going concern assumption and there is no material uncertainty in preparing the Financial Statements. A separate report on going concern has been set out on page 134-136 of this Annual Report.

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 Prime Finance'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.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors, in accordance with BSEC's notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012, confirm compliance with the financial reporting framework for the following:

- The financial statements prepared by the management of Prime Finance, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies have been consistently applied, except for the changes disclosed in the financial statements in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- There exists no significant doubts as to the Company's ability to continue as a going concern.

REPORT ON THE COMPLIANCE OF THE CONDITIONS OF BSEC'S NOTIFICATION

In accordance with the BSEC's Notification dated 7 August 2012, the Board of Directors are required to report on the compliance of certain conditions. The notification was issued for the purpose of establishing a framework for ensuring good governance practices in the listed companies for the interest of the investors and the capital market. A statement on the compliance with the BSEC's conditions is given on Annexure-V on 158-163 page of this Annual Report.

PATTERN AND DISTRIBUTION OF SHAREHOLDING

As on December 31, 2013 the paid up capital of the Company is BDT 2,729,164,830 subdivided into 272916483 shares of Tk. 10 each where the Sponsor Shareholders holding is 67.80%. The overall shareholding patterns of the Company as at the end of the year 2013 is shown in Annexure-III, page 156 of this Annual Report. The distribution of shareholdings as required by the regulatory authorities is also given in Annexure-IV, on page 157 of this Annual Report.

CODE OF CONDUCT

The Board has laid down a code of conduct for the Board members. All the Board members have certified that they have received, read, understood and affirmed compliance with the code for the year ended 31 December 2013. In this regard a declaration signed by the Company Secretary is given on page no. 164 of this annual report.

SUBSTANTIAL SHAREHOLDINGS

BSEC's Corporate Governance Notification dated 7 August 2012 requires a listed company to disclose in the Directors' Report, the list of shareholders holding ten percent or more voting interest in the Company. None of the shareholders hold ten percent or above shares in Prime Finance. The shareholding status of all sponsors shareholders as on 31 December 2013 is given in Annexure-II, page 155 of this Report.

INCLUSION OF DIRECTOR

In accordance with BSEC's notification dated 22 November 2011, the shareholders in their 17th Annual General Meeting held on 27 March 2013 appointed of Mr. Qazi Saleemul Huq nominated by GQ Enterprise Limited as director of the Company.

DIRECTORS TO RETIRE, RE-APPOINTMENT AND BIOGRAPHIES OF THE DIRECTORS

As per Article 67 of the Articles of Association of the Company, one-third of the Directors of the Company are required to retire by rotation at each Annual General Meeting (AGM). The retiring Directors are eligible to stand for re-election. In this connection the following Directors will retire in the Eighteenth Annual General Meeting and being eligible offered themselves for re-election as per Article 69 of the Articles of Association of the Company:

- i) Mr. K. M. Khaled
Nominated by Khaled Textile Mills Ltd.;
- ii) Mr. Md. Masudur Rahim
Nominated by East Coast Shipping Lines Ltd.;
- iii) Mr. Z. M. Kaiser
Nominated by Maksons (Bangladesh) Ltd.;
- iv) Mr. M. Shahadat Hossain Kiron
Nominated by Agami Apparels Ltd.

Biographies of the Directors seeking re-election/re-appointment and the names of the Companies where they have interest are presented on page no. 16-19 on this Annual Report.

CORPORATE RESPONSIBILITY

Prime Finance defines Corporate Responsibility as operating with integrity at all the times, sustaining our Company's long-term viability while contributing to the present and future well being of all our stakeholders.

At Prime Finance, we recognize that we have certain responsibilities to our clients, shareholders, employees and to the communities in general. But the biggest contribution of the Company has to make the long-term sustainability of its business and to the communities where Prime Finance serves by providing some extra focus as followings:

- helping our customers to build savings for the future
- encouraging reasonable investment
- promoting to finance where we minimizing our own environmental risk.
- managing our financial performances for the benefit of all our stakeholders.

We value our shareholders and their rights. We are always committed towards our shareholders to preserve their rights and to enhance their return as much as possible. Considering this fact the management of Prime Finance gives its best effort to:

- Keep standard operating performance that ranks among the best in the industry;
- Ensure Effective corporate governance;
- Provide Full and complete financial information;
- Give attractive dividend.

Prime Finance is committed to be equal opportunity employer, adhering to the highest social standards, the company seeks to provide a superior working environment for its employees based on diversity and respect for the importance of the individual. Based on these Prime Finance is committed to:

- Provide a workplace in which employees are respected;
- Encourage a management style that empowers and develops employees;
- Ensure proficient training and development program that emphasis the employees to add value;

Directors' Report - *continued*

- Measure progress in employment practices and employee morale.

Prime Finance is equally loyal for the responsibility towards the Community. Considering this Prime Finance organizes some CSR activities. CSR means voluntarily integrating social and environmental considerations into the business and these are an integral part of Company's corporate culture and fundamental business principles. Prime Finance believes that a prosperous community creates a prosperous business. By supporting charitable causes, Prime Finance seeks to help people achieve their goals.

CONTRIBUTION TO THE NATIONAL EXCHEQUER AND THE ECONOMY

During the year 2013, the company contributed a total amount of BDT 165.98 million as Corporate Tax, BDT 70.50 million as TDS and BDT 4.95 million as VAT, in total BDT 241.43 million was paid to the national exchequer. Prime Finance always uphold 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. A detail report on the contribution to national economy has been given on page 56 of the annual report.

CHARITABLE DONATION

Donations are a cornerstone of our community programs, with a tradition of philanthropy dating back to our roots. We are committed to making a lasting social impact through inspiration, responsibility giving and building strong partnership with the charitable organization. The Contribution of Prime Finance in 2013 as Charity is detailed below:

- To promote the health sector, Prime Finance donated BDT 5 lac and Tk. 60 thousand to Glaucoma Research and Eye Hospital and Diganta Memorial Cancer Foundation respectively.
- Prime Finance donated BDT 73,252 (employees contribution) and BDT 10,30,000 (Company's contribution) to Prime Minister's Welfare Fund for the affected people in Savar Tragedy.
- Prime Finance also donated 2,200 numbers of Blankets to Dhaka Ahsania Mission for distributing to the cold affected people in the Northern Region of the Country.

CORPORATE GOVERNANCE

The Board of Directors of the Company has always committed to maintain and practice an effective corporate governance structure. They ensure good corporate governance practices as one of its highest priorities when conducting the company's business activities. All our efforts are to protect our shareholders and other stakeholders at all times. A detailed report on corporate governance has been set out on page 93-106 of this Annual Report.

OUR EMPLOYEES AND ENVIRONMENT

The Management of Prime Finance beliefs that Human Resources of any organization can make the difference in the Industry. Considering this thought Prime Finance recruits competent people, develop them as per the demand of the time and situation, retain them with socially based, competitive and standard motivation-award and retention policies and practices.

Company is committed to creating a working environment based on the values of equal opportunity, diversity and meritocracy. All the Company's activities are reinforced by its governance structure, which complies with the leading codes of best practices.

With respect to issues that are relevant to its operating environment, Prime Finance promises to :

- Avoid and discourage discrimination and Provide equal opportunity and respect diversity;
- Ensure frequent interaction between employees and senior Management for constructive development in systems & procedure;
- Support employee efforts to achieve a healthy work-life balance;
- Organizing Training & Seminar for employee development
- Ensuring best HR practices
- An empowering Management style that develops employee and encourages performance;
- Prime Finance seeks to enhance employee motivation and performance in line with Company's strategic objectives and in accordance with Prime Finance brand promises: ethics, professionalism, innovation, pragmatism, team spirit and integrity.

HEALTH & SAFETY

The Company strives to provide and maintain a safe environment for all employees, customers and visitors to its premises and to comply with relevant health and safety legislation and committed to continual improvement in the standards of health and safety in the workplace. The Management is always aware about providing healthy, respectful and safe working conditions to ensure high performance of our staff. As a result health and safety performance of the executives has been improved over the years.

BUSINESS ETHICS

Our customer welfare comes first. We ensure understanding our client's need, extending facilities to the right clients at fair terms. We care our clients to enjoy consistent continuous service wherever we operate. We also opened a complain box for taking care of customer complaints with highest priority. All our Board, Management and employees strictly follows regulatory guidelines, instructions and all applicable laws, rules and regulations of the country.

AUDIT INFORMATION

The Directors who held office at the date of this Director's Report confirm that:

- So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- The Directors have taken all the steps that they themselves ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the company's Auditors are aware of that information.

AUDITORS

The Financial Institutions Act, 1993 and BSEC's order dated 27 July 2011 stipulated that an Auditor of a Financial Institutions cannot be appointed for more than three consecutive years. Moreover, section 210(10) of the Companies Act, 1994 also gives authority to shareholders of the company to fix the Auditor's remuneration. M/s A. Qasem & Co., Chartered Accountants have completed their third year as statutory auditor of the company and hence not eligible for re-appointment.

Ahmed Zakir & Co., Chartered Accountants, 45, Shaheed Syed Nazrul Islam Sarani, Bijoy Nagar, Dhaka and Artisan,

Chartered Accountants, BESC Bhaban, 102 Kazi Nazrul Islam Avenue, Kawran Bazar, Dhaka Chartered Accounts have expressed their willingness to become the statutory auditor of the company for the FY-2014. In this regard the Audit Committee scrutinized and reviewed their proposals and recommended to the Board to appoint Ahmed Zakir & Co., Chartered Accounts as the external auditor of the Company for the FY-2014 with an audit fee of BDT 3,00,000 (Taka three lac) plus VAT.

The Board in its meeting held on 01 March 2014 recommended the shareholders to appoint Ahmed Zakir & Co., Chartered Accounts at a remuneration of BDT 3,00,000 plus VAT. In this regard we take prior approval from Bangladesh Bank to appoint Ahmed Zakir & Co., Chartered Accounts.

OUTLOOK

In the last three years, this company has been transformed into a compliant, growth oriented vibrant institution. Profit centers have been redefined and added through induction of new products to new segments like SME, Consumer Finance, and Factoring. At the same time, expansion through branch banking has increased the reach and extent of its geographic area. The emphasis on expansion of branch shall continue to be the main thrust of the company's growth. The basic foundation for all round growth has been established. The company is now at the second phase of its change policy. From here we shall continue to consolidate the gains that have been made during this time.

Like all other NBFIs operating in other countries, we have made a strategic shift in our target marketing. Our diversification market policy will ensure penetration in a greater way into the informal sector (SME). We expect to have immense value addition through this move. Instant advantages are that spread will jump, risk will be diversified and we shall be in a position to market our products where more than 90% of the business exists.

The second element that the company is focusing is improvement of Information Technology. Major strides have been made in this area and IT shall be the backbone of our communication system to give greater comfort to our clients in doing business.

The outlook sections in this document are based on the PFI's views and the actual outcome is uncertain. Stakeholders should consider the above-noted factors when reviewing these sections.

Directors' Report - *continued*

SIGNING OF REPORT

The Board in its 221st meeting held on 01 March, 2014 authorized the Chairman, Mr. K. M. Khaled to sign Directors report and any addendum thereto.

ACKNOWLEDGEMENT

We wish to place on record our appreciation to the patronage and cooperation received from our customers, shareholders, lenders and well wishers. We also like to place on record the valuable guidance and excellent support extended by the Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka and Chittagong Stock Exchanges, other Government agencies and Statutory Auditors.

Our heartiest thanks to the employees at all levels for their strong work ethic, dedicated performance, professionalism, teamwork, commitment and initiative, which has led to the Company in making steady growth in today's challenging environment.



K.M.Khaled
Chairman
Dhaka, 01 March 2014

Director's Meeting & Attendance

Name of the Directors	Nominated by	No. of Meetings held during his/her tenure	Meeting Attended	(%)	Change during 2013
Mr. K. M. Khaled	Khaled Textile Mills Limited	13	12	92	
Mr. Md. Aminul Haque	Acorn Limited	13	12	92	
Mrs. Muslima Shirin	Mawsons Limited	13	13	100	
Mr. Mohammad Masudur Rahim	East Coast Shipping Lines Ltd.	13	11	85	
Mr. Z.M. Kaiser	Maksons (Bangladesh) Ltd.	13	12	92	
Mr. M. Shahadat Hossain Kiron	Agami Apparels Limited	13	06	46	
Mr. Qazi Saleemul Huq	GQ Enterprise Limited	10	02	20	Appointed on 27 March 2013
Mr. Tauseef Iqbal Ali	N/A	13	13	100	
Prof. Dr. Parimal Chandra Datta	N/A	13	13	100	
Mr. Kazi Md. Mortuza Ali	N/A	13	13	100	
Mr. Mahibul Islam Chowdhury	N/A	13	12	92	

Annexure-II

Shareholdings of Sponsor Shareholders

Name of Sponsor Shareholders	No. of shares held	% of Shareholding
Khaled Textile Mills Limited	26,432,420	9.69
Acorn Limited	24,920,420	9.13
Pedrollo Nk. Limited	26,768,991	9.81
Mawsons Limited	5,654,752	2.07
Maksons (Bangladesh) Limited	21,370,516	7.83
East Coast Shipping Lines Limited	24,407,338	8.94
GQ Enterprise Limited	23,222,142	8.51
Agami Apparels Limited	23,088,632	8.46
Abeeco Industries Limited	758,634	0.28
Mr. Tauseef Iqbal Ali	5,458,363	2.00
Professor Salma Rahman	2,820,666	1.03
Mr. Md. Aliuzzaman	142,427	0.05
Total	185,045,301	67.80

Pattern of Shareholdings

Name of the Companies	No. of shares held	
Parent/Subsidiary/Associate Companies and other related parties		Nil
Directors		
	No. of shares held	Percentage
Mr. K. M. Khaled, Representing Khaled Textile Mills Ltd.	Nil	-
Mr. Md. Aminul Haque, Representing Acorn Limited	Nil	-
Mrs. Muslima Shirin, Representing Mawsons Limited	420	0.00016
Mr. Z. M. Kaiser, Representing Maksons (Bangladesh) Ltd.	Nil	-
Mr. Mohammad Masudur Rahim, Representing East Coast Shipping Lines Ltd.	Nil	-
Mr. M. Shahadat Hossain Kiron, Representing Agami Apparels Ltd.	Nil	-
Mr. Qazi Saleemul Huq, Representing GQ Enterprise Ltd.	Nil	-
Mr. Tauseef Iqbal Ali	5,458,363	2.00
Prof. Dr. Parimal Chandra Datta	Nil	-
Mr. Kazi Md. Mortuza Ali	Nil	-
Mr. Mahibul Islam Chowdhury	Nil	-
Executives		
	No. of shares held	Percentage
Mr. Asad Khan, Managing Director	Nil	-
Mr. Syed Moniruzzama, Company Secretary	Nil	-
Mr. Lingkon Mondal, CFO (CC)	Nil	-
Mr. Md. Feroz Iftekher, Head of Internal Audit	Nil	-
Other top five Senior Executives		
Mr. Md. Ahsan Kabir Khan	Nil	
Mr. Md. Rezaul Haque	Nil	
Ms. Gulshan Ara Hafiz	Nil	
Mr. Ahsanullah M. Dewan	Nil	
Mr. R M Nasrullah Zaidi	Nil	
Shareholders Holding 10% or more voting right		No. of shares held
Shareholders holding ten percent (10%) or more voting interest in the Company	Nil	

Range of Shareholdings

The distribution schedule of shareholdings as on 31 December 2013 was as under:

Shareholding range	No. of shareholders	No. of shares	Percentage
Less than 500 shares	14,005	2,063,612	0.76
500 to 5,000 shares	9,821	15,697,362	5.75
5,001 to 10,000 shares	1,121	7,654,621	2.80
10,001 to 20,000 shares	444	6,200,633	2.27
20,001 to 30,000 shares	156	3,836,154	1.41
30,001 to 40,000 shares	62	2,128,872	0.78
40,001 to 50,000 shares	41	1,839,526	0.67
50,001 to 100,000 shares	86	5,956,725	2.18
100,001 to 1,000,000 shares	92	24,333,468	8.92
Over 1,000,000 shares	18	203,205,510	74.46
Total	25,846	272,916,483	100

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

(Report under Condition No. 7.00)

Condition No.	Title	Compliance Status ("✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
1	Board of Directors (BoD)			
1.1	Board's Size (number of Board members – minimum 5 and Maximum 20)	✓		
1.2	Independent Directors			
1.2 (i)	At least one fifth (1/5) of the total number of Directors shall be Independent Directors	✓		
1.2 (ii)	Independent Director means a director			
1.2 (ii) (a)	who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company	✓		
1.2 (ii) (b)	who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company	✓		
1.2 (ii) (c)	who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	✓		
1.2 (ii) (d)	who is not a member, director or officer of any stock exchange	✓		
1.2 (ii) (e)	who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	✓		
1.2 (ii) (f)	who is not a partner or executive or was not a partner or an executive during the preceding 3 (three) years of the company's statutory audit firm	✓		
1.2 (ii) (g)	who shall not be an independent director in more than 3 (three) listed companies	✓		
1.2 (ii) (h)	who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI)	✓		
1.2 (ii) (i)	who has not been convicted for a criminal offence involving moral turpitude	✓		
1.2 (iii)	Independent Director(s) shall be appointed by BoD approved by the shareholders in the Annual General Meeting (AGM)	✓		
1.2 (iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days			No vacancy occurred

Directors' Report - *continued*

Condition No.	Title	Compliance Status ("✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	✓		
1.2 (vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only	✓		
1.3	Qualification of Independent Director			
1.3 (i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	✓		
1.3 (ii)	Independent Director should be a Business Leader/Corporate leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/professional experiences	✓		
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of Commission			Not applicable
1.4	The Chairman of the Board and the Chief Executive Officer (CEO) shall be different individuals. The Chairman shall be elected from among the directors. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the CEO	✓		
1.5	The Directors' Report shall include the following additional statements			
1.5 (i)	Industry outlook and possible future developments in the industry	✓		
1.5 (ii)	Segment-wise or product-wise performance	✓		
1.5 (iii)	Risks and concerns	✓		
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss			Not applicable
1.5 (vi)	Basis for related party transactions - a statement of all related party transactions should be disclosed in the annual report	✓		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments			Not applicable
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), RPO			Not applicable
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements, the management shall explain about the variance	✓		

Condition No.	Title	Compliance Status ("✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
1.5 (x)	Remuneration to directors including independent directors	✓		
1.5 (xi)	The financial statements present fairly its state of affairs, the result of its operations, cash flows and changes in equity	✓		
1.5 (xii)	Proper books of account have been maintained	✓		
1.5 (xiii)	Adaptation of appropriate accounting policies & estimates	✓		
1.5 (xiv)	IAS/BAS/IFRS/BFRS, as applicable in Bangladesh, have been followed and adequate disclosure for any departure	✓		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored	✓		
1.5 (xvi)	Going Concern (ability to continue as a going concern)	✓		
1.5 (xvii)	Highlight and explain significant deviations from the last year's operating results	✓		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized	✓		
1.5 (xix)	Reason for non declaration of Dividend			Not applicable
1.5 (xx)	The number of Board meetings held during the year and attendance by each director	✓		
1.5 (xxi)	Pattern of shareholding and name wise details (disclosing aggregate number of shares)			
1.5 (xxi) (a)	Parent/Subsidiary/Associate Companies and other related parties	✓		
1.5 (xxi) (b)	Directors, Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO), Head of Internal Audit (HIA) and their spouses and minor children	✓		
1.5 (xxi) (c)	Top five executives other than mentioned above	✓		
1.5 (xxi) (d)	Shareholders holding ten percent (10%) or more voting interest in the company	✓		
1.5 (xxii)	In case of the appointment/re-appointment of a director, disclose			
1.5 (xxii) (a)	A brief resume of the director	✓		
1.5 (xxii) (b)	Nature of his/her expertise in specific functional areas	✓		
1.5 (xxii) (c)	Names of companies in which the person also holds the directorship and the membership of committees of the board	✓		
2.1	Appointment of CFO, HIA and CS and defining their respective roles, responsibilities & duties	✓		
2.2	The CFO and the CS shall attend the meetings of the Board of Directors	✓		

Condition No.	Title	Compliance Status ("✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
3	Audit Committee			
3 (i)	The company shall have an Audit Committee as a sub-committee of the BoD	✓		
3 (ii)	The Audit Committee shall assist the BoD in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business	✓		
3 (iii)	The Audit Committee shall be responsible to the BoD. The duties of the Audit Committee shall be clearly set forth in writing	✓		
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members	✓		
3.1 (ii)	The BoD shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) Independent Director	✓		
3.1 (iii)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience	✓		
3.1 (iv)	Expiration of the term of service of Audit Committee members making the number lower than 3 (three) and fill up the vacancy (ies) by the Board not later than 1 (one) month from the date of vacancy(ies)			No vacancy occurred
3.1 (v)	The Company Secretary shall act as the secretary of the Audit Committee	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director	✓		
3.2	Chairman of the Audit Committee			
3.2 (i)	The BoD shall select the Chairman of the Audit Committee, who shall be an Independent Director	✓		
3.2 (ii)	Chairman of the audit committee shall remain present in the AGM	✓		
3.3	Role of Audit Committee			
3.3 (i)	Oversee the financial reporting process	✓		
3.3 (ii)	Monitor choice of accounting policies and principles	✓		
3.3 (iii)	Monitor Internal Control Risk management process	✓		
3.3 (iv)	Oversee hiring and performance of external auditors	✓		
3.3 (v)	Review the annual financial statements before submission to the board for approval	✓		
3.3 (vi)	Review the quarterly and half yearly financial statements before submission to the board for approval	✓		

Condition No.	Title	Compliance Status ("✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
3.3 (vii)	Review the adequacy of internal audit function	✓		
3.3 (viii)	Review statement of significant related party transactions submitted by the management	✓		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors	✓		
3.3 (x)	Disclosure to the Audit Committee about the uses/applications of IPO funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, shall prepare a statement of funds utilized for the purposes other than those stated in the prospectus.			Not applicable
3.4	Reporting of the Audit Committee			
3.4.1 (i)	Reporting to BoD on the activities of the Audit Committee	✓		
3.4.1 (ii) (a)	Reporting to BoD on conflicts of interests	--	--	Not required
3.4.1 (ii) (b)	Reporting to BoD on any fraud or irregularity or material defect in the internal control system	--	--	Not required
3.4.1 (ii) (c)	Reporting to BoD on suspected infringement of laws	--	--	Not required
3.4.1 (ii) (d)	Reporting to BoD on any other matter	--	--	Not required
3.4.2	Reporting to BSEC (if any material impact on the financial condition & results of operation, unreasonably ignored by the management)	--	--	Not required
3.5	Reporting to the Shareholders of Audit Committee activities, which shall be signed by the Chairman and disclosed in the Annual Report	✓		
4	External / Statutory Auditors			
4 (i)	Non- engagement in appraisal or valuation services or fairness opinions	✓		
4 (ii)	Non-engagement in designing and implementation of Financial Information System	✓		
4 (iii)	Non-engagement in Book Keeping or other services related to the accounting records or financial statements	✓		
4 (iv)	Non- engagement in Broker-Dealer services	✓		
4 (v)	Non- engagement in Actuarial services	✓		
4 (vi)	Non- engagement in Internal Audit services	✓		
4 (vii)	Non- engagement in any other services that the Audit Committee determines	✓		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company during the tenure of their assignment	✓		

Condition No.	Title	Compliance Status ("✓" has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
4 (ix)	Non-engagement in audit/certification services on compliance of corporate governance as required under clause (i) of condition no. 7	✓		
5	Subsidiary Company			
5 (i)	Provisions relating to the composition of the BoD of the holding company shall be made applicable to the composition of the BoD of the subsidiary company	✓		
5 (ii)	At least 1 (one) Independent Director on the BoD of the holding company shall be a director on the BoD of the subsidiary company.	✓		
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company	✓		
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also	✓		
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	✓		
6 (1)	The CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief			
6 (i) (a)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	✓		
6 (i) (b)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	✓		
6 (ii)	there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct	✓		
7	Reporting and Compliance of Corporate Governance			
7 (i)	Obtaining certificate from a practicing Professional Accountant/Secretary regarding compliance of conditions of Corporate Governance Guidelines of the BSEC and include in the Annual Report	✓		
7 (ii)	Directors statement in the directors' report whether the company has complied with these conditions	✓		

Annual Compliance of Code of Conduct

The Board has laid down a code of conduct for the Board members. All the Board members have certified that they have received, read, understood and affirmed compliance with the code for the year ended 31 December 2013. A declaration signed by the Company Secretary is given below:

“It is hereby declared that the Company has obtained affirmation from all members of the Board that they have complied with the Code of Conduct for the directors of the Company for the year 2013.”



Syed Moniruzzaman, FCS
Company Secretary

Certificate on

Compliance of Corporate Governance

S. Abdur Rashid FCS

BCom (Hons), MBS (Fin & Banking), MBA (Fin), PGD-HRM

Chartered Secretary in Practice

Private Practice Certificate No.: 003

Phone # 01726-533 655, 01193-095 297

E-mail : sarashid12000@yahoo.com

SARashid & Associates **(Chartered Secretaries)**

Noakhali Tower (10th Floor, 11-F)

55/B Purana Paltan, Dhaka-1000, Bangladesh

E-mail : sarashidnasso@gmail.com

Certificate on Compliance of Corporate Governance Guidelines

[Issued under Condition # 7(i) of Corporate Governance Guidelines of BSEC vide
Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012]

I have reviewed the Compliance of Conditions of the Corporate Governance Guidelines by **Prime Finance & Investment Limited** (“the Company”) for the year ended 31 December 2013. Such compliance is the responsibility of the Company as stipulated in the above mentioned notification issued by Bangladesh Securities and Exchange Commission (“BSEC”).

I have conducted my review in a manner that has provided me a reasonable basis for evaluating the compliances and expressing my opinion thereon. This review has been limited to the measures adopted by the Company in ensuring such compliances and this has not been for expression of opinion on the financial statements or future viability of the Company.

According to the information and explanations provided to me by the Company, I do hereby certify that, the Company has complied with all the conditions of aforesaid Corporate Governance Guidelines of BSEC.



S. Abdur Rashid FCS



Dhaka, 11 March 2014

Certification by the Managing Director and Chief Financial Officer on Financial Reporting

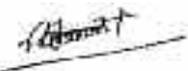
We have reviewed the financial statements of Prime Finance & Investment Limited “the Company”, which have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRSs), the Financial Institution Act 1993, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Bangladesh Securities and Exchange Rules 1987 and other applicable laws and regulations.

The financial statements of the Company contain line items that reflect the best estimates and judgments of the expected effects of current events and transactions with appropriate consideration to materiality. All financial information appearing throughout the report is consistent with the financial statements.

Based on our review, we hereby certify that to the best of our knowledge and belief:

1. Financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. Financial statements together present a true and fair view of the Company’s affairs and are in compliance with existing accounting standards and applicable laws & regulations.

We also certify that to the best of our knowledge and belief, no transactions entered into by the Company during the year 2013, which are fraudulent, illegal, or violation of the Company’s code of conduct.



Lingkon Mondal, ACA
Chief Financial Officer (CC)



Asad Khan
Managing Director

Auditors' Report to the Shareholders of Prime Finance & Investment Limited

We have audited the accompanying consolidated financial statements of Prime Finance & Investment Limited ("the Company") and its subsidiary, which comprise of the Balance Sheet as at 31 December 2013 and the Profit & Loss Account, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs), the Financial Institution Act 1993, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The financial statements of the subsidiary and associates have been audited by the other auditors and in our opinion the related amounts included in respect of the Books of subsidiary and associates are based solely on the reports of the other auditors.

Opinion

In our opinion, the consolidated financial statements of the group and the financial statements of the company have been prepared in accordance with the Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the Balance Sheet as at 31 December 2013 and the results of their profit and loss account and their cash flows for the year then ended and comply with the applicable sections of the Financial Institutions Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that,

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) the consolidated Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account;
- d) the expenditure incurred and payment made were for the purpose of the Company's business;
- e) the consolidated financial statements and those of the Company have been drawn up in conformity with the rules and regulations issued by the Bangladesh Bank to the extent applicable to the Company;
- f) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- g) the Company has complied with the relevant laws pertaining to reserves and maintenance of liquid assets;
- h) the information and explanations required by us have been received and found satisfactory;

Dated: Dhaka
01 March, 2014


A. Qasem & Co.
Chartered Accountants

Consolidated Balance Sheet

as at 31 December

(Figures in Taka)	2013	2012	Notes
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)	45,000	45,000	
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	117,852,644	204,147,495	
Total Cash	117,897,644	204,192,495	4.a Page 195
Balance with other banks and financial institutions			
In Bangladesh	500,200,526	781,230,612	
Outside Bangladesh	-	-	
Total balance with other banks and financial institutions	500,200,526	781,230,612	5.a Page 197
Money at call and on short notice	-	-	
Investments			
Government	-	-	
Others	967,560,066	1,193,609,479	
Total Investments	967,560,066	1,193,609,479	6.a Page 199
Loans, advances and leases			
Loans, advances and leases etc.	12,901,715,481	11,433,699,033	
Bills purchased and discounted	-	-	
Total loans, advances and leases	12,901,715,481	11,433,699,033	7.a Page 206
Fixed assets including premises, furniture and fixtures	325,235,741	327,619,010	8.a Page 207
Other assets	2,527,205,504	2,079,301,138	9.a Page 208
Non - business assets	-	-	
Total assets	17,339,814,963	16,019,651,768	
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	2,865,064,682	2,795,522,546	10.a Page 210
Deposits and other accounts			
Current and other accounts	-	-	
Bills payable	-	-	
Savings accounts	-	-	
Term deposits	6,770,963,595	5,614,795,490	11.a Page 211
Bearer certificates of deposit	-	-	
Other deposits	-	-	
Total deposits and other accounts	6,770,963,595	5,614,795,490	
Other liabilities	2,453,950,050	2,502,746,513	12.a Page 215
Total liabilities	12,089,978,327	10,913,064,549	

Consolidated Balance Sheet - *continued*

(Figures in Taka)	2013	2012	Notes
Capital/ shareholders' equity			
Paid up capital	2,729,164,830	2,274,304,030	13 Page 215
Statutory reserve	851,649,949	813,352,812	
Share money deposit	-	-	
Other reserves	-	-	
Retained earnings	668,214,189	1,089,800,363	
Non-controlling interest	778,863,918	707,186,264	
Revaluation reserve	221,943,750	221,943,750	
Total shareholders' equity	5,249,836,637	5,106,587,219	
Total liabilities and shareholders' equity	17,339,814,963	16,019,651,768	

OFF-BALANCE SHEET ITEMS

Contingent liabilities

Acceptances and endorsements	-	-
Letters of guarantee	-	-
Irrevocable letters of credit	-	-
Bills for collection	-	-
Other contingent liabilities	-	-
Total contingent liabilities	-	-

Other commitments

Documentary credits and short term trade-related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving underwriting facilities	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-
Total other commitments	-	-
Total off-balance sheet items including contingent liabilities	-	-

Notes:

The annexed notes 01 to 57 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 01 March, 2014 and were signed on its behalf by:

			
Company Secretary	Managing Director	Director	Chairman

Signed in terms of our separate report of even date annexed

Dated: Dhaka
01 March 2014


A. Qasem & Co.
Chartered Accountants

Consolidated Profit and Loss Account

for the year ended 31 December

(Figures in Taka)	2013	2012	Notes
Interest income	1,592,214,361	1,452,480,283	17.a Page 218
Interest paid on deposits, borrowings etc.	(1,367,146,301)	(1,327,489,669)	18.a Page 219
Net interest income	225,068,060	124,990,614	
Investment income	142,279,733	170,315,422	19.a Page 219
Fees, commission, exchange and brokerage	98,813,643	110,334,181	20.a Page 219
Other operating income	316,301,597	235,982,836	21.a Page 220
	557,394,973	516,632,439	
Total operating income (A)	782,463,033	641,623,053	
Salaries and other employee benefits	136,360,123	108,448,962	22.a Page 220
Rent, taxes, insurance, electricity etc.	20,258,486	11,864,981	23.a Page 220
Legal expenses	2,673,683	609,476	
Postage, stamp, telecommunication etc.	3,589,154	2,222,448	24.a Page 221
Stationery, printing, advertisements etc.	9,352,781	8,478,578	25.a Page 221
Managing director's salary and fees	10,800,000	9,600,000	
Directors' fees	1,410,000	1,010,000	26.a Page 221
Auditors' fees	345,000	287,500	27.a Page 222
Depreciation and repair of assets	8,725,190	8,367,482	28.a Page 222
Other expenses	20,372,144	19,879,496	29.a Page 222
Total operating expenses (B)	213,886,561	170,768,923	
Profit before provision (C=A-B)	568,576,472	470,854,130	
Provision for loans, advances and leases			
General provision	(9,289,051)	38,529,899	12.1 Page 212
Specific provision	99,721,181	62,825,574	12.1 Page 212
Provision for diminution in value of investment	8,952,786	(43,582,153)	12.2.a Page 212
Total provision (D)	99,384,916	57,773,320	
Total profit before tax (C-D)	469,191,556	413,080,810	
Provision for taxation			
Current	98,588,273	112,931,394	12.4.a Page 213
Deferred	(76,538)	(40,811)	
	98,511,734	112,890,583	
Net profit after tax	370,679,822	300,190,227	

