

# Annual Report 2018

Powering Growth Toward Excellent Execution



**Prime Finance**  
& Investment Limited

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.





## Letter of Transmittal

To

All Shareholders of Prime Finance & Investment Limited

Bangladesh Bank (BB)

Bangladesh Securities and Exchange Commission (BSEC)

Registrar of Joint Stock Companies & Firms of Bangladesh (RJSC)

Dhaka Stock Exchange Limited (DSE)

Chittagong Stock Exchange Limited (CSE)

Dear Sir,

### **Annual Report of Prime Finance & Investment Limited for the year 2018**

We are pleased to present before you the Company's Annual Report 2018 along with the Audited Financial Statements (Consolidated and Separate) for the year ended on 31 December 2018 for your kind information and record. The Financial Statements of 'The Company' comprise with consolidated Financial Statements of 'The Company' and its subsidiary and associates [Prime Finance Capital Management Limited, and PFI Securities Limited, Prime Finance Asset Management Company Limited, and Prime Prudential Fund Limited] presented separately.

Yours Sincerely,



**Md. Mohsin Reza Khan ACS**

Company Secretary

## Notice of the 23rd Annual General Meeting

Notice is hereby given to all Hon'ble Shareholders of Prime Finance & Investment Limited that the 23rd Annual General Meeting (AGM) of the Company will be held on Sunday, 30 June 2019 at 10:30 a.m. at KIB Auditorium, Krishi Khamar Sarak, Farmgate, Dhaka-1215 to transact the following businesses:

- AGM 19-23-01: To receive, consider and adopt the audited Financial Statements for the year ended on 31 December 2018 together with the Reports of the Directors' and Auditors' thereon;
- AGM 19-23-02: To declare dividend for the year 2018 as recommended by the Board of Directors;
- AGM 19-23-03: To elect or re-elect the Directors;
- AGM 19-23-04: To approve the appointment of Independent Directors;
- AGM 19-23-05: To re-appoint the Auditors and fix their remuneration;
- AGM 19-23-06: To re-appoint the Corporate Governance Code Compliance Auditor for year 2019 and fix their remuneration.

By Order of the Board of Directors

Dated: Dhaka, 13 June 2019



**Md. Mohsin Reza Khan ACS**  
Company Secretary

### Notes :

- i. 25 April 2019 was the RECORD DATE for determining rights of Shareholders to attend and vote at the General Meeting;
- ii. Pursuant to the Section no. 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 General Meeting and at any adjournment thereof;
- iii. As per Article no. 47 of the Articles of Associations 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 Company Secretariat Department of the Company at 63, Dilkusha, C.A., Dhaka-1000 at least 72 (seventy two) hours before the time for holding the General Meeting. Completion of the Proxy Form will not preclude a Shareholder from attending and voting in person instead of his/her Proxy;
- iv. For convenience, the Shareholders/Proxies are requested to record their entry at AGM Venue in between 9:00 a.m. to 10:15 a.m. on 30 June 2019.

**As per BSEC circular no. SEC/CMRRCD/2009-193/154 dated 24.10.2013 "No Gift, Gift Coupon or Food Box shall be distributed to the Members at the 23rd AGM."**

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# Our Vision & Mission

## 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, realize their full potential and achieve more than they ever thought possible;
Serving communities	With integrity and pride.

## Our Goal

### Our Goal is to

Be an undisputed leader in financial services creating long-term shareholders' value aiming to achieve this by –

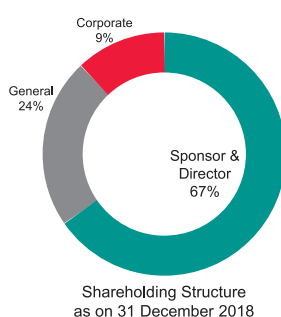
- Building quality investment portfolio;
- Focusing on minimizing default loans within the portfolio;
- Developing and maintaining dependable and long-term relationship with our clients;
- Sustaining solid growth without compromising profit ability;
- Achieving higher return on equity;
- Maintaining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



# Overview of the Company



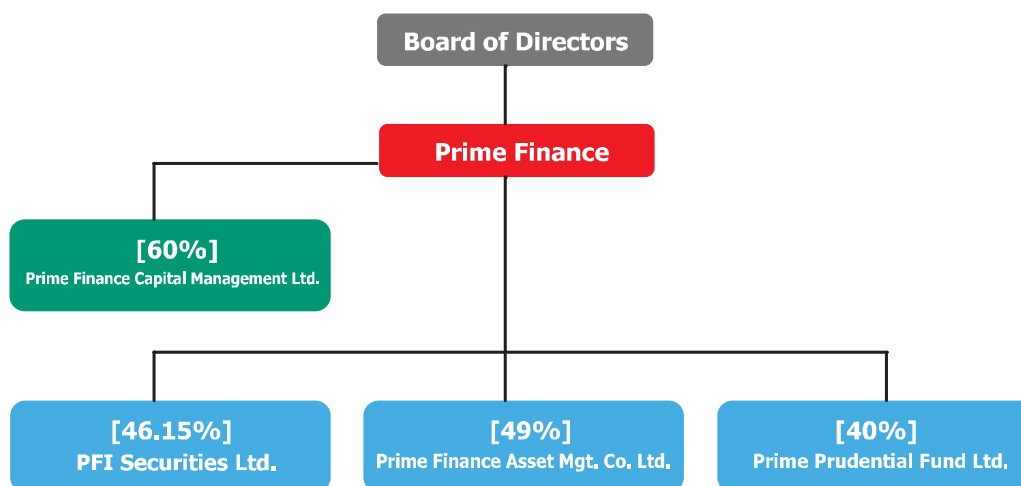
Prime Finance & Investment Limited was incorporated in Bangladesh in March 1996, as a public limited company under the Companies Act 1994. Prime Finance started its operation



in the year 1996, obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. Prime Finance also obtained license from Bangladesh Securities & Exchange Commission (BSEC) in July 1999, to operate in the capital

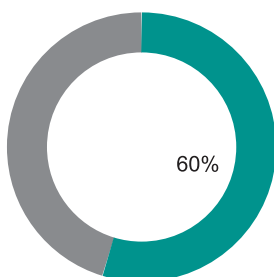
market as a full-fledged Merchant Bank. The Company is listed with the Dhaka and the Chittagong Stock Exchange Limited. The

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 five branches located in Dilkusha, Gulshan, Uttara, Chittagong and Rajshahi. The Company is a nonbanking financial institution, principal activities of which are to render financial services like lease finance, term finance, SME finance, real estate finance, car finance, consumer finance, factoring of receivables, etc. Prime Finance is the parent of Prime Finance Capital Management Limited, 60% owned subsidiary of the Company. Besides, the Company is currently holding 46.15% of equity of PFI Securities Limited, 49% of equity of Prime Finance Asset Management Company Limited, and 40% of equity of Prime Prudential Fund Limited.

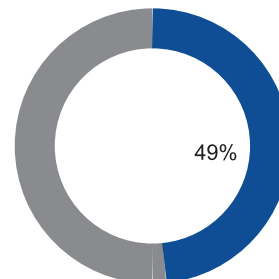




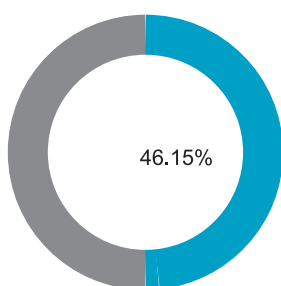
Prime Finance Capital Management Limited is a public limited company incorporated on 18 March 2010 in Bangladesh under the Companies Act, 1994. The Company has obtained Merchant Banking license (registration certificate no. MB-50/2010) from Bangladesh Securities and Exchange Commission (BSEC) on 29 November 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 nondiscretionary, advising clients on merger and amalgamation, capital restructuring etc. The registered office of the Company is situated in Bangladesh.



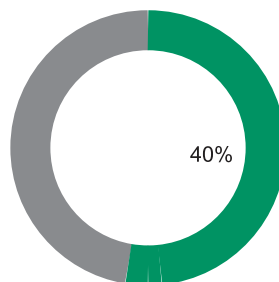
Prime Finance Asset Management Company Limited was incorporated in Bangladesh on 09 June 2008 as a public limited company under the Companies Act, 1994 and licensed under BSEC. The main objective of the company is to manage the assets or any trust fund of any type and/or character and hold, acquire, sell or deal in such asset or any trust fund, take part in the management of any mutual fund operation. Prime Finance owns 49% shares in this company.



