

Directors' Report 2022

Bismillahir Rahmanir Rahim

Dear Shareholders

Assalamu Alaikum Wa Rahmatullah

On behalf of the Board of Directors and the Management, it is indeed a great privilege for me to welcome you to the 27th 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 on 31 December 2022 for consideration, adoption and approval of our valuable Shareholders.

Global Economic Outlook

The global economy faced significant challenges in 2022, with high inflation, aggressive monetary tightening, and the ongoing impacts of the Ukraine war and the pandemic. Global GDP growth slowed to 2.7%, down from 6% in 2021, the weakest since 2001, excluding the financial crisis and COVID-19 peak. Inflation reached 8.8%, and global trade growth dropped from 10.1% in 2021 to 4.3%, with projections of just 2.5% for 2023.

The economy of Bangladesh

In 2022, Bangladesh's economy faced significant challenges from global uncertainties, including the Ukraine war, inflationary pressures, a weakened exchange rate, and rising domestic energy costs. The investment-to-GDP ratio increased to 31.68% from 29.92%, while inflation rose to 7.6%, up from 5.6% in FY2021-22, driven by higher international prices. The trade deficit widened to USD 33.25 billion, up from USD 23.78 billion, and the BDT depreciated against the USD, reaching BDT 104 in December 2022. Remittances dropped by over 15%, from USD 24.7 billion to USD 21.0 billion, and foreign exchange reserves fell to USD 41.83 billion from USD 46.39 billion.

Industry Analysis

The total assets of the FI sector reached BDT 920 billion, a 2.61% increase from last year. Loan and advances grew to BDT 666.27 billion, up from BDT 649.32 billion of previous year. Deposits, borrowings, and equity stood at BDT 443.55 billion, BDT 415.67 billion, and BDT 60.77 billion, respectively. Borrowings increased by 9.46%, while equity and deposits declined by 16.29% and 0.15%. Non-performing loans (NPLs) rose to BDT 168.21 billion, with the NPL ratio increasing from 19.33% in 2021 to 23.88% in 2022. (Source Bangladesh Bank)

Principal activities

The Company's main activities are as follows: -

- Offering short-term loans to support small business financing needs;

- Ensuring regular recovery from regular loans/stuck-up loans/write off loans;
- Accepting deposits through fixed-term deposits and DPS products;
- Reduction of operating expenses and cost of fund;
- Maintaining healthy share portfolio;
- Developing and maintain dependable and long-term relationship with clients;
- Providing mid-to-long-term financing in the form of leases, term loans, and home loans.

Financial results

The financial results are summarized below:

| Particulars | 2022 Mn | 2021 Mn |
|----------------------------------|-----------|-----------|
| Operating income | 629.58 | 949.27 |
| Operating expenses and provision | (1448.38) | (1086.37) |
| Profit before tax | (818.80) | (137.10) |
| Provision for taxation | (19.21) | (42.72) |
| Profit after tax | (838.02) | (179.82) |

Dividend

The Board of Directors in its meeting held on 15 April 2025 recommended "No Dividend" for the year 2022.

Directors

As per Article no. 67 of the Articles of Association of the company, one-third of the Directors of the Company are required to retire by rotation at 27th Annual General Meeting (AGM) and being eligible the following members offered themselves for re-election as per Article no. 69 & 72 of the Articles of Association of the Company:

Mr. Manzur Ahmed, representing Agami Apparels Limited;

Mr. Uzzal Kumar Saha, ACS representing GQ Enterprise Ltd;

Biographies of the Directors proposed to be re-elected or re-appointed are given in this Annual Report and the names of the Company where they have interest are mentioned in note no. 43 the financial statements.

Managing Director

The Board appointed Mr. Mohammed Yeamin Kabir as the Acting Managing Director of the Company.

Statutory Auditors

Hoda Vasi Chowdhury & Co., Chartered Accountants, has completed their second year as the statutory auditors of the Company and, being eligible, offered for re-appointment. The Board recommended the re-appointment of Hoda Vasi Chowdhury & Co., Chartered Accountants, as the statutory

auditors of the Company for the year 2023 and fixes their remuneration of BDT 350,000/- (Taka three fifty thousand) only plus VAT which will finally approve by the shareholders in the Annual General Meeting.

Corporate Governance Compliance Auditor

In accordance with the BSEC's Notification dated 03 June 2018, the Board recommended the appointment of Uttam & Associates, Chartered Secretaries, as Corporate Governance Auditor for the year 2023 at a fee of BDT 30,000/- (Taka thirty thousand) plus VAT. Now in exercise of the power conferred upon by the Corporate Governance Code, the Shareholders of the company will consider the appointment.