Consolidated Profit and Loss Account - *continued*

(Figures in Taka)	2013	2012	Notes
Attributable to			
Shareholders of the company	299,002,167	235,395,819	
Non-controlling interest	71,677,654	64,794,408	
Appropriations			
Statutory reserve	38,297,137	57,640,842	
General reserve	-	-	
Proposed cash dividend	409,374,725	227,430,403	
Proposed stock dividend	-	454,860,800	
Weighted average no. of outstanding shares	272,916,483	272,916,483	
Earnings per share (restated)	1.10	0.86	33.a Page 224

Notes:

The annexed notes 01 to 57 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 01 March, 2014 and were signed on its behalf by:

			
Company Secretary	Managing Director	Director	Chairman

Signed in terms of our separate report of even date annexed

Dated: Dhaka
01 March 2014


A. Qasem & Co.
Chartered Accountants

Consolidated Cash Flow Statement

for the year ended 31 December

(Figures in Taka)	2013	2012
A. OPERATING ACTIVITIES		
Interest receipts	1,952,129,598	1,290,624,479
Interest payments	(1,022,192,955)	(1,035,081,223)
Fees and commission receipts	13,869,048	15,328,078
Dividend receipts	28,947,868	169,853,565
Capital gains from sale of listed shares	30,736,319	93,254,230
Cash payments to employees	(50,980,763)	(48,580,224)
Cash payments to suppliers and management expenses	(181,223,456)	(153,438,912)
Income taxes paid	(235,733,355)	(191,999,598)
Receipts from other operating activities	354,655,920	552,041,256
Payments for other operating activities	(6,350,414)	(1,601,250)
Cash generated before changes in operating assets and liabilities	883,857,810	690,400,401
Increase/ (decrease) in operating assets and liabilities:		
Net loans and advances to customers	(1,516,113,588)	(856,166,743)
Loans and deposits from banks and other customers	854,105,788	347,247,970
Cash generated from operating assets and liabilities	(662,007,800)	(508,918,773)
Net cash generated from operating activities	221,850,010	181,481,628
B. INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(6,876,014)	(8,332,580)
Disposal of fixed assets	2,732,089	-
Payments of employee home loan	(24,919,283)	(21,650,000)
Sale of securities	1,095,806,114	1,035,675,084
Investment in securities	(1,971,691,670)	(884,988,957)
Investment in Prime Finance 1st Mutual Fund	-	-
Investment in Prime Finance AMCL	-	-
Investment in PFI Securities Ltd.	-	10,000,000
Investment in Prime Finance Capital Management Ltd.	249,942,708	(19,393,947)
Investment in PFI Properties Ltd.	-	-
Investment in Prime Prudential Fund Ltd.	-	-
Net cash used in investing activities	(655,006,056)	111,309,600
C. FINANCING ACTIVITIES		
Dividend paid	(227,430,404)	(250,000,000)
Issuance of shares	-	-
Share money deposit receipts	-	222,000,000
Payment for financial expenses	(53,376,313)	(33,654,208)
Short term loan	346,637,826	150,000,000
Net cash used in financing activities	65,831,109	88,345,792
D. Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(367,324,937)	381,137,020
E. Effects of exchange rate changes on cash and cash equivalents	-	-
F. Cash and cash equivalents at beginning of the year	985,423,107	604,286,087
G. Cash and cash equivalents at end of the year (D+E+F)	618,098,170	985,423,107
Cash and cash equivalents at end of the year represents		
Cash in hand (including foreign currencies)	45,000	45,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	117,852,644	204,147,495
Balance with other banks and financial institutions	500,200,526	781,230,612
	618,098,170	985,423,107
Supplemental schedule for non-cash financing activities		
Bonus share issued (2012 and 2011 respectively)	454,860,800	649,801,150

Consolidated Statement of Changes in Equity

for the year ended 31 December

Particulars	Attributable to Equity Holders of Prime Finance & Investment Ltd.						Total
	Paid up capital	Statutory reserve	Other reserve	Retained earnings	Non-controlling interest		
Balance as at 1 January 2013	2,274,304,030	813,352,812	221,943,750	1,089,800,362	707,186,264	5,106,587,218	
Net profit for the year 2013	-	-	-	299,002,167	71,677,654	370,679,822	
Transfer to statutory reserve	-	38,297,137	-	(38,297,137)	-	-	
Issue of right share	-	-	-	-	-	-	
Issue of bonus share (2012)	454,860,800	-	-	(454,860,800)	-	-	
Payment of dividend	-	-	-	-	-	-	
Payment of cash dividend (2012)	-	-	-	(227,430,403)	-	(227,430,403)	
Balance as at 31 December 2013	2,729,164,830	851,649,949	221,943,750	668,214,189	778,863,918	5,249,836,637	
Balance as at 1 January 2012	1,624,502,880	755,711,970	221,943,750	1,561,846,535	502,391,856	4,666,396,991	
Net profit for the year 2012	-	-	-	235,395,819	64,794,408	300,190,227	
Transfer to statutory reserve	-	57,640,842	-	(57,640,842)	-	-	
Issue of right share	-	-	-	-	240,000,000	240,000,000	
Issue of bonus share (2011)	649,801,150	-	-	(649,801,150)	-	-	
Payment of dividend (2011)	-	-	-	-	(100,000,000)	(100,000,000)	
Balance as at 31 December 2012	2,274,304,030	813,352,812	221,943,750	1,089,800,362	707,186,264	5,106,587,218	

Balance Sheet

as at 31 December

(Figures in Taka)	2013	2012	Notes
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)	40,000	40,000	
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	117,852,644	204,147,495	
Total cash	117,892,644	204,187,495	4 Page 195
Balance with other banks and financial institutions			
In Bangladesh	498,023,350	743,337,530	
Outside Bangladesh	-	-	
Total balance with other banks and financial institutions	498,023,350	743,337,530	5 Page 196
Money at call and on short notice	-	-	
Investments			
Government	-	-	
Others	656,713,636	819,270,974	
Total investments	656,713,636	819,270,974	6 Page 197
Loans, advances and leases			
Loans, advances and Leases etc.	10,778,958,556	9,751,352,472	
Bills purchased and discounted	-	-	
Total loans, advances and leases	10,778,958,556	9,751,352,472	7 Page 199
Fixed assets including premises, furniture and fixtures	320,660,693	324,157,058	8 Page 206
Other assets	2,922,413,264	2,779,745,191	9 Page 207
Non - business assets	-	-	
Total assets	15,294,662,144	14,622,050,721	
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	2,728,975,100	2,795,522,546	10 Page 209
Deposits and other accounts			
Current and other accounts	-	-	
Bills payable	-	-	
Savings accounts	-	-	
Term deposits	6,770,963,595	5,614,795,490	11 Page 210
Bearer certificates of deposit	-	-	
Other deposits	-	-	
Total deposits and other accounts	6,770,963,595	5,614,795,490	
Other liabilities	1,532,046,607	1,913,111,126	12 Page 211
Total liabilities	11,031,985,302	10,323,429,162	

Balance Sheet - *continued*

(Figures in Taka)	2013	2012	Notes
Capital/ shareholders' equity			
Paid up capital	2,729,164,830	2,274,304,030	13 Page 215
Statutory reserve	851,649,949	813,352,812	14 Page 217
Other reserves	-	-	
Retained earnings	459,918,313	989,020,968	15 Page 217
Revaluation reserve	221,943,750	221,943,750	
Total shareholders' equity	4,262,676,842	4,298,621,560	
Total liabilities and shareholders' equity	15,294,662,144	14,622,050,721	

OFF-BALANCE SHEET ITEMS

Contingent liabilities			34 Page 224
Acceptances and endorsements	-	-	
Letters of guarantee	-	-	
Irrevocable letters of credit	-	-	
Bills for collection	-	-	
Other contingent liabilities	-	-	
Total contingent liabilities	-	-	
Other commitments			
Documentary credits and short term trade-related transactions	-	-	
Forward assets purchased and forward deposits placed	-	-	
Undrawn note issuance and revolving underwriting facilities	-	-	
Undrawn formal standby facilities, credit lines and other commitments	-	-	
Total other commitments	-	-	
Total off-balance sheet items including contingent liabilities	-	-	

Notes:

The annexed notes 01 to 57 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 01 March, 2014 and were signed on its behalf by:

			
Company Secretary	Managing Director	Director	Chairman

Signed in terms of our separate report of even date annexed

Dated: Dhaka
01 March 2014


A. Qasem & Co.
Chartered Accountants

Profit and Loss Account

for the year ended 31 December

(Figures in Taka)	2013	2012	Notes
Interest income	1,429,192,550	1,320,827,593	17 Page 218
Interest paid on deposits, borrowings etc.	(1,307,931,093)	(1,294,122,447)	18 Page 218
Net interest income	121,261,457	26,705,146	
Investment income	56,922,245	260,702,413	19 Page 219
Fees, commission, exchange and brokerage	8,631,372	1,475,779	20 Page 219
Other operating income	311,600,980	231,976,984	21 Page 219
	377,154,597	494,155,176	
Total operating income (A)	498,416,054	520,860,322	
Salaries and other employee benefits	116,779,213	88,008,807	22 Page 220
Rent, taxes, insurance, electricity etc.	16,740,742	7,618,990	23 Page 220
Legal expenses	2,493,683	557,226	
Postage, stamp, telecommunication etc.	3,389,519	2,027,666	24 Page 220
Stationery, printing, advertisements etc.	9,190,778	8,237,675	25 Page 221
Managing Director's salary and fees	5,400,000	5,400,000	
Directors' fees	915,000	565,000	26 Page 221
Auditors' fees	287,500	230,000	27 Page 221
Depreciation and repair of assets	7,168,788	7,311,511	28 Page 222
Other expenses	15,733,016	18,249,239	29 Page 222
Total operating expenses (B)	178,098,239	138,206,114	
Profit before provision (C=A-B)	320,317,815	382,654,208	
Provision for loans, advances and leases			
General provision	(9,289,051)	38,529,899	12.1 Page 212
Specific provision	99,721,181	62,825,574	12.1 Page 212
Provision for diminution in value of investment	7,500,000	(46,905,473)	12.2 Page 212
Total provision (D)	97,932,130	54,450,000	
Total profit before tax (C-D)	222,385,685	328,204,208	
Provision for taxation			
Current	30,900,000	40,000,000	12.4 Page 213
Deferred	-	-	
	30,900,000	40,000,000	
Net profit after tax	191,485,685	288,204,208	

Profit and Loss Account - *continued*

(Figures in Taka)	2013	2012	Notes
Appropriations			
Statutory reserve	38,297,137	57,640,842	14 Page 217
General reserve	-	-	
Proposed cash dividend	409,374,725	227,430,403	
Proposed stock dividend	-	454,860,800	
Weighted average no. of outstanding shares	272,916,483	272,916,483	
Earnings per share (restated)	0.70	1.06	33 Page 223

Notes:

The annexed notes 01 to 57 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 01 March, 2014 and were signed on its behalf by:

			
Company Secretary	Managing Director	Director	Chairman

Signed in terms of our separate report of even date annexed

Dated: Dhaka
01 March 2014


A. Qasem & Co.
Chartered Accountants

Cash Flow Statement

for the year ended 31 December

(Figures in Taka)	2013	2012	Notes
A. OPERATING ACTIVITIES			
Interest receipts	1,740,269,999	1,288,855,163	
Interest payments	(1,009,360,053)	(1,035,081,223)	
Fees and commission receipts	8,631,372	1,475,778	
Dividend receipts	26,185,926	167,448,183	
Capital gains from sale of listed shares	30,736,319	93,254,230	
Cash payments to employees	(50,980,763)	(48,580,224)	
Cash payments to suppliers and management expenses	(147,796,638)	(122,734,011)	
Income taxes paid	(165,989,342)	(190,869,887)	
Receipts from other operating activities	295,563,454	411,396,045	31 Page 223
Payments for other operating activities	(5,869,600)	(1,534,100)	32 Page 223
Cash generated before changes in operating assets and liabilities	721,390,674	563,629,954	
Increase/ (decrease) in operating assets and liabilities			
Net loans and advances to customers	(1,516,113,588)	(856,166,743)	
Loans and deposits from banks and other customers	854,105,788	347,247,970	
Cash generated from operating assets and liabilities	(662,007,800)	(508,918,773)	
Net cash generated from operating activities	59,382,874	54,711,181	
B. INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(4,206,514)	(7,711,885)	
Disposal of fixed assets	2,732,089	-	
Advance for purchase of vehicles	-	-	
Sale of securities	1,095,806,114	1,035,675,084	
Investment in securities	(1,507,835,898)	(847,724,748)	
Investment in Prime Finance 1st Mutual Fund	-	-	
Investment in Prime Finance AMCL	-	-	
Investment in PFI Securities Ltd.	-	10,000,000	
Investment in Prime Finance Capital Management Ltd.	249,942,708	119,500,000	
Investment in PFI Properties Ltd.	-	-	
Investment in Prime Prudential Fund Ltd.	-	-	
Net cash used in investing activities	(163,561,501)	309,738,451	
C. FINANCING ACTIVITIES			
Dividend paid	(227,430,404)	-	
Issuance of shares	-	-	
Net cash used in financing activities	(227,430,404)	-	
D. Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(331,609,031)	364,449,632	
E. Effects of exchange rate changes on cash and cash equivalents	-	-	
F. Cash and cash equivalents at beginning of the year	947,525,025	583,075,393	
G. Cash and cash equivalents at end of the year (D+E+F)	615,915,994	947,525,025	
Cash and cash equivalents at end of the year represents			
Cash in hand (including foreign currencies)	40,000	40,000	
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	117,852,644	204,147,495	
Balance with other banks and financial institutions	498,023,350	743,337,530	
	615,915,994	947,525,025	
Supplemental schedule for non-cash financing activities			
Bonus share issued (2012 and 2011 respectively)	454,860,800	649,801,150	

Statement of Changes in Equity

for the year ended 31 December

(Figures in Taka)

Particulars	Paid up capital	Statutory reserve	Other reserve	Retained earnings	Total
Balance as at 1 January 2013	2,274,304,030	813,352,812	221,943,750	989,020,968	4,298,621,560
Net profit for the year 2013	-	-	-	191,485,685	191,485,685
Transfer to statutory reserve	-	38,297,137	-	(38,297,137)	-
Issue of bonus share (2012)	454,860,800	-	-	(454,860,800)	-
Payment of cash dividend (2012)	-	-	-	(227,430,403)	(227,430,403)
Balance as at 31 December 2013	2,729,164,830	851,649,949	221,943,750	459,918,313	4,262,676,842
Balance as at 1 January 2012	1,624,502,880	755,711,970	221,943,750	1,408,258,752	4,010,417,352
Net profit for the year 2012	-	-	-	288,204,208	288,204,208
Transfer to statutory reserve	-	57,640,842	-	(57,640,842)	-
Issue of bonus share (2011)	649,801,150	-	-	(649,801,150)	-
Payment of cash dividend (2011)	-	-	-	-	-
Balance as at 31 December 2012	2,274,304,030	813,352,812	221,943,750	989,020,968	4,298,621,560

Liquidity Statement (Assets and Liabilities maturity analysis)

as at 31 December 2013

(Figures in Taka)

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets						
Cash	117,892,644	-	-	-	-	117,892,644
Balance with other banks and financial institutions	78,023,350	150,000,000	270,000,000	-	-	498,023,350
Money at call and on short notice	-	-	-	-	-	-
Investments	18,742,311	21,940,574	102,568,044	411,363,952	102,098,754	656,713,636
Loans, advances and leases	547,754,408	3,123,263,225	3,268,523,223	3,802,784,834	36,632,866	10,778,958,556
Fixed assets including premises, furniture and fixtures	-	-	-	-	320,660,693	320,660,693
Other assets	732,605,418	199,876,211	291,426,498	-	1,698,505,137	2,922,413,264
Non banking assets	-	-	-	-	-	-
Total assets (A)	1,495,018,132	3,495,080,010	3,932,517,765	4,214,148,787	2,157,897,450	15,294,662,144
Liabilities						
Borrowings from other banks, financial institutions and agents	528,080,140	919,401,157	810,265,808	463,911,495	7,316,500	2,728,975,100
Deposits	515,008,926	1,996,295,149	2,126,351,943	2,116,794,082	16,513,495	6,770,963,595
Provision and other liabilities	307,129,321	382,786,652	505,278,382	183,737,593	153,114,659	1,532,046,607
Total liabilities (B)	1,350,218,387	3,298,482,958	3,441,896,133	2,764,443,170	176,944,654	11,031,985,302
Net liquidity gap (A - B)	144,799,745	196,597,052	490,621,632	1,449,705,617	1,980,952,796	4,262,676,842

Notes to the Financial Statements

As at and for the year ended 31 December 2013

1. REPORTING ENTITY

1.1 Corporate information

Prime Finance & Investment Limited (Prime Finance) is a non-banking financial institution domiciled in Bangladesh. The Company was incorporated in Bangladesh in March 1996, as a public limited company under the Companies Act 1994. Prime Finance started commercial operation in the year 1996, obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. Prime Finance also obtained license from the Bangladesh Securities & Exchange Commission (BSEC) in July 1999, to operate in the capital market as a full-fledged Merchant Bank. The Company was listed with the stock exchanges in 2005.

The registered office of the Company is located at 63 Dilkusha C.A., Dhaka-1000. The operations of the company are being carried out through its four branches located in Motijheel, Gulshan, Chittagong and Rajshahi.

1.2 Principal activities and nature of operations

The activities of the Company encompass a wide range of services, broadly classified as fund based activities, depository custody, investment etc. The Company also offers diversified deposit schemes as well.

Fund based activities

Fund based activities include lease finance, term finance, real estate finance, SME finance, hire purchase, bridge finance, bill discounting, factoring, margin loan, green finance etc.

Depository Custody Participant

Prime Finance & Investment Limited registered with the Bangladesh Securities & Exchange Commission (BSEC) to act as Custody Participant of Central Depository of Bangladesh Limited (CDBL). Under this license, Prime Finance is eligible to provide its clients the following services by maintaining and operating custody accounts:

- Safe keeping of securities of its clients;
- Collecting dividends, bonus shares etc. on behalf of its clients and depositing the same to their accounts;
- Collecting information of corporate declarations like rights issue, conversion of bond etc. and updating the account holders;

- Maintaining ledger and other documents of securities and fund of the account holders.
- Prime Finance can operate Clearing Accounts of stockbrokers or stock dealers also.

Deposit schemes

Prime Finance offers various deposit schemes to cater the deposit from the valued customers. Deposit schemes include Annual Income Deposit, Double Money Deposit, Triple Money Deposit, Cumulative Income Deposit, Monthly Income Deposit, Earn Ahead Deposit, Priority Fixed Deposit, Doctor's Fixed Deposit, Professional Fixed Deposit, Housing Deposit, Fortune Deposit etc.

Investments

Prime Finance is also involved in investment in secondary market through listed and non-listed securities. Another part of investment includes investment through treasury line both in short and long form.

1.3 Information regarding subsidiary and associate companies

As on 31 December 2013 Prime Finance has only 01 (one) subsidiary company to include for preparation of consolidated financial statements as per Bangladesh Financial Reporting Standard: 10 'Consolidated Financial Statements'. However, as on 31 December 2013 Prime Finance has 03 (three) associate companies. The results of operations of the associates have been included in these financial statements following the equity method as per Bangladesh Accounting Standard: 28 Investment in associates. A brief description of the companies is described below:

1.3.1 Prime Finance Capital Management Limited (Subsidiary Company)

Prime Finance Capital Management Limited is a public limited company incorporated on 18 March 2010 in Bangladesh under the Companies Act 1994. The main objectives of the company are to carry on business of merchant banking. Prime Finance holds 60 percent shares in the company. Out of 13 (thirteen) directors, 03 (three) directors have been nominated from Prime Finance.

1.3.2 PFI Securities Limited (Associate Company)

Prime Finance provides share trading services through its 46.1538 percent owned associated

brokerage company - PFI Securities Limited. PFI Securities Limited is engaged in buying and selling of securities for its customers. It also extends margin loan to its customers against their margin for investment in the listed securities. The required margin level is monitored daily and pursuant to established guidelines, customers are required to deposit additional margin to reduce the position, where necessary. As Prime Finance owns 46.1538 percent of the voting shares of PFI Securities Limited and does not otherwise have the control, it is not a subsidiary. Out of 11 (eleven) directors, 03 (three) directors have been nominated from Prime Finance to represent in the Board of the company.

1.3.3 Prime Finance Asset Management Company Limited (Associate Company)

Prime Finance Asset Management Company Limited was incorporated in Bangladesh on 09 June 2008 as a public limited company incorporated under the Companies Act 1994. The objective of the company is to manage the assets of any Trust or Fund of any type and/or character and hold, acquire, sell or deal in such asset or any trust funds, take part in the management of any mutual fund operation. Operate, conduct, accomplish and establish services for industrial trading and commercial activities, invest funds in shares and securities, carry on business, and act as financial and monetary agent and merchandise shares and other securities. The company has received license from the Bangladesh Securities & Exchange Commission on 18 March 2009. Prime Finance owns 49% shares in the company. At present there are 08 (eight) directors exists in the Board of the company.

1.3.4 Prime Prudential Fund Limited (Associate Company)

Prime Prudential Fund Limited is a public limited company incorporated on 16 July 2009 in Bangladesh under the Companies Act 1994. The main objectives of the company are to manage funds of the company and its investors and provide other financial services including corporate advisory services, merger & acquisition, equity investment, joint venture sourcing and consummation, corporate restructuring, financial and socio-economic consultancy, corporate research and project studies, privatization and other related services in home and abroad. Prime Finance owns 40%

shares in the company. Out of 09 (nine) directors, 03 (three) directors have been nominated from Prime Finance to represent in the Board of the company.

2. BASIS OF PREPARATION

The financial statements are prepared on the historical cost basis and therefore, did not take into consideration the effect of inflation. The financial statements have been prepared and the disclosures of information have been made in accordance with the DFIM circular no. 11 dated 23 December 2009 and requirement of the Financial Institutions Act, 1993, the Companies Act, 1994, the Securities and Exchange Rules, 1987, the Listing Rules of Dhaka Stock Exchange and Chittagong Stock Exchange, Guidelines from Bangladesh Bank, Bangladesh Accounting Standards (BASs), Bangladesh Financial Reporting Standards (BFRSs) and other applicable laws and regulations.

In the year 2009, Bangladesh Bank promulgated DFIM circular no. 11 dated 23 December 2009 suggesting uniform presentation and disclosure requirement within the industry. As a result, we compromised with the usual presentation of the financial statements.

There are some areas where application of BAS and BFRS differs from the application suggested by the Bangladesh Bank through DFIM circulars. As Bangladesh Bank is our primary regulator; we are required to follow the guidelines of Bangladesh Bank. At the same time we are also required to follow the guidelines issued by the Bangladesh Securities & Exchange Commission (BSEC). For mitigating presentation and disclosure conflict, we prepared the financial statements following DFIM circulars and present separate disclosure where deviations exists.

2.1 Responsibility for financial statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statement of the Company as per the provision of the Companies Act 1994. The Board of Directors acknowledges this responsibility as set out in the 'Annual Report - 'Statement of Directors Responsibility'', Balance Sheet and Profit & Loss Account.

These Financial Statements includes the following component:

Notes to the Financial Statements - *continued*

- Balance Sheet providing the information on the financial position of the Company as at the year end.
- Profit and Loss Account providing the information on the financial performance of the Company for the year under review.
- Cash flow Statement providing the information to the users on the ability of the Company to generate cash & cash equivalents and the utilization of those cash flows.
- Statement of Changes in Equity depicting all changes in shareholders' equity during the year under review.
- Notes to the Financial Statements comprising accounting policies used for preparation of these financial statements and other notes.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the prevailing circumstances. Actual result could differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of the accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets and provisions for loans/leases. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

2.3 Risk and uncertainty for use of estimates

The preparation of financial statements in conformity with Bangladesh Accounting Standards (BASs) requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses,

assets and liabilities, and disclosure requirements for contingent assets and liabilities during and the date of the financial statements. These financial statements contained information about the assumptions it made about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets, liabilities, income and expenses within the next financial year.

In accordance with the guidelines as prescribed by Bangladesh Accounting Standard 37: Provisions, Contingent Liabilities and Contingent Assets, provisions are recognized in the following situations:

- When the Company has an obligation as a result of past events;
- When it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Reliable estimate can be made of the amount of the obligation.

2.4 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by Bangladesh Accounting Standards 1: Presentation of Financial Statements.

2.5 Offsetting

Assets and Liabilities and income and expenses are not set-off unless permitted by the Bangladesh Accounting Standards (BASs).

2.6 Statement of compliance

The financial statements of Prime Finance include the Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Liquidity Statement and Notes to the financial statements. These financial statements are required to be prepared and presented within a framework of rules and guidelines - some mandatory and some recommendatory. The Companies Act, 1994 requires the production of the following as a part of the annual report:

Notes to the Financial Statements - *continued*

- a) Board of Directors' report
- b) Auditors' report
- c) Balance sheet and
- d) Profit and loss account

In addition to the above, the Securities and Exchange Rules, 1987 (as amended in 1997) requires the production of a Cash Flow Statement and Statement of Changes in Shareholders' Equity as a part of the Annual Report. The Companies Act, 1994 provides basic requirements for accounting and reporting applicable to all companies incorporated in Bangladesh. The Bangladesh Securities & Exchange Commission (BSEC) regulates financial reporting practices of listed companies. Listed companies are required to comply with BSEC's accounting and disclosure requirements. The Rules 1987 as amended in 1997, requires

listed companies to follow Bangladesh Accounting Standards (BASs)/ Bangladesh Financial Reporting Standards (BFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

These financial statements have been prepared and presented in accordance with the approved accounting and reporting standards as applicable in Bangladesh. Approved accounting standards comprise of International Accounting standards (IASs) and International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). As of 31 December 2013, status and applicability of Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs) in the case of Prime Finance are as under:

No. of BAS	Title of the BAS	Applicability	Remarks
	Framework	Applied	
BAS 1	Presentation of Financial Statements	Applied	See note 55
BAS 2	Inventories	N/A	
BAS 7	Statements of Cash Flows	Applied	
BAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Applied	
BAS 10	Events after the Reporting Period	Applied	See note 46
BAS 11	Construction Contracts	N/A	
BAS 12	Income Taxes	Applied	See note 12.4
BAS 14	Segment Reporting	N/A	Superseded by BFRS 8
BAS 16	Property, Plant and Equipment	Applied	See note 8
BAS 17	Leases	Applied	See note 7.1 & 7.2
BAS 18	Revenue	Applied	See note 17
BAS 19	Employee Benefits	Applied	See note 3.19 & 12.9
BAS 20	Accounting for Government Grants and Disclosure of Government Assistance	N/A	
BAS 21	The Effects of changes in Foreign Exchange Rates	Applied	See note 47
BAS 23	Borrowing Costs	Applied	See note 3.14
BAS 24	Related Party Disclosures	Applied	See note 37
BAS 26	Accounting and Reporting by Retirement Benefit Plans	Applied	
BAS 27	Separate Financial Statements	Applied	
BAS 28	Investments in Associates	Applied	See note 9.1
BAS 29	Financial Reporting in Hyperinflationary Economies	N/A	

Notes to the Financial Statements - *continued*

No. of BAS	Title of the BAS	Applicability	Remarks
BAS 31	Interests in Joint Venture	N/A	Superseded by BFRS 11
BAS 32	Financial Instruments: Presentation	Applied	See note 56
BAS 33	Earnings Per Share	Applied	See note 33
BAS 34	Interim Financial Reporting	Applied	See note 52
BAS 36	Impairment of Assets	Applied	See note 3.23
BAS 37	Provisions, Contingent Liabilities and Contingent Assets	Applied	See note 3.16 & 3.17
BAS 38	Intangible Assets	Applied	See note 3.11
BAS 39	Financial Instruments: Recognition and Measurement	Applied	See note 56
BAS 40	Investment Property	N/A	
BAS 41	Agriculture	N/A	

No. of BFRS	Title of the BFRS	Applicability	Remarks
BFRS 1	First time adoption of BFRS	N/A	
BFRS 2	Share Based Payment	N/A	
BFRS 3	Business Combinations	N/A	
BFRS 4	Insurance Contracts	N/A	
BFRS 5	Non-current Assets Held for Sale & Discontinued Operations	N/A	
BFRS 6	Exploration for and Evaluation of Mineral Resources	N/A	
BFRS 7	Financial Instruments: Disclosures	Applied	See note 56
BFRS 8	Operating Segments	Applied	See note 35
IFRS 9	Financial Instruments	N/A	Not yet adopted by ICAB (Under review process)
BFRS 10	Consolidated Financial Statements	Applied	
BFRS 11	Joint Arrangements	N/A	
BFRS 12	Disclosure of Interests in Other Entities	N/A	
BFRS 13	Fair Value Measurement	N/A	

2.7 Consistency

In accordance with the BFRS framework for the presentation of financial statements together with BAS 1 and BAS 8, Prime Finance applies the accounting disclosure principles consistently from one period to the next. Where selecting and applying new accounting policies, changes in accounting policies applied, correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS 8. We however have applied

the same accounting and valuation principles in 2013 as in financial statements for 2012.

2.8 Segment reporting

In line with BFRS 8: Operating Segments, an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components, whose operating results

are regularly reviewed by the entity's chief operating decision maker to make decision about resources to be allocated to the segment and assess its performance for which discrete financial information is available.

A segment is a distinguishable component of the company that engaged in providing different types of products and services, which is subject to requirement by local regulatory authority. The Bangladesh Securities & Exchange Commission (BSEC) has directed to all banks and financial institutions to separate Merchant Banking Unit by forming a new company. Accordingly Prime Finance has separated its Merchant Banking operation effective from 1st of January 2011.

The Company provides different nature of services through its subsidiary and associate companies. Prime Finance Capital Management Limited as subsidiary company provides Merchant Banking services, where Prime Finance itself provides financing services. Merchant Banking operations include managing IPOs, underwriting of securities, management of investors' portfolio and other financial advisory services. Operating results of merchant banking operation have been presented separately as well as consolidated with that of the results of income from financing operations.

2.9 Basis of consolidation

The financial statements of the company and its subsidiaries have been consolidated in accordance with Bangladesh Financial Reporting Standard 10: Consolidated Financial Statements. The consolidation of the financial statement has been prepared by using uniform accounting policies and after eliminating all material intra group balances, income and expenses arising from intra-group transactions.

The total profits of the company and its subsidiaries are shown in the consolidated profit and loss account with the proportion of profit after taxation pertaining to minority shareholders being deducted as 'Non-controlling Interest'. All assets and liabilities of the company and of its subsidiary are shown in the consolidated balance sheet. The interest of minority shareholders of the subsidiary are shown separately in the consolidated balance sheet under the heading 'Non-controlling Interest'.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Lease Operations

Under Bangladesh Accounting Standard 17: Leases, lease operations are divided into finance leases and operating leases. Unlike operating lease, a finance lease is a lease that transfers substantially all the risks and rewards to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Prime finance as a lessor

Under finance leases, Prime Finance recognizes the leased assets in the balance sheet as investment in lease assets at an amount equal to the net investment in the lease. The lease payments are broken down into the finance charge and the redemption payment. The redemption payment reduces the amount of the outstanding liability (net investment); the finance charge is treated as interest income. Interest and similar income is recognized on the basis of a constant, periodic rate of return relating to the net investment outstanding.

In contrast, assets held under operating leases are recognized and valued using the same principles as property, plant and equipment. Prime Finance does not hold any property under operating lease.

Prime finance as a lessee

Under finance lease, the asset is recognized as property, plant and equipment, and the obligation as a liability. Each asset is stated at the lower of the following two values: either the fair value of the lease asset at the inception of the lease or the present value of the minimum lease payments whichever is lower. In calculating the present value of the minimum lease payments, the interest rate implicit in the lease is applied.

Lease payments relating to finance leases are broken down into two components: the finance charge and the redemption payment. The redemption payment reduces the residual liability and the finance charges are shown as interest expenses.

3.2 Hire Purchase Receivables

We classify advances granted under agreements that transfer substantially all the risks and rewards associated with ownership other than legal title, as hire purchase receivables. Amount receivable under hire purchases net of unearned interest and provision for impairment is shown as Hire Purchases Receivable.

3.3 Term finance and other finance

Such investments are stated at un-amortized amount. The recovery of principal amount is amortized and the carrying amount is adjusted with the principal recovery and stated at un-amortized principal amount.