PFI Securities Limited was incorporated on 06 August 1997 under the Companies Act, 1994 as a private limited company bearing registration no. C-33546 (292)/97 and having its corporate office at 57 Dilkusha C/A, Dhaka, Bangladesh. The Company has converted to Public Limited Company on 06 April 2010. The main objective of the company is to act as a security trading company under the license from Bangladesh Securities & Exchange Commission. The company has been operating in the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited as stock broker since 01 December 2002 and stock dealer from 18 June 2008. The company is engaged primarily to provide the service to the institutions and individual investors for trading of securities with both the stock exchanges and to extend margin loan facilities to the investors.



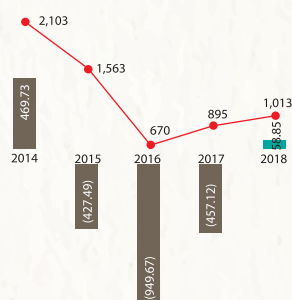
Prime Prudential Fund Limited is a public limited company incorporated on 16 July 2009 in Bangladesh under the Companies Act, 1994. The main objectives of the company are to manage funds of the company and its investors and provide other financial services including corporate advisory services, merger & 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. Prime Finance owns 40% shares in this company.





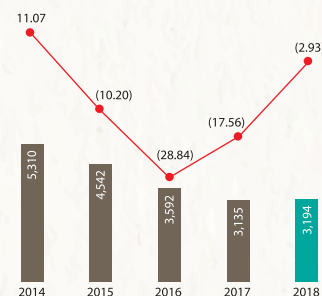
# Financial Snapshot

## Net Profit & Revenue



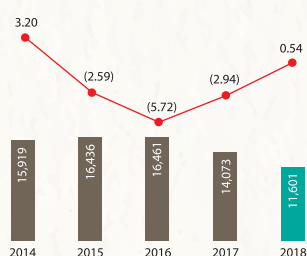
Our revenue increased by 13% to Tk. 1,013 million over last year despite adverse economic environment. Major driver of such growth was increase of interest income resulting from significant collection from stuck-up loans.

## Shareholders' Equity & Return on Avg. Equity



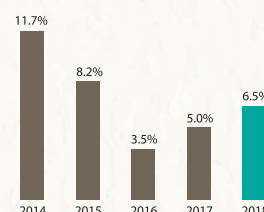
Shareholders' equity marginally increased to Tk. 3,194 million yielding return on average equity at 2.93 percent compared to -17.56 percent of previous year.

## Investment & Return on Avg. Investment



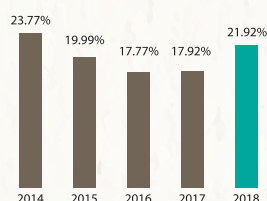
The company maintained growth momentum in return on average asset. Return on average assets was 0.54 percent against -2.94 percent of last year.

## Operating Income as % of Avg. Assets



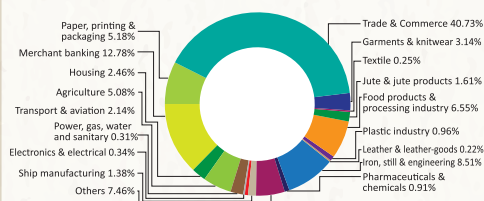
Operating income on average assets increased considerably to 6.50 percent from 5.0 percent of previous year, which was possible enhanced recovery and quality investment.

## Capital Adequacy Ratio (CAR) %



The company is very strong in maintaining CAR which is one of the highest in NBFi industries. At year end, surplus capital was Tk. 1,713 million which enable us to persist in any stress situation.

## Sector wise Loans, Advances and Leases



The company maintained a well-diversified portfolio with highest allocation to trade and commerce sector (40.73 percent) followed by merchant banking (12.78 percent).



## Five Years' Financial Summary

As at and for the years ended 31 December

		2018	2017	2016	2015	2014
<b>Results of operations</b>						
Operating revenue	BDT mn	1,013.20	895.30	670.03	1,562.72	2,102.61
Operating expenses	BDT mn	944.15	1,344.19	1,610.37	1,982.38	1,606.18
Profit before tax	BDT mn	69.05	(448.90)	(940.34)	(419.66)	496.42
Net profit	BDT mn	58.85	(457.12)	(949.67)	(427.49)	469.73
<b>Balance sheet and cash flow data</b>						
Total investments	BDT mn	11,601.28	14,072.77	16,460.57	16,435.57	15,919.10
Total deposits	BDT mn	6,634.96	8,938.85	9,016.19	9,544.21	7,763.33
Total liabilities	BDT mn	10,817.81	14,038.33	15,322.11	15,232.08	13,156.43
Paid up capital	BDT mn	2,729.16	2,729.16	2,729.16	2,729.16	2,729.16
Shareholders' equity	BDT mn	3,193.62	3,134.76	3,591.89	4,541.55	5,310.19
Property, Plant and Equipment	BDT mn	338.60	350.42	360.15	360.31	361.52
Net operating cashflow	BDT mn	(740.53)	891.50	(911.23)	986.74	725.80
<b>Business ratios and other financial ratios</b>						
Statutory Liquidity Reserve (Ratio)(%)	%	7.46	14.35	6.69	17.92	10.15
Return on average assets (%)	%	0.07	(2.49)	(4.97)	(2.19)	2.77
Net Asset Value per share (times)	times	8.75	8.52	10.21	13.69	16.47
Capital Adequacy ratio (%)	%	21.92	17.92	17.77	19.99	23.77
Cash Reserve Ratio (%)	%	2.65	3.34	2.57	2.54	2.58
Dividend covers ratio (times)	times	-	-	-	-	1.27
Non Performing assets to loans/leases (%)	%	17.12	12.44	12.04	10.20	5.86
Return on average investment (%)	%	0.54	(2.94)	(5.72)	(2.59)	3.20
Price earnings ratio (times)	times	42.82	(7.25)	(2.81)	(7.46)	13.50
Deposit investment ratio (%)	%	57.19	63.52	54.77	58.07	48.77
<b>Ordinary shares information</b>						
EPS	BDT	0.22	(1.68)	(3.48)	(1.53)	1.59
EPS (restated)	BDT	0.22	(1.68)	(3.48)	(1.53)	1.59
Dividend	%	0.00	0.00	0.00	0.00	12.50
Book value per share of Tk. 10	BDT	11.70	11.49	13.16	16.64	19.46
Ordinary shares outstanding of Tk. 10	BDT	272.92	272.92	272.92	272.92	272.92
Year end market price per share of Tk. 10	BDT	9.50	12.20	9.80	11.40	21.40
Market capitalisation	BDT mn	2,592.71	3,329.58	2,674.58	3,111.25	5,840.41
<b>Others (at year-end)</b>						
No. of branches	No.	05	05	05	05	05

## Board of Directors



**Mohammad Masudur Rahim**  
Chairman

Mr. Mohammad Masudur Rahim is the Chairman of the Board of Directors of Prime Finance & Investment Limited. Mr. Rahim is the nominated Director from East Coast Shipping Lines Ltd. He was first appointed to the Board on 09 January 2008 and last re-appointed on 28 June 2018.

Mr. Masudur Rahim is a highly experienced professional with successful track record and held different positions with different capacities in his long 18 years of career in the East Coast Group of Companies. Currently, he is furnishing his responsibilities as the Chief Executive Officer. Mr. Rahim is also the Director of Radiant Alliance Limited and Bangladesh Trade Syndicate Limited.

Mr. Rahim, as a proven dynamic leader, has engaged himself in diversified businesses under the East Coast Group umbrella and has gathered vast experiences in banking, lease-financing, international trading, FMCG marketing and distribution, CNG & gasoline filling services in major cities of Bangladesh, plastic products manufacturing industry, supply management of world premium brand Lubricating Oil Additives in Bangladesh, import and installation of high quality Security products in Bangladesh, In-house asset management functions and so on.

Mr. Rahim has obtained his Masters in Economics from the University of Dhaka afterwards he has completed MBA major in Finance & Marketing as well. He has attended courses of Cost and Management Accounting at ICMAB, Dhaka. He has attended a number of seminar, training, leadership management and skill development programs at home & in abroad. Mr. Rahim has also traveled many countries for strategic business & meeting purpose.