Statement of Directors on Financial Reports

- The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 1994, Securities and Exchange Rules, 1987 and rules and regulations from Bangladesh Bank. These statements present fairly the Company's statement of affairs, the result of its operation, cash flow, and statement of changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate Accounting Policies have been consistently applied in preparation of the financial statements except those referred to in the financial statements and that the accounting estimates are based on reasonable and prudent judgment.
- The presentation of Financial Statements has been made in accordance with the Bangladesh Bank DFIM circular no.11 dated December 23, 2009.
- IAS/IFRS as applicable in Bangladesh have been followed in preparation of the financial statements.
- Internal Control System is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the ability of the Company to continue as going concern.
- There is significant deviation from the operating result of the last year.
- The interests of the minority shareholders have been duly protected in the Company
- There is no stock dividend recommended by the Board of Directors of the Company as interim dividend.

Board meeting and Attendance

During the year, Twelve (12) Board Meetings were held. The attendance of the Board meetings by each director and the amount of total remuneration which paid to the directors including independent directors is given in this Annual Report.

Shareholding Pattern

The shareholding pattern as per clause 1.5 (xxiii) of the BSEC Notification No.

BSEC/CMRRCD/2006-158/207/admin/80 dated June 3, 2018 is given in this Annual Report.

Key Operating and Financial Data

Summarized key operating and financial data of the Company for last five years is given in this Annual Report.

Segment-wise performance

The segment wise performance of the Company as per clause 1.5 (ii) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/admin/80 dated 3 June 2018 is as follows:

| Income segments | 2022 Mn | 2021 Mn |
|---------------------------------|---------|---------|
| Income from lease finance | 21.37 | 6.88 |
| Income from term finance | 478.24 | 481.04 |
| Income from real estate finance | 1.77 | 2.05 |
| Income from other finance | 72.79 | 116.24 |

Management Discussion and Analysis

Pursuant to the clause 1.5(xxv) of BSEC Notification No. BSEC/CMRRCD/2006-158/207/admin/80 dated June 3, 2018 is given in this Annual Report.

Declaration and Certification of Managing Director and Chief Financial Officer

Pursuant to the clause 1.5 (xxvi) of BSEC Notification No. BSEC/CMRRCD/2006-158/207/admin/80 dated June 3, 2018 is given in this Annual Report.

Brief resume of the Directors who will seek re-appointment/approval in the AGM

Brief resume of the Directors as per clause 1.5 (xxiv) of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/admin/80 dated June 3, 2018 and BSEC Notification No. BSEC/CMRRCD/2009-193/3/Admin/104 dated February 5, 2020 is given in this Annual Report.

Report on the Activities of Audit Committee

Pursuant to the clause 5.7 of the BSEC Notification No. BSEC/CMRRCD/2006-158/207/admin/80 dated June 3, 2018 is given in this Annual Report.

Certification on Compliance of Corporate Governance Code

A statement on the compliance with the BSEC's conditions is given separately in the Annual Report.

Going Concern

The Board of Directors has reviewed the Company's overall business plans, strategies and is optimistic that the Company has adequate resources to continue its operations. Accordingly, the financial statements of the Company are prepared based on the going concern concept.

Related Party Transaction

A statement of related party transactions has been presented in note no. 41 of the Financial Statements.

Finalization of Financial Statements for the year 2022 as per court order (Company Matter No 489 of 2024)

As per DFIM circular letter no. 04, dated 02 February 2010 the Financial Institutions are supposed to submit annual audited Financial Statements to the Bangladesh Bank within 31 March (Three months) of the following year and with permission of Bangladesh Bank this submission time would be extended maximum additional three (3) months i.e., 30 June of the following year. It is mentionable here that finalization of annual audited Financial Statements is subject to Financial Institutions Classification Loan (FICL) report by Financial Institutions Inspection Department (FIID) of Bangladesh Bank. Due to some unresolved matters with Bangladesh Bank regarding reinstatement of loan balance with subsidiary and associate company it was not possible to finalize audited financial statements for the year ended on 31 December 2022 within the stipulated time. Prime Finance & Investment Limited also could not comply with the provision of Sub-section 81(1) and 81 (2) of Companies Act 1994. In this connection, Prime Finance & Investment Limited had to collect court order from Honorable Supreme Court of Bangladesh for conducting AGM and for finalizing of the financial statements. After receiving the court order (Company Matter No 489 of 2024 dated 27 February 2025) audited financial statements for the year ended 31 December 2022 was finalized during 318th Board of Directors meeting held on 15 April 2025.

Significant variance between quarterly and annual result

The reason for significant deviation in net profit/ (loss) between quarterly and annual result was mainly due to imposing of provision on loans and Equity investment in Subsidiary and Associate of the company imposed by Bangladesh Bank. Bangladesh Bank also reinstated the loan balance of loan with subsidiary and associate company, which have been considered in the financial statements of the company for the year 2022.

Acknowledgement

We would like to acknowledge and place on record our gratitude to our valued clients, depositors and shareholders for the confidence in Prime Finance. Our sincere appreciation to the Bangladesh Bank, Bangladesh Securities and Exchange Commission, Dhaka and Chittagong Stock Exchanges, NBR, Banks and Financial Institutions, other government bodies and statutory auditors for their constructive suggestions and cooperation. We also express our appreciation for the dedication and efforts put in by the employees at all levels of the company.

For and on behalf of the Board,



Mohammed Zafar Ullah Khan, FCA
Chairman
15 April 2025