Investments are classified as non-accrual when there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Whenever a payment is 03 (three) months past due, investments are classified as non-accrual even if they are fully secured and collection efforts are reasonably expected to result in repayment within 06 (six) months.

When loans/leases are identified as non-accrual, the recognition of accrued interest is discontinued and credited to interest suspense account. Interest received on non-accrual investments are credited to profit & loss account on cash basis. Non-accrual investments are returned to performing status when required amounts including interest need to classify as regular has been collected.

3.4 Margin loan

Prime Finance extends margin loan to the portfolio investors through its subsidiary, at an agreed ratio (between investors deposit and loan amount) of purchased securities against the respective investor account. Investors are to maintain the margin as per set rules and regulations. The margin is monitored on daily basis as it changes due to change in market price of shares. If the margin falls below the minimum requirement, the investors are required to deposit additional fund to maintain the margin as per rules otherwise the securities are sold to bring the margin loan to the required level.

3.5 Investments in subsidiary and associates

A subsidiary is an entity in which the company has control as per as shareholding (more than 50 percent) or voting right is concerned. As on the reporting date Prime Finance has one subsidiary company named 'Prime Finance Capital Management Limited'. Consolidated financial statements have been prepared for investment in subsidiary as per Bangladesh Financial Reporting Standard 10 "Consolidated Financial Statements". Interest of the minority shown as 'non-controlling interest' as separate line item of the shareholders equity which includes share capital of non-controlling portion as well as profit earned that goes to the minority.

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. The Company's investment in associates is accounted for in the financial statements using the Equity Method in accordance with Bangladesh Accounting Standard 28: Accounting for investment in associates. Such investments are classified as other assets in the balance sheet and the share of profit/loss of such investment is classified under other operating income in the profit and loss account.

Recognition of income on the basis of distributions received from associates may not be an adequate measure of the income earned by the company on an investment in an associates because the distributions received may bear little relation to the performance of the associate. As the company has significant influence over the associates, the company has an interest in the associates performance and, as a result the return on investment. The company's accounts for this interest by extending the scope of its financial statements to include its share of profit/loss of such an associate. As a result, application of the equity methods provides more informative reporting of the net assets and profit or loss of the investor.

3.6 Investment in securities

Investment in securities are classified broadly in two categories and accounted for as under:

Investment in listed securities:

Investments in listed securities are carried at cost. Adequate provision has been made considering total market price and cost price of securities on net basis as guided by Bangladesh Bank. Unrealized gains or losses are not recognized in the profit and loss account.

Investment in unlisted securities:

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

3.7 Receivables

Accounts receivables

The main item includes rentals/installments due from the clients but not received. No such receivables are accounted for if the loans are classified as bad and loss. Receivables carry interest for the periods for which the delay

continues in payments of the amounts due from the clients continues. Such interest is not recognized as income until it is received in cash. Receivables from clients are stated at their nominal value.

Other receivables

Other receivables includes mainly receivable from IDCP (Interest During Construction Period) and interest receivable. These receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balance with Bangladesh Bank and its agent bank, and balance with other banks and financial institutions.

3.9 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following bases:

- a) Balance with other banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term.
- b) Investments are on the basis of their respective maturity.
- c) Loans, advances and leases are on the basis of their repayment schedule.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their realization/amortization.
- f) Borrowings from other banks, financial institutions and agents are as per their maturity/ repayment terms.
- g) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.
- h) Provisions and other liabilities are on the basis of their payment/ adjustments schedule.

3.10 Fixed assets including premises, furniture and fixtures

Freehold assets

The cost of an item of property, plant and equipment is recognized as an asset if, and only if, it is probable that the future economic benefits

associated with the item will flow to the company and the cost of the item can be measured reliably. Property, plant and equipment are stated at cost less accumulated depreciation in compliance with the Bangladesh Accounting Standard 16: Property, Plant and Equipment. The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes if any.

Pre-operating expenses and borrowing cost

In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalized. Expenses capitalized also include applicable borrowing cost considering the requirement of BAS 23: Borrowing Costs.

Subsequent expenditure

The company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable, that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repair and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the fixed assets, the expenditure is capitalized as an additional cost of the assets. All other costs are recognized to the profit and loss account as expenses. All up-gradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

Disposal of fixed assets including premises, furniture and fixtures

On disposal of fixed assets, the cost and accumulated depreciation are eliminated and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sales proceeds.

Depreciation on fixed assets including premises, furniture and fixtures

Depreciation of an asset begins when the asset is available for use. Depreciation is provided for the period in use of the assets. Full month's

depreciation has been charged on additions irrespective of date when the related assets are put into use and no depreciation is charged for the month of disposal. Depreciation is provided at the following rates on straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets:

Motor vehicles	20% per annum
Electric equipment	20% per annum
Furniture & fixtures	15% -20% per annum
Office decoration	20% per annum

3.11 Intangible asset Components

The main item included in intangible asset is software.

Basis of recognition

An Intangible Asset shall only be recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with BAS 38: Intangible Assets. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortization.

Subsequent expenditure

Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization

Intangible asset is valued at amortized cost and written down within 5 to 10 years.

3.12 Merchant Bank operation

As stipulated in the Bangladesh Securities & Exchange Commission (Merchant Banker and Portfolio Manager) Rules, 1996, the services of issue management, portfolio management, underwriting of shares and securities and advisory services fall under the purview of Merchant Banking operation. Accordingly, profit and loss account of Merchant Banking operation includes income under the heads stated above. Prime Finance & Investment Limited has established separate company named Prime Finance Capital Management Limited for its Merchant Banking Operation as required by the Bangladesh Securities & Exchange Commission (BSEC).

3.13 Bank loans

Interest bearing bank loans are recorded at the proceeds received. Interest on bank loans is accounted for on an accrued basis to profit and loss account under the head of financial expense at the implicit rate of interest. The accrued expenses are not added to carrying amounts of the loans.

3.14 Borrowing costs

In line with Bangladesh Accounting Standard 23: Borrowing Costs, all borrowing costs are recognized in the profit and loss account in the period in which they are incurred. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. Prime Finance capitalize borrowing costs that are directly attributable to the acquisition of a qualifying asset as part of the cost of the asset and recognize other borrowing costs as an expense in the period in which it incurs them.

3.15 Accrued expenses and other payables

Liabilities are recognized for the goods and services received, whether paid or not for those goods and services. Payables are not interest bearing and are stated at their nominal value.

3.16 Provisions

Provisions are recognized when Prime Finance has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. The company recognizes those as provision in accordance with BAS 37: Provisions, Contingent Liabilities and Contingent Assets.

3.17 Provision for doubtful losses

The provision for doubtful losses is maintained at a level that management considers adequate to absorb identified credit related losses in the portfolio as well as losses that have been incurred but are not yet identifiable. The provision is increased by the provision for doubtful losses, which is charged to profit and loss account, and decreased by the amount of write-offs, net of reverses.

The provision is determined based on management's identification and evaluation of problem accounts, estimated probable losses that

exist on the remaining portfolio and on other factors including the composition and quality of the portfolio and changes in economic condition.

The provision is estimated based on two principles: 1. Bangladesh Accounting Standard 37: Provisions, contingent liabilities and contingent assets, and 2. Bangladesh Bank guidelines. Methodology for measuring the appropriate level of the provision relies on several key elements, which include both quantitative and qualitative factors as set forth in the Bangladesh Bank guidelines. FID circular 08 dated August 03, 2002 and subsequent up-dation by Bangladesh Bank in this regard is the basis for calculating the provision for doubtful losses.

3.18 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years or are never taxable or deductible. Company's liability for current tax is calculated using tax rates that have been enacted the balance sheet date.

b. Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilized.

Deferred tax is calculated at the tax rates, which are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit and loss account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and Prime Finance intends to settle its current tax assets and liabilities on a net basis.

3.19 Employees benefit plans

Prime Finance offers a number of benefit plans which includes contributory provident fund, gratuity plan, pension scheme, death and disability plan, hospitalization benefit including annual health check-up and maternity benefit. The accounting and disclosure for employee benefits are made in accordance with Bangladesh Accounting Standard 19: Employee Benefits.

a. Contributory provident fund

The Company operates a contributory provident fund for its permanent employees. The fund is approved by the National Board of Revenue (NBR), administered separately by a Board of Trustees and is funded by equal contribution from the Company and the employees. This fund is invested separately from the Company's assets.

b. Gratuity scheme

Prime Finance has a funded gratuity for all eligible employees who have completed minimum 5 (five) years of continuous service with the Company. This scheme was approved by the National Board of Revenue (NBR) and is administered by an independent Board of Trustee. This fund is invested separately from the Company's assets. Required amount of gratuity is calculated on the basis of last basic depending on the length of service for every completed year as well as proportionate to the fraction period of service as of the end of the respective financial year.

c. Funded pension scheme

Prime Finance has a funded pension scheme for employees who complete 10 years of service length. Obligation for contribution is recognized as expenses in the profit and loss account as incurred.

d. Hospitalization and other benefit plans

In addition to the above core benefit schemes Prime Finance also offers hospitalization benefit, annual health check up benefit and death & disability benefit. Prime Finance as part of its key strategy offers attractive bonus considering the pre tax profits, earnings per share and the return on average shareholders equity.

Prime Finance contributes funds to the plans and cost is accounted for in the period to which it relates. An actuarial valuation has been performed to determine the present value of the accrued benefits. Actuarial report support that provision made against above-mentioned funds is adequate.

e. Employee home loan

To secure long-term commitment of deserving employees Prime Finance introduced 'PFI Employees Home Loan Policy 2008'. An employee served the company for continuous period of at least five years (3 years for the employees started from the position of AVP and above) is entitled to avail loan to purchase residential apartment, purchase of land and construction of house thereon etc. Interest rate of the loan is bank rate plus 1.5 percent.

f. Employee transport assistance scheme

Prime Finance provides car as well as car loan facility to the employee as per Transport Assistance Policy. Company provides full time car to the employees from the position of Senior Vice President. Employees in the position of Assistance Vice President and Vice President are entitled to avail interest free car loan facility. In addition to above facility the company provides pick and drop facility to the other employees.

g. Employee furniture and household assistance scheme

Prime Finance provides furniture and household items to all confirmed employees ranking from Assistant Vice President up to Managing Director. The facility is interest free and will be for a period of five years. An executive must serve for three years after availing this facility or he/she must surrender the un-amortized amount to the company.

h. Management of funds

The Board of Trustees administers the funds. Annual contribution to the gratuity and pension fund is based on expected cost to the company.

3.20 Interest suspense account

Accrued interest on lease, term finance, real estate finance, hire purchase agreement classified as Special Mentioned Account, Sub-Standard, Doubtful and Bad loan are not recognized as income rather transferred to interest suspense accounts as complied with Bangladesh Bank guidelines. Recovery of overdue credited to interest suspense account is recognized as income on cash basis.

3.21 Revenue recognition

Revenue is recognized in accordance with Bangladesh Accounting Standard 18: Revenue Recognition, unless otherwise mentioned or otherwise guided by the separate BAS/ BFRS.

a. Lease income

The excess of gross lease rentals receivable over the cost of the leased assets constitutes the total unearned income at the commencement of the execution of lease. This income is allocated over the period of lease that reflects a constant periodic return on the net investment. The pattern of the periodic return is, however, differs in case of structured lease finance depending on the structure of the particular lease contract. Income is recognized when it is earned, i.e. income on due installments on unclassified leases irrespective of whether received or not. Income is not taken into profit and loss account when a lease is classified as SMA and above and kept in interest suspense account. Interest on classified lease is accounted for on cash basis.

b. Income from term finance

Interest income on term finance is recognized on accrual basis. Installment comprises both interest and principal. Interest part of the installments that become receivable is recognized as income in the financial statements. Interest on term finance ceases to be taken into income when such term finance are classified as SMA and above and kept in interest suspense account. Interest on classified term finances is accounted for on cash basis.

c. Income from stock on hire

This consists of interest accrued on investment made under stock on hire scheme (hire purchase investment). Income is recognized when the income is earned, i.e. interest on due installments on unclassified advances irrespective of whether received or not. Interest ceases to be taken into income when such investments are classified as SMA and above, and kept in interest suspense account. Interest on classified investment is accounted for on cash basis.

d. Income from real estate finance

Interest income from real estate finance is recognized on accrual basis. Interest portion of the installments that become receivable is recognized as income in the financial statements. Interest on such finance ceases to be taken into income when such finance is classified as SMA and above and kept in interest suspense account. Interest on classified finance is accounted for on cash basis.

e. Income from margin loan

Income from margin loan is recognized on accrual basis. Such income is calculated considering daily margin loan balance of the respective parties. Income is recognized on quarterly rest.

f. Income from secured term finance

Income from secured term finance is recognized on accrual basis.

g. Dividend income

Dividend on ordinary shares

Dividend income from ordinary shares is recognized when the shareholders' legal rights to receive payments have been established i.e. during the period in which dividend is declared in the Annual General Meeting. Dividend declared but not received is recognized as deemed dividend.

Dividend on preference shares

Dividend from preference shares is recognized on cash basis.

h. Share of Income from associates and subsidiary

In accordance with Bangladesh Accounting Standard 28, equity method has been followed to recognize share of income from associates and is presented as a separate item in the Profit & Loss Account of the Company. Any distribution received from the associate reduces the carrying amount of investment. However, consolidated financial statements has been prepared for the subsidiary.

i. Fee based income

Fee based income is recognized on cash basis.

j. Gain on sale of securities

Capital gain on disposal of securities listed in the stock exchanges is recorded on realized basis. i.e. only when the securities are sold in the market. Unrealized capital gains are not accounted for in the profit and loss account.

3.22 Payment of dividend

Interim dividends are recognized when they are paid to shareholders. Final dividend is recognized when it is approved by the shareholders.

The proposed cash dividend is not recognized as a liability in the balance sheet in accordance with the Bangladesh Accounting Standard 10: Events After the Reporting Period. Dividend payable to the Company's shareholders are recognized as a liability and deducted from shareholders equity in the period in which the shareholders right to receive payment is established.

Bangladesh Accounting Standard 1: Presentation of Financial Statements, also requires the dividend proposed after the balance sheet date but before the financial statements are authorized

for issue, be disclosed in the notes to the financial statements. Accordingly, the Company has disclosed the same in the notes to the financial statements.

3.23 Impairment of assets

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment in line with Bangladesh Accounting Standard 36: Impairment of Assets. If any such indication exists, the recoverable amount of assets is estimated. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of an asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss shall be recognized immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another standard. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with the other standard. After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

This standard, among others, also applies to financial assets classified as:

- (a) subsidiaries, as defined in BFRS 10: Consolidated Financial Statements;
- (b) associates, as defined in BAS 28: Investments in Associates

3.24 Related party transactions

All transactions involving related parties arising in normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation models.

3.25 Statutory reserve

Financial Institutions Regulations 1994, section 06 (1) requires NBFIs to transfer 20% of its current year's profit to reserve fund until such reserve equals to its paid up share capital. In conformity with the above requirement, Prime Finance & Investment Limited transfers 20% of net profit to statutory reserve before declaration of dividend.

3.26 Guarantee, commitments and contingencies

Corporate guarantee represents irrevocable assurance that the Company will make payments in the event that a client cannot meet its obligation to third parties. The term of this guarantee is for one year and renewable at the expiry of the term.

In the normal course of operations, the Company provides indemnifications, which are often standard contractual terms to counter parties in transactions such as purchase agreements, service agreements, contract with employees and leasing transactions. This indemnification clause may require us to compensate the counter parties for cost incurred as a result of charges in laws and regulations or litigation claims that may be suffered by the counter party as a consequence of the transaction. The terms of these indemnifications clause vary based upon the contract.

3.27 Litigation

The Company is not a party to any lawsuits except those arising in the normal course of business, which were filed against the default clients for non-performance in loans/leases repayment and against various level of tax authority regarding some disputed tax issues. The Company, however, provides adequate provisions as per guidelines of Bangladesh Accounting Standard 37.

3.28 Earnings per share

The Company calculates Earnings Per Share (EPS) in accordance with Bangladesh Accounting Standard 33: Earnings Per Share, which has been shown on the face of Profit and Loss account, and the computation of EPS is stated in the notes to the financial statements.

a. Basic earnings per share

This represents earnings for the year attributable to ordinary shareholders. As there was no preference dividend or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

b. Diluted earnings per share

Diluted earnings per share reflects the potential dilution that could occur if additional ordinary shares are assumed to be issued under securities or contracts that entitle their holders to obtain ordinary shares in future, to the extent such entitlement is not subject to unresolved contingencies.

Effect of dilution to weighted average number of ordinary shares is given for potential ordinary shares. At 31 December 2013, there was no scope for dilution and hence no diluted EPS is required to be calculated.

c. Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the numbers of days the specific shares were outstanding as a proportion of the total number of days in the year.

3.29 Interim financial reporting

In accordance with Bangladesh Accounting Standard 34: Interim Financial Reporting, publicly traded entities encourages to provide interim financial reports that conform to the recognition, measurement and disclosure principles set out in this standard. Timely and reliable interim financial reporting improves the ability of investors, creditors, and others to understand an entity's capacity to generate earnings and cash flows and its financial condition and liquidity.

Prime Finance apply the same accounting policies in its interim financial statements as are applied in its annual financial statements.

3.30 Uniform accounting policies

The financial statements of Prime Finance & Investment Limited, PFI Securities Limited, Prime Finance Asset Management Company Limited, Prime Prudential Fund Limited and Prime Finance Capital Management Limited have been prepared in accordance with the uniform principles of accounting.

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

Bangladesh Bank is the prime regulatory body for all non-banking financial institutions in Bangladesh. Some requirements of Bangladesh Bank contradict with those of BAS/ BFRS. As such the company has departed from those contradictory requirements of BAS/ BFRS in order to comply with the rules and regulations of Bangladesh Bank, which are disclosed in note no. 54 and 55 of these financial statements.

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
4. CASH		
Cash In hand		
Local currency	40,000	40,000
Foreign currencies	-	-
	40,000	40,000
Balance with Bangladesh Bank		
Local currency	117,852,644	204,147,495
Foreign currencies	-	-
	117,852,644	204,147,495
	117,892,644	204,187,495
4.a Cash (consolidated)		
Prime Finance & Investment Limited	40,000	40,000
Prime Finance Capital Management Limited	5,000	5,000
	45,000	45,000
Balance with Bangladesh Bank:		
Prime Finance & Investment Limited	117,852,644	204,147,495
Prime Finance Capital Management Limited	-	-
	117,852,644	204,147,495
	117,897,644	204,192,495
4.1 Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR)		
Cash Reserve Requirement and Statutory Liquidity Requirement have been calculated and maintained in accordance with Financial Institution Act 1993, Financial Institution Regulations 1994, FID circular no. 06 dated 6 November 2003 and FID Circular no. 02 dated 10 November, 2004.		
Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on total term		
deposits which is preserved in current account maintained with Bangladesh Bank.		
Statutory Liquidity Requirement (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on total term deposit. SLR is maintained in liquid assets in the form of cash in hand (notes & coin in Taka), balance with Bangladesh Bank, other banks and financial institutions, investment at call, unencumbered treasury bill, prize bond, savings certificate and any other assets approved by Bangladesh Bank.		
4.1.1 Cash Reserve Requirement (CRR)		
2.5% of average balance of term deposits		
Required reserve	111,921,613	91,094,000
Actual reserve held	115,890,571	145,573,000
Surplus/ (deficit)	3,968,958	54,479,000
4.1.2 Statutory Liquidity Requirement (SLR)		
5.0% of average liabilities excluding fund from Banks & FIs		
Required reserve	304,501,212	274,399,000
Actual reserve held (4.1.4)	615,915,994	947,525,025
Surplus/ (deficit)	311,414,782	673,126,025
4.1.3 Held for Cash Reserve Requirement (CRR)		
Balance with Bangladesh Bank and its agent bank	117,852,644	204,147,495
	117,852,644	204,147,495
4.1.4 Held for Statutory Liquidity Requirement (SLR)		
Cash in hand	40,000	40,000
Balance with Bangladesh Bank and its agent bank	117,852,644	204,147,495
Balance with other banks and financial institutions (note-5.0)	498,023,350	743,337,530
	615,915,994	947,525,025

Notes to the Financial Statements - *continued*

4.1.5 Cash in hand

Cash in hand represents the amount under imprest system of petty cash to meet petty cash expenses both for head office and branch offices. Under this system the company along with its subsidiary, maintains imprest fund of Taka 45,000. As per Bangladesh Bank guidelines, NBFIL cannot make any cash transaction except petty cash.

4.1.6 Balance with Bangladesh Bank & its agent bank

Deposit with Bangladesh Bank is non-interest bearing and maintained to meet the Cash Reserve Requirement (CRR). As per Bangladesh Bank, CRR @ 2.5% is required to maintain with Bangladesh Bank current account on all deposits taken from depositors other than Banks and Financial Institutions. As on 31 December 2013, CRR has been maintained according to Bangladesh Bank Guideline.

5. BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

(Figures in Taka)

2013

2012

This represents balance with various banks and financial institutions in Bangladesh.

Fixed deposit account

First Security Islami Bank Limited	-	10,000,000
Social Islami Bank Limited	200,000,000	510,000,000
LankaBangla Finance Limited	-	90,000,000
Phoenix Finance & Investment Limited	50,000,000	-
Bangladesh Industrial Finance Company Limited	-	10,000,000
Reliance Finance Limited	170,000,000	20,000,000
	420,000,000	640,000,000

Current account

Dhaka Bank Limited	1	1
Islami Bank Bangladesh Limited	1,003,503	1,003,503
Social Islami Bank Limited	-	1,445
Bangladesh Development Bank Limited	3,995	5,000
Bangladesh Commerce Bank Limited	3,842	4,425
	1,011,341	1,014,374

Short term deposit

BRAC Bank Limited	27,905	27,905
Dhaka Bank Limited	4,256	5,184
Dutch Bangla Bank Limited	1,588,072	10,231,537
EXIM Bank Limited	6,187	6,021
ICB Islami Bank Limited	25,729	27,459
Jamuna Bank Limited	(215,638)	(672,789)
Mercantile Bank Limited	152,748	150,931
Mutual Trust Bank Limited	79,999	85,564
National Credit & Commerce Bank Limited	692	692
One Bank Limited	19,611	20,189
Premier Bank Limited	152,295	148,261
Prime Bank Limited	24,043,065	22,467,559
Shahajalal Islami Bank Limited	17,072,259	67,134,497
Southeast Bank Limited	719,291	1,231,097
Standard Bank Limited	1,145,061	1,104,215
The City Bank Limited	320,560	314,801
Trust Bank Limited	2,455	15,614
First Security Islami Bank Limited	2	2
United Commercial Bank Limited	30,414,292	-
IFIC Bank Limited	886,699	24,418
National Bank Limited	514,114	-
Uttara Bank Limited	52,355	-
	77,012,009	102,323,157
Total	498,023,350	743,337,530

Notes to the Financial Statements - *continued*

Fixed deposits are maintained with commercial banks and non-banking financial institutions for maintaining Statutory Liquidity Requirement as required by Bangladesh Bank. Bangladesh Bank regulations require to maintain Statutory Liquidity Requirement (SLR) @ 5% including the CRR of 2.5% on total time & demand liabilities, excluding loans from banks and financial institutions. Prime Finance maintained these reserve mostly in the form of deposits.

(Figures in Taka)	2013	2012
Maturity wise grouping		
Up to 1 month	78,023,350	153,337,530
1 month to 3 months	150,000,000	10,000,000
3 months to 1 year	270,000,000	580,000,000
1 year to 5 years	-	-
More than 5 years	-	-
	498,023,350	743,337,530

5.a BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (consolidated)

Prime Finance & Investment Limited	498,023,350	743,337,530
Prime Finance Capital Management Limited	2,177,176	37,893,082
	500,200,526	781,230,612

6. INVESTMENTS

This represents investment made by the company both in listed and unlisted securities. The investment is made up as under:

Government securities	-	-
Other investments (note 6.1)	656,713,636	819,270,974
	656,713,636	819,270,974

6.1 Other investments

Ordinary share	No. of Company	Market Value	Cost	Cost
Listed securities (note 6.1.1)	20	428,376,886	402,296,936	540,354,274
Unlisted securities (note 6.1.2)	4	224,416,700	224,416,700	233,916,700
Unit fund (note 6.1.3)	1	30,000,000	30,000,000	30,000,000
Preference share (note 6.1.4)	-	-	-	15,000,000
	25	682,793,586	656,713,636	819,270,974

6.1.1 Listed securities

Details of listed securities as on 31 December 2013:

Name of the company	No. of shares	Cost price	Market price
Bank Asia Limited	482,628	11,080,773	11,100,444
DBH First Mutual Fund	178,000	1,009,822	996,800
Eastland Insurance	40,540	2,207,307	1,905,380
Envoy Textiles Limited	88,158	5,071,332	4,786,979
Fareast Islami Life Insurance Company Limited	312	29,297	29,952
First Janata Mutual Fund	78,500	472,178	471,000
Green Delta Mutual Fund	4,710,500	29,281,342	24,965,650
IFIL Islamic Mutual Fund - 1	440,500	2,551,035	2,466,800
Lafarge Surma Cement Limited	1,856,000	63,152,869	62,176,000
MBL 1st Mutual Fund	3,239,000	24,832,672	20,405,700

Notes to the Financial Statements - *continued*

Name of the company	No. of shares	Cost price	Market price
Meghna Life Insurance Company Limited	619,500	100,563,200	72,047,850
Phoenix Finance & Investment Limited	224,500	7,632,242	8,059,550
Phoenix Insurance	261,750	13,842,660	10,993,500
PHP First Mutual Fund	952,500	5,577,833	5,238,750
Popular Life First Mutual Fund	470,500	2,907,540	2,823,000
Prime Insurance Company	391,321	17,319,128	12,639,668
Prime Islami Life Insurance Limited	1,405,800	67,610,754	142,829,280
Rupali Insurance	576,920	25,524,950	19,384,512
Titas Gas Transmission & Distribution Company Limited	225,150	17,142,002	16,616,070
Prime Finance First Mutual Fund	400,000	4,488,000	8,440,000
		402,296,936	428,376,886

Investments have been recorded at cost and adequate provision for probable future losses as per Bangladesh Bank guidelines has been made. Market value of securities has been determined on the basis of the value of securities at the last trading date of the year (Last trading date for 2013 was 30 December).

6.1.2 Unlisted securities

	2013	2012
Details of unlisted securities:	Cost price	
Central Depository Bangladesh Limited	4,416,700	4,416,700
LankaBangla Securities Limited	5,000,000	5,000,000
PFI 2nd Mutual Fund	200,000,000	200,000,000
Ananda Shipyard	15,000,000	15,000,000
PFI Properties Limited	-	9,500,000
	224,416,700	233,916,700

The unlisted investments are shown at cost.

6.1.3 Unit fund

	2013	2012
	Cost price	
Prime Finance 1st Unit Fund	30,000,000	30,000,000
	30,000,000	30,000,000

6.1.4 Preference shares

	2013	2012
	Cost price	
Confidence Salt Limited	-	15,000,000
	-	15,000,000

There is no investment in Preference shares at the end of the year 2013.

Sector wise investment in listed securities (at cost price)	2013	2012
Banking companies	11,080,773	45,459,804
Non Banking Financial Institutions	7,632,241	21,750,093
Insurance companies	227,097,297	294,382,950
Investment companies	310,537,121	296,152,854
Fuel & power	17,142,002	80,588,075
Manufacturing companies and others	83,224,202	80,937,198
	656,713,636	819,270,974

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
Maturity wise grouping		
Up to 1 month	18,742,311	41,537,038
1 month to 3 months	21,940,574	57,758,604
3 months to 1 year	102,568,044	77,724,664
1 year to 5 years	411,363,952	505,608,582
More than 5 years	102,098,754	136,642,087
	656,713,636	819,270,974

Unrealized gain on investment in listed securities

At 31 December 2013, there was Taka 26.08 million of gross unrealized gain on investment in listed security. This gain was not recognized as income in the financial statements (see note 56).

6.a INVESTMENTS (consolidated)

Prime Finance & Investment Limited	656,713,636	819,270,974
Prime Finance Capital Management Limited	310,846,430	374,338,505
	967,560,066	1,193,609,479

7. LOANS, ADVANCES AND LEASES

This represents loans, advances and leases financed fully in Bangladesh.

Lease finance (note 7.1)	1,054,053,956	1,062,642,345
Advance against lease finance (note 7.2)	64,999,999	49,999,999
Term finance (note 7.3)	9,399,674,275	8,312,539,958
Real estate finance (note 7.4)	111,415,463	102,467,921
Housing finance (note 7.5)	3,575,282	3,706,395
Loan against deposits (note 7.6)	85,690,619	152,831,924
Hire purchase finance (note 7.7)	7,054,013	11,503,895
Staff loan (note 7.8)	52,494,949	55,660,035
	10,778,958,556	9,751,352,472

7.1 Lease finance

Principal outstanding (note 7.1.1)	916,603,874	871,555,344
Accounts receivable	137,450,082	191,087,001
	1,054,053,956	1,062,642,345

7.1.1 Principal outstanding

Gross rental receivables	2,018,635,341	1,130,549,169
Unearned lease income	(1,102,031,468)	(258,993,825)
Net investment	916,603,874	871,555,344

Movement of lease finance:

Cost of lease assets (A)

Balance at 1 January	2,064,478,983	2,133,486,851
Addition during the year	509,106,929	178,785,616
Disposal during the year	(554,950,570)	(247,793,484)
Balance at 31 December	2,018,635,341	2,064,478,983

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
Accumulated depreciation (B)		
Balance at 1 January	1,192,923,639	1,087,497,172
Addition during the year	394,334,371	418,457,509
Adjustment due to disposal	(485,226,543)	(313,031,042)
Balance at 31 December	1,102,031,468	1,192,923,639
Written down value of lease assets (A-B)	916,603,874	871,555,344

7. 1.2 Aging analysis of lease receivable

Up to one year	472,321,578	476,170,035
Above one year to three years	393,056,720	396,259,330
Above three years to five years	188,675,658	190,212,980
More than five years	-	-
	1,054,053,956	1,062,642,345

7. 2 Advance against lease finance

Advance against lease finance	64,999,999	49,999,999
	64,999,999	49,999,999

These represent amount paid for procurement of lease assets, which are yet to be executed. On execution of lease, advances will be transferred to lease finance.

7. 3 Term finance

Principal outstanding	9,052,411,038	8,044,437,199
Accounts receivable	347,263,237	268,102,759
	9,399,674,275	8,312,539,958

Term finance includes finance already executed and advance to be executed on later date as per terms of agreement. Such advances carry interest at an agreed rate until the advances are executed.

Movement of term finance (Principal outstanding):

Balance at 1 January	8,044,437,199	7,106,405,301
Investment during the year	10,518,391,902	1,774,820,938
Recovery during the year	(9,510,418,063)	(836,789,040)
Balance at 31 December	9,052,411,038	8,044,437,199

7. 3.1 Aging analysis of term finance

Up to one year	2,561,411,240	2,265,167,139
Above one year to three years	4,509,023,750	3,987,525,418
Above three years to five years	2,225,842,868	1,968,409,462
More than five years	103,396,417	91,437,940
	9,399,674,275	8,312,539,958

Notes to the Financial Statements - *continued*

(Figures in Taka) 2013 2012

7.4 Real estate finance

This represents disbursement made to the real estate developers usually for a period not exceeding 60 (sixty) months. Details are as under:

Principal outstanding	95,415,501	96,906,092
Accounts receivable	15,999,962	5,561,829
	111,415,463	102,467,921

Real estate finance includes Taka 10.00 million as advance to be executed on later date as per terms of agreement.

Movement of real estate finance (Principal outstanding):

Balance at 1 January	96,906,092	132,029,039
Investment during the year	90,708,879	20,000,000
Recovery/ adjustment during the year	(92,199,469)	(55,122,947)
Balance at 31 December	95,415,501	96,906,092

7.4.1 Aging analysis of real estate finance

Up to one year	37,604,381	34,584,453
Above one year to three years	64,421,332	59,247,790
Above three years to five years	9,389,750	8,635,679
More than five years	-	-
	111,415,463	102,467,921

7.5 Housing finance

This represents disbursement made against Bangladesh Bank Housing refinancing scheme. The usual term of the finance is matched with the facilities provided by the Bangladesh Bank. Details are as under:

Principal outstanding	3,575,282	3,706,395
	3,575,282	3,706,395

Movement of housing finance (Principal outstanding):

Balance at 1 January	3,706,395	3,826,264
Investment during the year	-	-
Recovery/ adjustment during the year	(131,113)	(119,869)
Balance at 31 December	3,575,282	3,706,395

7.6 Loan against deposits

This represents outstanding loans given to depositors against term deposits. As per company's policy, Prime Finance provides finance facilities to depositors based on the agreement done with the depositors on TDR value. Generally Interest is charged on such loan @ 2% above the interest offered on TDR.