He is connected with many social and benevolent organizations.



**Md. Aminul Haque**  
Director

Mr. Md. Aminul Haque is a member of the Board of Directors nominated by Acorn Limited. He is immediate past Chairman of the Company. He is also a member of the Executive Committee and the Audit Committee of the Board. He was first appointed to the Board as Director on 10 March 1996 and last re-appointed on 28 June 2018.

After completion of graduation in B.Sc Engineering from Bangladesh University of Engineering & Technology (BUET), 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 areas of Banking, Insurance, Telecommunication, Manufacturing etc.

Mr. Haque is associated with other organizations namely Bangla Trac Limited, Acorn Limited, Asian Gate Ltd., B-Trac Engineering Ltd., Bangla Trac Oil & Gas Ltd., Bangla Trac Power Unit -1 Ltd., Bangla Trac Power Unit -2 Ltd. and THANE Technology.



**Tauseef Iqbal Ali**  
Director

Mr. Tauseef Iqbal Ali is a member of the Board of Directors. He was first appointed to the Board on 07 September 1997 and last re-appointed on 30 March 2017. Mr. Ali is the Chairman of Executive Committee of the Board of the Company.

Mr. Ali is also associated with Prime Finance Capital Management Limited as a sponsor shareholder. 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. He is the member of Army Golf Club & Gulshan Club Ltd.

Mr. Ali is the Chief Executive Officer of Nouvelle Securities Ltd., (NSL) since 2008; a Stock Broker & Dealer of Dhaka Stock Exchange Limited; Trading Right Entitlement Certificate (TREC) holding register number 112. NSL is member of DSE Brokers Association of Bangladesh (DBA). Prior to joining NSL, Mr. Ali was the Manager of Fareast Finance & Investment Ltd, in Portfolio & Operation Management.

Mr. Ali 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.



**Dr. Shamim Khan**  
Director

Dr. Shamim Khan is one of the members of the Board of Directors of the Company nominated by Pedrollo NK Limited. He is a prominent Business personality and Public Health Professional having more than 10 years of experiences in Health, Disability Elimination and Tea Industry.

Dr. Khan is currently serving as a Director of Halda Valley Tea Company Ltd., Executive Director of a reputed Children's Charity Organization named LMRF and an advancing not for profit Healthcare social business named LMRF Healthcare. Besides, in his close supervision and direct involvement, Halda Valley Tea Estate is now the highest yielding tea garden in Bangladesh complemented by 100% permanent irrigation system and 99% clone tea plants spread over 900 acres of cultivated land.

Dr. Khan is a medical Doctor and achieved his MBBS degree from Bangladesh Medical College under Dhaka University. He started his medical career by working in Orthopedic Surgery department of various Hospitals in different parts of Bangladesh. Along with his Medical Profession, Dr. Khan also developed himself as a social entrepreneur. In 2010, he founded the Zero Clubfoot Project, primary goal of which is to eliminate Congenital Clubfoot deformity from Bangladesh. Now this project is running under LMRF Healthcare.

## Board of Directors - *continued*



**Waheed Mahmud Khaled**  
Director

Mr. Waheed Mahmud Khaled is a member of the Board of Directors. He was first appointed to the Board on 01 June 2014 and last re-appointed on 30 March 2017. Mr. Khaled is the nominated Director from Mawsons Limited. He is a young entrepreneur with visionary thinking, commitment and dedication. He has an excellent academic record. He within a short span of time has proven his entrepreneurship skills in trading business and Merchant Banking sector.

Mr. Khaled is the Chairman of Everest Homes Ltd. and Polaris Power Engineering Limited and Director of Prime Finance Capital Management Ltd. and Mawsons Ltd. He is the Managing Director of Everest Trading Ltd. He did BBA from Independent University, Bangladesh in 2003 and Masters in International Banking and Finance from University of Greenwich, London, UK in 2006.



**Uzzal Kumar Saha**  
Director

Mr. Uzzal Kumar Saha is one of the members of the Board of Directors of the Company nominated by GQ Enterprise Ltd. He is a member of the Executive Committee and the Audit Committee of the Company.

Mr. Saha is also the Chief Operating Officer (COO) of the Maladesh International (P) Ltd, In-Charge of GQ Ball Pen Industries Ltd, Head of Finance of GQ Group, Member of the Co-ordination Committee of GQ Group and Director of PFI Securities Ltd. and Prime Finance Capital Management Ltd.

Mr. Saha obtained M.Com in Accounting from Dhaka College in 2001. He also completed his Chartered Accountancy course from a reputed firm in Dhaka. He started his carrier with The Westin Hotel owned by Unique Hotel & Resorts Limited, Dhaka. Mr. Saha is well efficient and has maneuvering knack in the area of Financial Reporting and Management, Banking, Insurances, Manufacturing Industries etc.



**Manzur Ahmed**  
Director

Mr. Manzur Ahmed is a member of the Board of Directors. He was appointed to the Board on 01 August 2016. Mr. Ahmed is the nominated Director from Agami Apparels Limited. He is a highly experienced professional with successful track record in Ready Made Garments (RMG) Industry. He held different positions with different capacities in his more than 20 years of career. Presently, he serves as the Director-Administration of Agami Apparels Limited and Globus Garments Limited, sister concerns of Dekko Group of Companies.

Mr. Ahmed is also the Director of PFI Securities Limited. He did graduation in Commerce.



**Engr. Salah Uddin Ahmed**  
Director

Engr. Salah Uddin Ahmed is representing the East Coast Shipping Lines Ltd. as Director in the Board of the Company since 30 October 2018. At present he is working at MJL Bangladesh Ltd. as General Manager of the company. Mr. Ahmed has more than 17 years of professional experience in the downstream petroleum industry of the country. Apart from that he also worked for 5 years at the beginning of his career as a project Engineer in Malaysia.

Being a successful personality, Mr. Ahmed worked in different positions under different capacities during his journey. He attended various seminars and trainings especially on lubricants technology and QMS.

Mr. Ahmed obtained graduation from Bangladesh University of Engineering and Technology (BUET) in Mechanical Engineering and completed his MBA in Marketing from IUB.



## Board of Directors - continued



**Ahmed Kamal Khan Chowdhury**  
Independent Director

Mr. Ahmed Kamal Khan Chowdhury, Independent Director of Prime Finance & Investment Limited, has over 30 years of banking experience in the field of Finance, Risk Management, Internal Control and Compliance. He is also the Chairman of the Audit Committee and a member of the Executive Committee of the Board of the Company.

He became Managing Director of Prime Bank Limited on 14th December 2014. Before taking over the charge as Managing Director, he was Deputy Managing Director and Chief Risk Officer of the same bank. He held important management position viz. Chief Finance Officer, Chief Risk Officer, Head of Credit Committee, CAMLCO (Chief Anti Money Laundering Compliance Officer), Head of Finance and Head of Branch in International, Specialized and Private Commercial Banks operating in Bangladesh. Over the time he developed strong professional skills in multitasking environment and is a believer in process development. He was always the core team member of the process development to bring more transparency and smooth workflow. He was a member of the Executive Committees of Association of Bankers of Bangladesh and Primary Dealers Association of Bangladesh. He was a member of the Board of Directors of Prime Bank Investment Limited, Prime Bank Securities Limited PBL Exchange (UK) Limited, PBL Exchange Co. PTE Ltd, Singapore, PBL Finance (Hong Kong) Ltd. Presently, he is working as Advisor to Prime Bank Investment Limited.

Mr. Chowdhury is Masters in Economics from the University of Dhaka and MBA in Finance and attended various trainings, workshops and seminars at home and abroad on different aspects of banking. He is an Ex-cadet of Faujdarhat Cadet College. Mr. Chowdhury is a member of Rotary Club of Banani since 1999 took active part in various social activities of the Club and the Rotary District 3280 and 3281. He is Past President of the Rotary Club of Banani and also held important positions in Club. He is a Paul Harris Fellow. He held important positions viz. Assistant Governor and Deputy Governor and member of District Finance Committee of the Districts and his contributions to Districts are commendable.



**MBM Lutful Hadee FCA, LLM**  
Independent Director

Mr. MBM Lutful Hadee is an Independent Director of the Board of Prime Finance & Investment Limited since 30 October 2018. He is also a member of Audit Committee of the Board of the Company. Mr. Hadee is the proprietor and CEO of Hadee Lutful & Co.(HLC), Chartered Accountants.