Principal outstanding	85,690,619	152,831,924
	85,690,619	152,831,924

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
Movement of loan against term deposit (Principal outstanding):		
Balance at 1 January	152,831,924	35,621,684
Investment during the year	193,348,883	221,084,803
Recovery/adjustment during the year	(260,490,188)	(103,874,563)
Balance at 31 December	85,690,619	152,831,924

7.7 Hire purchase finance

This represents outstanding loan under hire purchase scheme at the balance sheet date. Such loan was provided to the hire purchasers for procurement of motor vehicles, office equipment, household durables and others consumable items for a period ranging usually from 12 to 72 months. Details are as under:

Principal outstanding	7,048,843	8,885,995
Accounts receivable	5,170	2,617,900
	7,054,013	11,503,895

Movement of hire purchase finance (Principal outstanding):

Balance at 1 January	8,885,995	8,885,995
Investment during the year	-	-
Adjustment/ Recovery during the year	(1,837,152)	-
Balance at 31 December	7,048,843	8,885,995

7.8 Staff loan

Staff loan includes loan provided to the eligible employees as per company's approved policy.

Employee's home loan	43,624,382	49,397,675
Employee's car loan	8,870,567	6,262,360
	52,494,949	55,660,035

7.9 Classification wise loans, advances and leases

Unclassified:

Standard (SME)	1,241,437,890	-
Standard	8,048,810,484	7,833,213,983
Special Mention Account (SMA)	666,595,610	953,303,234
	9,956,843,983	8,786,517,217

Classified:

Sub-standard	91,940,683	366,004,799
Doubtful	83,811,806	88,620,948
Bad/loss	646,362,084	510,209,508
	822,114,573	964,835,255
	10,778,958,556	9,751,352,472

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
7. 10 Geographical location wise loans, advances and leases		
Dhaka Division	8,475,491,150	8,425,449,928
Chittagong Division	2,295,683,537	1,325,902,544
Rajshahi Division	7,783,869	-
	10,778,958,556	9,751,352,472

7. 11 Sector wise loans, advances and leases

As per Bangladesh Bank circular, sector wise loans and advances are as follows:

Sectors

Trade and Commerce	3,212,957,592	3,307,550,312
Industry		
Garments and knitwear	794,179,352	587,434,134
Textile	535,568,568	653,759,220
Jute and jute products	-	282,540
Food products and processing industry	374,959,604	367,493,264
Plastic industry	30,198,312	-
Leather and leather-goods	108,142,729	-
Iron, still and engineering	1,438,550,480	648,024,382
Pharmaceuticals and chemicals	129,685,236	118,418,839
Cement and allied industry	-	-
Telecommunication and information technology	1,759,086	2,448,356
Paper, printing and packaging	107,046,981	29,162,471
Glass, glassware and ceramic industry	-	-
Ship manufacturing industry	261,882,008	231,871,528
Electronics and electrical products	2,730,533	4,486,990
Power, gas, water and sanitary service	262,310,069	57,798,256
Transport and aviation	572,781,296	390,155,081
Agriculture	3,566,047	12,809,893
Housing	179,289,399	168,115,405
Others:		
Merchant banking	1,458,037,716	1,553,305,112
Margin loan	-	-
Others	1,305,313,548	1,618,236,689
Grand Total	10,778,958,556	9,751,352,472

7. 12 Significant concentration wise loans, advances and leases

Loans, advances and leases to:

Directors and their concerns	732,233,105	1,289,221,279
Chief executive and other senior executives	52,494,949	55,660,035
Customer groups	9,994,230,502	8,406,471,158
	10,778,958,556	9,751,352,472

Notes to the Financial Statements - *continued*

(Figures in Taka) 2013 2012

7.13 Details of large loans, advances and leases

As per Section 14 (1) (ga) of the Financial Institutions Act 1993, a financial institution can not sanction any loan exceeding 30 percent of its capital (capital plus reserve) without permission from Bangladesh Bank. During the year 2013 Prime Finance has no such loan.

No. of clients	-	-
Amount of outstanding loans, advances and leases	-	-
Amount of classified loans, advances and leases	-	-
Measures taken for recovery	N/A	N/A
	-	-

7.14 Particulars of loans, advances and leases

SI

No Particulars

I. Loans considered good in respect of which the company is fully secured	8,858,712,011	7,919,554,111
II. Loans considered good against which the company holds no other security than the debtors' personal guarantee	1,564,246,545	1,425,172,216
III. Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor	356,000,000	406,626,145
IV. Loans/leases adversely classified; provision not maintained there-against	-	-
Total	10,778,958,556	9,751,352,472
V. Loans due by directors or officers of the company or any of them either severally or jointly with any other persons	784,728,054	1,344,881,313
VI. Loans due by companies or firms in which the directors or officers of the company are interested as directors, partners or managing agents or, in case of private companies, as members	732,233,105	1,289,221,278
VII. Maximum total amount of advances, including temporary advances made any time during the year to directors or managers or officers of the company or any of them either severally or jointly with any other persons	784,728,054	1,344,881,313
VIII. Maximum total amount of advances, including temporary advances granted during the year to companies or firms in which the directors of the company are interested as directors, partners or managing agents or, in case of private companies, as members	732,233,105	1,289,221,278
IX. Due from banking companies/financial institutions	-	-
X. Classified loan for which interest not charged	822,114,573	964,835,255

Notes to the Financial Statements - *continued*

(Figures in Taka)		2013	2012
SI No	Particulars		
A.	Increase/decrease of provision (specific)	99,721,181	62,825,574
	Amount of debts written off	172,940,977	27,819,427
	Amount realized against the debts previously written off	29,549,894	53,919,750
B.	Provision kept against the debt classified as bad/loss at the date of balance sheet	190,920,150	184,351,392
C.	Amount of interest creditable to the interest suspense account	146,300,443	149,065,182
XI.	Cumulative amount of the written off loans/leases:		
	Opening balance	356,714,797	328,895,370
	Amount written off during the year	172,940,977	27,819,427
	Cumulative to date	529,655,774	356,714,797
	The amount of written off loans for which law suit filed	529,634,484	356,714,797

7.15 Particulars of required provision for loans, advances and leases

Required provision has been made on the overdue as per Bangladesh Bank guidelines. As per BB guidelines, provisions at the following rate have been made in the financial statements depending on the overdue status.

Investment up to 5 years term	Classification status	Provision (%)
Up to 2 months*	UC (SME)	0.25
Up to 2 months	UC	1
3 to 5 months	SMA	5
6 to 11 months	SS	20
12 to 17 months	DF	50
18 months and above	BL	100

Investment exceeding 5 years term	Classification status	Provision (%)
Up to 5 months	UC (SME)	0.25
Up to 5 months	UC	1
6 to 11 months	SMA	5
12 to 17 months	SS	20
18 to 23 months	DF	50
24 months and above	BL	100

Required provision according to classification status is mentioned below:

Unclassified - General provision	Base for provision	Rate	Provision	Provision
Standard (SME)*	1,241,437,890	0.25%	3,103,595	-
Standard	8,048,810,484	1%	80,488,105	78,326,446
Special Mention Account (SMA)	642,976,154	5%	32,148,808	47,665,162
	9,933,224,528		115,740,507	125,991,607

Notes to the Financial Statements - *continued*

(Figures in Taka)			2013	2012
Classified - Specific provision	Base for provision	Rate	Provision	Provision
Sub-standard	44,621,961	20%	8,924,392	46,956,922
Doubtful	61,639,254	50%	30,819,627	38,114,583
Bad/loss	190,920,150	100%	190,920,150	184,351,392
	297,181,365		230,664,169	269,422,897
Required provision for loans, advances and leases			346,404,676	395,414,505
Total provision maintained for loans, advances and leases			347,400,000	395,426,500
Excess provision for loans, advances and leases			995,324	11,995

* Bangladesh Bank (BB) through DFIM circular letter no. 03, dated 29 April 2013 requires a general provision of 0.25% should be reserved for Standard SME loans/ leases as defined by "SME & Special Programs Department" of BB instead of 1% as mentioned earlier FID circulars.

7.16 Maturity wise grouping

Repayable on demand	-	-
Not more than 3 months	547,754,408	3,131,159,279
3 months to 1 year	1,643,263,225	2,637,740,844
1 year to 5 years	8,421,308,057	3,515,362,568
More than 5 years	166,632,866	467,089,781
	10,778,958,556	9,751,352,472

7.a LOANS, ADVANCES AND LEASES (consolidated)

Prime Finance & Investment Limited	10,778,958,556	9,751,352,472
Prime Finance Capital Management Limited	3,576,344,008	3,231,949,462
Adjustment for dealing with subsidiary	(1,453,587,083)	(1,549,602,901)
	12,901,715,481	11,433,699,033

8. FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES

Cost:		
Land	305,151,022	305,151,022
Furniture and fixtures	10,869,458	9,932,268
Office decoration	14,562,709	14,230,627
Electric equipment	18,179,138	15,837,622
Owned vehicles	6,879,278	9,015,641
Leased vehicles	14,306,104	14,306,104
Intangible assets (software)	1,250,000	1,250,000
Total cost	371,197,709	369,723,284
Less: Accumulated depreciation and amortization	50,537,016	45,566,226
Written down value at the end of the year	320,660,693	324,157,058

Details are shown in **Annexure - A**.

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
8.a FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES (consolidated)		
Prime Finance & Investment Limited	320,660,693	324,157,058
Prime Finance Capital Management Limited	4,575,048	3,461,952
	325,235,741	327,619,010

Land

Prime Finance acquired 15 kathas of land at a cost of Taka 305.15 million at 10 Panthapath, Dhaka for constructing the company's corporate office.

9. OTHER ASSETS

Income generating other assets:

Investment in associates and subsidiary (note 9.1)	2,169,666,685	2,108,818,599
Accrued interest	85,709,862	104,761,836
	2,255,376,547	2,213,580,435

Non income generating other assets:

Advance office rent	4,092,000	-
Advance for office decoration of head office	883,629	-
Deposits with T & T, Petroleum Corporation etc.	385,500	385,500
Advance corporate tax	509,318,968	392,630,151
Receivable from brokerage houses against sale of Shares	454,713	334,620
Receivable from provident fund account	1,618,076	11,223,284
Receivable from associates and subsidiary company	-	11,278,009
Interest During the Construction Period (IDCP) receivable	8,818,654	29,850,146
Transfer price receivable	1,035,073	1,035,073
Advance against purchase of vehicles	-	-
Advance against advertisement	200,000	89,100
Others	140,230,104	119,338,873
	667,036,717	566,164,756
Total	2,922,413,264	2,779,745,191

Management considers all the other assets as good.

9.1. Investment in associates & subsidiary

Investment in associates are recorded under the equity method as per BAS 28: "Investment in Associates". Under the equity method, the investments in the associates are carried in the Balance Sheet at cost plus post-acquisition changes in the company's share of net assets of the associates. Losses in excess of the cost of the investment in an associate are recognized when the company has incurred obligations on its behalf. Profit and Loss Account reflects the company's share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associate, the company recognizes its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Prime Finance has three associates on reporting date, on the other hand Prime Finance has one subsidiary company. Consolidated financial statements has been prepared for subsidiary following the requirements of BFRS 10 (Previous BAS 27 "Consolidated and Separate Financial Statements").

Notes to the Financial Statements - *continued*

Movement of investment in subsidiary & associates

Name of the companies	Balance as on 01 Jan 2013	Investment/ (Adjustment)	Revaluation reserve	Profit- equity method	Balance as on 31 Dec 2013
PFI Securities Ltd.	1,102,160,510	-	-	58,542,108	1,160,702,618
PFAMCL	32,452,629	-	-	3,491,099	35,943,728
Prime Prudential Fund Ltd.	14,205,460	-	-	(1,185,120)	13,020,340
Prime Finance Capital Mgt. Ltd.	960,000,000	-	-	-	960,000,000
	2,108,818,599	-	-	60,848,087	2,169,666,685

Name of the companies	Balance as on 01 Jan 2012	Investment/ (Adjustment)	Revaluation reserve	Profit- equity method	Balance as on 31 Dec 2012
PFI Securities Limited	1,074,572,679	-	-	27,587,831	1,102,160,510
PFAMCL	31,676,038	-	-	776,591	32,452,629
Prime Prudential Fund Limited	19,067,883	-	-	(4,862,423)	14,205,460
PFI Properties Limited	4,976,541	(4,976,541)	-	-	-
Prime Finance Capital Mgt. Ltd.	960,000,000	-	-	-	960,000,000
	2,090,293,141	(4,976,541)	-	23,501,999	2,108,818,599

A brief description of the associates and subsidiary, percentage of shareholding by Prime Finance and book value of shares in brief are given below:

Name of the companies	Nature of the business	Type of Shares	Share holding %	Face value	Book value per share
PFI Securities Limited	Brokerage House	Ordinary	46.15	10	13.98
Prime Finance AMCL	Asset management	Ordinary	49.00	100	111.23
Prime Prudential Fund Ltd.	Investment in securities, debentures, bonds etc.	Ordinary	40.00	10	9.42
Prime Fin. Cap. Mgt. Ltd.	Merchant banking	Ordinary	60.00	10	11.06

The book value per share is calculated based on audited financial statements of respective company.

Summarized financial information:

Summarized financial information of above companies, including the aggregated amounts of assets, liabilities, revenues and profit or loss has been incorporated in this Annual Report for better understanding of the user.

(Figures in Taka)	2013	2012
9.a. OTHER ASSETS (consolidated)		
Prime Finance & Investment Limited	2,922,413,264	2,779,745,191
Prime Finance Capital Management Limited	564,792,240	266,157,127
Adjustment for dealing with subsidiary	(960,000,000)	(966,601,180)
	2,527,205,504	2,079,301,138

Notes to the Financial Statements - *continued*

(Figures in Taka) 2013 2012

10. BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS

In Bangladesh

Secured	-	-
Un secured		
Bank loan (note 10.1)	1,477,087,494	1,799,799,655
ADB fund (note 10.2)	44,915,708	53,264,206
Fund from Bangladesh Bank (note 10.3)	27,196,469	5,182,627
Short term borrowing (note 10.4)	1,179,775,429	937,276,058
	2,728,975,100	2,795,522,546
Outside Bangladesh	-	-
Grand Total	2,728,975,100	2,795,522,546

10.1 Bank loan

This represents long term loan taken from different commercial banks and its movement is as under:

Balance at 1 January	1,799,799,655	2,729,674,195
Received during the year	806,679,237	655,300,000
Repayment during the year	(1,129,391,398)	(1,585,174,540)
Balance at 31 December	1,477,087,494	1,799,799,655

Loans are secured by way of first charge on all fixed and floating assets of the company, ranking pari passu among all the lenders. The period of such loans ranges from one year to six years.

10.2 ADB fund

Fund received from Asian Development Bank (ADB) through Rupantarita Prakritik Gas Company Limited (RPGCL). Details are as under:

Balance at 1 January	53,264,206	60,994,787
Received during the year	-	-
Repayment during the year	(8,348,498)	(7,730,581)
Balance at 31 December	44,915,708	53,264,206

10.3 Fund from Bangladesh Bank

This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to small & medium enterprises as well as agricultural projects. The period of loan ranges from one to five years, matching the terms of respective projects. Details are as under:

Balance at 1 January	5,182,627	8,483,742
Received during the year	25,202,250	-
Repayment during the year	(3,188,408)	(3,301,115)
Balance at 31 December	27,196,469	5,182,627

Notes to the Financial Statements - *continued*

10.4 Short-term borrowings

This represents money at call and on short notice, short-term borrowings and bank overdraft availed to meet short-term fund requirements.

Money at call and on short notice

As on the reporting date Taka 470,000,000 was received from different banks as money at call and short notice. According to FID circular no. 05, dated June 08, 2005, non-banking financial institution can avail call money facility maximum up to 15% of its net assets. Based on the circular mentioned above, the maximum limit of call money for the company was Taka 1,124.76 million (calculated based on the half yearly report of 2013 of the company).

Short-term borrowings

This represents Taka 400,000,000 received as short term borrowing from various commercial banks.

Bank Overdraft

This represents Taka 309,775,429 received as bank overdraft from various commercial banks.

(Figures in Taka)	2013	2012
10.5 Maturity wise grouping		
Repayable on demand	-	-
Up to 1 month	1,028,080,140	68,278,924
1 month to 3 months	331,978,082	827,490,834
3 months to 1 year	528,970,404	846,442,558
1 year to 5 years	835,385,669	1,000,379,426
More than 5 years	4,560,805	52,930,804
	2,728,975,100	2,795,522,546

10.a BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS (consolidated)

Prime Finance & Investment Limited	2,728,975,100	2,795,522,546
Prime Finance Capital Management Limited	1,385,697,629	1,341,488,573
Adjustment for dealing with subsidiary	(1,249,608,047)	(1,341,488,573)
	2,865,064,682	2,795,522,546

11. DEPOSITS AND OTHER ACCOUNTS

This comprises interest bearing deposits from individuals and organizations for period ranging from 3 months to 10 years.

Banks and other financial institutions

Term Deposit	2,350,000,000	2,125,118,400
--------------	---------------	---------------

Other Institutions

Term Deposit	3,089,414,441	2,651,421,173
--------------	---------------	---------------

Individuals

Term Deposit	1,066,182,064	685,561,588
Housing Deposit	5,897,000	11,355,000
Fortune DPS	23,140,500	15,667,000
Monthly Income Deposit	236,329,590	125,672,330

	1,331,549,154	838,255,918
Grand Total	6,770,963,595	5,614,795,490

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
Movements of deposits:		
Balance at 1 January	5,614,795,490	4,315,609,590
Received/ renewed during the year	5,119,564,889	5,241,169,648
Repayment during the year	(3,963,396,784)	(3,941,983,748)
Balance at 31 December	6,770,963,595	5,614,795,490

Maturity wise grouping

Repayable on demand	441,000	-
Repayable within 1 month	514,567,925	695,641,885
1 month to 6 months	4,769,401,157	1,888,953,669
6 months to 1 year	1,310,265,807	1,141,892,358
1 year to 5 years	168,971,206	1,871,794,082
5 years to 10 years	6,481,500	14,878,496
More than 10 years	835,000	1,635,000
Unclaimed deposits for 10 years or more	-	-
	6,770,963,595	5,614,795,490

11.a DEPOSITS AND OTHER ACCOUNTS (consolidated)

Prime Finance & Investment Limited	6,770,963,595	5,614,795,490
Prime Finance Capital Management Limited	-	-
	6,770,963,595	5,614,795,490

12. OTHER LIABILITIES

Provision for loans, advances and leases (note 12.1)	347,400,000	395,426,500
Provision for diminution in value of investments (note 12.2)	7,500,000	-
Interest suspense (note 12.3)	146,300,443	149,067,457
Provision for tax (note 12.4)	406,045,502	424,414,363
Financial expenses payable (note 12.5)	366,861,426	358,003,070
Payable to brokerage houses (note 12.6)	-	364,236,741
Obligation under capital lease (note 12.7)	1,581,203	2,762,997
Advance and security deposit (note 12.8)	145,868,928	132,577,533
Excise duty	-	1,445,132
Withholding tax payable	-	850,545
VAT payable	-	1,654
Accrued expenses and other payable (note 12.9)	110,489,105	84,325,134
	1,532,046,607	1,913,111,126

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
12.1 Provision for loans, advances and leases		
Management, on the basis of analysis of portfolio and guidelines issued by Bangladesh Bank has determined provisions for doubtful losses both for investments and loans, advances and leases. Sufficient provision has been kept as per BB circular to cover possible future losses.		
General provision on unclassified loans, advances and leases	116,702,556	125,991,607
Specific provision on classified loans, advances and leases	230,697,444	269,434,893
Provision as on 31 December	347,400,000	395,426,500
Movement in general provision on unclassified loans/ leases:		
Provision as on 1 January	125,991,607	87,461,708
Add: Provision made/ (released) during the year	(9,289,051)	38,529,899
Provision as on 31 December	116,702,556	125,991,607
Movement in specific provision on classified loans/ leases:		
Provision as on 1 January	269,434,893	227,932,819
Less: Adjustment for write off	(138,458,630)	(21,323,500)
Add: Net charge to profit and loss account	99,721,181	62,825,574
Provision as on 31 December	230,697,444	269,434,893
Total	347,400,000	395,426,500
12.2 Provision for diminution in value of investments		
Provision as on 1 January	-	46,905,473
Add: Provision made during the year (note 12.2.1)	7,500,000	(46,905,473)
Provision as on 31 December	7,500,000	-
12.2.1 Allocation of provision for diminution in value of investments		
Listed securities	-	(46,905,473)
Unlisted securities	7,500,000	-
	7,500,000	(46,905,473)
12.2.a Provision for diminution in value of investments (consolidated)		
Prime Finance & Investment Limited	7,500,000	(46,905,473)
Prime Finance Capital Management Limited	1,452,786	3,323,320
	8,952,786	(43,582,153)
12.3 Interest suspense		
Balance as on 1 January	149,067,457	96,519,166
Add: Transferred during the year	49,524,075	65,558,696
Less: Amount of interest suspense recovered	(25,091,696)	(10,198,665)
Less: Write off during the year	(27,199,393)	(2,811,740)
Balance as on 31 December	146,300,443	149,067,457
Bangladesh Bank FID circular no. 3 of 2006 requires that interest on loans/ leases classified as SMA and above will be credited to interest suspense account, instead of crediting the same to income account. In accordance with the above circular interest on various facilities classified as SMA, SS, DF and BL has been set-aside in this interest suspense account.		

Notes to the Financial Statements - *continued*

Write-off of loans/ leases

As per FID Circular no. 03 dated 15 March 2007 of Bangladesh Bank a financial institution should write-off its loans/ leases to clean-up its financial statements subject to fulfillment of the following criteria:

1. Loans/ leases classified as Bad and Losses against which 100% provision has been made;
2. Approval from the Board of Directors is required;
3. Best endeavors shall be made to recover the written-off loans/ leases and legal process should be initiated if not started before.

As per Bangladesh Bank guidelines, Prime Finance has written-off its loans/ leases as under:

(Figures in Taka)	2013		2012
	Current	Cumulative	Cumulative
Net outstanding loans/ leases written-off	172,940,977	529,655,774	356,714,797
No. of agreements written-off	18	49	31
No. of clients written-off	14	38	24
Interest suspense against written-off loans/ leases	(27,199,393)	(90,894,613)	(63,695,220)
Provision adjusted against written-off loans/ leases	(138,458,630)	(428,633,956)	(290,175,326)
Recovery against write-off loans/ leases	29,549,894	135,308,843	105,758,949

12.4 Provision for tax

Provision for tax comprises provision for current tax and provision for deferred tax as well.

Provision for current tax

The company calculated taxable profit/ losses based on Income Tax Ordinance 1984 and determined current tax liability as per applicable rate enacted through Finance Act 2013.

Tax on capital gain

The Government through Finance Act 2010 imposed tax on capital gain from sale of listed companies shares @10 percent effective from 1st July 2010, which has been considered duly.

Provision for deferred tax

Deferred tax liabilities to the extent of Taka 19,500,000 has been released in the year 2010 which is made for taxable temporary difference of leased assets on which depreciation allowance has been withdrawn by Finance Act 2007.

	2013			2012		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Balance at 1 January	424,414,363	-	424,414,363	384,414,363	-	384,414,363
Provision made during the year	30,900,000	-	30,900,000	40,000,000	-	40,000,000
Transferred to/ (from)	(49,268,861)	-	(49,268,861)	-	-	-
Balance at 31 December	406,045,502	-	406,045,502	424,414,363	-	424,414,363

12.4.a Provision for current tax (consolidated)

	2013	2012
Prime Finance & Investment Limited	30,900,000	40,000,000
Prime Finance Capital Management Limited	67,688,273	72,931,394
	98,588,273	112,931,394

Notes to the Financial Statements - *continued*

12.5 Financial expenses payable

This comprises interest accrued on bank loans, bonds, term deposits and security deposits.

12.6 Payable to brokerage houses

This represents payable to various brokerage houses against purchase of shares under own portfolio as well as client portfolio. The transactions under this head are recurring in nature and have been paid in the due date.

12.7 Obligation under capital lease

This represents fixed assets acquired under capital lease. Lease rentals are payable on monthly basis which include principal repayment and financial charges as per repayment schedule. The Company has the option to purchase the assets upon completion of lease period and has the intention to exercise it.

	2013			2012
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Principal outstanding
More than one year	1,942,708	361,505	1,581,203	1,462,611
Within one year	-	-	-	1,300,386
	1,942,708	361,505	1,581,203	2,762,997

12.8 Advance and security deposit

The amount received from clients as advance against finance and cash security deposit on the stipulation that the amount will be either adjusted with the outstanding rentals/ installments or repaid at the end of term. This is made up as under:

(Figures in Taka)	2013	2012
Balance at 1 January	132,577,533	137,867,419
Received during the year	107,995,449	37,214,146
Repayment during the year	(94,704,054)	(42,504,032)
Balance at 31 December	145,868,928	132,577,533

Breakup of advances and security deposits on the basis of category of finance is as under:

Lease advance	36,627,640	43,307,728
Term finance advance	57,312,488	39,835,105
Stock on hire advance	8,000	513,900
Cash security	51,920,800	48,920,800
	145,868,928	132,577,533

Advance and security deposit reduce the exposure with the clients and thereby reduce the risks. No interest is payable on advances while cash security deposits are interest bearing.

12.9. Accrued expenses and other payable

Portfolio investment fund	-	-
Suspense receipts	49,369,608	24,664,284
Management expenses	16,434,160	23,038,283
Others payables	44,685,337	36,622,567
	110,489,105	84,325,134

Notes to the Financial Statements - *continued*

Suspense receipts

This represents amount received from clients for various reasons such as rentals adjustment, transfer price, advance rentals, IDCP and other advances. When combined cheques are given by the clients that also initially posted into suspense receipts account.

(Figures in Taka) 2013 2012

12.a. OTHER LIABILITIES (consolidated)

Prime Finance & Investment Limited	1,532,046,607	1,913,111,126
Prime Finance Capital Management Limited	1,125,882,479	804,350,895
Adjustment for dealing with subsidiary	(203,979,036)	(214,715,508)
	2,453,950,050	2,502,746,513

13. SHARE CAPITAL

As at 31 December 2013, a total of 272,916,483 (FY 2012: 227,430,403) ordinary shares of Taka 10 each were issued, subscribed and fully paid up. Details are as follows:

Authorized capital

300,000,000 Ordinary shares of Taka 10 each	3,000,000,000	3,000,000,000
---	---------------	---------------

Issued, subscribed and paid up capital:

Total ordinary shares 227,430,403 of Taka 10 each	2,274,304,030	1,624,502,880
Total bonus shares 45,486,080 of 2012 of Taka 10 each	454,860,800	649,801,150
	2,729,164,830	2,274,304,030

Pattern of shareholdings

Sponsor Shareholders	No. of shares held	Percentage
Khaled Textile Mills Ltd.	26,432,420	9.69
Acorn Limited	24,920,420	9.13
Pedrollo Nk. Limited	26,768,991	9.81
Mawsons Limited	5,654,752	2.07
Maksons (Bangladesh) Ltd.	21,370,516	7.83
East Coast Shipping Lines Limited	24,407,338	8.94
GQ Enterprise Limited	23,222,142	8.51
Agami Apparels Ltd.	23,088,632	8.46
Abeeco Industries Ltd.	758,634	0.28
Mr. Tauseef Iqbal Ali	5,458,363	2.00
Professor Salma Rahman	2,820,666	1.03
Mr. Md. Aliuzzaman	142,427	0.05

Name of Directors	Designation	Nominated By
Mr. K. M. Khaled	Chairman	Khaled Textile Mills Limited
Mr. Md. Aminul Haque	Director	Acorn Limited
Mrs Muslima Shirin	Director	Mawsons Limited
Mr. Mohammad Masudur Rahim	Director	East Coast Shipping Lines Ltd.
Mr. Z. M. Kaiser	Director	Maksons (Bangladesh) Ltd.

Notes to the Financial Statements - *continued*

Name of Directors	Designation	Nominated By
Mr. M. Shahadat Hossain Kiron	Director	Agami Apparels Limited
Mr. Qazi Saleemul Huq	Director	GQ Enterprise Limited
Mr. Tauseef Iqbal Ali	Director	N/A
Prof. Dr. Parimal Chandra Datta	Independent Director	N/A
Mr. Kazi Md. Mortuza Ali	Independent Director	N/A
Mr. Mahibul Islam Chowdhury	Independent Director	N/A

Composition of shareholdings

Composition of shareholdings as on 31 December 2013 & 2012 was as under:

	No. of Shareholders		No. of Shares		Percentage	
	2013	2012	2013	2012	2013	2012
Sponsors (Institutions)	9	9	176,623,845	149,103,207	64.72	65.56
Sponsors (Individuals)	3	3	8,421,456	7,163,714	3.08	3.15
General Public (Institutions)	466	394	24,980,826	26,818,594	9.16	11.79
General Public (Individuals)	25,368	20,158	62,890,356	44,344,888	23.04	19.50
	25,846	20,564	272,916,483	227,430,403	100	100

Range of shareholdings

The distribution schedule of shareholdings as on 31 December 2013 and 2012 was as under:

Shareholding range	No. of Shareholders		No. of Shares		Percentage	
	2013	2012	2013	2012	2013	2012
Less than 500 shares	14,005	10,699	2,063,612	1,857,885	0.76	0.81
500 to 5,000 shares	9,821	8,623	15,697,362	13,040,367	5.75	5.73
5,001 to 10,000 shares	1,121	631	7,654,621	4,370,412	2.80	1.92
10,001 to 20,000 shares	444	295	6,200,633	4,092,019	2.27	1.80
20,001 to 30,000 shares	156	91	3,836,154	2,212,769	1.41	0.98
30,001 to 40,000 shares	62	37	2,128,872	1,278,011	0.78	0.57
40,001 to 50,000 shares	41	27	1,839,526	1,228,100	0.67	0.54
50,001 to 100,000 shares	86	64	5,956,725	4,517,645	2.18	1.99
100,001 to 1,000,000 shares	92	78	24,333,468	21,771,309	8.92	9.57
Over 1,000,000 shares	18	19	203,205,510	173,061,886	74.46	76.09
Total	25,846	20,564	272,916,483	227,430,403	100.00	100.00

Capital requirement

The Company is subject to the regulatory capital requirement as stipulated in DFIM circular no. 05 dated 4 July 2011 of Bangladesh Bank. The capital requirement for non-banking financial institutions is neither ratio-based nor risk based. The regulatory authority requires a non-bank financial institutions to have a minimum paid up capital of Taka 1,000 million.

(Figures in Taka)	2013	2012
Paid up capital	2,729,164,830	2,274,304,030
Required capital	1,000,000,000	1,000,000,000
Excess capital	1,729,164,830	1,274,304,030

Notes to the Financial Statements - *continued*

13.1 Capital Adequacy Ratio (CAR)

As per section 4(Gha) of the Financial Institutional Regulations 1994, the minimum paid up capital of the Financial Institution (FI) shall be Taka 100 crore. Provided that the sum of paid up capital and reserves shall not be less than the minimum capital determined by the Bangladesh Bank under the Risk Based Assets of the company. The surplus eligible capital of the company at the close of business on December 31, 2013 were Taka 3,094.12 million.

Details of Capital Adequacy Ratio (CAR):

(Figures in Taka)	2013	2012
Tier-1 (Core capital)		
Fully paid-up capital	2,729,164,830	2,274,304,030
Statutory reserve	851,649,949	813,352,812
General reserve	-	-
Retained earnings	668,214,189	1,089,800,363
Non-controlling interests	778,863,918	707,186,264
Total eligible Tier-1 capital	5,027,892,886	4,884,643,469
Tier-2 (Supplementary capital)		
General provision (Unclassified loans up to specified limit + SMA+ off Balance Sheet exposure+ provision for diminution in value of investments)	116,702,556	125,991,607
Assets revaluation reserves up to 50%	110,971,875	110,971,875
Total eligible Tier-2 capital	227,674,431	236,963,482
(i) Total eligible capital	5,255,567,317	5,121,606,951
(ii) Total Risk Weighted Assets (RWA)	21,195,369,292	22,725,700,393
(iii) Minimum Capital Requirement (MCR) (10% of RWA)	2,119,536,929	2,272,570,039
(iv) Excess {(i) - (iii)}	3,136,030,388	2,849,036,912
Capital Adequacy Ratio (CAR) {(i) / (ii)} [%]	24.80%	22.54%

14. STATUTORY RESERVE

Balance as on 1 January	813,352,812	755,711,970
Add: Transferred from profit during the year	38,297,137	57,640,842
Balance as on 31 December	851,649,949	813,352,812

15. RETAINED EARNINGS

Balance as on 1 January	989,020,968	1,408,258,752
Less: Issuance of bonus shares (2012)	(454,860,800)	(649,801,150)
Less: Payment of cash dividend (2012)	(227,430,403)	-
Add: Profit after tax for the year	191,485,685	288,204,208
Less: Transferred to statutory reserve	(38,297,137)	(57,640,842)
Balance as on 31 December	459,918,313	989,020,968

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
16. INCOME STATEMENT		
Income:		
Interest, discount and similar income (note 17)	1,429,192,550	1,320,827,593
Dividend income	26,185,926	167,448,183
Gains less losses arising from dealing in securities	-	-
Fees, commission, exchange and brokerage (note 20)	8,631,372	1,475,779
Gains less losses arising from investment in securities (note 19.1)	30,736,319	93,254,230
Gains less losses arising from dealing in foreign currencies	-	-
Income from non-banking assets	-	-
Other operating income (note 21)	311,600,980	231,976,984
Profit less losses on interest rate changes	-	-
Nominal value of bonus share received	-	-
	1,806,347,147	1,814,982,769
Expenses:		
Interest paid on deposits, borrowings etc. (Note 18)	1,307,931,093	1,294,122,447
Losses on loans and advances	97,932,130	54,450,000
Administrative expenses	155,196,435	112,588,354
Depreciation and impairment on banking assets	7,168,788	7,311,511
Other operating expenses	15,733,016	18,306,249
	1,583,961,462	1,486,778,561
17. INTEREST INCOME		
Income from lease finance	113,834,293	117,324,840
Income from term finance	1,297,413,224	1,106,910,836
Income from real estate finance	8,946,109	15,826,929
Income from other finance	8,998,924	80,764,988
	1,429,192,550	1,320,827,593
17.a INTEREST INCOME (consolidated)		
Prime Finance & Investment Limited	1,429,192,550	1,320,827,593
Prime Finance Capital Management Limited	367,000,847	328,398,100
Adjustment for dealing with subsidiary	(203,979,036)	(196,745,410)
	1,592,214,361	1,452,480,283
18. INTEREST PAID ON DEPOSITS, BORROWINGS etc.		
Interest on bank loan	292,978,161	497,788,243
Interest on IDA and ADB fund	2,759,300	3,203,110
Interest on fund from Bangladesh Bank	438,685	847,991
Interest on term deposits	891,097,063	670,178,591
Interest on money at call & short notice	61,159,305	114,474,744
Interest on cash security deposit	5,707,837	4,852,782
Interest on obligation under capital leases	361,505	910,319
Interest on short term loan	53,429,237	1,866,667
	1,307,931,093	1,294,122,447

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
18.a INTEREST PAID ON DEPOSITS, BORROWINGS etc. (consolidated)		
Prime Finance & Investment Limited	1,307,931,093	1,294,122,447
Prime Finance Capital Management Limited	263,194,244	230,112,632
Adjustment for dealing with subsidiary	(203,979,036)	(196,745,410)
	1,367,146,301	1,327,489,669
19. INVESTMENT INCOME		
Capital gain on sale of securities (note 19.1)	30,736,319	93,254,230
Dividend income	26,185,926	167,448,183
	56,922,245	260,702,413
19.1 Capital gain on sale of securities		
Gain on sales of securities	45,772,574	105,041,191
Loss on sales of securities	(15,036,255)	(11,786,961)
Net gain from sale of securities	30,736,319	93,254,230
19.a INVESTMENT INCOME (consolidated)		
Prime Finance & Investment Limited	56,922,245	260,702,413
Prime Finance Capital Management Limited	85,357,488	59,613,009
Adjustment for dealing with subsidiary	-	(150,000,000)
	142,279,733	170,315,422
20. FEES, COMMISSIONS, EXCHANGE AND BROKERAGE		
Advisory service fee and charges	8,631,372	1,475,779
	8,631,372	1,475,779
20.a FEES, COMMISSIONS, EXCHANGE AND BROKERAGE (consolidated)		
Prime Finance & Investment Limited	8,631,372	1,475,779
Prime Finance Capital Management Limited	90,182,271	108,858,402
	98,813,643	110,334,181
21. OTHER OPERATING INCOME		
Income from associates (Note 9.1)	60,848,087	23,501,999
Delinquent interest, IDCP etc.	134,512,242	136,584,616
Renewals and proceeds	1,546,814	604,110
Gain on sale of fixed assets	37,917	-
Others	114,655,920	71,286,259
	311,600,980	231,976,984
Allocation of the above income is as under:		
Financing operation	311,600,980	231,976,984
Merchant banking operation	-	-
	311,600,980	231,976,984

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
21.a OTHER OPERATING INCOME (consolidated)		
Prime Finance & Investment Limited	311,600,980	231,976,984
Prime Finance Capital Management Limited	4,700,617	4,005,852
	316,301,597	235,982,836
22. SALARIES AND OTHER EMPLOYEE BENEFITS		
Salaries & allowances (a)	92,252,606	78,809,130
Medical & employee welfare (b)	24,526,607	9,199,677
	116,779,213	88,008,807
(a) Salaries and allowances include contribution to approved Gratuity Fund and Superannuation Fund amounting Taka 8,329,580 and Taka 8,104,580 respectively.		
(b) Medical and employee welfare includes among others provision for retirement benefits, death and disability benefits and hospitalization benefits. The funds are managed separately by a board of trustee and management believes that company's contribution to these funds are adequate.		
22.a SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)		
Prime Finance & Investment Limited	116,779,213	88,008,807
Prime Finance Capital Management Limited	19,580,910	20,440,155
	136,360,123	108,448,962
23. RENT, TAXES, INSURANCE, ELECTRICITY etc.		
Office rent	15,567,655	6,339,176
Electricity bill	1,173,087	1,279,814
	16,740,742	7,618,990
23.a RENT, TAXES, INSURANCE, ELECTRICITY etc. (consolidated)		
Prime Finance & Investment Limited	16,740,742	7,618,990
Prime Finance Capital Management Limited	3,517,744	4,245,991
Adjustment for non-controlling interest	-	-
	20,258,486	11,864,981
24. POSTAGE, STAMP, TELECOMMUNICATION etc.		
Postage, telephone, telex, fax, and e-mail	1,792,592	1,659,021
Charges, levies, stamps and duties (note 24.1)	1,596,927	368,645
	3,389,519	2,027,666

24.1. Charges, levies, stamps and duties

This comprises CDBL transaction fees and other expenses related to tax, levies, stamps & duties. Previously CDBL charges were charged on the client's account. From June 2009 the management decided to bear the expenses by the company on behalf of the clients.

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
24.a POSTAGE, STAMP, TELECOMMUNICATION etc. (consolidated)		
Prime Finance & Investment Limited	3,389,519	2,027,666
Prime Finance Capital Management Limited	199,635	194,782
	3,589,154	2,222,448
25. STATIONERY, PRINTING, ADVERTISEMENTS etc.		
Printing and stationery	3,572,200	4,176,685
Books and periodicals	33,853	64,221
Advertisement and publicity	5,584,725	3,996,769
	9,190,778	8,237,675
25.a STATIONERY, PRINTING, ADVERTISEMENTS etc. (consolidated)		
Prime Finance & Investment Limited	9,190,778	8,237,675
Prime Finance Capital Management Limited	162,003	240,903
	9,352,781	8,478,578
26. DIRECTORS' FEES		
The company pays fees to its Directors for attending the Board meetings and its Committee meetings as permitted by the Bangladesh Bank. As per Bangladesh Bank circular, a Director may be paid fees for attending Board or its Committee meetings which shall not exceed Taka 5,000 for attending each meeting. Details are as under:		
Total board meetings (nos.)	13	9
Total board audit committee meetings (nos.)	6	6
Total board executive committee meetings(nos.)	8	5
Total fees paid	915,000	565,000
Total members of the board (nos.)	11	10
Quorum for board meeting (nos.)	5	5
Average number of directors present in the board meetings (nos.)	9	7
Quorum for board audit committee Meeting (nos.)	3	3
Average number of directors present in the audit committee meetings (nos.)	5	3
Quorum for board executive committee meeting (nos.)	3	3
Average no. of directors present in the executive committee meetings (nos.)	5	4
26.a DIRECTORS' FEES (consolidated)		
Prime Finance & Investment Limited	915,000	565,000
Prime Finance Capital Management Limited	495,000	445,000
	1,410,000	1,010,000
27. AUDITORS' FEES		
Auditors' fees	250,000	200,000
VAT on audit fees	37,500	30,000
	287,500	230,000

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
27.a AUDITORS' FEES (consolidated)		
Prime Finance & Investment Limited	287,500	230,000
Prime Finance Capital Management Limited	57,500	57,500
	345,000	287,500
28. DEPRECIATION AND REPAIR OF ASSETS		
Depreciation of fixed assets - freehold	4,511,847	4,341,514
Depreciation of fixed assets - leasehold vehicle	2,531,941	2,844,997
Amortization of intangible assets	125,000	125,000
Repairs and maintenance	-	-
	7,168,788	7,311,511
28.a DEPRECIATION AND REPAIR OF ASSETS (consolidated)		
Prime Finance & Investment Limited	7,168,788	7,311,511
Prime Finance Capital Management Limited	1,556,402	1,055,971
	8,725,190	8,367,482
29. OTHER EXPENSES		
HR development	229,300	313,734
Travelling and conveyance	1,804,044	905,957
Motor vehicle expenses	2,869,210	3,939,799
Subscription and fees	4,546,319	4,462,962
Meeting expenses	89,250	49,500
AGM expenses (note 29.1)	2,968,981	2,523,586
Entertainment and public relation & others	1,102,001	848,760
Others	2,123,911	5,204,941
	15,733,016	18,249,239
29.1 AGM expenses		
Rent for venue	184,000	283,400
Printing of annual report and database	313,251	145,000
Publication of notice	108,041	385,648
Entertainment	2,152,259	1,616,775
Others	211,430	92,763
	2,968,981	2,523,586
29.a OTHER EXPENSES (consolidated)		
Prime Finance & Investment Limited	15,733,016	18,249,239
Prime Finance Capital Management Limited	4,639,128	1,630,257
	20,372,144	19,879,496

Notes to the Financial Statements - *continued*

(Figures in Taka) 2013 2012

30. MANAGEMENT EXPENSES

Management expenses include salaries, other employee benefits and proportionate other management expenses. It is determined on the basis of proportionate operating revenue of Merchant Banking Unit.

31. RECEIPTS FROM OTHER OPERATING ACTIVITIES

Net received/(payment) to Brokerage house	214,114,253	372,420,592
Net suspense receipt and others	20,503,291	10,200,940
Delinquent, Transfer price etc.	60,945,910	28,774,513
	295,563,454	411,396,045

32. PAYMENTS FOR OTHER OPERATING ACTIVITIES

Advance against office rent, renovation & decoration	(4,092,000)	-
Deposit to T & T	-	-
Advance against advertisement	(200,000)	(89,100)
Advance against home loan	(1,577,600)	(1,445,000)
	(5,869,600)	(1,534,100)

33. EARNINGS PER SHARE

Earnings Per Share (EPS) is calculated in accordance with Bangladesh Accounting Standard 33: Earnings Per Share, which has been shown on the face of Profit and Loss Account.

Basic earnings per share

The calculation of basic earnings per share at 31 December 2013 was based on the profit attributable to ordinary shareholders of Taka 191,485,685 (2012: Taka 288,204,208) and a weighted average number of ordinary shares outstanding As at 31 December 2013 of 272,916,483 (2012: 227,430,403)

Profits attributable to ordinary shareholders

Net profit for the year	191,485,685	288,204,208
-------------------------	-------------	-------------

Weighted average number of ordinary shares

Ordinary shares at 1 January	227,430,403	162,450,288
Bonus shares issued	45,486,080	64,980,115
Weighted average number of ordinary shares at 31 December	272,916,483	227,430,403
Restated weighted average number of ordinary shares	272,916,483	272,916,483

Earnings per share	0.70	1.27
Earnings per share (restated)	0.70	1.06

Diluted earnings per share

The dilutive effect relates to the average number of potential ordinary share held under option of convertibility. There was no such dilutive potential ordinary share during the year 2013 and hence no diluted earnings per share is required to be calculated.

Notes to the Financial Statements - *continued*

(Figures in Taka)	2013	2012
33.a EARNINGS PER SHARE (consolidated)		
Profits attributable to ordinary shareholders		
Net profit for the year (consolidated)	299,002,167	235,395,819
Weighted average number of ordinary shares		
Ordinary shares at 1 January	227,430,403	162,450,288
Bonus shares issued	45,486,080	64,980,115
Weighted average number of ordinary shares at 31 December	272,916,483	227,430,403
Restated weighted average number of ordinary shares	272,916,483	272,916,483
Earnings per share (consolidated)	1.10	1.04
Earnings per share (consolidated) (restated)	1.10	0.86

34. CONTINGENT LIABILITIES

Letter of credit	-	-
Corporate guarantee	-	-
Total	-	-

35. SEGMENTAL ANALYSIS

	2013					Total
	Lease finance	Term finance	Real estate & other finance	Investments	Others	
Income from external operations						
Interest	113,834,293	1,297,413,224	17,945,033	-	-	1,429,192,550
Capital gains	-	-	-	30,736,319	-	30,736,319
Dividends	-	-	-	26,185,926	-	26,185,926
Others	-	-	-	-	320,232,352	320,232,352
Total Income from external operations	113,834,293	1,297,413,224	17,945,033	56,922,245	320,232,352	1,806,347,147
Profit before tax						222,385,685
Taxation						30,900,000
Profit after tax						191,485,685
Other information						
Segment assets	1,119,053,955	9,399,674,275	260,230,326	656,713,636	2,922,413,264	14,358,085,457
Segment liabilities	806,019,417	6,600,118,939	182,724,535	461,121,096	2,045,424,628	10,095,408,615
Net assets	313,034,538	2,799,555,336	77,505,792	195,592,540	876,988,636	4,262,676,842
Information on cash flows						
Cash flows from operating activities	-	-	-	-	-	721,390,674
Cash flows from investing activities	-	-	-	-	-	(163,561,501)
Cash flows from financing activities	-	-	-	-	-	(227,430,404)
Net cash flow	-	-	-	-	-	330,398,769

Notes to the Financial Statements - *continued*

35.a SEGMENTAL ANALYSIS (consolidated)

	2013		
	Core business	Subsidiary (Merchant Banking)	Consolidated
Income from external operations	1,806,347,147	547,242,166	2,140,074,973
Total Income from external operations	1,806,347,147	547,242,166	2,140,074,973
Profit before tax			469,191,556
Taxation			98,511,734
Profit after tax			370,679,822
Other information			
Consolidated segment assets	14,348,699,280	4,232,568,214	16,371,659,447
Consolidated segment liabilities	10,301,259,010	3,038,657,414	11,121,822,810
Net assets	4,047,440,270	1,193,910,800	5,249,836,637
Information on cash flows			
Cash flows from operating activities	-	-	883,857,810
Cash flows from investing activities	-	-	(655,006,056)
Cash flows from financing activities	-	-	65,831,109
Net cash flow			294,682,863

36. MARKET CAPITALISATION AND SHARE PRICE

Market capitalization of the Company, which is the number of ordinary shares in issued, multiplied by the market value of a share. Total number of ordinary shares outstanding as at 31 December 2013 was 272,916,483 and the market value per share of last trading day (30 December 2013) was Taka 26.70 in DSE. Thus market capitalization based on DSE value was Taka 7,286.87 million.

Market for Prime Finance's ordinary shares

Prime Finance's ordinary shares are traded on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) under the symbol of 'PRIMEFIN'. The following table indicated the high and low prices for shares of Prime Finance, as reported by DSE and CSE sets forth for each quarter in the year 2013.

	Quarter	DSE		CSE	
		High	Low	High	Low
High low share price	First quarter	42.60	24.50	42.70	24.70
	Second quarter	30.60	20.90	31.20	20.80
	Third quarter	32.50	22.60	32.40	22.50
	Fourth quarter	26.70	20.70	26.80	21.00
No. of shareholders	There were 25,846 shareholders as per Share Register as on 31 December 2013.				

37. RELATED PARTY TRANSACTIONS

Prime Finance in normal course of business carried out a number of transactions with other entities that fall within the definition of related party contained in Bangladesh Accounting Standard 24: Related Party Disclosures. The Company extends loans/leases to related parties including its directors and related companies. At 31 December 2013, related party loans/ leases were Taka 2,310.34 million representing 44.01 percent of shareholders equity. These related party loans/ leases were made at the competitive terms including interest rates and collateral

Notes to the Financial Statements - *continued*

requirements, as those offered to other customers of similar credentials. During 2013, there were no loans/ leases to related parties that were charged off. Moreover, at 31 December 2013, there were no loans/ leases to related parties that were non-performing.

Prime Finance also takes deposits from its related parties. The rates on deposits offered to them also similar to those offered to other depositors. Total on-balance sheet exposure with the related parties as at 31 December 2013 was as under:

Name of the related party	Relationship	Nature of transaction	2013	2012
Prime Islami Life Insurance Company Limited	Common Directors	Term deposit	(130,114,758)	-
Prime Islami Life Insurance Limited	Common Directors	Term finance	67,217,313	-
Fareast Islami Life Insurance Company Limited	Common Directors	Term deposit	-	-
Dhaka Bank Limited	Common Directors	Term deposit	-	(170,000,000)
East Coast Trading (Pvt.) Limited	Common Directors	Lease finance	-	-
EC Distribution Limited	Common Directors	Lease finance	-	-
PFI Properties Limited	Common Directors	Lease & Term finance	61,873,936	67,525,053
Prime Finance Asset Mgt Company Limited	Associate Company	Lease & Term finance	-	168,760
Prime Finance Asset Mgt Company Limited	Associate Company	Term deposit	(45,000,000)	(45,000,000)
PFI Securities Limited	Associate Company	Lease & Term finance	2,240,712,596	1,869,789,201
Maksons (Bangladesh) Limited	Common Directors	Term finance	-	-
Fareast Stock & Bond Limited	Common Directors	Lease & Term finance	165,645,993	204,967,664
Delta Brac Housing Finance Corporation Limited	Common Directors	Term deposit	(50,000,000)	-
			2,310,335,080	1,927,450,678

38. PARTICULARS OF THE DIRECTORS

Sl. No.	Directors	Nominated By	Designation	Address	% of shares as at 31/12/2013
1.	Mr. K. M. Khaled	Khaled Textile Mills Limited	Chairman	GETCO Group, 26, Shyamoli, Mirpur Road, Dhaka-1207	9.69
2.	Mr. Md. Aminul Haque	Acorn Limited	Director	Acorn Limited, 4, Mohakhali C.A., (1st Floor), Dhaka-1212.	9.13
3.	Mr. Mohammad Masudur Rahim	East Coast Shipping Lines Limited	Director	East Coast Centre, SW (G), 8 Gulshan Avenue, Gulshan-1, Dhaka-1212	8.94
4.	Mrs. Muslima Shirin	Mawsons Limited	Director	House # 63, Avenue # 5, Block # A, Section # 6, Mirpur, Dhaka-1216.	2.07
5.	Mr. Z. M. Kaiser	Maksons (Bangladesh) Limited	Director	SW (A) 25, Gulshan Avenue Dhaka-1212.	7.83
6.	Mr. M. Shahadat Hossain Kiron	Agami Apparels Limited	Director	Suvastu Zenim Plaza, House # 37 (New), Road # 27 (Old), 16(New), Dhanmondi R/A, Dhaka -1209	8.46
7.	Mr. Qazi Saleemul Huq	GQ Enterprise Limited	Director	331/2 Tajuddin Ahmed Swaroni, Bara Maghbazar, Dhaka-1217	8.51
8.	Mr. Tauseef Iqbal Ali	N/A	Director	House # CEN-C2, Road # 95, Gulshan-2, Dhaka-1212.	2.00
9.	Prof. Dr. Parimal Chandra Datta	N/A	Independent Director	Flat # G-15, Z.A. Tower, 115 Shantinagar, Dhaka-1212
10.	Mr. Kazi Md. Mortuza Ali	N/A	Independent Director	6/1, Eskaton Garden Triumph Tower, Flat No.B-8 District: Dhaka, Postal code-1217.
11.	Mr. Mohibul Islam Chowdhury	N/A	Independent Director	Road. 19, House.67, Rupnagar R.A. Mirpur, Dhaka-1216.

39. DIRECTORS AND THEIR ENTITIES IN WHICH THEY HAVE INTEREST

Sl No.	Name of the Directors	Designation	Entities where they have interest
1	Mr. K. M. Khaled	Chairman	1 Greenland Engineers & Tractors Co. Ltd. 2 Machinery & Equipment Trading Co. Ltd. 3 GETCO Ltd. 4 Eurasia Gate Ltd. 5 Acorn Trading Co. Ltd. 6 K. S. Engineering & Technology Ltd. 7 Prime Bank Ltd. 8 Prime Prudential Fund Limited 9 PFI Properties Ltd. 10 GETCO Telecommunications Ltd. 11 GETCO Agro Vision Ltd. 12 Khaled Textile Mills Ltd. 13 GETCO Online Ltd. 14 GETCO Business Solutions Ltd. 15 GETCO Elevator Company Ltd. 16 GETCO Agri Technologies Ltd. 17 Greenland Technologies Ltd. 18 Primeasia University
2	Mr. Md. Aminul Haque	Director	1 Prime Bank Ltd. 2 Asia Gate Ltd. 3 Prime Prudential Fund Ltd. 4 Acorn Limited 5 Fareast Stock & Bond Ltd. 6 B-Trac Engineering Ltd. 7 THANE Technology 8 Bangla Trac Oil & Gas Ltd. 9 Anirban Enterprise Ltd. 10 Bangla Trac Power Ltd.
3	Mr. Mohammad Masudur Rahim	Director	1. Radiant Alliance Ltd.
4	Mrs. Muslima Shirin	Director	1. Mawsons Limited 2. Prime Bank Limited
5	Mr. Z.M. Kaiser	Director	
6	Mr. M. Shahadat Hossain Kiron	Director	1. Dekko Garments Ltd. 2. Dekko Apparels Ltd. 3. Glubus Garments Ltd. 4. Agami Fashions Ltd. 5. Dekko Fashion Ltd. 6. Dekko Accessories Ltd. 7. Roxy Paints Ltd. 8. Agami Accessories Ltd. 9. Dekko Foods Ltd. 10. Dekko Airnet Ltd. 11. Agami Distribution Ltd. 12. Agami Apparels Ltd. 13. Dekko Designs Ltd. 14. Dekko Washing Ltd. 15. Yolc Apparels Ltd. 16. Sharmin Tex Ltd. 17. Dekko Holdings Ltd. 18. Dekko Ready Wears Ltd. 19. Dekko Textiles Mills Ltd. 20. Dekko Oil Refinery Ltd. 21. Singardighi Fish Park Ltd.

Notes to the Financial Statements - *continued*

Sl No.	Name of the Directors	Designation	Entities where they have interest
7	Mr. Qazi Saleemul Huq	Director	1 GQ Industries Ltd. 2 Maladesh International (Pvt) Ltd. 3 GQ Foods Limited 4 GQ Enterprise Ltd. 5 GQ Ball Pen
8	Mr. Tauseef Iqbal Ali	Director	1. Prime Finance Capital Management Limited
9	Prof. Dr. Parimal Chandra Datta	Independent Director	1. Prime Finance Capital Management Limited
10	Mr. Kazi Md. Mortuza Ali	Independent Director	1. Prime Finance Capital Management Limited
11	Mr. Mohibul Islam Chowdhury	Independent Director	1. Prime Finance Capital Management Limited 2. Delta Brac housing Finance Corporation Ltd.

40. DISCLOSURES ON THE BOARD AUDIT COMMITTEE

Composition of Audit Committee

The Audit Committee consists of the following directors of the Board:

Name	Status with the Company	Status with the Committee	Educational Qualification
Prof. Dr. Parimal Chandra Datta	Independent Director	Chairman	M.Com, PhD in Accounting & Finance from Preston University, USA.
Mr. Md. Aminul Haque	Director	Member	B. Sc Engineer from BUET
Mr. Z. M. Kaiser	Director	Member	Masters in Science
Mrs. Muslima Shirin	Director	Member	Matriculation Standard
Mr. M. Shahadat Hossain Kiron	Director	Member	Beachelor of Commerce

Audit Committee meetings held during the year

Sl. No	Meeting no.	Meeting date
1	51 no. Audit Committee Meeting	23-Feb-2013
2	52 no. Audit Committee Meeting	16-Mar-2013
3	53 no. Audit Committee Meeting	11-May-2013
4	54 no. Audit Committee Meeting	29-Jul-2013
5	55 no. Audit Committee Meeting	29-Oct-2013
6	56 no. Audit Committee Meeting	27-Dec-2013

The Committee discussed the following issues during the year

- Reviewed the draft financial statements for the year ended 31 December 2012
- Recommendation to the Board for appointment of auditors and fixation of their remuneration
- Reviewed the effectiveness of external audit process
- Reviewed and approved the audit committee report
- Reviewed the payment procedure regarding end of service benefit
- Reviewed the quarterly financial statements
- Reviewed the Anti Money Laundering and Combating Terrorist Financing Policy

41. LEGAL PROCEEDINGS

The Company is not currently a defendant or a plaintiff in any material lawsuits or arbitration. From time to time, however, the Company is involved as a plaintiff in some actions taken against the default clients in the ordinary course of business for non-payment of rentals/installments. We believe that the ultimate dispositions of those matters will be favorable and will have no material adverse effect on business, financial conditions or results of operations.

42. BOARD MEETINGS AND NUMBER OF DIRECTORS

During the year 2013, 13 (thirteen) Board Meetings were held. As on 31 December 2013, there were 11 members in the Board, which include three Independent Director. As per FID circular no. 09 dated 11 September 2002, a non-banking financial institution shall have maximum 11 (eleven) Directors in the Board. The Managing Director is an ex-officio Director having no voting right.

43. NUMBER OF EMPLOYEES

A total number of 89 employees, including 18 sub staffs were employed in Prime Finance & Investment Limited as of 31 December 2013. All the employees received salary of Taka 36,000 and above per annum during the year 2013.

44. REPORTING CURRENCY AND LEVEL OF PRECISION

The figures in the financial statements represent Bangladesh currency (Taka), which has been rounded off to the nearest Taka.

45. IMPACT OF INFLATION AND CHANGING PRICES

Financial Institutions are affected differently by inflation than those of industrial ventures. While industrial and manufacturing companies generally have significant investments in inventories and fixed assets, financial institutions ordinarily do not have such investment. As a result, financial institutions are generally in a better position than industrial ventures to

respond to inflationary trends by monitoring the spread between interest cost and interest income yields through adjustments of maturities and interest rates of assets and liabilities.

Financial Statements presented herein have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), which required the measurement of the financial position and operating results in terms of historical costs. However, in some cases, particular BAS/ BFRS specifically suggests to measure some assets/ liabilities at fair value. Such as, BAS 39 suggests to measure investment in tradable securities at its fair value by crediting shareholders' equity.

46. EVENTS AFTER THE REPORTING PERIOD

Dividend

The Board of Directors in its meeting held on 01 March 2014 recommended 15 percent cash dividend for the year 2013.

Under Bangladesh Accounting Standard 10: Events after the Reporting Period, dividend declared after the Balance sheet date should not be classified as a liability at the balance sheet date as the proposed dividend does not represent a present obligation under BAS 37: Provisions, Contingent Liabilities and Contingent Assets.

47. FOREIGN CURRENCY EXPOSURE PROFILE

There were no foreign currency monetary assets or liabilities that would give rise to gains or losses in the profit and loss account.

48. COMPARATIVE FIGURES

Comparative information in respect of the preceding period as specified in BAS 1, para 38 and 38A has been disclosed in respect of the year 2013 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the year 2012 have been restated and rearranged whenever considered necessary to ensure comparability with the current period.

49. FINANCIAL HIGHLIGHTS

Key financial highlights of the company are annexed as **Annexure-B**.

50. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS' SPECIAL RESOLUTION

Currently the authorized capital of Prime Finance is Taka 3,000 million. The shareholders consented on the special resolution in the 15th Annual General Meeting (AGM) held on 29 March 2011 to amend clause V of the Memorandum of Association (MOA) and article 3(a) of the Articles of Association regarding change of Authorized Shares Capital of Taka 1,000,000,000 (Taka one thousand million) divided into 100,000,000 (one hundred million) ordinary shares of Taka 10 (Taka ten) each to Taka 3,000,000,000 (Taka three thousand million) divided into 300,000,000 (Taka three hundred million) ordinary shares of Taka 10 (Taka ten) each.

51. GEOGRAPHICAL AREA OF OPERATION

In addition to its existing branch office at Dhaka, Chittagong and Rajshahi, Prime Finance started its another operation at Gulshan, Dhaka in the year January 2014.

52. INTERIM FINANCIAL STATEMENTS

Prime Finance publishes its interim financial statements quarterly in website as required by the Bangladesh Securities and Exchange Commission. Notification no. SEC/CMRRCD/2008-183/Admin/03-34, dated September 27, 2009.

53. RESTRICTION ON PAYMENT OF CASH DIVIDEND

As per DFIM circular 09 dated 4 November 2009 of Bangladesh Bank a non-banking financial institution cannot declare cash dividend if its capital is below the required level. Prime finance

however has met the requirement of Bangladesh Bank. As at 31 December 2013, Prime Finance has a surplus capital of Taka 1,729.16 million.

54. CHANGES IN AND DISAGREEMENT WITH AUDITORS

There were no changes and disagreement with the Auditors on accounting and financial disclosures.

55. DEPARTURE FROM BAS 1

According to DFIM Circular no. 11 dated 23 December 2009 there is no scope to use the name or include Statement of Financial Position and Other Comprehensive Income. As such the company does not use the captioned and also not prepare the same.

56. DEPARTURE FROM BAS 39

The requirement of DFIM Circular no. 11 dated 23 December 2009 contradict with the requirement of BAS 39. As per BAS 39 investment in shares falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year end is to be taken to profit and loss account or revaluation reserve respectively. Prime Finance followed the guidelines of Bangladesh Bank Circular under which investment in both quoted and unquoted shares were recognized at cost and required provision has been made for the losses arising from diminution in value of investment. However, at 31 December 2013 had the requirement of BAS 39 was followed the investment as well as shareholders' equity will increase by Taka 26,079,950 for unrealized surplus/ gain against investment in quoted shares.

57. APPROVAL OF THE FINANCIAL STATEMENT

These financial statements were authorized for issue by the Board of Directors of the Company on 01 March 2014.


Company Secretary


Managing Director


Director


Chairman

Schedule of fixed assets including premises, furniture and fixtures

as at 31 December 2013

Particulars	COST				DEPRECIATION				Written Down Value as at 31-12-2013	
	Balance as at 1 January 2013	Additions during the year	Disposal/ adjustment during the year	Balance as at 31 December 2013	Rate of depreciation	Balance as at 1 January 2013	Charged during the year	Disposal/ adjustment during the year		Balance as at 31 December 2013
Freehold assets:										
Land	305,151,022	-	-	305,151,022		-	-	-	-	305,151,022
Furniture and fixtures	9,932,268	937,190	-	10,869,458	15% -20%	9,580,199	232,966	-	9,813,165	1,056,293
Office decoration	14,230,627	332,082	-	14,562,709	20%	8,039,954	1,572,630	-	9,612,584	4,950,125
Electrical equipment	15,837,622	2,937,242	595,726	18,179,138	20%	12,654,677	1,542,727	595,726	13,601,678	4,577,460
Owned vehicles	9,015,641	-	2,136,363	6,879,278	20%	6,512,573	1,163,524	1,602,272	6,073,825	805,453
Intangible assets	1,250,000	-	-	1,250,000	10%	858,333	125,000	-	983,333	266,667
Leasehold assets:										
Leased vehicles	14,306,104	-	-	14,306,104	20%	7,920,490	2,531,941	-	10,452,431	3,853,673
As at 31 December 2013	369,723,284	4,206,514	2,732,089	371,197,709		45,566,226	7,168,788	2,197,998	50,537,016	320,660,693

Schedule of fixed assets including premises, furniture and fixtures

as at 31 December 2012

Particulars	COST			DEPRECIATION			Written Down Value as at 31-12-2012
	Balance as at 1 January 2012	Additions during the year	Disposal/adjustment during the year	Balance as at 1 January 2012	Charged during the year	Disposal/adjustment during the year	
Freehold assets:							
Land	305,151,022	-	-	305,151,022	-	-	305,151,022
Furniture and fixtures	9,792,198	140,070	-	9,932,268	265,272	-	9,580,199
Office decoration	7,562,927	6,667,700	-	14,230,627	1,372,438	-	8,039,954
Electrical equipment	14,933,507	904,115	-	15,837,622	1,397,856	-	12,654,677
Owned vehicles	9,015,641	-	-	9,015,641	1,305,948	-	6,512,573
Intangible assets	1,250,000	-	-	1,250,000	125,000	-	858,333
Leasehold assets:							
Leased vehicles	14,306,104	-	-	14,306,104	2,844,997	-	7,920,490
As at 31 December 2012	362,011,399	7,711,885	-	369,723,284	7,311,512	-	45,566,227
							324,157,057

Highlights

Sl. No	Particulars	2013	2012
1	Paid-up capital	2,729,164,830	2,274,304,030
2	Total capital	5,249,836,637	5,106,587,219
3	Capital surplus/ (shortage)	1,729,164,830	1,274,304,030
4	Total assets	17,339,814,963	16,019,651,767
5	Total deposits	6,770,963,595	5,614,795,490
6	Total loans, advances and leases	12,901,715,481	11,433,699,066
7	Total Contingent liabilities and commitments	-	-
8	Loans deposits ratio (%)	190.54	203.64
9	Percentage of classified loans against total loans, advances and leases	7.63	9.89
10	Net profit after tax and provision	370,679,822	300,190,227
11	Classified loans, advances and leases during the year	822,114,573	964,835,255
12	Provision against classified loans, advances and leases	230,697,444	269,422,897
13	Surplus/ (shortage) in provision against loans, advances and leases	995,324	11,995
14	Fund cost (%)	13.53	15.40
15	Interest earning assets	16,943,985,224	15,249,294,515
16	Non-interest earning assets	784,929,362	770,357,251
17	Return on average investment (ROI) (%)	3.13	3.07
18	Return on average assets (ROA) (%)	2.81	2.65
19	Income from debentures, bonds etc.	-	-
20	Net income per share	1.10	1.04
21	Earnings per share (restated)	1.10	0.86
22	Price earnings ratio (times)	24.37	31.69



Prime Finance Capital Management Limited

a member of Prime Financial Group

Registered Office

63 Dilkusha Commercial Area
Dhaka-1000

Corporate Office

PFI Tower
56/57 Dilkusha Commercial Area
Dhaka -1000

Date of Incorporation

18 March 2010

Authorized Share Capital

Tk. 5,000,000,000

Paid-up Capital

Tk. 1,760,000,000,

Products & Services

Carry on business of merchant banking in all its respect, including acting as manager to the issues and offers, whether by way of public offer or otherwise, of securities, underwriting and/or management of issues, managing portfolio of investors whether discretionary or non-discretionary, advising clients on merger and amalgamation, capital restructuring etc.