He qualified as a Chartered Accountant in 2007 and has 18 years' of work experience in reputed blue chip corporate and professional services firms. Before founding HLC, he was the Partner-in-Charge of Taxation & Legal Compliance Department of Howladar Yunus & Co. (HYC), Chartered Accountants, from January 2011 to October 2016. Prior to his time at HYC, he worked at Citycell (a SingTel Subsidiary), GP (a Telenor Subsidiary) and MFH Financial Services Ltd. (a Merchant Bank) for more than 10 years in the department of Finance, Taxation, Legal, Corporate and Secretarial Affairs.

As a professional accountant and legal expert, he has specialization on International Tax, Corporate and Individual Tax, VAT, Transfer Pricing, Customs, Foreign Investment, Company Matters, Legal Affairs and Regulatory Affairs (BSEC, BOI/BIDA, BBK, BTRC, RJSC, etc.).

Mr. Hadee obtained Master of Commerce (Accounting) and Master of Laws (LLM) from reputed universities. He is a Fellow Member of Institute of Chartered Accountants of Bangladesh (ICAB). Mr. Hadee is a VAT Consultant with license from NBR. He is also an adjunct faculty of Master of Accountancy in Taxation (MAT) Program, Department of Accounting and Information Systems, Dhaka University. Mr. Hadee was awarded Tax Card 2018 for assessment year 2017-2018 by NBR, Bangladesh, in accountant category.

## Products & Services

Prime Finance & Investment Limited commenced operations by providing leasing and hire purchase financing for clients. Subsequently the Company have gone through a metamorphosis and based on the demands of the time, started diversifying into Corporate, SME and Real Estate sector (corporate & individual) in the form of term and lease financing.

### **Financial Products**

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

### **Deposit Products**

- Semi annual deposit
- Annual income deposit
- Cumulative income deposit
- Monthly income deposit
- Quarterly income deposit
- Half-yearly income deposit
- Sonchoy Plus MID
- 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
- Sonchoy DPS
- Fortune DPS

## Management Committee



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

Mr. Md. Ahsan Kabir Khan, an emerged leader in the financial institutions industry has in his credit more than 22 years of experience out of which 20 years in Prime Finance & Investment Limited. Utilizing his professional experience and expertise Mr. Khan contributes towards the achievement of the organizational goal and business. He is supervising the functional areas of the institution beside his leadership involvement in strategic decision making as well as in navigating the company's business towards its success.

With his visionary leadership capability, functional experience and professional expertise Mr. Khan as Managing Director leads the institution successfully.

Mr. Khan attended numerous seminars, training, and workshop at home and abroad for different programs both professional and personal.

Mr. Khan completed his masters in Management from the University of Dhaka and he also did his MBA major in Finance. Mr. Khan completed Chartered Accountancy course from a reputed firm in Dhaka, Bangladesh. Mr. Khan is the representative Director of Prime Prudential Fund Ltd. and also representative Director of Prime Finance Capital Management 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'.



**Mohammad Shahidul Islam FCA, ACS**  
EVP & Chief Financial Officer  
With Prime Finance: Since 2009

Mr. Mohammad Shahidul Islam is a Fellow Chartered Accountant working at Prime Finance & Investment Limited since 2009 under various capacities in senior management position. Mr. Islam, formerly from KPMG Rahman Rahman Huq, Bangladesh, has vast experience in budgetary control, corporate finance, auditing, taxation and legal matters. Mr. Islam is currently serving as Chief Financial Officer of the Company. Besides, he devotes some of his time as Chief Anti Money Laundering Compliance Officer (CAMLCO) of the Company.

Mr. Islam is also an Associate member of the Institute of Chartered Secretaries of Bangladesh. He passed all exams of Chartered Accountancy and Chartered Secretary in the very first attempt.

Mr. Islam obtained BBA and MBA from University of Dhaka having major in Accounting with an excellent academic record.

During his career, he attended a good number of training, seminar and workshop on different aspects of financial services.





**Gulshan Ara Hafiz MBM**  
SVP & Head of CRM  
With Prime Finance: Since 2002

Ms. Gulshan Ara Hafiz is one of the Members of Management Committee of the Company. In her profound committed journey with Prime Finance she headed different departments of the company and now she is the Head of Credit Risk Management department. In addition to her regular responsibility she is also playing vital role in different committees of the Company.

After completion of her post graduation majoring with bank management from Bangladesh Institute of Bank Management she joined in the core marketing team of the company. She steps forward her career with interest in business development and credit risk analysis. She is also involved in different policy development and implementation of strategic planning decision of the company. She has also attended numbers of training courses inside and outside of the country, on core risk management, product diversification, effective supervisory management and team building etc.



**Muhammed Kamrul Islam MBA**  
SAVP & Head of HRM & Admin  
With Prime Finance: Since 1999

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

Mr. Islam has been transferred from Merchant Banking Department to HRM & Administration Department in the year 2004. Presently he is holding the position of Senior Assistant Vice President & Head of HRM & Administration Department of the Company.

Mr. Islam completed his Masters degree and obtained MBA major in Human Resource Management from the University of Information Technology & Sciences (UITS). During his career, he attended different training professional courses & workshop organized by reputed training Institutions of the country including Institute of Business Administration (IBA), University of Dhaka. Mr. Islam is a member of Management Committee and Ethical Committee of the Company. He is also a member of IBA Alumni Association, Fellow Member of Bangladesh Society for Human Resource Management (BSHRM), General Member of Banasree Club Limited, Netrokona Zilla Samity, Dhaka and Greater Mymensingh Samity, Dhaka.

Mr. Islam has traveled various countries including USA, Saudi Arabia, Malaysia, Qatar, Thailand, India and Bhutan for personal purposes.



**Md. Mohsin Reza Khan ACS**  
Sr. Manager & Company Secretary  
With Prime Finance: Since 2018

Mr. Md. Mohsin Reza Khan joined with Prime Finance & Investment Limited in January, 2018 as Senior Manager and Company Secretary. He has more than 9 years of professional experiences in the secretarial arena. He started at first his career with IIDFC Securities Limited, a subsidiary of IIDFC Limited under Company Secretariat since February, 2010 and transferred to IIDFC Limited under same Department on May 2013. Then, he joined with Pragati Life Insurance Limited in 2014 as Deputy Company Secretary. Upon gaining experiences, he joined with FAS Finance and Investment Limited in 2016 as the Company Secretary.

During the journey, Mr. Khan was trained with different professional training program(s) in which Good Governance in Banks & NBFIs, Compliance in Corporate Governance by Listed Companies, Asset Management, Compliance and Associated Issues, Authorized Representatives of Member Company, and Basic Course on Life Insurance what organized by Bangladesh Bank, DSE and BIA Training Academy separately.

Academically, he is a Business Graduate (BBA), and secured MBA from Faculty of Business Studies from Dhaka University. Mr. Khan is also a Chartered Secretary and an Associate Member of the Institute of Chartered Secretaries of Bangladesh (ICSB).

# Glimpses of all Employees

## Finance & Accounts



Mohammad Shahidul Islam  
Executive Vice President & CFO



Mohammad Zaved Lakiyet  
Senior Assistant Vice President



Tarana Yasmin  
Assistant Vice President



Md. Shahidul Islam  
Senior Executive Officer



S M Salahuddin Yusuf  
Senior Executive Officer



Md. Abdulla Akon  
Senior Officer



Md. Ahasan Ullah Palas  
Assistant Officer

## Credit Risk Management



Gulshan Ara Hafiz  
SVP & Head of CRM



Tazrian Hoque  
Senior Manager



Mohammad Moazzem Hossain  
Assistant Manager



Md. Farhad Hossain  
Senior Executive Officer



Md. Abdullah Al Sayed  
Assistant Officer



Md. Mohsin Reza Khan  
Sr. Manager & Company Secretary



Mahdi Ibna Bashir  
Senior Executive Officer

## Company Secretariat

## HRM & Administration



Muhammed Kamrul Islam  
SAVP & Head of HRM & Admin



Md. Masudur Rahman  
Senior Manager



Mahadi Hasan Tanver  
Senior Executive Officer



Md. Hamidur Rahman Shagor  
Executive Officer



Aysha Siddiqua Liza  
Assistant Officer



H M Nurul Amin  
Sr. Ex. Officer & In-charge



Md. Tanvir Ahsan  
Assistant Officer

## Internal Control & Compliance

## Liability & Fund Management Operations



Farhana Mahejabin  
SAVP & Head of Operations (L&F)



Shamima Akther  
Senior Executive Officer



Md. Rakibul Hasan  
Senior Officer



Piyasha Barua  
Assistant Officer



Shamima Akter  
Assistant Officer



Md. Anisuzzaman  
AVP & Head of Marketing (L&F)



Md. Mynul Hasan  
Senior Executive Officer

## Liability & Fund Management Marketing

## Liability & Fund Management Marketing



Md. Shahidul Islam  
Executive Officer



Md. Humayon Kabir  
Officer



Md. Abdur Rahman  
Assistant Officer



Mohammad Khorshed Alam  
Assistant Officer



Mohammed Faruque  
SAVP & Head of IT



Muhammad Saiful Alam  
Manager



Mustafa Shahriar Hazary  
Executive Officer

## Information Technology

## Legal



Mohammad Yeamin Kabir  
SAVP & Head of Legal



Farhanat Ul Alam  
Senior Executive Officer



Md. Shohel  
Senior Executive Officer



Md. Faqurul Islam Majumder  
AVP & Head of Marketing



Zakir Hossen  
Senior Officer

## Marketing

## Credit Administration

Muhammad Anisuzzaman  
AVP & Head of CADUmme Anwar Rebeka Sultana  
Senior ManagerMd. Shafiu Azam  
Senior OfficerMansura Moin  
AVP & Head of TreasuryNaima Akter  
Senior Executive OfficerAshraf-Ul-Majid  
OfficerMohammed Zakirul Islam  
Sr. Manager & Head of SAM

## Treasury

## Special Asset Management

## Special Asset Management

Md. Manwar Hossain  
ManagerMd. Shifat Shakhawat Hossain  
Executive OfficerSazzad Omar Faruk  
Senior Officer

## Business Unit-1

Arindam Basu  
ManagerMd. Mahmudul Hasan  
Executive OfficerSanjay Kumar Mondal  
Executive OfficerFarjana Yesmin  
Assistant Officer

## SME Finance

Md. Delwar Hossain  
Senior Executive OfficerTajul Islam  
Senior OfficerMasud Ul Hasan  
Senior OfficerMd. Anwar Hossain  
OfficerAhamed Sayed Uddin  
Assistant OfficerNurul Islam  
Assistant OfficerMd. Azmal Hossain  
Assistant Officer

## SME Finance

## Chittagong Branch

H.M. Solaiman Rifat  
Assistant OfficerMd. Masud Alam  
Sr. Manager & Branch-In-chargeDidarul Islam  
ManagerAli Sayka Khanam  
ManagerJolly Chowdhury  
ManagerMohammad Ataur Rahman  
Executive OfficerMd. Arfan Uddin  
Executive Officer

## Chittagong Branch

## Rajshahi Branch

## Gulshan Branch

Rahat Alam Chowdhury  
Senior OfficerMd. Awwad Hossain  
OfficerMd. Monirul Islam  
Sr. Ex. Officer & Branch-In-chargeAdnan Wasim Mahmud Hasan  
Senior Executive OfficerMd. Parvez Khan  
Senior OfficerMd. Mizanur Rahman  
Assistant OfficerMd. Habibur Rahman  
Sr. Ex. Officer & Branch In-charge

## Gulshan Branch

## Uttara Branch

Md. Abduljalil Al Mamun  
OfficerMd. Nazmul Hossain  
Assistant OfficerMonne Akter  
Assistant OfficerMd. Asaduzzaman  
Sr. Ex. Officer & Branch In-chargeSk. Md. Rezwanur Rahman  
Senior OfficerGopal Kumar Mohonto  
Assistant OfficerPankaj Kumar Sen  
Assistant Officer





## Message from the Chairman

**“We remain committed to the better financial reporting, compliance and risk management practices.”**

## Dear Fellow Shareowners,

The year 2018 was a momentous period for Prime Finance & Investment Limited. For the first time after three years, the company managed to turnaround and register a profit of Tk. 58.85 million. It was the indefatigable spirit of Prime Finance that finally culminated in hope for the future. Despite severe handicaps in liquidity problem, migration of key executives to other companies, the company's creative side rose to the occasion to make a sustainable change in the bottom line.

A change of guard at the Board helped in improving the image of the company ushering in meticulous day to monitoring of the critical areas of the company. We made concerted efforts to increase liaison with the banks and high net worth depositors to increase the funding and stop the tide of fund outflow of the company.

Resources were scarce and despite this, management made optimum utilization of the funds. It was a tight rope walking between resources for business growth and repayment of creditors. Fund inflow and outflow was meticulously managed on a daily basis taking into consideration the dynamics of the money market. The company's Liability Management team was galvanized into action, infused with fresh blood and the result was a balanced liquidity position of the company.

With liquidity crunch and cautious lending among interested borrowers, the private sector credit growth stood at 13.30 percentages in December 2018 that reflected poor demand from the new businesspeople. Amid uneven competition and lax practice of compliances in all respects of the industry, the company was prepared enough to prevent the extension of stuck up loans and attempted to recover them significantly. Confronting all challenges throughout the year, the company's total disbursement in SME financing was Tk. 444.90 million over the previous year, which is 76.62% of total investment. However, total disbursement of the company in 2018 was Tk. 580.69 million. On the other hand NPL of the company has edged up by 4.67 percentages. The company made all out efforts to reduce provisioning through recovery of Non Performing loan instead enhancement of loans and advances.

The total recovery in 2018 stood at Tk. 3,941.42 mn. Our core capital ratio and the total risk weighted Capital Ratio was 20.68 percentages and 21.92 percentages respectively during the year and continues to remain well above the statutory levels. Despite the deficiency of liquidity in the financial industry, the deposit is mobilized convincingly and comparatively with lower interest rate as maintained in the previous years. We ended the year with total shareholder's equity of Tk. 3,193.62 million.

We remain committed to better financial reporting, compliance and risk management practices. We have in place a robust company-wide Risk Management architecture. Inherent risks associated with the business are accurately assessed and monitored on a continuous basis. We consistently adhere to the

conditions of corporate governance code and continually promote the effective application of CG code that shall underpin company operational activities. Efforts are underway to build a low cost funding base and to look at new avenues for increasing its lending portfolio to the SME and other potential sectors. We have a clear strategy and are committed to its execution.

Prime Finance is on the threshold of a major transformation from a loss making institution to a resurgent profit making institution. The strategies are in place to ensure that despite chronic liquidity problem, the company will continue to look forward with renewed optimism.

I would like to express my appreciation to the Governor of the Central Bank of Bangladesh and the officials at the Department of Financial Institutions and Markets, for their consultative approach, cooperation and assistance extended to us throughout the year. I would also like to express my sincere gratitude to officials of the Bangladesh Securities and Exchange Commission and Stock Exchanges for their continued direction and support. I express my sincere thanks to our shareholders, clients and my colleagues on the Board for their unstinted support and cooperation. My gratitude goes to the Management team for their leadership skills and expertise, to our employees for their efforts and dedication and to all our stakeholders for their trust and continued support.

In conclusion, I am confident that your company will perform well and add value to all its stakeholders in the years to come.



**Mohammad Masudur Rahim**  
Chairman



## Message from the Managing Director

### **Hon'ble Shareholders,**

The year 2018 was a journey of liquidity crunch in operating business that intensively affected the financial industry as a whole and the economy. Uneven competition, undue influence, and complex judicial system were the causes of sufferings in the financial industry. Besides, the entry of new rivals that is fourth generation banks and just approved fifth generation banks ultimately made the market financially unhealthy.

Apart from some responsible borrowers, a number of borrowers cannot pay off the rentals timely whether unforeseen commercial and non-commercial reasons so that non-performing loan is rising gradually. Concurrently, filing writ petition by the same borrowers created inordinate delay in the recovery of NPLs.

Amid the liquidity crisis over the last year, there is a chronic demand and supply mismatch. Despite all the good intention of the Government to reduce the cost of borrowing and lending, so far it has been a futile attempt. Under the circumstances, majority of NBFIs saw their loans and advances plummet due to paucity of funds. This has affected all strata of borrowers specially SME's who are finding it difficult to continue their operational activities in a volatile environment. Inadequate inflow of fund throughout the industry resulted in stiff competition in the market.