Chairman

Md. Aliuzzaman

Managing Director & CEO

Dr. M. Mosharraf Hossain FCA

Auditors

M. M. Rahman & Co. Chartered Accountants

Shareholding of Prime Finance

60 percent

Directors' Report

for the financial year 2013



Prime Finance
Capital Management Limited

Dear Shareholders,

The Directors have the pleasure in presenting their Report with the audited financial statements of the Company for the year ended on 31 December 2013 together with the Auditors' Report thereon for consideration and approval of our valued Shareholders. These Reports were approved by the Board of Directors of the Company on 1 March 2014.

The Directors' Report has been prepared in compliance with Section 184 of the Companies Act 1994.

WORLD ECONOMY

The world economy has a good pace in 2013. For many economies it is still a struggling situation, with the euro zone in recession for much of the year and living standards in most of the developed world still below their standard level. Two phases of economic development have been found in 2013: the structural shift from the developed world towards the emerging world; and the cyclical climb out of a great recession. The world GDP growth was 3.2 percent in 2012 and predicted a slower growth at 2.9 percent in 2013 and in 2014 the growth predicted at 3.6 percent.

The GDP growth of advanced economies is almost same at 1.2 percent in 2012 and 2013, but anticipating 2.1 percent in 2014. Despite a large fiscal contraction, growth in the United States is expected to improve gradually given strong private consumption growth and still supportive financing conditions. Euro zone growth would take a number of years to inch back above 0.5 percent, as activity in the periphery barely creeps out of the recession. Emerging and developing economies is tracking a moderate recovery in 2013, but downside risks

and domestic policy challenges remain significant. However, the region is exposed to downside risks from a slowdown in Europe and to potentially greater financial market volatility. During the first half of 2013, GDP growth in Asia generally moderated and was weaker than anticipated in the 2013. This was due to a more rapid slowdown in the pace of growth in China, which affected industrial activity in much of emerging Asia. GDP Growth in China, estimated at 7.7, 7.6 and 7.3 percent over the year 2012 to 2014 respectively, might seem breathtakingly fast, but actually it's the slowest for 23 years. Things also slowed in India, to a little below 3.2 percent in 2012, again fast by the standards at 3.8 in 2013, but slow when compared to the past and predicted a greater phase about 5.1 percent in 2014. In Africa, encouragingly, grew by more than 5 percent. In Japan, growth would fall back below 0.5 percent, and the current account surplus would widen again, exceeding 2 percent of GDP.

Growth in the oil exporters decelerated substantially in the first half of 2013, driven by falling oil production. In a number of economies, such as the Islamic Republic of Iran, Iraq, and Libya, high geopolitical tension, economic sanctions, unscheduled maintenance, and deteriorating security have disrupted the oil supply.

BANGLADESH ECONOMY

Macroeconomic situation in Bangladesh has been quite stable for a considerable period of time in recent years and proved resilient to global financial crisis posting GDP growth rate averaging 6.2 percent during the past five years according to the annual report FY13 of Bangladesh Bank. Using the 1995-96 base year the Bangladesh economy achieved GDP growth of 6.0

Directors' Report - *continued*

percent in FY13. Growth in agriculture sector declined to 2.2 percent in FY13. Growth in crops and horticulture sub-sector slid to 0.2 percent in FY13, though growth in animal farming and forest and related services subsectors increased slightly during the period. Gross fixed investment increased slightly to 26.8 percent of GDP in FY13 due to increasing growth of public investment. During the same period, private investment decreased from 20.0 to 19.0 percent of GDP and public investment increased from 6.5 to 7.9 percent of GDP. National savings rates increased slightly to 29.5 percent of GDP in FY13. Domestic savings as a percent of GDP remained unchanged at 19.3 percent in FY13.

The average inflation rate, using the FY06 new base, moderated to 6.8 percent at the end of FY13 from 8.7 percent. Over this period, food and non-food inflation both decreased from 7.7 percent. The decrease in average inflation during FY13 was driven mainly by a gradual fall of food inflation until January 2013 when food inflation bottomed out at 3.2 percent. A steady decline in non-food inflation during the second half of FY13 also contributed to fall in average inflation. Though average inflation went down, point-to-point inflation increased to 8.1 percent in FY13.

In FY13, Bangladesh Bank designed its monetary policy stance based on assessment of global and domestic macroeconomic conditions and outlook. Bangladesh Bank continued restrained policy stance in H1 of FY13 to curb inflation. In FY13 Bangladesh's foreign currency reserves have crossed the US \$18,094.6 million mark for the first time due to buoyant remittance flow and rising export income. In H2 of FY13 repo and reverse repo rates were decreased to 7.25 and 5.25 percent respectively in FY13. Besides, Bangladesh Bank continued to maintain the Cash Reserve Ratio (CRR) and the Statutory Liquidity Ratio (SLR) for banks at 6.0 percent and 19.0 percent respectively. The exports earnings increased to USD 26,566 million and import payments increased marginally to USD 33,576 million in FY13. Trade deficit declined to USD 7,010 million in FY13. The services and income account including primary income and secondary income registered a surplus of USD 9,535 million due to a buoyant increasing remittance inflow. Remittance inflows increased to USD 14,338 million in FY13. As a result, current account balance moved to a surplus of USD 2,525 million.

CAPITAL MARKET SCENARIO

The market indices showed gradual improvement during 2013. At the outset of the year the Benchmark DSE Board

Index (DSEX) was 4090 in January 2013 and at the end of the year it was 4266.55 which showed a positive change of 176 points. The lowest point of DSEX downed to 3438 in April which reached its highest mark of 4439 points in November 2013. The DSE 30 Index (DS30) that comprises of the blue chip stocks clocked at its highest point at 1654 in July 2013 while the lowest level of DS30 is recorded at 1282 in April 2013 and the year end closing point is 1466.25. According to IMF, the market Capitalization of DSE was 25.39 percent of GDP in 2013.

The year 2013 faced a downward trend of transaction in terms of value compared to the previous year. During the year 2013, trading took place on 238 days which is the same in 2012. A total of 22,988.53 million shares worth Tk. 952,742.08 million traded in 2013 against 21,688.68 million shares valued Tk. 1,0001,084.90 million in 2012. The turnover rose to the highest peak with Tk. 153,046 million in July with daily average of Tk. 6956.66 million and lowest is in April of Tk. 32,264 million with the daily average of Tk. 1,536.39 million.

In 2013 sector wise turnover is relatively satisfactory. Manufacturing sector dominated the DSE turnover in 2013, accounting for a 45.08 percent of the total DSE turnover in which individually textile sector dominated the overall market by 15.96 percent. Financial sector contributed 22.78 percent to the turnover with banks remaining on the top by 8.34 percent. In terms of individual sectoral performance fuel and power sector contributed 14.85 percent followed by pharmaceuticals and Chemicals with 10.14 percent.

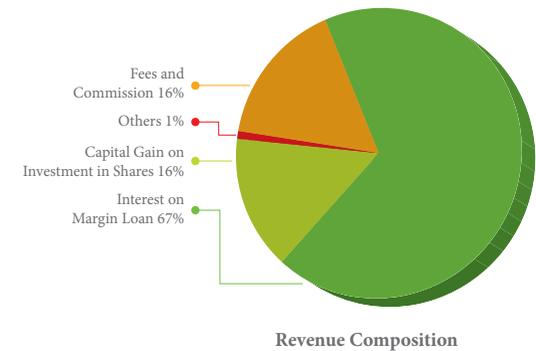
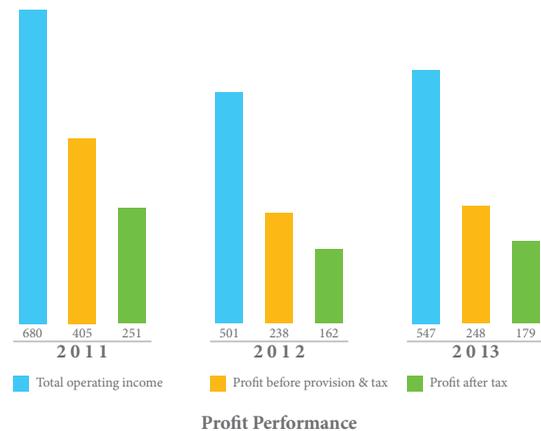
Total market capitalization in December 2013 is Tk. 2,647,790.83 million while the market capitalization is Tk. 2,403,555.62 million in December 2012. A significant number of companies have raised fund through IPOs and also increased Paid-up Capital by issuing bonus and right shares. A total of 12 companies floated IPOs worth Tk. 13,377.24 million in 2013 while the number of IPOs is 17 in 2012. A total of 17 companies with an issued capital of Tk. 16,749.79 million have been listed in the country's premier bourse in 2013. In the year 2013 six (06) listed companies of Dhaka Stock Exchange have collected a capital of Tk. 1,803.04 million from the market through right issue. Among the six companies five are from financial sector, one from insurance sector. And in the year 2012 nine (09) companies, among which three are from bank and financial sectors, two from insurance sector, three from textile sector and one from pharmaceutical sector, have collected Tk. 8,646.29 million from the market through right issue.

BUSINESS & OPERATIONAL ACTIVITIES

The Company has made a net profit of TK. 179,194,746 during the year 2013. The Company has made a provision of Tk. 67,612,093 as income tax. Total investment of the Company as margin loan was TK. 3,576,982,903 and investment in shares including unquoted shares was Tk. 310,846,430 in the year 2013.

CORPORATE TAX

The Company has paid Tk. 71,448,655 as income tax for the year 2012 and Tk. 147,138,078 for the year 2011. During 2013, the Company has made tax provision of



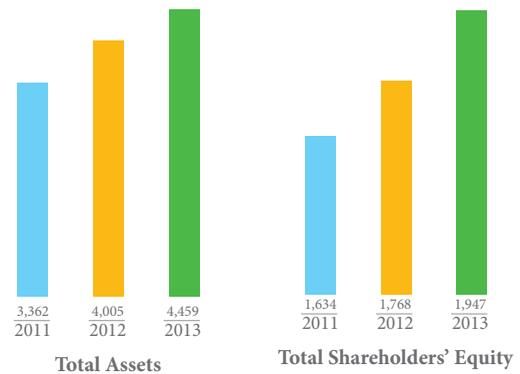
Tk. 67,612,093.

RESERVE & SURPLUS

The reserve & surplus of the Company includes retained earnings only. As on 31 December 2013 balance of retained earnings stood at Tk. 187,160,405 which was Tk. 167,965,660 on 31 December 2012.

DIVIDEND

The Board of Directors in its 38th meeting held on 1 March 2014 recommended 10% stock dividend for the year 2013 subject to approval of the Shareholders of the Company in its forthcoming Annual General Meeting.



BOOK CLOSURE

According to Section 42 of the Companies Act 1994, a Company may on giving seven day's previous notice by advertisement in some newspaper circulating in the district in which the registered office of the company is situated close the register of members for any time or times not exceeding on the whole forty-five days in each year but not exceeding thirty days at a time. Accordingly, Register of Members and Share Transfer Book of the Company will remain closed on Wednesday, 12 March 2014.

ANNUAL GENERAL MEETING

The 4th Annual General Meeting of the Company will be held on Thursday, 27 March 2014 to transact the following ordinary businesses:

- To receive, consider and adopt the audited financial statements of the Company for the year ended on 31 December 2013 including the reports of the Directors and the Auditors;
- To declare Dividend for the year 2013 as recommended by the Board;
- To elect/ re-elect Directors in terms of the relevant provision of the Articles of Association of the Company;
- To appoint the statutory auditors for the year 2014 and fixation of their remuneration;

AUDITORS

M. M. Rahman & Co., Chartered Accountants of 17-18 Hossain Housing Society, Shyamoli, Dhaka-1207, was appointed as the Auditors of the Company for the year 2013 in the 3rd Annual General Meeting. The Auditors will retire in the 4th Annual General Meeting. Being eligible under Section 212 of the Companies Act 1994, the Auditors have consented to continue their office for the year 2014. The Board recommended to the Shareholders to re-appoint the existing Auditors for the year 2014 at a remuneration of Tk. 50,000/- plus VAT.

RETIREMENT AND APPOINTMENT OF DIRECTORS

Retirement by rotation:

As per Article-126 of the Articles of Association of the Company, one-third of the total number of Directors for the time being, shall retire from the office in every Annual General Meeting. As per Article-128 of the Articles of Association of the Company, the retiring Directors are eligible for re-election.

Accordingly, following Directors as per Article 126 of the Article of Association of the Company shall retire by rotation from the Board in the 4th Annual General Meeting:

- 1) Mr. K. M. Rakib Hasan
- 2) Mr. Waheed Mahmud Khaled
- 3) Mr. Rubaiyat Khaled

As per Article 128 of the Article of Association of the Company the retiring directors are eligible for re-election. Hence, the Board recommended for re-appointment of the retiring directors in the 4th Annual General Meeting of the Company.

COMPLIANCE OF CORPORATE GOVERNANCE

The Company has complied with condition no. 5 of the Corporate Governance Guideline imposed by Bangladesh Securities and Exchange Commission vide their notification no. SEC/CMRRCD/2006/134/Admin/44 dated 7 August 2012.

EVENTS OCCURRING AFTER THE REPORTING DATE

As at the date of this Report, the Directors are not aware of any matter or circumstance that has arisen since the end of the year 2013 that has significantly affected or may significantly affect the operations of the Company except recommendation of 10% stock dividend for the year 2013 in its 38th Board of Directors meeting held on 1 March 2014.

CONCLUSION

There are a number of dynamics, both political and economic, which could significantly affect money market and capital markets in which the Company operates. Because of recent turmoil in the market indices, investors remain concerned about stock prices. Interest rate, inflation, liquidity, investment incentive and investors' confidence all of which will inevitably determine capital market's future directions. We are confident to continue to thrive in all areas of our business.

Finally, we are thankful to you for having confidence on us. Your continued support is the driving force behind the growth and development of our business. Thanks to the commitment, dedication and hard work of the Company's employees who are core to our success. I also take this opportunity to recall with gratitude the support and cooperation we have received from our shareholders, clients, government agencies, regulatory bodies and everyone with whom the company is connected to in conducting its affairs and business.

On behalf of the Board,

sd/-
(Md. Aliuzzaman)
Chairman
Board of Directors
Prime Finance Capital Management Limited

Independent Auditors' Report to the Shareholders of Prime Finance Capital Management Limited

We have audited the accompanying financial statements of **Prime Finance Capital Management Limited** (the Company), which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of **Prime Finance Capital Management Limited** as of December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standard (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) In our opinion, proper books of account as required by the law have been kept by the Company so far as it appeared from our examination of those books;
- c) The Company's financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d) The expenditure incurred was for the purposes of the Company's business.

Dhaka
1 March, 2014



M.M. Rahman & Co.
Chartered Accountants

Prime Finance Capital Management Limited

Statement of Financial Position

as at 31 December 2013

(Figures in Taka)	2013	2012	Notes
Non-current assets			
Property, plant and equipment	4,575,048	3,461,952	4 Page 247
Investment in shares	310,846,430	374,338,505	5 Page 247
Deferred tax assets	93,283	16,745	28 Page 252
Total non-current assets	315,514,761	377,817,202	
Current assets:			
Margin loan	3,576,344,008	3,322,723,134	6 Page 247
Advance, deposit and prepayment	269,792,526	47,869,881	7 Page 247
Accounts receivable	294,906,431	218,270,501	8 Page 248
Cash and cash equivalents	2,182,176	37,898,082	9 Page 248
Total current assets	4,143,225,141	3,626,761,598	
Total assets	4,458,739,902	4,004,578,800	
Shareholders' equity:			
Share capital	1,760,000,000	1,600,000,000	10 Page 249
Retained earnings	187,159,796	167,965,660	11 Page 249
	1,947,159,796	1,767,965,660	
Non-current liabilities			
Obligation under finance lease	132,003	1,579,324	12 Page 250
Term loan-long term maturity	110,548,245	-	13 Page 250
Total non-current liabilities	110,680,248	1,579,324	
Current liabilities:			
Margin deposit	51,250,619	90,773,672	14 Page 250
Current account with Parent Company	1,249,608,047	1,341,488,573	15 Page 250
Term loan-short term maturity	27,863,381	-	13 Page 250
Short term loan	250,000,000	150,000,000	16 Page 250
Overdraft facility	108,226,200	-	17 Page 250
Corporate tax liability	289,308,931	221,620,658	18 Page 250
Accounts payable	10,730,330	6,735,794	19 Page 250
Other payables and accruals	413,912,350	424,415,119	20 Page 251
Total current liabilities	2,400,899,858	2,235,033,816	
Total shareholders' equity and liabilities	4,458,739,902	4,004,578,800	

The annexed notes 1 to 34 form an integral part of these financial statements

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

As per our annexed report of same date.

Dhaka
1 March, 2014

sd/-
M.M. Rahman & Co.
Chartered Accountants

Prime Finance Capital Management Limited
Statement of Comprehensive Income
for the year ended on 31 December 2013

(Figures in Taka)	2013	2012	Notes
Operating income:			
Fees and commission	90,182,271	108,858,402	21 Page 251
Interest on margin loan	367,000,847	328,398,100	22 Page 251
Capital gain on sale of listed shares	85,357,488	59,613,009	23 Page 251
Other income	4,700,617	4,005,852	24 Page 251
Total operating income	547,241,223	500,875,363	
Operating expenses:			
Financial expenses	263,194,244	230,112,632	25 Page 251
Management expenses	35,788,322	32,562,807	26 Page 252
Total operating expenses	298,982,566	262,675,439	
Profit before provision and tax	248,258,657	238,199,924	
Provision for doubtful loss	1,452,786	3,323,321	27 Page 252
Profit before tax	246,805,871	234,876,603	
Income tax expenses:			
Current tax	67,688,273	72,931,394	
Deferred tax	(76,538)	(40,811)	28 Page 252
	67,611,735	72,890,583	
Profit after tax	179,194,136	161,986,020	

The annexed notes 1 to 34 form an integral part of these financial statements.

sd/-
Chairman

sd/-
Director

sd/-
Managing Director & CEO

As per our annexed report of same date.

Dhaka
1 March, 2014

sd/-
M.M. Rahman & Co.
Chartered Accountants

Prime Finance Capital Management Limited

Statement of Changes in Equity

for the year ended on 31 December 2013

(Figures in Taka) Particulars	Share Capital	Share Money Deposit	Retained Earnings	Total
Balance as at 1 January 2012	1,000,000,000	378,000,000	255,979,640	1,633,979,640
Cash dividend for the year 2011	-	-	(250,000,000)	(250,000,000)
Share money deposit receipts during the year	-	222,000,000	-	222,000,000
Rights share issued in 2012	600,000,000	-	-	600,000,000
Share money deposit transferred to share capital	-	(600,000,000)	-	(600,000,000)
Profit after tax for the year 2012	-	-	161,986,020	161,986,020
Balance as at 31 December 2012	1,600,000,000	-	167,965,660	1,767,965,660
Bonus dividend for the year 2012	160,000,000	-	(160,000,000)	-
Profit after tax for the year 2013	-	-	179,194,136	179,194,136
Balance as at 31 December 2013	1,760,000,000	-	187,159,796	1,947,159,796

Prime Finance Capital Management Limited

Statement of cash flows

for the year ended on 31 December 2013

(Figures in Taka)	2013	2012
A. Cash flows from operating activities:		
Net received from/(payment to) portfolio customers	(62,832,902)	31,768,760
Net received from brokers	209,933,981	108,876,451
Received of issue management fee	1,800,625	7,199,780
Received of underwriting commission	1,937,051	6,137,520
Received of advisory fees	1,500,000	515,000
Payment for management expense	(33,426,818)	(30,704,901)
Received of dividend income	2,761,942	2,405,382
Received of interest income	1,925,618	1,769,316
Bank charge paid	(1,388,348)	(67,150)
Tax paid	(219,744,013)	(1,129,711)
Net cash flows from operating activities	(97,532,864)	126,770,447
B. Cash flows from investing activities:		
Payment for acquisition of fixed assets	(2,669,500)	(620,695)
Payment for employees home loan	(9,750,000)	(21,650,000)
Net received/(payment) for investment in shares	166,771,830	(37,264,209)
Payment as advance against fixed assets	(15,169,283)	-
Net cash flows from investing activities	139,183,047	(59,534,904)
C. Cash flows from financing activities:		
Received of share money deposit	-	222,000,000
Received of short term loan with BD Finance Ltd.	100,000,000	150,000,000
Payment for financial expenses	(53,376,313)	(33,654,208)
Payment for cash dividend for the year 2011	-	(250,000,000)
Overdraft facility with Midland Bank Ltd.	108,226,200	-
Net loan received from ILFSL	138,411,626	-
Net loan payment/re-payment to inter-company	(370,627,602)	(138,893,947)
Net cash outflows from financing activities	(77,366,089)	(50,548,155)
Net cash flows for the period (A+B+C)	(35,715,906)	16,687,388
Opening cash and cash equivalents	37,898,082	21,210,694
Closing cash and cash equivalents (D+E)	2,182,176	37,898,082

Prime Finance Capital Management Limited

Notes to the Financial Statements

as at and for the year ended on 31 December 2013

1. REPORTING ENTITY

Prime Finance Capital Management Limited ("the company") is a public limited company incorporated on 18 March 2010 in Bangladesh under the Companies Act 1994. The Company has obtained Merchant Banking license (registration certificate no. MB-50/2010) from Bangladesh Securities and Exchange Commission on 29 November 2010. The main objectives of the company are to carry on business of merchant banking in all its respect, including acting as manager to issues and offers, whether by way of public offer or otherwise, of securities, underwriting and/or management of issues, managing portfolio of investors whether discretionary or non-discretionary, advising clients on merger and amalgamation, capital restructuring etc. The registered office of the company is situated in Bangladesh.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Bangladesh Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules 1996, and as per the requirements of the Companies Act 1994 and other applicable laws and regulations.

These financial statements were authorised for issue by the Board of Directors on 01 March, 2014.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis under historical cost convention.

2.3 Functional and presentational currency

These financial statements are presented in Bangladesh Taka (Taka/Tk.), which is the company's functional currency. All financial information presented in Taka has been rounded off to the nearest integer.

2.4 Use of estimates and judgments

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an on going basis.

2.5 Reporting period

The financial statements of the company covers one year period from 1 January 2013 to 31 December 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently (otherwise as stated) to all periods presented in these financial statements.

3.1 Property, plant and equipment

3.1.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of property, plant and equipment and bringing to the location and condition necessary for it to be capable of operating in the intended manner. The cost of self constructed asset included the cost of material and direct labour, any other cost directly attributable to bringing the assets to a working condition for their intended use.

3.1.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

3.1.3 Depreciation

Depreciation is charged on all items of property, plant and equipment on straight line method over their estimated useful lives as summarized below:

Motor vehicles	20% p.a.
Electrical equipments	20% p.a.
Furniture and fittings	15%-20% p.a.

Upon retirement of assets, the cost and related accumulated depreciation are eliminated from the accounts and resulting gain or loss is charged or credited to statement of comprehensive income.

3.2 Investment in shares

Investments are stated at cost. Dividend is accounted for as income when right to receive is established.

3.3 Accounts receivable

Accounts receivable are considered good and realizable.

3.4 Employee benefits

The company operates a non-funded gratuity scheme, provision in respect of which is made annually for all eligible employees. Gratuity payable to all eligible employees at the end of each year has been determined on the basis of existing rules and regulations of the company, actuarial valuation is not hence deemed essential.

The company also maintains a contributory provident fund for its permanent employees which is administered by the Board of Trustees.

3.5 Financial instruments

Financial instrument includes non-derivative financial instruments such as cash and cash equivalents, receivables, payables etc.

3.6 Provisions

Provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation as per the BAS-37 'Provisions, contingent liabilities and contingent assets'.

3.7 Revenue recognition

Revenue is recognized in accordance with Bangladesh Accounting Standards (BAS) 18: 'Revenue', unless otherwise mentioned or otherwise guided by the separate BAS/BFRS.

3.7.1 Income from margin loan

Income from margin loan is recognized on accrual basis. Such income is calculated considering daily margin loan balance of the respective parties. Income is recognized on quarterly rest.

3.7.2 Income from portfolio management fee

Income from management fee is recognized on accrual basis. Such income is calculated considering daily portfolio balance of the respective parties. Income is recognized on quarterly rest.

3.7.3 Income from issue management fee, underwriting commission and corporate advisory fee

Income from issue management fee, underwriting commission and corporate advisory fee are recognized as income when invoices are raised and accepted by the customers.

3.7.4 Capital gain on listed shares

Capital gain is recognized on the basis of realization. Unrealized gain/losses are not recognized in the statement of comprehensive income.

3.8 Taxation

3.8.1 Current tax

Provision for income tax is made on the basis of the company's computation based on best estimate of taxable profit as per requirement of the Finance Act 2013. Applicable tax rate for the Company as a Merchant Bank is 37.5%.

3.8.2 Deferred tax

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they revised, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.9 Events after the balance sheet date

Events after the balance sheet date that provide additional information about the company's position at the balance sheet date are reflected in the financial statements. Events after the balance sheet date that are non adjusting events are disclosed in the notes when material.

Notes to the Financial Statements - *continued*

4. PROPERTY, PLANT AND EQUIPMENT

(Figures in Taka) Particulars	Furniture and fixtures	Electrical equipments	Motor vehicle	Total
Cost:				
As at 1 January 2013	342,770	1,276,101	3,785,738	5,404,609
Additions during the year	50,000	125,500	2,494,000	2,669,500
Disposals during the year	-	-	-	-
As at 31 December 2013	392,770	1,401,601	6,279,738	8,074,109
Depreciation:				
As at 1 January 2013	57,335	371,027	1,514,296	1,942,658
Charges during the year	70,068	271,954	1,214,381	1,556,403
Adjustments for disposal	-	-	-	-
As at 31 December 2013	127,403	642,981	2,728,677	3,499,061
Written down value:				
As at 31 December 2013	265,367	758,620	3,551,061	4,575,048
As at 31 December 2012	285,435	905,074	2,271,443	3,461,952

4.1 Motor vehicle includes 2 (two) office car of which one is under finance lease with Prime Finance & Investment Ltd.

5. INVESTMENT IN SHARES

	2013	2012
Quoted shares	299,493,260	354,963,505
Un-quoted shares (Note-5.1)	11,353,170	19,375,000
	310,846,430	374,338,505

5.1 Un-quoted shares

Bengal Windsor Limited	-	10,000,000
Bond of Northern Power Solution Limited	3,125,000	4,375,000
Bengal Meat Processing Industries Limited	5,000,000	5,000,000
BD Finance Ltd.-undersubscribed portion of rights share	3,228,170	-
	11,353,170	19,375,000

6. MARGIN LOAN

Margin loan	3,576,344,008	3,322,723,134
	3,576,344,008	3,322,723,134

Margin loan represents outstanding loan balance provided to portfolio clients against margin deposit. Margin loan is provided as per the guidelines of Bangladesh Securities and Exchange Commission.

7. ADVANCE, DEPOSIT AND PREPAYMENT

	2013	2012
Advance income tax (Note-7.1)	221,168,395	1,424,382
Advance to brokerage house for purchase of listed company's shares	3,585,508	23,266,159
Other advances (Note-7.2)	45,038,623	23,179,340
	269,792,526	47,869,881

Notes to the Financial Statements - *continued*

7.1 Advance income tax	2013	2012
Balance as at 1 January	4,163,225	3,033,514
Add:		
Advance income tax paid u/s-64 of Income Tax Ordinance, 1984	-	500,000
Tax paid for the year 2011	147,138,078	-
Tax paid for the year 2012	71,448,655	629,711
Tax deducted at source in 2013	1,157,280	-
	219,744,013	1,129,711
	223,907,238	4,163,225
Less:		
Adjustment for completed assessment-Return of 2010 (Note-18)	2,738,843	2,738,843
Balance as at 31 December	221,168,395	1,424,382

7.2 Other advances		
Advance against employee house building finance (Note-7.2.1)	29,394,540	22,406,140
Advance against employee car finance (Note-7.2.1)	474,800	773,200
Advance against fixed assets (Note-7.2.2)	15,169,283	-
	45,038,623	23,179,340

7.2.1 As per Company's service rules and regulations, the Company provides house building finance and car finance facilities to the employees. The house building finance and car finance shall be adjusted in 15 years and 6 years respectively.

7.2.2 This represents amount paid to various suppliers as advance against purchase of fixed assets such as furniture and fittings, air-conditioner, electric equipment etc. for renovating Company's new corporate office.

8. ACCOUNTS RECEIVABLE	2013	2012
Receivable from PFI Securities Limited	280,387,180	197,131,725
Receivable from Vision Capital Management Limited	5,106,722	8,813,224
Receivable from Prime Islami Securities Limited	6,624,814	-
Accrued fees, commission etc.	-	1,215,400
Suspense receivables	-	215,600
Other receivables	2,787,715	10,894,552
	294,906,431	218,270,501

Receivable from PFI Securities Limited includes interest bearing loan given to PFI Securities Limited, the sister-concern of Prime Finance Capital Management Limited.

9. CASH AND CASH EQUIVALENTS	2013	2012
Cash on hand	5,000	5,000
Balance with banks:		
Mutual Trust Bank Ltd., Dilkusha branch - Short term deposit	426,801	37,259
Shahjalal Islami Bank Ltd., Dhaka main branch-Short term deposit	520,185	8,311,099
Shahjalal Islami Bank Ltd., Dhaka main branch-Short term deposit	512,001	25,458,506
Shahjalal Islami Bank Ltd., Dhaka main branch-Short term deposit	6,904	39,614
Shahjalal Islami Bank Ltd., Rajshahi Branch-Short term deposit	23,099	23,099
NCC Bank Ltd., Dilkusha branch-Short term deposit	464,597	3,574,947

Notes to the Financial Statements - *continued*

First Security Islami Bank Ltd., Dilkusha branch-Short term deposit	31,406	30,781
Dutch Bangla Bank Ltd., Local office branch -Short term deposit	176,494	392,115
National Bank Ltd., Dilkusha Branch-Short term deposit	8,084	8,846
National Bank Ltd., Motijheel Branch-Short term deposit	7,605	8,408
National Bank Ltd., Motijheel Branch-Short term deposit	-	8,408
	2,177,176	37,893,082
	2,182,176	37,898,082

10. SHARE CAPITAL

Authorized:	2013	2012
500,000,000 ordinary shares of Tk 10 each	5,000,000,000	5,000,000,000
Issued and fully paid up:		
100,000,000 ordinary shares of Tk. 10 each issued for cash	1,000,000,000	1,000,000,000
60,000,000 ordinary shares of Tk. 10 each issued for cash as rights issue	600,000,000	600,000,000
16,000,000 ordinary shares of Tk. 10 each issued as bonus share	160,000,000	-
	1,760,000,000	1,600,000,000

10.1 The Company issued rights share @ 6R:10 (i.e. 6 rights for every 10 shares held) in 2012 after getting approval of Bangladesh Securities and Exchange Commission vide its consent letter no. SEC/CI/CPLC-258/2010/1819 dated 27 December 2012 . Allotment was subsequently made on 30 December 2012.