The competition for deposits has hit the 34 NBFIs, which largely rely on bank for funds. On account of chronic liquidity problem, banks abruptly cancelled, downsized and stopped disbursement of banking facilities to NBFIs resulting in vicious cycle for NBFIs. NBFIs are now focusing more on expanding their deposit portfolio by revamping the Liability Management team and introducing Zero Coupon bonds to help them tide over the liquidity crunch.



### Strategic Shift

Around 5 years back, Prime Finance could visualize the shift in the money market and take effective measures to ensure adequate liquidity. In 2012, our Liability and Fund Management Department was initiated and took the lead for mobilizing funds from the public. Today, Prime Finance is meeting around 47.29% of the funding needs through the liability management department.

Our main thrust in investment was still in SME and Agricultural sector. All the branches and the SME department were activated, focused on areas beyond the metropolitan cities and made forays into marginal areas where the needs of the SME sector were not adequately fulfilled by the banks. The immediate impact was realizing good spread and reducing Non Performing Loans. Presently the entire organization is still SME centric with quality manpower adept in the art of SME manning the branches.

### Capital Market

The boon in the capital market has over the years turned into a bane. Prime Finance has investments in Subsidiary & Associate companies in the form of equity to the tune of Tk. 1,622.74 mn as at December 31, 2017. The loans and advances to Subsidiary and Associates amounted to Tk. 1,597.34 mn as at December 31, 2018.

### Subsidiary and Associates

In the years 2010 and 2011, Subsidiary and Associates contributed a respectable amount of profits to the overall profitability of Prime Finance. Unfortunately, down turn in the Capital Market resulted had a telling effect on the company. On the other hand, due to blocking of interest against loan with Subsidiary and Associates, the company incurred loss amounting to Tk. 457 mn in last year. During 2018, interest block on the loans to Subsidiary and Associates was withdrawn and resultantly the bottom line ended up with a profit of Tk. 58.85 mn. Interest imposed by the Board on Subsidiary and Associates were compelled them in making timely repayments to the parent company. Both PFI Securities Ltd. and Prime Finance Capital Management Ltd. largely managed to pay their loans. Now, the repayments with interest had a positive impact on the profitability of the Company.

### Measures adopted to stem the rot

Recent buoyancy in the capital market has resulted in renewed optimism. The interest block was a short term mechanism to enable the Subsidiary and Associates to stay afloat. Now the Board has imposed the interest on the basis of cost of fund individual performance of the Subsidiary and Associates. This measure is likely to be adopted by the Board in early 2018. It has helped the company in turning around the moribund state. At least three of the sister organizations in 2019 would be more proactive in their position to contribute to the profitability of the company thereby giving positive outlook for the company.

Prime Finance in 2018 revamped the branches and has taken steps to convert them into profit centers. The branches have been advised to target largely SME and Agricultural clients in the districts with proper due diligence. In addition, they are encouraged to become self reliant in mobilizing and mopping up deposits in their command areas. The results are encouraging.

Besides, Prime Finance has taken initiative to launch new branches at Sylhet and Chowmohuni, Noakhali by 2020.

### Human Resources

Despite the employee turnover in 2018, we managed to disburse Tk. 581 mn as against Tk. 4,299 mn in 2017. This was possible through in depth training, greater penetration in the market, increasing the depth and the width of the market reach and above all through greater motivation. We continued to fill in the void on account of skilled employees leaving the organization. The net result is, there is a fine crop of executives ready to reach out and fill the gaps and take greater responsibilities in future. Succession plan has been fine tuned and the company can move ahead with optimism in future.

### Financials

During 2018, the money market was appeared in very dry like last year and made hindrance against growth of the company. Accordingly, the company was bound to confine its business operation by 19% against the growth of last year. But the company has proved significantly to rein the losses within hardly disbursement and recovered an outstanding amount from non-performing loan. In turn, the management expenses made by Prime Finance reduced to Tk. 190.95 mn in 2018 from Tk. 205.54 mn in 2017, which registering an decrease of 7.10%. Besides, the company was able to sustain the inflation of cost of fund by 8.89% in line with last year. Consequent upon, facing inadequate fund flow and adverse environment, we hope the 2019 shall be the better outlook for us.

### Outlook

It has been crossing a tough uphill task for Prime Finance in its quest for a turnaround situation since couple years back. The fortunes of the company are largely dependent on the Subsidiary and Associates, where severe negative financials obliterate the small gains that the company is making. Prime Finance is gradually overcoming the troublesome situation and shall continue its market penetration strategy through its SME and Agricultural financing arm and at the same time continue to build through cost effective measures along with launching new branches. The road ahead is challenging but it is not tougher to reach at the attaining goal.

We welcome you to be a part of PFIL and join with our journey. Thank you for your confidence and expect your future support. As we are reaching closer to our 23 years of services, we strongly believe that we will drive our societies to a future of renewed growth and prosperity. My sincere thanks and gratitude are to our valuable lenders, depositors, shareholders, regulators and other stakeholders for their continuous support and co-operation.



**Md. Ahsan Kabir Khan**  
Managing Director

# Directors' Report 2018

*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 23rd 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 2018 for your valued consideration, adoption and approval.

The Directors' Report has been prepared in compliance with the Section 184 of the Companies Act 1994, BSEC's Notification of 03 June 2018, the Dhaka and the Chittagong Stock Exchange (Listing) Regulations, 2015, 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.

## Industry Analysis

The NBFIs sector in Bangladesh has undergone a significant transformation over the past few years. The performance of the NBFIs has been particularly impressive in areas that are national priorities, like infrastructure finance, SME finance, housing finance, micro finance and financial inclusion. Small and medium size enterprises (SMEs) are the backbone of Asia's economies and they need better access to finance to grow.

Presently 34 NBFIs are operating in Bangladesh under close monitoring of Bangladesh Bank as their regulatory authority. NBFIs have an inclusive strategy in which the system can attract the client with its innovative and multifaceted products and services with simple paper work, quick approval, easy credit process, rapid decision-making and no excess bureaucracy to get nod for the approval of a proposal. So, NBFIs sector has been capable enough to capitalize the demand of existing and potential borrowers. Ease of operation, quick decision making and interaction with the clients differentiates an NBFIs from Banks where the structure has become somewhat unwieldy.

NBFIs are increasingly coming forward to provide credit facilities for meeting the diversified demand for investment fund in the country's expanding economy. In 2018, NBFIs recorded notable growth in total assets, borrowings, deposits, and capital. The asset of NBFIs increased substantially by 17.82% to Tk. 841.07 billion in 2017 from Tk. 713.87 billion in 2016. At the end of June 2018, assets of NBFIs increased to Tk. 870.30 billion. CMSME loan disbursement by banks and non-bank financial institutions increased by 3.37% to Tk. 1,610.32 billion in 2018 compared with Tk. 1,557.85 billion in 2017. NBFIs' Investment at end of June 2018 in industry was 44.20%, real estate 18.18%, margin loan 1.95%, trade and commerce 15.87%, merchant banking 3.81%, agriculture 2.91% and other 13.08%. At the end of June 2018, the outstanding of loan/lease was increased by 10.60% to Tk. 641.90

billion from Tk. 580.40 billion end of June 2017 of which NPL was Tk. 59.20 billion (9.22%) in 2018 and Tk. 52.10 billion in 2017 respectively.

## Industry Outlook

In 2018 NBFIs had a roller coaster ride with a cautionary monetary policy stance. There were signs that the country was heading for surge in the interest rate finally culminating in a tight liquidity situation. Deposit in the banking sector was adverse affected due to high rate of National Saving Certificates.

Funds in the Non-bank Financial Institutions (NBFIs) largely dried up resulting in severe curtailment of credit growth in the industrial sector. For the greater part of the year, NBFIs have been busy paying off the loans and deposits of the public. With no growth in credit, the bottom line had an anemic look for the industry as a whole.

The private sector credit growth in the country decreased to 13.30 percentage in December 2018 from 18.10 percentage in December 2017 which hit a three-year according to Bangladesh Bank. The Central Bank has kept the credit growth in the Private Sector unchanged at 16.80 percentage within first half (January-June 2019) of its Monetary Policy. However the actual growth rate during this period has been decreasing. Add to this the astronomical rise in Non Performing Loan (NPL), it is a recipe for concern in the years to come.