10.2 The Company issued bonus share @ 10% (i.e. 1 bonus for every 10 shares held) for the year 2012. Allotment was made on 27 December 2013 after getting approval of Bangladesh Securities and Exchange Commission vide its consent letter no. SEC/CI/CPLC-258/2010/2898 dated 17 December 2013.

10.3 Composition of shareholding

	No. of share	Taka	Percentage
Prime Finance & Investment Limited	105,600,000	1,056,000,000	60.00%
Mr. K. M. Rakib Hasan	10,560,000	105,600,000	6.00%
Mr. Waheed Mahmud Khaled	10,560,000	105,600,000	6.00%
Mr. Nazim Asadul Haque	10,560,000	105,600,000	6.00%
Mr. Rubaiyat Khaled	6,780,000	67,800,000	3.85%
Mr. Tauseef Iqbal Ali	5,280,000	52,800,000	3.00%
Mr. Md. Aliuzzaman	520,000	5,200,000	0.30%
Syeda Tasnuva Khanam	5,280,000	52,800,000	3.00%
GQ Enterprise Limited	7,040,000	70,400,000	4.00%
Agami Apparels Limited	7,040,000	70,400,000	4.00%
Mr. Shahriar Khaled	6,780,000	67,800,000	3.85%
	1,760,000,000	1,760,000,000	100.00%

11. RETAINED EARNINGS

	2013	2012
Balance as at 1 January	167,965,660	255,979,640
Profit after tax transferred to retained earnings	179,194,136	161,986,020
Dividend for the year 2011	-	(250,000,000)
Dividend for the year 2012	(160,000,000)	-
Balance as at 31 December	187,159,796	167,965,660

Notes to the Financial Statements - *continued*

12. OBLIGATION UNDER FINANCE LEASE

Motor car has been taken as finance lease from Prime Finance & Investment Limited for 5 years with initial interest rate of 15% p.a.

13. TERM LOAN

This amount represents outstanding loan balance with International Leasing and Financial Services Ltd. (ILFSL).

Sl. No.	Agreement	Date	Tenure	Rate	Short-term maturity	Long-term maturity	Total
1	2-2299/13-0-0	11-Mar-13	48	18%	20,805,975	68,667,221	89,473,196
2	201391597-0-0	4-Sep-13	60	18%	7,057,406	41,881,024	48,938,430
Total					27,863,381	110,548,245	138,411,626

14. MARGIN DEPOSIT

	2013	2012
Margin deposit	40,325,308	89,602,350
Add: Receivable in transit	10,925,311	15,381
Add: Cheque collection in transit	-	1,155,941
	51,250,619	90,773,672

15. CURRENT ACCOUNT WITH PARENT COMPANY

This represents interest bearing loan taken from Prime Finance & Investment Limited, the parent company of Prime Finance Capital Management Limited.

16. SHORT TERM LOAN

This amount represents outstanding loan balance with BD Finance Ltd. The tenure of the loan is 12 months which is renewable for further period of 12 months. Rate of interest is 18.50%. Interest is servicing on monthly basis and total loan amount is payable upon maturity.

17. OVERDRAFT FACILITY

This amount represents outstanding overdraft balance with Midland Bank Limited. Tenure of loan is 1 year which is renewable for further period of 1 year. Rate of interest is 15.50%.

18. CORPORATE TAX LIABILITY

	2013	2012
Tax provision for the year ended on 31 December 2010	2,063,843	2,063,843
Tax provision for the year ended on 31 December 2011	149,364,264	149,364,264
Tax provision for the year ended on 31 December 2012	72,931,394	72,931,394
Tax provision for the year ended on 31 December 2013	67,688,273	-
Total tax provision till date	292,047,774	224,359,501

Less:

Adjustment for completed assessment-Return of 2010 u/s 82BB (Note-7.1)	2,738,843	2,738,843
	2,738,843	2,738,843
	289,308,931	221,620,658

19. ACCOUNTS PAYABLE

	2013	2012
Payable to PFI Securities Limited	5,651,666	3,255,780
Payable to Vision Capital Management Limited	5,037,331	3,480,014
Payable to Sharp Securities Limited	41,333	-
	10,730,330	6,735,794

Accounts payable represents balance outstanding with brokerage houses arising from transaction on clients' account. These balances are confirmed by the respective brokerage houses.

Notes to the Financial Statements - *continued*

20. OTHER PAYABLES AND ACCRUALS	2013	2012
Office rent and utility payable	34,289	106,125
Interest payable	203,979,036	195,458,424
Payable for unsubscribed shares	-	6,601,180
CDBL charge payable	158,928	868,103
Accrued fuel cost	-	16,746
Accrued mobile bill	17,005	15,529
Audit fee payable	57,500	57,500
Suspense receipts PIA dividend income	1,739,869	3,130,884
Interest suspense account	196,223,000	194,223,000
Gratuity and super annuation fund payable	2,118,235	4,809,751
Accrued expenses	354,167	3,663,725
Provision for expenses	-	7,392,954
Provision for doubtful losses	9,230,322	7,777,535
Others	-	293,663
	413,912,350	424,415,119
21. FEES AND COMMISSION		
Issue management fee	1,800,625	6,087,780
Underwriting commission	1,937,051	2,620,970
Portfolio management fee	84,944,595	99,634,652
Corporate advisory fee	1,500,000	515,000
	90,182,271	108,858,402
22. INTEREST ON MARGIN LOAN		
Interest on margin loan includes interest earned on margin loan provided to portfolio investors against their margin deposit.		
23. CAPITAL GAIN ON SALE OF LISTED SHARES		
Capital gain represents realized gain earned against investment in shares of listed companies under the company's portfolio investment.		
24. OTHER INCOME	2013	2012
Income from bank interest of STD accounts	1,221,577	806,340
Dividend income	2,761,914	2,277,574
Documentation fee	14,000	36,000
Interest income from investment in Bond	703,126	885,938
	4,700,617	4,005,852
25. FINANCIAL EXPENSES		
Interest on loan	263,035,088	229,732,142
Interest charge on obligation under finance lease	159,156	380,490
	263,194,244	230,112,632

Notes to the Financial Statements - *continued*

26. MANAGEMENT EXPENSES	2013	2012
Salaries and allowances	24,252,823	24,062,079
Legal and professional fees	180,000	52,250
Audit fee	57,500	57,500
CDBL charges	1,452,280	2,044,169
Office maintenances	1,511,152	1,349,005
Recruitment and human resources	89,056	42,250
Bank charges	1,388,348	67,150
Books and periodicals	23,240	23,284
Telephone, postage etc.	199,635	194,781
Printing and stationeries	162,003	240,903
Directors' fees	495,000	445,000
Car allowances	372,000	372,000
Office rent	314,312	314,312
Motor vehicle expenses	526,748	503,145
Meeting expenses	79,250	89,022
Subscription and fees	240,000	538,505
Medical and employee welfare	267,031	163,826
Utility expenses	117,645	103,565
Business development and publicity	1,995,513	406,686
Brokerage commission and charges	508,384	437,405
Depreciation	1,556,402	1,055,970
	35,788,322	32,562,807

27. PROVISION FOR DOUBTFUL LOSS

Carrying amount on balance sheet date Provision for doubtful loss represents provision made against diminishing in value of investment in shares in company's portfolio which has been made on the basis of directive of Bangladesh Securities and Exchange Commission dated 9 December 2013.

28. INCOME TAX EXPENSES

Current tax:

Provision for tax has been made as per the requirement of Finance Act 2013.

Deferred tax:

Deferred tax asset is arrived at as follows:

	Carrying amount on balance sheet date	Tax base	Taxable/(deductible) temporary difference
Year: 2013 (A)			
Property, plant and equipment	4,575,048	4,823,803	(248,755)
Applicable tax rate			37.50%
Deferred tax - asset			(93,283)
Year: 2012 (B)			
Deferred tax income (A-B)			(16,745)
			(76,538)

Related deferred tax income has been recognized in the statement of comprehensive income.

Notes to the Financial Statements - *continued*

29. CONTINGENT LIABILITIES

None at 31 December 2013

30. CAPITAL EXPENDITURE COMMITMENT

None at 31 December 2013

**31. CLAIMS AGAINST THE COMPANY NOT
ACKNOWLEDGED AS DEBT**

None at 31 December 2013

32. NUMBER OF EMPLOYEES

The number of employees engaged for the whole year or part thereof who received a total remuneration of Tk 36,000 per annum or above was 19 (2012 : 19).

33. EVENTS AFTER THE BALANCE SHEET

Board of Directors in its 38th meeting held on 1 March, 2014 recommended 10 % stock dividend for the year 2013 subject to approval of shareholders of the Company in its forthcoming Annual General Meeting.

34. GENERAL

Previous year's figures have been re-arranged, wherever necessary, to conform to current year's presentation.



PFI Securities Limited

a member of Prime Financial Group

About the Company

PFI Securities Limited is one of the leading brokerage houses in Bangladesh which was incorporated on 06 August 1997 as a Private Limited Company. The company converted to public limited company on 6 April 2010. It is operating with a group of highly trained & skilled manpower. The Company has refined its business model to constantly maintain a cutting-edge approach in the areas in which it operates. PFI Securities is a Security Broking company registered as member with both the bourses in Bangladesh; Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE).

Nature of Business

The Company is engaged primarily to cater the service to the institutions and individual investors for trading of securities with both the bourses under Securities & Exchange Commission (Stock-Dealer, Stock-Broker & Authorized Representative) Rules 2000 and to extend margin loan facilities to the investors under Margin Rules 1999.

Chairman

Mr. M. A. Wahhab

CEO & Managing Director

Kazi Fariduddin Ahmed FCA

Authorized Capital

Tk. 5,000,000,000

Paid-up Capital

Tk. 1,674,400,000

Operating Profit for 2013

Tk. 186,606,935

Net Profit for 2013

Tk. 126,841,360

Earnings Per Share for 2013

0.76

Shareholdings of Prime Finance

46.15 percent

Auditors' Report to the Shareholders

of PFI Securities Limited

We have audited the accompanying financial statements of **PFI Securities Limited**, which comprise the Balance Sheet as at December 31, 2013 and the related Profit and Loss Statement, Cash Flow Statement and Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of PFI Securities Limited as of December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by the law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's Balance Sheet and Profit and Loss Statement and its Cash Flow dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred was for the purposes of the company's business.

Dhaka
24 February, 2014



M.M. Rahman & Co.
Chartered Accountants

PFI Securities Limited
Balance Sheet

as at 31 December

(Figures in Taka)	2013	2012
SOURCES OF FUND		
SHAREHOLDERS' EQUITY	2,341,542,161	2,298,420,801
Share Capital	1,674,400,000	1,674,400,000
General Reserve	50,000,000	50,000,000
Revaluation Reserve	443,887,500	443,887,500
Retained earnings	46,413,301	70,359,608
Current year's profit	126,841,360	59,773,693
APPLICATION OF FUND		
INVESTMENT AND ADVANCES	706,045,354	613,702,715
Membership of stock exchanges	456,500,000	456,500,000
Employees Loan	3,981,653	4,091,657
Investment in shares	245,563,701	153,111,058
CURRENT ASSETS	9,542,302,684	8,626,905,974
Advance, deposits and prepayments	273,980,472	151,311,883
Margin loan to clients	8,195,714,202	7,628,833,600
Accounts receivable	661,027,806	493,117,397
Advance corporate tax	369,260,563	335,902,782
Cash & Cash equivalents	42,319,642	17,740,311
CURRENT LIABILITIES	8,256,721,095	7,296,996,445
Accounts payable	1,439,395,937	898,492,414
Term Loan	6,314,519,228	5,960,774,860
Provision for Diminution in value of investment in share	5,482,916	171,731
Provision for tax	497,323,015	437,557,440
NET CURRENT ASSETS	1,285,581,589	1,329,909,529
Property, plant & equipments	349,915,218	354,808,557
TOTAL ASSETS AND INVESTMENTS	2,341,542,161	2,298,420,801

sd/-
Company Secretary

sd/-
CEO & Managing Director

sd/-
Chairman

As per our report of same date.

Dhaka
 24 February, 2014

sd/-
M.M. Rahman & Co.
 Chartered Accountants

PFI Securities Limited
Profit and Loss Statement

for the year ended 31 December

(Figures in Taka)

	2013			2012
	U/Sec-82(c)	Other than U/Sec-82(c)	Total	Total
OPERATING INCOME	90,502,072	218,428,547	308,930,620	225,461,416
Commission on securities trading	90,502,072	-	90,502,072	200,429,404
Interest on margin loan	-	163,286,220	163,286,220	19,746,502
Gain/Loss on sale of shares	-	37,134,640	37,134,640	-
Dividend income	-	1,162,098	1,162,098	523,412
Other operating income	-	16,845,590	16,845,590	4,762,099
OPERATING EXPENSES	39,275,430	83,048,254	122,323,685	131,105,116
Laga and howla charges	7,066,426	-	7,066,426	9,212,141
Management expenses	32,209,003	77,737,069	109,946,073	121,721,243
"Provision for Diminution in value of investment in share"	-	5,311,185	5,311,185	171,731
Profit before tax	51,226,643	135,380,293	186,606,935	94,356,301
Provision for income tax	33,338,714	26,426,861	59,765,575	34,582,608
Net profit after income tax	17,887,929	108,953,432	126,841,360	59,773,693
Earning per share (EPS)			0.76	0.36
Restated Earning per share (EPS)			-	0.36

sd/-
Company Secretary

sd/-
CEO & Managing Director

sd/-
Chairman

As per our report of same date.

Dhaka
 24 February, 2014

sd/-
M.M. Rahman & Co.
 Chartered Accountants

PFI Securities Limited
Cash Flow Statement
 for the year ended 31 December

(Figures in Taka)	2013	2012
Cash Flows from Operating Activities		
Collection from commission, interest on trading on securities & Others	1,200,576,352	1,167,517,324
Payment of Laga, howla & management expenses	320,892,012	(103,965,827)
Income Tax Paid	(33,357,781)	(28,063,296)
Net Cash used by Operating Activities	1,488,110,583	1,035,488,200
Cash Flows from Investing activities		
Purchase of property, plant & equipment	(98,496,239)	(60,620,425)
Investment in Share	(92,452,643)	(80,574,610)
Gain on sale of Share	37,134,640	-
Net Cash used by Investing Activities	(153,814,242)	(141,195,036)
Cash Flows from Financing Activities		
Loan given to Employee	110,004	1,460,004
Loan given to clients	(566,880,602)	(1,574,174,666)
Short term loan receive	353,744,368	1,657,834,407
Dividend Income	1,162,098	523,412
Financial Expenses	(1,097,852,878)	(1,022,924,639)
Net Cash Provided by Financing Activities	(1,309,717,010)	(937,281,484)
Net increase in cash	24,579,331	(42,988,321)
Opening Cash & Bank Balance	17,740,311	60,728,632
Closing Cash & Bank Balance	42,319,642	17,740,311

PFI Securities Limited

Statement of Changes in Shareholders' Equity

for the year ended 31 December

(Figures in Taka) Particulars	Share Capital	Share Issued	Right Share	Retained Earnings	Proposed Stock Dividend	General Reserve	Revaluation Reserve	Total
Balance as on 31 December 2012	1,674,400,000	-	-	130,133,301	-	50,000,000	443,887,500	2,298,420,801
Changes during the year 2013								
Net profit for the year 2013	-	-	-	126,841,360	-	-	-	126,841,360
Share Issued During the year 2013	-	-	-	-	-	-	-	-
Stock dividend for the year 2012	-	-	-	-	-	-	-	-
Cash Dividend for the year-2012	-	-	-	(83,720,000)	-	-	-	-
General Reserve	-	-	-	-	-	-	-	-
Right Share Issued during the year-2013	-	-	-	-	-	-	-	-
Proposed dividend	-	-	-	-	-	-	-	-
Total change in 2013	-	-	-	43,121,360	-	-	-	43,121,360
Balance as on 31 December 2013	1,674,400,000	-	-	173,254,661	-	50,000,000	443,887,500	2,341,542,161
Balance as on 31 December 2011	1,456,000,000	-	-	288,759,608	-	50,000,000	443,887,500	2,238,647,108
Changes during the year 2012								
Net profit for the year 2012	-	-	-	59,773,693	-	-	-	59,773,693
Stock dividend for the year 2011	218,400,000	-	-	(218,400,000)	-	-	-	-
General Reserve	-	-	-	-	-	-	-	-
Share Issued During the year 2012	-	-	-	-	-	-	-	-
Revaluation during the year 2012	-	-	-	-	-	-	-	-
Right Share Issued during the year 2012	-	-	-	-	-	-	-	-
Proposed dividend	-	-	-	-	-	-	-	-
Total change in 2012	218,400,000	-	-	(158,626,307)	-	-	-	59,773,693
Balance as on 31 December 2012	1,674,400,000	-	-	130,133,301	-	50,000,000	443,887,500	2,298,420,801

Prime Prudential Fund Limited

a member of Prime Financial Group

Registered Office

63 Dilkusha Commercial Area
Dhaka-1000

Date of Incorporation

23 July 2009

Authorized Share Capital

Tk. 500,000,000

Paid-up Capital

Tk. 24,600,000

Nature of Business

Manage funds of the company and its investors and provide other financial services including corporate advisory services, merger & acquisition, equity investment, joint venture sourcing and consummation, corporate restructuring, financial and socio-economic consultancy, corporate research and project studies, privatization and other related services in Bangladesh and overseas.

Chairman

Mr. M. A. Khaleque

AVP & In-Charge

Md. Abdul Muktadir

No. of Employees

02

Net loss for 2013

Tk. 29,62,800

Auditors

M. M. Rahman & Co.
Chartered Accountants

Shareholding of Prime Finance

40 Percent

Auditors' Report to the Shareholders

of Prime Prudential Fund Limited

We have audited the accompanying financial statements of **Prime Prudential Fund Limited** (the Company), which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an

opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of **Prime Prudential Fund Limited** as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) In our opinion, proper books of account as required by the law have been kept by the Company so far as it appeared from our examination of those books;
- c) The Company's financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d) The expenditure incurred was for the purposes of the Company's business

Dhaka
23 February, 2014


M.M. Rahman & Co.
Chartered Accountants

Prime Prudential Fund Limited
Statement of Financial Position

as at 31 December

(Figures in Taka)	2013	2012
Non-current assets	59,372	64,952
Current assets:		
Cash and cash equivalents	293,143	442,975
Investment in shares	40,568,403	27,285,143
Advance corporate tax	273,951	241,115
Total current assets	41,135,497	27,969,233
Total assets	41,194,869	28,034,185
Shareholders' equity:		
Share capital	24,600,000	24,600,000
Retained earnings	7,950,850	10,913,651
Revaluation reserve	(9,378,229)	(19,447,517)
	23,172,622	16,066,134
Non-current liabilities	-	-
Current liabilities:		
Payable to Prime Finance & Investment Limited	309,075	309,075
Margin loan- PFI Securities Limited.	17,399,227	11,477,987
Margin loan- Prime Finance Capital Management Limited.	273,624	-
Provision for audit fee	17,250	12,550
Liability to employees	-	121,750
Corporate tax liability	9,187	34,854
Tax payable	13,885	11,835
Total current liabilities	18,022,247	11,968,051
Total shareholders' equity and liabilities	41,194,869	28,034,185

sd/-
 Director

sd/-
 Director

sd/-
 Chairman & Managing Director

As per our report of same date.

Dhaka
 23 February, 2014

sd/-
M.M. Rahman & Co.
 Chartered Accountants

Prime Prudential Fund Limited
Statement of Comprehensive Income
for the year ended 31 December

(Figures in Taka)	2013	2012
Capital gain/(loss) from sale of shares	963,580	(6,139,440)
Cash dividend income	237,168	541,850
Bank interest income	20,040	34,218
Total operating income	1,220,788	(5,563,372)
Salaries and allowances	1,787,329	1,669,483
Medical and employee welfare	4,610	50,089
Interest on BO account	1,994,491	4,522,863
Director remuneration fee	155,000	-
Office maintenance expenses	9,300	-
Board meeting expenses	23,250	-
Telephone and postage	21,200	8,149
Printing and stationery	9,345	4,493
License renewal fee	8,710	16,410
Internet Expenses	20,900	13,800
Entertainment and public relations	888	200,152
Audit fee	16,200	11,500
Professional fee	38,964	11,500
Books and periodicals	7,263	3,651
Travel and conveyance	3,200	801
HR Development expenses	7,500	4,000
Fees and charges for sale of shares	49,980	25,576
Depreciation	13,380	16,944
Miscellaneous expenses	10,000	31,370
Bank charge and excise duty	2,458	2,465
Total operating expenses	4,183,968	6,593,246
Other Income	380	560
Profit/(loss) before tax	(2,962,800)	(12,156,058)
Provision for tax	-	-
Profit/(loss) after tax	(2,962,800)	(12,156,058)

sd/-
Director

sd/-
Director

sd/-
Chairman & Managing Director

As per our report of same date.

Dhaka
23 February, 2014

sd/-
M.M. Rahman & Co.
Chartered Accountants

Prime Prudential Fund Limited
Statement of Cash Flow
for the year ended 31 December

(Figures in Taka)	2013	2012
A. Cash flows from operating activities		
Cash dividend income	207,338	462,730
Bank interest received	17,034	30,010
Cash received for sale of news papers	380	560
Salaries and allowances paid	(1,563,530)	(1,503,733)
Arrear salary paid	(177,550)	(60,000)
Medical and employee welfare paid	(135,009)	(50,089)
Telephone and postage	(21,200)	(8,149)
Printing and stationery paid	(9,345)	(4,493)
Board meeting expenses	(164,300)	-
License renewal fee paid	(8,710)	(17,410)
Internet expenses	(20,900)	(13,800)
Entertainment and Public Relation paid	(888)	(201,522)
Audit fee	(10,500)	(9,450)
Professional fee	(46,464)	(39,000)
Books and periodicals paid	(7,263)	(3,651)
Paid for HR Development	(7,500)	(4,000)
Travel and conveyance paid	(3,200)	(801)
Bank charge and Excise duty paid	(2,458)	(2,350)
Tax deducted at source on salaries paid	(45,600)	(39,200)
VAT deducted amount paid	(17,000)	-
Corporate tax paid for assessment year 2011-2012	(25,667)	(2,791,360)
Net cash used in operating activities	(2,042,332)	(4,255,708)
B. Cash flows from investing activities:		
Payment for investment in share	-	-
Payment for purchases of printer	(7,500)	-
Withdrawal from portfolio account	1,900,000	3,700,000
Net cash used in investing activities	1,892,500	3,700,000
C. Cash flows from financing activities:		
Introduction of capital	-	-
Net cash provided by financing activities	-	-
D. Net increase/(decrease) in cash and cash equivalents (A+B+C)	(149,832)	(555,708)
E. Opening cash and cash equivalents	442,975	998,683
F. Ending cash and cash equivalents (D+E)	293,143	442,975

Prime Prudential Fund Limited
Statement of changes in Equity
for the year ended 31 December

(Figures in Taka) Particulars	Share capital	Revaluation reserve	Retained earnings	Total
Balance as at 1 January 2013	24,600,000	(19,447,517)	10,913,651	16,066,134
Profit/(loss) after tax for the period	-	-	(2,962,801)	(2,962,801)
Reserve on net changes in fair value of listed securities	-	10,069,288	-	10,069,288
Balance as at 31 December 2013	24,600,000	(9,378,229)	7,950,851	23,172,622
Balance as at 1 January 2012	24,600,000	(19,329,944)	23,069,707	28,339,763
Profit/(loss) after tax for the period	-	-	(12,156,058)	(12,156,058)
Reserve on net changes in fair value of listed securities	-	(117,573)	-	(117,573)
Balance as at 31 December 2012	24,600,000	(19,447,517)	10,913,651	16,066,134

Prime Finance Asset Management Company Limited

a member of Prime Financial Group

Prime Finance Asset Management Company Limited was incorporated in Bangladesh on 9 June 2008 as a public limited company under the Companies Act 1994.

Nature of Business

Manage the assets of any Trust of Fund of any type and/or character and hold, acquire, sell or deal in such asset or any trust funds, take part in the management of any mutual fund operation, operate, conduct, accomplish and establish services for industrial trading and commercial activities, invest funds in shares and securities, carry on business, and act as financial and monetary agent and merchandise shares and other securities.

Chairman

Mr. Sayed Tarek Kamal

Managing Director & CEO

Moin Al Kashem MBA

Authorized Capital

Tk. 250,000,000

Paid-up Capital

Tk. 60,000,000

Operating Income for 2013

Tk. 20,666,461

Net Profit for 2013

Tk. 7,124,689

Shareholding of Prime Finance

49 Percent

Auditors' Report to the Shareholders of Prime Finance Asset Management Company Limited

We have audited the accompanying financial statements of **Prime Finance Asset Management Company Limited** (the Company), which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of **Prime Finance Asset Management Company Limited** as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) In our opinion, proper books of account as required by the law have been kept by the Company so far as it appeared from our examination of those books;
- c) The Company's financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d) The expenditure incurred was for the purposes of the Company's business.

Dhaka
12 February, 2014


M.M. Rahman & Co.
Chartered Accountants

Prime Finance Asset Management Company Limited

Statement of Financial Position

as at 31 December

(Figures in Taka)	2013	2012
ASSETS		
Non-current assets:		
Property, plant and equipment:		
Cost	6,226,102	6,215,602
Accumulated depreciation	(5,311,334)	(4,066,567)
	914,768	2,149,035
Loan to employee (Non-current portion)	894,456	1,127,784
Deferred tax asset	294,427	365,127
Total non-current assets	2,103,651	3,641,946
Current assets :		
Advance tax	5,045,729	3,946,260
Loan to employee (Current maturity)	233,328	233,328
Advance, deposits and prepayments	9,579,801	8,382,399
Investment at cost	2,280,953	2,000,000
Receivable	8,062,853	6,190,913
Other asset	1,735,223	2,103,587
Short term investment	45,000,000	45,000,000
Cash and cash equivalents	13,791,342	4,409,946
Total current assets	85,729,229	72,266,433
Total assets	87,832,880	75,908,379
Shareholders' equity		
Share capital	66,000,000	60,000,000
Retained earnings	7,409,082	6,284,393
Total shareholders' equity	73,409,082	66,284,393
Non-current liabilities		
Liability for gratuity	1,890,356	1,025,743
Liability for provident fund	3,015,201	1,967,679
Total non-current liabilities	4,905,557	2,993,422
Current liabilities		
Withholding tax and VAT	361,708	148,938
Provision for income tax	6,136,460	4,080,754
Payables and accruals	255,607	239,395
Other liabilities	2,764,466	2,161,477
Total current liabilities	9,518,241	6,630,564
Total liabilities	14,423,798	9,623,986
Total equity and liabilities	87,832,880	75,908,379

sd/-

Managing Director & CEO

sd/-

Director

sd/-

Chairman

As per our report of same date.

sd/-

M.M. Rahman & Co.
Chartered Accountants

Dhaka
12 February 2014

Prime Finance Asset Management Company Limited
Statement of Comprehensive Income
for the year ended 31 December

(Figures in Taka)	2013	2012
OPERATING INCOME		
Income from fees	17,668,210	11,591,452
Capital gain	1,742,188	-
Income from consultancy	1,256,063	700,000
	20,666,461	12,291,452
OPERATING EXPENSES		
Administrative expenses	(18,112,460)	(15,933,528)
Financial expenses	(5,230)	(186,412)
	(18,117,690)	(16,119,940)
Profit/(Loss) from operating activities	2,548,772	(3,828,488)
Interest income	6,495,323	6,102,967
Miscellaneous income	207,000	700
Profit before income tax	9,251,095	2,275,179
Income tax expense:		
Current tax	(2,055,706)	(728,573)
Deferred tax (expense)/income	(70,700)	38,273
	(2,126,406)	(690,300)
Net profit after tax	7,124,689	1,584,879

sd/-
Managing Director & CEO

sd/-
Director

sd/-
Chairman

Dhaka
12 February, 2014

As per our report of same date.
sd/-
M.M. Rahman & Co.
Chartered Accountants

Prime Finance Asset Management Company Limited
Statement of Cash Flow
for the year ended 31 December

(Figures in Taka)	2013	2012
A. Cash flows from operating activities		
Fees received from mutual funds	15,546,149	14,351,446
Fees received from consultancy	1,506,184	1,049,879
Capital gain	1,742,188	-
Paid to suppliers and employees	(13,877,501)	(14,196,947)
Paid for other operating expenses	(756,115)	(540,782)
Directors fees paid	(247,044)	(247,044)
Received from Prime Finance Capital Management Company Limited	30,700	-
Received from PFI Securities Limited.	-	4,225,000
Interest received	6,863,687	5,339,434
Income tax paid	(1,099,469)	(533,943)
Financial expenses	(5,230)	(186,412)
Net cash flows from operating activities	9,703,549	9,260,631
B. Cash flows from investing activities		
Paid to purchase property, plant and equipments	(10,500)	(52,604)
Cash used in investment in shares	(280,953)	-
Investment in FDR	-	(10,000,000)
Net cash used in investing activities	(291,453)	(10,052,604)
C. Cash flows from financing activities:		
Paid to Prime Finance & Investment Limited.	-	(2,012,820)
Net cash used in financing activities	-	(2,012,820)
D. Net increase/(decrease) in cash and cash equivalents (A+B+C)	9,412,096	(2,804,793)
E. Opening cash and cash equivalents	4,379,246	7,184,039
F. Closing cash and cash equivalents (D+E):	13,791,342	4,379,246

Prime Finance Asset Management Company Limited

Statement of Changes in Equity

for the year ended 31 December

(Figures in Taka) Particulars	Share Capital	Retained Earnings	Total
Balance as at 1 January 2012	60,000,000	4,699,514	64,699,514
Net profit for the year	-	1,584,879	1,584,879
Balance as at 31 December 2012	60,000,000	6,284,393	66,284,393
Dividend for the year 2012 paid during the year	6,000,000	(6,000,000)	-
Net profit for the year	-	7,124,689	7,124,689
Balance at 31 December 2013	66,000,000	7,409,082	73,409,082

Additional Information for Shareholders

Redressal of Shareholders Complaint

At the end of December, 2013 PFIL has 25,846 shareholders and all shareholders are equally treated as a prime stakeholder of the Company. Providing the comfort to the stakeholders and upholding the corporate image, Prime Finance always looks into the status of redressal of shareholders'/ investors' complains, grievances and objections. Company believes that to address the problem or complaints

Notice of the Eighteenth Annual General Meeting

Notice is hereby given that the Eighteenth Annual General Meeting of the Shareholders of Prime Finance & Investment Limited will be held on Sunday, 30 March 2014 at 10:30 a.m. at Bashundhara Convention Centre, Block-C, Umme Kulsum Road, Bashundhara R.A., Baridhara, Dhaka-1229 to transact the following businesses:

glossary
Arrears
 Customers are said to be in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan is unpaid or overdue. Such customers are also said to be in a state of delinquency. When a customer is in arrears, their entire outstanding balance is said to be delinquent, meaning that delinquent balances

Events of AGM

Redressal of

Shareholders Complaint

Giving the priority to the shareholders against their complaints and to provide the appropriate mechanism to address the investors complain and grievance within the ability and framework of the Company

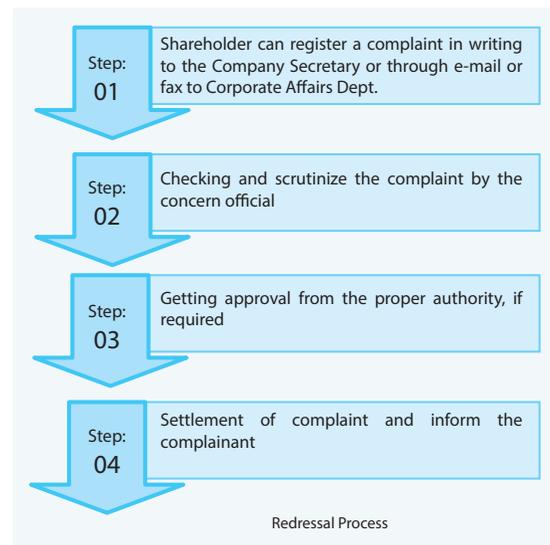
At the end of December, 2013 PFIL has 25,846 shareholders and all shareholders are equally treated as a prime stakeholder of the Company. Providing the comfort to the stakeholders and upholding the corporate image, Prime Finance always looks into the status of redressal of shareholders'/ investors' complains, grievances and objections. Company believes that to address the problem or complaints promptly strengthening the investors relation with the company.