Source of funds has been one of the major concerns of NBFIs with most banks not willing to lend to NBFIs. Again, in an environment where there are 63 banks and 34 NBFIs, the money market is inevitably overheated. The ensuing rescheduling and restructuring policy for so called good defaulters is likely to further intensify the liquidity situation. Think tanks have already started to give their negative vibes that the measure could add fuel to the fire.

## Capital Market Scenario

Beginning of 2018 showed early signs that the Capital Market was heading for stagnation ostensibly on account of interest rate hike, severe liquidity problem and stuck up loans in the banking system. Add to this flight of funds into the National Savings Certificates and enforcement of Central Bank's Advance Deposit ratio, the outlook was discouraging. Constant erosion of the market price and intermittent adjustment of the bank's Advance Deposit ratio, the Capital Market entered into a prolonged lackluster scenario.

Although there have been sporadic movements, these were short lived. Though price index of Dhaka Stock Exchange (DSE) saw a sharp rise by 38.43%, the average turnover value in DSE fell to Tk. 552.03 crore in 2018. In 2017, the average daily turnover was Tk. 874.83 crore.



Meanwhile, the market capitalization increased by 8.42% to Tk. 35,599 crore mostly due to Initial Public Offerings. The Market Capitalisation was Tk. 422,894 crore in the previous year.

### Business Activities

The private sector growth was stagnant at 13.30 percent last year. The Company's foray into the SME sector came to an abrupt halt on account of severe liquidity problem. The greater part of the year went into repayment of the banks loans, deposit and public deposits. Many an NBFIs had problems in repayment of its debts which in turn culminated in public getting disillusioned with the financial sector.

Disbursement in 2018 took a hit and the final numbers ended up with Tk. 993.54 crore. Despite the gloom in the Capital Market, the company's own portfolio showed a profit of Tk. 8.49 crore in 2018. Prudent Liability management policy of the company and imposition of interest on the loans and advances of Subsidiary and Associates resulted in an encouraging bottom line of Tk. 5.89 crore.

Funds from the banking sector remained dried throughout the year. The company intensified its efforts in Liability Management and started mopping up liquidity at a slightly higher rate. The recovery drive moved into overdrive and the company had a modest degree of success with decrease of provision to the tune of Tk. 17.75 crore.

### Principal Activities

Prime Finance continues to adhere to its core operation of lending in SME, Agricultural and Service sector. During the year under review there was no change in the nature of the principal business activities.

### Financing Activities

During the year total disbursement of loan was Tk. 580.69 million where almost 77% was SME Financing. Due to the continued cautionary approach in terms of quality financing, we improved provisioning and reduced Tk. 16.60 million as provision against total classified loans of Tk. 1,449 million. NPL 17.12% was mainly driven by the exposures to the corporate before we started the navigational change. Considering the competitive market edge we were rational in fixing lending rate and sometimes diverged from ensuring three percent spread. In 2018, we had to absorb impact of interest block of the loan to subsidiary and associates as well. In addition, during the year significant numbers of contracts were rescheduled, restructured with lower rate to accommodate our good clients with competitive market rate. These altogether sketched the bottom line of the Company.

### Term Finance

Term finance continued to be a leading 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 disbursement in term finance was Tk. 580.69 million in 2018.

### Lease Finance

Lease financing, principal fund based activity of the Company, represents asset based financing. Through lease financing we facilitated small and medium type of enterprises to access to the finance. We offer leasing as a modern financial instrument for managing corporate investments in movable equipment. We concentrated only on full payout financial lease transaction for financing a wide range of capital machinery, equipment and vehicles.

### Liquidity and Funding

Nagging liquidity constraints remained throughout the years. This severely affected the operational activities of the company. For the first time, the company ended in a funding mismatch in terms of its Inflow and Outflow. There are hardly encouraging signs that the money market is going improve in the near future.

### Operating and Financial Performance of the Company

Loans, advances and leases of the company recorded at Tk. 9,935 mn on 31 December 2018 registering 18.65% down against last year. Company's investment in shares decreases by 13.94% on 31 December 2018. Deposit stood at Tk. 6,635 mn resulting 25.77% diminution against last year. Under the circumstances, the Bank borrowing of the company was narrowed by 28.05% representing dependency on bank fund. Due to current year's profit, equity attributable to shareholders' of the company increased to Tk. 2,385 mn as compared to Tk. 2,326 mn of last year.

Gross interest income of the company was Tk. 915 mn which was 28.97% higher than that of 2017. Other income of the company was decreased by Tk. 88 mn. Operational expenses in 2018 were decreased by 16.64% and provision for loans, advances, leases and shares decreased by Tk. 166 mn.

The financial results of the Company for the year 2018 with a comparison of 2017 are summarized below:

(BDT in million except EPS)	2018	2017
Operating revenue	935 mn	763 mn
Operating expenses	191 mn	206 mn
Profit before tax	70 mn	(460) mn
Provision for tax	7 mn	2 mn
Profit/loss after tax	63 mn	(462) mn
Earnings Per Share (EPS)	0.23	(1.69)

### Significant Deviation in Operating Results

Operating loss of the Company for the year 2018 was Tk. 97 million as against Tk. 396.96 million of 2017. The main reason for reduction of operating loss of the company was recovery of stuck up loan and withdraw of interest blocking against loan with subsidiary and associate companies.

### Significant variance between quarterly and annual results

The Company registered significant improvement during its 3rd and 4th quarterly financial results. The improvement was mainly due to decrease of provision on loans, advances, and leases and reduction of proportionate loss from associate companies. Another reason for such improvement was realization of a good amount of capital gain and dividend from investment in Capital Market.

### Five Years' Financial Summary

Key operating and financial summary of preceding 5 (five) years of the company are the part of this report and have been summarized on 10 no. page of this Annual Report.

### Share of loss/income from subsidiary and associate companies

Subsidiary and associate companies of Prime Finance & Investment Limited are engaged truly in capital market. During the year our proportionate sharing of loss/income from the subsidiary and associates were as follows:

Name of the Company	Status	Equity %	Income/Loss	Proportionate sharing of Income/Loss
Prime Finance Capital Management Limited	Subsidiary	60.00%	(4.25) mn	(2.55) mn
PFI Securities Limited	Associate	46.15%	(57) mn	(26) mn
Prime Finance Asset Management Company Limited	Associate	49.00%	(0.75) mn	(0.36) mn
Prime Prudential Fund Limited	Associate	40.00%	0.70 mn	0.28 mn

Directors' report and audited financial statements of the subsidiary are given on 86 & 90 no. pages of this Annual Report.

### 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 & BFRS. A statement of related party transactions has been presented in note no. 38 on 80 no. page of the Annual Report.

### Capital Expenditure

The total Capital Expenditure on acquisition of property, plant, computer applications, software and equipment of the Company amounting to Tk. 1.80 million (Tk. 4.00 million in 2017). The detailed note on acquisition of Property, Plant and Equipment is given in the financial statements on 84 no. page of the Annual Report.

### Dividend

The Company will not be paying any dividend for the year ended 2018. The Board of Directors in its meeting held on 21 March 2019 recommended "No Dividend" for the year 2018. As per Article-89, Schedule-I of the Companies Act, 1994, dividend shall be declared out of profit i.e. from current year's profit and from previous years' retained profit; therefore the company has recommended "No Dividend" for the year 2018. The Board also states that no bonus shares or stock dividend has been paid during the year or will be paid in future as interim dividend.

### Directors' Responsibilities for Financial Statements

The Board is responsible to present a fair, balanced and understandable assessment of the Company's position and prospect as part of good corporate governance and to that end the directors confirm to the best of their knowledge that

1. the Financial Statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
2. proper books of account as required by the law have been maintained;
3. appropriate accounting policies have been consistently applied in preparation of the Financial Statements and that the accounting estimates are based

on reasonable and prudent judgments;

4. the Financial Statements was prepared in accordance with IAS/BAS/IFRS/BFRS;
5. the system of internal control is sound in design and has been effectively implemented and monitored.

### 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.

### Risk and Concerns

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. Fundamentally, the company believes in managing risk in a forward-looking manner and steering credit, interest rate, liquidity, market and operational risks through establishing strategies, models and parameters.

### Management Discussion & Analysis

Pursuant to the BSEC's Notification dated 03 June 2018, the management discussion and analysis report is given on 26 no. page of this Annual Report.

### Report on the Compliance of the Conditions of BSEC's Notification

In accordance with the BSEC's Notification dated 03 June 2018, the Board of Directors is 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 33 no. page of this Annual Report.