PFIL's redressal system covers the following issues:

- receiving the complains for non receipt of dividend warrant, dividend notices;
- transfer shares from suspense account to the shareholders account on application;
- after disclosure of 'Price Sensitive Information' assist investors by providing the required information as well as to provide way to reach to the information;
- mitigation for non receiving of half-yearly report, annual report, proxy form etc.
- formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time.

PFIL's redressal process:

Any shareholder who has a complaint related to his/her investment in the company may lodge his/her complaint. The complaint should contain the name, address, BO number and contact number of the complainant and facts of the case supported by documents, if any, relied upon by the complainant. Shareholders can also file the complaints through fax or e-mail. We focus in addressing the complaint within the shortest possible time. The redressal process of Prime Finance is as under:



PFIL's redressal of complaints during the 2013:

- Provided half-yearly and annual reports to the shareholders from office premises for non-receiving of the same which has been sent earlier to them through courier.
- Proactively communicated to the shareholders for collection of the dividend warrants which have been returned for non-delivery by the courier.
- Reissued the dividend warrants instead of non-MICR warrants.
- Revalidated the dividend warrants upon demand.
- Issued shareholding certificate, dividend tax certificate, dividend notice etc. on demand.

Redressal Point for Shareholders Complain:

Mailing Address:

The Company Secretary
Prime Finance & Investment Ltd.
63, Dilkusha Commercial Area, Dhaka-1000.

E-mail: corporateaffairs@primefinancebd.com

Phone: 02-9563883

Events of AGM



Prime Finance & Investment Limited

Registered Address: 63, Dilkusha C.A., Dhaka-1000

Notice of the Eighteenth Annual General Meeting

Notice is hereby given that the Eighteenth Annual General Meeting of the Shareholders of Prime Finance & Investment Limited will be held on Sunday, 30 March 2014 at 10:30 a.m. at Bashundhara Convention Centre, Block-C, Umme Kulsum Road, Bashundhara R.A., Baridhara, Dhaka-1229 to transact the following businesses:

- AGM 14-18-01 : To receive, consider and adopt the audited financial statements of the Company for the year ended 31 December 2013 together with the reports of the Directors' and Auditors' thereon;
- AGM 14-18-02 : To declare dividend for the year ended 2013 as recommended by the Board of Directors;
- AGM 14-18-03 : To elect/re-elect Directors in terms of the relevant provision of the Articles of Association of the Company;
- AGM 14-18-04 : To appoint Auditors and fixation of their remuneration.

By order of the Board of Directors,

Dated: 14 March 2014



Syed Moniruzzaman FCS
Company Secretary

Notes :

- i. 11 March 2014 was the 'RECORD DATE' for determining rights of Shareholders for dividend and to attend and vote at the meeting.
- ii. Pursuant to Section 85 of the Companies Act, 1994, the Company gives notice that only the Shareholders whose names were entered in the Depository Register on record date will be entitled to attend and vote at the meeting and at any adjournment thereof. Changes to entries on the register after the record date shall be disregarded in determining the rights of any person to attend and vote at the meeting and to receive dividend.
- iii. As per Article 47 of the Articles of Association of the Company, a shareholder may appoint Proxy to attend and on a Poll, to vote instead of him/her. The instrument appointing a Proxy and the Power of Attorney, where applicable, must be received at the Corporate Affairs Department of the Company at 63 Dilkusha Commercial Area, Dhaka-1000 at least 72 hours before the time for holding the meeting. Completion of the Proxy form will not preclude a shareholder from attending and voting in person instead of his/her proxy.
- iv. Members are requested to submit to the Company on or before 25 March 2014, their written option to receive cash dividend. In case of non-submission of such option within the stipulated time, the dividend will be paid off as deemed appropriate by the Company.
- v. For convenience, the Shareholders/Proxy are requested to record their entry at the AGM on 30 March 2014 in between 8:00 a.m. to 10:15 a.m.

বি: দ্র: আসন্ন বার্ষিক সাধারণ সভায় কোন প্রকার উপহার/খাবার প্রদানের ব্যবস্থা থাকিবে না।

Item 1: Adoption of Directors' Report, Auditors Report and Audited Financial Statements

The Directors must present to the shareholders at each Annual General Meeting (AGM), the Financial Statements of the Company and report of the Directors' and Auditors' thereon. The Directors' Report, the Financial Statements and the report of the Auditors on the Financial Statements for the year ended 31 December 2013 are contained in this Annual Report.

Item 2: Declaration of dividend

The Board in its meeting held on 01 March 2014 recommended 15% cash dividend for the year 2013 subject to the approval of the shareholders in the 18th Annual General Meeting. The dividend will be paid to the shareholders' whose name will appear in the Central Depository System at the close of business on 11 March 2014 being the Record Date. Dividend will be transferred through respective banking channel to the respective shareholders bank account within April 2014.

Item 3: Election and Re-election of Directors

Article 67 of the Company's Articles of Association requires one-third of the Directors are required to retire by rotation at each Annual General Meeting. Accordingly, Mr. K. M. Khaled, representing Khaled

Textile Mills Ltd., Mr. Md. Masudur Rahim representing East Coast Shipping Lines Ltd., Mr. Z. M. Kaiser representing Maksons (Bangladesh) Ltd. and Mr. M. Shahadat Hossain Kiron representing Agami Apparels Ltd. will retire by rotation and being eligible offer themselves for re-election.

Item 4: Appointment of Auditors

The Financial Institutions Act, 1993 and BSEC's order dated 27 July 2011 stipulated that an auditor of a Financial Institution cannot be appointed for more than three consecutive years. M/S A. Qasem & Co., Chartered Accountants has completed their third year of audit and hence not eligible for re-appointment.

Agendum 4 proposes the appointment of the Company's new Auditors for the year 2014 and they will hold office until the close of Nineteenth Annual General Meeting. Section 210(10) of the Companies Act, 1994 also gives authority to shareholders of the company to fix the Auditor's remuneration. The Board in its meeting held on 01 March 2014 recommended to appoint Ahmed Zakir & Co., Chartered Accountants as Statutory Auditors at a remuneration of Tk. 3,00,000 plus VAT.

Prime Finance & Investment Limited

Registered Office: 63, Dilkusha C.A., Dhaka-1000

Proxy Form

Proxy no.

(This form is for use at the 18th Annual General Meeting of Prime Finance & Investment Limited to be held on 30 March 2014)

I/We address

..... of being a shareholder of

the Company do hereby appoint Mr./Ms.

address

to be my/ our proxy to attend and vote on my/our behalf at the 18th Annual General Meeting of the Company to be held on Sunday, 30 March 2014 at 10:30 a. m. at *Bashundhara Convention Centre, Block-C, Umme Kulsum Road, Bashundhara R.A., Baridhara, Dhaka-1229* and at any adjournment thereof.

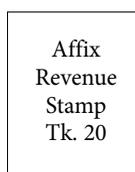
Signed this..... day of2014.

Number of shares held:

BO ID No.

.....
Signature of the Shareholder

Dated:..... March 2014



.....
Signature of Proxy

Signature verified

Authorized Officer
Prime Finance & Investment Limited

Notes: The proxy form, duly filled and stamped, must be deposited at the Company's registered office at least 72 hours before commencement of the AGM.

Prime Finance & Investment Limited

Attendance Slip

Proxy no.

I/we do hereby record my/our attendance at the 18th Annual General Meeting of the Company to be held on Sunday, 30 March 2014 at 10:30 a. m. at *Bashundhara Convention Centre, Block-C, Umme Kulsum Road, Bashundhara R.A., Baridhara, Dhaka-1229*.

Name of the Shareholder/Proxy :

BO ID :

Number of shares held :

Signature of the shareholder/proxy :

Date :

Signature verified

Authorized Officer
Prime Finance & Investment Limited

Note : Shareholder/Proxy/Attorney is requested to present this slip at the registration corner on the AGM date in between 8:30 a.m. to 10:00 a.m. Signature of the member must be in accordance with the specimen recorded with depository register.

Useful Information for

Shareholders

Raising of share capital

The history of raising of share capital of Prime Finance is given below:

Date	Particulars	No of shares	Value per share (Taka)	Value in Taka	Cumulative paid-up capital Value in Taka
19 February 1996	As per MOA & AOA	2,500	100	250,000	250,000
22 March 1996	Additional subscription	247,500	100	24,750,000	25,000,000
09 November 1997	Right shares 1:1	250,000	100	25,000,000	50,000,000
21 June 2001	Right shares 1:1	500,000	100	50,000,000	100,000,000
29 May 2003	Right shares 2:1	500,000	100	50,000,000	150,000,000
30 March 2004	20% Bonus share	300,000	100	30,000,000	180,000,000
05 September 2005	Initial Public Offer	500,000	100	50,000,000	230,000,000
12 April 2006	30% Bonus share	690,000	100	69,000,000	299,000,000
29 April 2007	10% Bonus share	299,000	100	29,900,000	328,900,000
30 April 2008	40% Bonus share	1,315,600	100	131,560,000	460,460,000
29 April 2009	40% Bonus share	1,841,840	100	184,184,000	644,644,000
22 April 2010	40% Bonus share	2,578,576	100	257,857,600	902,501,600
29 March 2011	80% Bonus share	72,200,128	10	722,001,280	1,624,502,880
28 March 2012	40% Bonus share	64,980,115	10	649,801,150	2,274,304,030
27 March 2013	20% Bonus share	45,486,080	10	454,860,800	2,729,164,830

Key share information

(As on 31 December)	2013	2012
Total no. of shareholders	25,846	20,564
Face value (Taka)	10	10
Share price (Taka)	26.70	32.80
No. of outstanding shares*	272,916,483	227,430,403
Market Capitalization (in million)	7,287	7,459

*Share status : Demat

Key Communication Data

2013

Announcement of 2012 final results	23 February 2013
Record date	05 March 2013
Annual report 2012 dispatched	12 March 2013
Seventeenth Annual General Meeting	27 March 2013
Transfer/payment of 2012 stock dividend	22 April 2013
Announcement of first quarterly results	11 May 2012
Announcement of half yearly results	29 July 2013
Announcement of third quarterly results	29 October 2013

2014

Announcement of 2013 final results	01 March 2014
Record date	11 March 2014
Notice published	13 March 2014
Annual report 2013 dispatched	16 March 2014
Eighteenth Annual General Meeting	30 March 2014

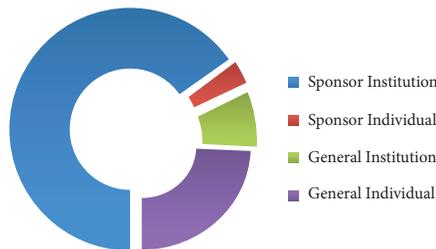
Useful Information for Shareholders - *continued*

Composition of Shareholding Pattern

The Board of Directors recommended 15% cash dividend for the FY-2013 subject to approval from the shareholders in the 18th AGM. Last year it was 30% dividend (10% cash and 20% stock). At the end of 2013, there were 25,846 shareholders of Prime Finance & Investment Limited as against 20,564 shareholders at the end of 2012. The Sponsor Shareholders hold 185045301 shares of Tk. 10 each which represent 67.80 percent of the total paid up shares of the Company.

Composition of shareholdings as on December 31, 2013

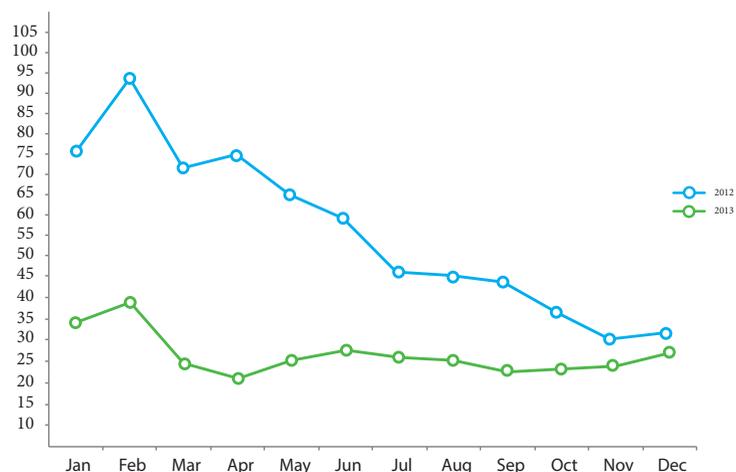
Shareholders Group		No. of shares	% of Total Shares	No. of shareholders
Sponsor Shareholder	Institutions	176,623,845	64.71	9
	Individual	8,421,456	3.09	3
Corporate Shareholders	Local Companies	19,567,216	7.17	445
	Foreign Companies	360,503	0.13	4
General Shareholders	Local Individual	61,424,810	22.51	25,100
	Non-Resident Bangladeshis (NRBs)	627,568	0.23	250
Others	Investors Account	693,668	0.25	11
	Mutual Fund and Unit Fund	5,197,417	1.91	24
Total		272,916,483	100	25,846



Composition of Shareholding

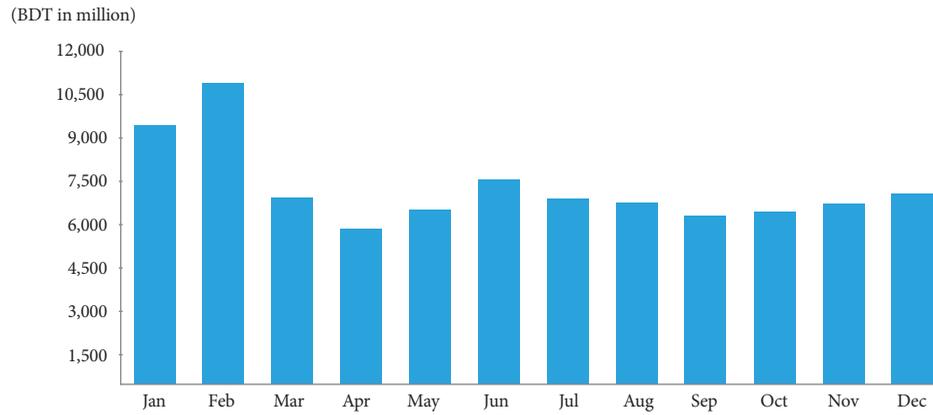
STOCK PERFORMANCE OF PRIME FINANCE

Comparative trend analysis of closing price of PFIL

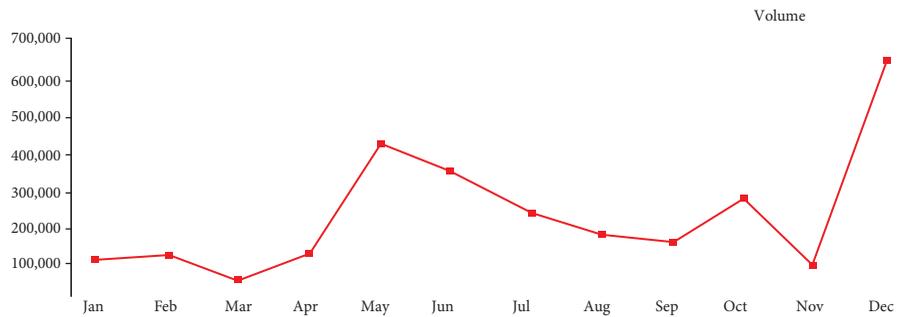


Useful Information for Shareholders - *continued*

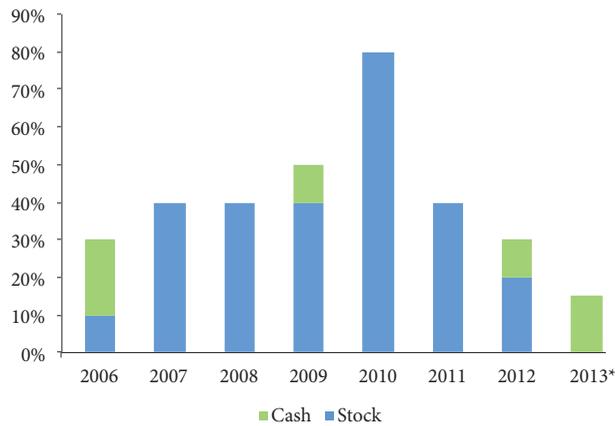
Market Capitalization FY-2013



Turnover round the year-2013



Dividend Records of Prime Finance after listed in Stock Exchanges



* Subject to approval of the shareholders in the 18th Annual General Meeting

Useful Information for Shareholders - *continued*

Registration number

C-30384 (1600)/96

Registered Office

63, Dilkusha Commercial Area
Dhaka-1000
Phone: 88-02- 9563883
Fax: 88-02-9653692
E-mail: info@primefinancebd.com

Gulshan Branch

Z. N. Tower, Plot no. 02,
Road no. 08, Gulshan Avenue,
Gulshan-1, Dhaka-1212
E-mail: branchgulshan@primefinancebd.com

Chittagong Branch

C&F Tower (2nd Floor)
1712 (New), Sk. Mujib Road
Agrabad C.A., Chittagong-4100
Phone: 88-031-2522663
Fax: 88-031-2522664
E-mail: ctg@primefinancebd.com

Rajshahi Branch

Zodiac Palace
88, Shaheb Bazar, Rajshahi
Phone: 88-0721-774801
Fax: 88-0721-774803
E-mail: raj@primefinancebd.com

Statutory Auditors

A Qasem & Co.
Chartered Accountants
Gulshan Pink City
Suites-1-3, Level-7, Plot-15
Road-103, Gulshan Avenue, Dhaka-1212

Compliance Auditor

SARashid & Associates
(Chartered Secretaries)
55/B Purana Paltan, Dhaka-1000

Legal House

A Hossain & Associates
3/B Outer circular Road
Moghbazer, Dhaka.

Capital Law Chamber
22B (22 floor), City Centre
103 Motijheel C/A, Dhaka-1000

Tax Consultant

A. Hossain & Co.
Chartered Accountants
Paramount Heights (Level-7)
65/2/1 Box Culvert Road
Purana Paltan, Dhaka-1000

Stock Listing

<i>Bourse</i>	<i>Symbol</i>	<i>Date of listing</i>
DSE	PRIMEFIN	4 October 2005
CSE	PRIMEFIN	2 October 2005

Principal Bankers

Shahjalal Islami Bank Limited
Prime Bank Limited
Dutch Bangla Bank Ltd.
United Commercial Bank Ltd.
One Bank Limited

Corporate website & e-mail

www.primefinancebd.com
info@primefinancebd.com

Investors inquiries:

The Company Secretary
Department of Corporate Affairs
Phone: 02-9563883
E mail: corporateaffairs@primefinancebd.com

Company Secretary

Syed Moniruzzaman, FCS

Glossary

Amortization

Amortization is the systemic allocation of the depreciable amount of an asset over its useful life.

Arrears

Customers are said to be in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan is unpaid or overdue. Such customers are also said to be in a state of delinquency. When a customer is in arrears, their entire outstanding balance is said to be delinquent, meaning that delinquent balances are the total outstanding loans on which payments are overdue.

Associate company

An enterprise in which an investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.

Bank Rate

The rate at which Bangladesh Bank discounts approved securities, treasury bills etc. Bank rate is used by Bangladesh Bank as a means of regulating the money on demand and checking the growth of inflation in the country.

BASEL II

The second of the Basel accords. It sets a framework of minimum capital requirements for financial institution – covering credit, operational and market risk; supervisory review of finance companies assessment of capital adequacy and disclosure requirements.

BAS

Bangladesh Accounting Standards (BAS) adopted by ICAB.

Book Value per share

Book value of shareholders equity divided by the number of ordinary shares outstanding.

Business risk

Business risk arises from the specific business activities of a company and the effects these could have on its earnings.

CAMEL Rating

It is a measure for examining a financial institution or bank - the five things to examine are:

Capital adequacy

Asset quality

Management quality

Earnings

Liquidity

Capital adequacy

The group manages its capital resources to ensure that those group entities that are subject to local capital adequacy regulation in individual countries meet their minimum capital requirements.

Cash Reserve Requirement (CRR)

CRR is a statutory requirement of maintaining cash balance with Bangladesh Bank applicable for banks and financial institutions. An NBFI is required to maintain @ 2.5% of its average balance of term deposits with Bangladesh Bank current account. Deposits taken from banks and financial institutions are not considered in determining CRR.

Collateral

Assets pledged as security for a loan or other obligation. Collateral is generally cash or a highly rated security.

Contingent liabilities

A situation existing at reporting date, where past events have led to a possible obligation the outcome of which depends on uncertain future events, but the outcome is not sufficiently probable or reliably measurable to warrant recognizing the liability at this reporting date.

Corporate Social responsibility (CSR)

Corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups.

Cost of equity

The rate of return targeted by the equity holders of a company.

Glossary - *continued*

Credit and counterparty risk

The risk of the company suffering financial loss if counterparty fails to fulfill its contractual obligations to the group under a loan agreement or similar. In the context of risk weighted assets by risk, it is the component of risk weighted assets that represents the risk of loss in loans and advances and similar transactions resulting from the default of the counterparty.

Default risk

The risk that a client may be unable to make payments of rentals/installments on time.

Deferred tax

A sum set aside for tax in the accounts of an organization that will become payable in a period other than that under review. It arises because of timing differences between tax rules and accounting conventions.

Diluted earnings per share

A performance metric used to gauge the quality of a company's earnings per share (EPS) if all convertible securities were exercised. Convertible securities refers to all outstanding convertible preferred shares, convertible debentures, stock options and warrants.

Diversification

Distribution of investments among various sectors and geographic region to minimize risk.

Due diligence

Due diligence is the process of systematically researching and verifying the accuracy of a statement.

Earning assets

Those assets of a financial institution which earn an income for the institution i.e. loans and leases, advances and money at call & short notice to banks etc.

Earnings per share (EPS)

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

Efficiency ratio

Non-interest expenses (management expenses) expressed as a percentage of total operating revenue net of financial expenses. Used as a measure of productivity and for comparison with peers.

Equity method

Accounting method, under which the value of an investment in a company is recorded at the acquisition price and adjusted annually to reflect the proportionate share of net assets; the prorated share of annual profit or loss in the relevant company is recognized to the income statement.

Equity ratio/Capital ratio

Indicator showing the relation of equity to total assets.

Equity risk

In the context of trading book capital requirements, the risk of change in market value of an equity investment.

Fair value

The amount of consideration that would be exchanged in an arm's length transaction between knowledgeable and willing parties, under no compulsion to act.

Failing to properly manage regulatory risk

Failing to properly manage regulatory risk may result in regulatory sanctions being imposed, and could harm our reputation.

Fiscal Year (FY)

FY means the fiscal year commencing from 1 July ending on 30 June.

Free float shares

The ordinary shares of the company which are free for trading in the stock exchanges. Shares on which there is no restriction or lock-in condition for transfer or sale imposed by the regulatory authorities are considered as free float shares. Sponsors shares of a listed company are locked-in for 3 years from the date of publication of prospectus.

Gearing

Ratio of net debt to equity.

Going concern

The ability of a concern to continue its operation for a foreseeable future.

Home loan

A loan to purchase a residential property. The property is then used as collateral to guarantee repayment of the

Glossary - *continued*

loan. The borrower gives the lender a lien against the property and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a residential mortgage.

IDA

International Development Association set up in 1960 under the umbrella of World Bank. It takes money from rich countries of the world to lend interest free or at a very low rate long-term loan to the poor or developing countries.

Impairment loss

The amount by which the carrying amount of an asset exceeds its recoverable amount.

Intangible Asset

An identifiable non-monetary asset without physical substance.

Interest suspense

Interest income of non-performing asset (including special mentioned amount) which are accrued but not considered as part of income.

Liquidity and funding risk

Liquidity and funding risk is the potential for loss if Company is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to depositors and suppliers, and lending, investment and pledging commitments.

Market capitalization

Number of ordinary shares in issue multiplied by the market value of a share on a particular date.

Market risk

Market risk is the potential for a negative impact on the balance sheet and/or income statement resulting from adverse changes in the value of financial instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default.

Money at call

A short-term loan that does not have a set repayment schedule, but is payable immediately and in full upon demand.

Minimum capital requirement

The minimum amount of regulatory capital that a financial institution must hold to meet the Pillar 1 requirements for credit, market and operational risk.

Net interest income

The difference between interest earned on assets (such as loans and securities) and interest incurred on liabilities (such as deposits and subordinated indebtedness).

Net interest margin

Net interest income as a percentage of average assets.

Non-performing assets

Consists of total sum of non-accrual loans/leases, experiencing 6 months or more delinquent. A Loan/lease is considered non-performing when the total or a part thereof is past due for 6 months or more even if the finance is well secured and in the process of collection.

Non-accrual loans/leases

A loan/lease is automatically classified as a non-accrual when it is past due for 3 months or more and no matter the Management is confident about its collectability of the entire amount at the time when a loan/lease is placed on nonaccrual status. A loan/lease is generally returned to accrual status when the loan/lease is less than 3 months past due and the Company has reasonable assurance that the loan will be fully collectible and is in the process of collection.

Net Asset Value per share

Computed by dividing shareholders' equity excluding non-controlling interests by the number of issued ordinary shares.

Operational risk

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. In the context of risk weighted assets, it is the component of risk weighted assets that represents the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

Past due

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Glossary - continued

Pillar 1

Minimum capital requirements - the part of the Basel Accord, which sets out the calculations of regulatory capital requirements for credit, market and operational risk.

Pillar 2

The supervisory review process - the part of the Basel Accord which sets out the process by which a bank should review its overall capital adequacy and the processes under which the supervisors evaluate how well financial institutions are assessing their risks and take appropriate actions in response to the assessments.

Pillar 3

Market discipline - the part of the Basel Accord, which sets out the disclosure requirements for banks to publish certain details of their risks, capital and risk management, with the aim of strengthening market discipline.

Proxy

A proxy is a written document authorizing the person named therein to attend and vote at a meeting for and in place of the Original Shareholder.

Provision for doubtful debts

The amount of revenue charged to profit and loss account to absorb losses inherent in the investment portfolio. The provision is increased by the allowances for loans/leases which are charged against current year's operating results.

Record date

The date fixed by the Board having at least 7 market days gap after the Board meeting to determine the eligibility of shareholders to attend and vote at the meeting and the right to current dividend.

Related parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Repo rate

The rate at which Bangladesh Bank lends money to banks.

Return on average assets

An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing profit before tax by its total average assets.

Return on average equity

Return on equity measures a corporation's profitability by revealing how much profit a company generates with the outstanding shareholders' money. Calculated by dividing net profit after tax by average shareholders' equity.

Return on average investment

A performance measure used to evaluate the efficiency of investment or to compare the efficiency of a number of different investments. To calculate ROI, profit before tax is divided by the cost of the average investment.

Reverse repo rate

The rate at which banks park surplus liquidity with Bangladesh bank.

Regulatory capital

The amount of capital that a FI holds to satisfy regulatory requirements.

Regulatory risk

Regulatory risk is the risk of not complying with regulatory requirements, regulatory changes or regulators' expectations.

Return on equity (ROE)

Net income, less preferred share dividends and premium on redemptions, expressed as a percentage of average common shareholders' equity.

Risk appetite

Defined as the level of risk that prime finance is prepared to sustain whilst pursuing its business strategy, recognizing a range of possible outcomes as business plans are implemented.

Risk management

The process of identifying the level of risk an entity wants, measuring the level of risk the entity has, taking

Glossary - *continued*

actions that bring the actual level of risk to the desired level of risk and monitoring the actual level of risk so that it continues to be aligned with the desired level of risk.

Segment

Parts of an enterprise segregated on the basis of different industries nature of operation, product & services & geographical area.

Statutory Liquidity Ratio (SLR)

Bangladesh Bank requires a non-bank financial institution to maintain liquid reserve @ 5% with Banks/financial institutions on its total liabilities excluding funds from banks/financial institutions. This includes 2.5% of CRR.

Stress testing

A process which involves identifying possible future adverse events or changes in economic conditions that could have unfavorable effects on the company (either financial or non-financial), assessing the company's ability to withstand such changes, and identifying management actions to mitigate the impact.

Subsidiary company

A Company is a subsidiary of another company, if the parent company holds more than 50% of the nominal shares and controls the composition of its Board of Directors.

Thin market

The stock market where there are very few bids to buy and few offers to sell any shares, so the price is distorted.

True and fair view

Correct statement of a company's financial position as shown in its accounts and confirmed by the auditors.

Unrealized capital gains

Capital gains that reflect the price appreciation of currently held unsold shares; such gains are not accounted for until realized.

Write-off

Refers to the point where it is determined that an asset is irrecoverable, or it is no longer considered economically viable to try and recover the asset or it is deemed immaterial or full and final settlement is reached and the shortfall written off. In the event of write-off, the customer balance is removed from the balance sheet and the impairment reserve held against the asset is released.

Company Chronicle

1996	10 Mar	Incorporation of the Company
	21 Apr	Commencement of Merchant Banking operation
	25 Apr	Licensed from Bangladesh Bank
1998	08 Feb	Commencement of financing operation
1999	25 Jan	Licensed as Merchant Bank by SEC
2002	01 Dec	Commencement of operation of PFI Securities Ltd.
2003	17 May	Opening of Chittagong Branch
2004	17 Sep	Best Merchant Bank Award 2003
2005	02 Oct	Listing with CSE
	04 Oct	Listing with DSE
2006	22 Dec	ICAB National Award 2005 (1st Position)
2007	16 Jan	SAFA Merit Award 2005
	08 Dec	ICAB National Award 2006 (1st Position)
2008	12 Jan	SAFA Award 2006 (Runner Up)
	21 Apr	Depository Custody Participant license
	15 Nov	SAFA Award 2007 (Runner Up)
	04 Dec	ICAB National Award 2007 (1st Position)
2009	18 Jan	Opening of Rajshahi Branch
	17 Mar	Listing of Prime Finance First Mutual Fund
	18 Mar	License of Prime Finance Asset Management Company Limited
	05 Oct	Acquisition of land for Corporate Office
	22 Oct	ICMAB Best Corporate Performance Award 2008 (2nd Position)
	05 Nov	SAFA Award 2008 (1st Runner Up)
	30 Dec	ICAB National Award 2008 (1st Position)
2010	18 Mar	Formation of Prime Finance Capital Management Limited
	12 Dec	SAFA Award 2009 (2nd Position)
	19 Dec	ICAB National Award 2009 (1st Position)
	23 Dec	ICMAB Best Corporate Award 2012 (2nd Position)
2011	04 Oct	ICAB National Award 2010 (2nd Position)
	29 Nov	SAFA Award 2010 (1st Position - Overall)
	29 Nov	SAFA Award 2010 (1st Position - Financial Services Sector)
2012	01 Oct	ICAB National Award 2011 (1st Position)
	01 Oct	ICAB National Award 2011 - Corporate Governance Disclosure (2nd Position)
	12 Dec	ICMAB Best Corporate Award 2011 (2nd Position)
	22 Mar-13	SAFA Award 2011 (Runner Up) Best presented Annual Report
	22 Mar-13	SAFA Award 2011 (Certificate of Merit) - SAARC Anniversary Awards for Corporate Governance Disclosure
2013	05 Dec	ICAB National Award 2012 (3rd Position)
	19 Feb-14	SAFA Award 2012 (2nd Runner Up)

Future-Oriented Statements

This proclamation is subject to the process of developing assumptions based on the ambiance. Postulations and estimates are based upon information available and known to management at the time of development, reflect current business and economic conditions, and assume a continuation of current governmental priorities and consistency in organizational mandate and strategic objectives. Much of the future-oriented financial information is based on these assumptions, best estimates, and judgment and gives due consideration to materiality. At the time of preparation of these statements, management believes that the estimates and assumptions to be reasonable. However, as with all such assumptions, there is a measure of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends.

The report also covers future-oriented statements in the form of endeavor, assumptions, expectations or forecasts. These statements are based on the plans, estimates, and predictions currently available to the management of Prime Finance. Future-oriented statements therefore only apply on the day on which they are made. We do not undertake any obligation to update such statements in light with new information or future events. By their nature, future-oriented statements contain risks factors and factors of uncertainty. A number of important factors can contribute to actual results deviating considerably from future-oriented statements. Such factors include but not limited to management of credit, market, liquidity & funding and operational risks; the strength of Bangladesh and global economics, the effects of changes in monetary policy including change in interest rate policy of Bangladesh Bank. The effects of competition in the market in which we operate; the impact of changes in the laws and regulations regulating financial products and services; our ability to obtain accurate and complete information from and on behalf of our clients. Other factors that may affect future results include changes in our estimates relating to provision; timely development and introduction of new products, changes in tax law, natural disaster, political conditions and the reliability of our principles and procedures and method of risk managements as well as other risks associated with our business activity. We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relaying on our future-oriented statements to make decisions with respects to the company, investors and other should carefully consider the foreign factors and other uncertainties and potential events in or out of the country including macro and micro economics.

The actual results achieved for the years covered in the accompanying future-oriented financial information will vary from the information presented and the variations may be material based on the basis of future uncertain factors and risk covenant.





View our 2013 Annual Report at:
www.primefinancebd.com