### Pattern of Shareholding

The pattern of Shareholding of the Company as at end of the year 2018 is shown on 30 no. page of this Annual Report.

### Directors' Meeting, Attendance & Remuneration

During the year ended on 31 December 2018 total 8 (eight) meetings were held. The attendance in the Board meetings by each Director is given on 30 no. page of 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. 30 on 79 no. page of this Annual Report.

### Directors' Appointment & Re-appointment:

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 23rd 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:

1. Mr. Tauseef Iqbal Ali
2. Mr. Manzur Ahmed
3. Mr. Uzzal Kumar Saha

Biographies of the Directors (including retiring Directors) and the names of the Company where they have interest are mentioned in the Annual Report on 10 no. page and note no. 40 on 81 no. page.

#### **Approval for Appointment of Independent Directors**

BSEC's Notification dated 03 June 2018, the Board of Directors has appointed Mr. Ahmed Kamal Khan Chowdhury, and Mr. MBM Lutful Hadee as the Independent Directors for a period of 3 (three) years. Now in exercise of the power conferred upon the section 2CC of the Securities and Exchange Ordinance, 1969, the appointment of the Independent Directors requires approval by the Shareholders in the Annual General Meeting.

#### **Corporate governance**

Fundamentally, the conduct of the company is guided by our core values, our code of ethics and a commitment to openness and transparency. Prime Finance's Board of Directors endeavors always to provide learned and strategic direction for the Company through applying the highest standards of corporate governance practice. To this end, we comply with all reporting regulations and requirements as defined in the Corporate Governance Code issued by the Bangladesh Securities and Exchange Commission. We establish necessary policies and procedures to protect the Company from risk and to provide it with clear strategic direction. We work to ensure all governance matters are transparent to shareholders as well as stakeholders through channels such as the Annual General Meeting (AGM), quarterly financial statements and this annual report. Besides, the minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.

#### **Appointment of External Auditor**

A. Qasem & Co., Chartered Accountants, has completed their first year as the statutory auditors of the Company. As per DFIM Circular no. 04 dated 30 April, 2015 of Bangladesh Bank, BSEC's order dated 27 July 2011, and Regulation # 15(2) of the Dhaka & the Chittagong Stock Exchange (Listing) Regulations, 2015, a Financial Institution can appoint any audit firm as its statutory auditors for a consecutive period of three (3) years. Hence, A. Qasem & Co., Chartered Accountants, is eligible for reappointment and they express their willingness to be reappointed. On the basis of the proposal of the Audit Committee of the Board, the Board recommends the appointment of A. Qasem & Co., Chartered Accountants, as the statutory auditors of the Company for the year 2019 and fixes their remuneration of Tk. 300,000/- (Taka three lac) only plus VAT. Now in exercise of the power conferred upon Section 210(10) of the Companies Act, 1994 the shareholders of the company will approve the appointment.

#### **Appointment of Corporate Governance Code Compliance Auditor for the year 2019**

In accordance with the BSEC's Notification dated 03 June 2018, the professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting. On the basis of the proposal, the Board recommends the appointment of SA Rashid

& Associates, Chartered Secretaries, as Corporate Governance Code Compliance Auditor for the year 2019 at a fee of Tk. 30,000/- (Taka thirty thousand) plus VAT. Now in exercise of the power conferred upon the section 2CC of the Securities and Exchange Ordinance, 1969, the shareholders of the company will approve the appointment.

#### **Business Outlook**

The company will continue to capitalize on its strengths to generate sustainable revenue from SME and Corporate Financing, while expanding opportunities in Consumer Finance, Factoring, Treasury and Deposits. We will continue concentrating more on improving asset quality and strict recovery programs. Competition will remain intense among the NBFIs and Banks both in terms of asset and liability. As a result, interest spreads will continue to be under pressure like the previous year. Overall, we are confident of recording a better financial performance for the year 2019.

However, "Outlook" section in this document is based on assumptions and the actual outcome is uncertain and the stakeholders will be judicious while reviewing this section.

#### **Signing of Report**

The Board in its 267th meeting held on 21 March 2019 authorized the Chairman, Mr. Mohammad Masudur Rahim to sign Directors' Report and any addendum thereto.

#### **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,



**Mohammad Masudur Rahim**  
Chairman

Dhaka, 21 March 2019

# Management Discussion & Analysis

## NBFIs Industry

NBFIs are increasingly coming forward to provide credit facilities for meeting the diversified demand for investment fund in the country's expanding economy. Presently 34 NBFIs are operating in Bangladesh under close monitoring of Bangladesh Bank and this sector has undergone a significant transformation over the past few years. The performance of the NBFIs has been particularly impressive in areas that are national priorities. NBFIs have an inclusive strategy in which the system can attract the client with its innovative and multifaceted products and services with simple paper work, quick approval, easy credit process, rapid decision-making and no excess bureaucracy to get nod for the approval of a proposal. Hence, this sector has been capable enough to capitalize the demand of existing and potential borrowers.

## Strategic shift

Around 5 years back, Prime Finance could visualize the shift in the money market and take effective measures to ensure adequate liquidity. In 2012, our Liability and Fund Management Department was initiated and took the lead for mobilizing funds from the public. Today, Prime Finance is meeting around 47.29% of the funding needs through the Liability and Fund Management Department. Our main thrust in investment was still in SME and Agricultural sector. All the branches and the SME department were activated, focused on areas beyond the metropolitan cities and made forays into marginal areas where the needs of the SME sector were not adequately fulfilled by the banks. The immediate impact was realizing good spread and reducing Non Performance Loans.

## Operational activities

During the year total disbursement of loan was Tk. 581 million where almost 77% was SME Financing. Due to the continued cautionary approach in terms of quality financing, we improved provisioning and reduced Tk. 16.60 million as provision against total classified loans of Tk. 1,449 million. NPL 17.12% was mainly driven by the exposures to the corporate before we started the navigational change. Considering the competitive market edge we were rational in fixing lending rate and sometimes diverged from ensuring three percent spread. In 2018, we had to absorb impact of interest block of the loan to subsidiary and associates as well. In addition, during the year significant numbers of contracts were rescheduled, restructured with lower rate to accommodate our good clients with competitive market rate. These altogether sketched the bottom line of the Company.

## Financial overview

During 2018, the money market was appeared in very dry like last year and made hindrance against growth of the company. Accordingly, the company was bound to confine its business operation by 19% against the growth of last year. But the company has proved significantly to rein the losses within hardly disbursement and recovered an outstanding amount from non-performing loan. In turn, the management expenses made by

Prime Finance reduced to Tk. 190.95 mn in 2018 from Tk. 205.54 mn in 2017, which registering an decrease of 7.10%. Besides, the company was able to sustain the inflation of cost of fund by 8.89% in line with last year. Consequent upon, facing inadequate fund flow and adverse environment, we hope the 2019 shall be the better outlook for us.

## Capital Market

Prime Finance has investments in Subsidiary & Associate companies in the form of equity to the tune of Tk. 1,622.74 mn as at December 31, 2017. The loans and advances to Subsidiary and Associates amounted to Tk. 1,597.34 mn as at December 31, 2018. In the years 2010 and 2011, Subsidiary and Associates contributed a respectable amount of profits to the overall profitability of Prime Finance. Unfortunately, down turn in the Capital Market resulted had a telling effect on the company. On the other hand, due to blocking of interest against loan with Subsidiary and Associates, the company incurred loss amounting to Tk. 457 mn in last year. During 2018, interest block on the loans to Subsidiary and Associates was withdrawn and resultantly the bottom line ended up with a consolidated profit of Tk. 58.85 mn.

## Discussion on changes in financial statements

Accounting policies and estimation for preparation of financial statements have been applied as same as previous year. There was no change in accounting policies and estimates during the year 2018. Comparative analysis of financial performance and financial position as well as cash flows for current financial year with comparative 5 years has been given in 5 years financial summary report of this annual report. Significant deviation of financial results has been given in Directors Report of this annual report. As a financial institution, the company has been coming across interest rate risk, liquidity risk, and operational risk. The company has been mitigating those risks through strategic shifting of company's business from corporate financing to SME financing with lofty margin and enhanced recovery of classified loans.

## Outlook

The company has taken a 5 years' action plan comprising short term, mid-term and long term objectives. After implementation of the action plan, investment and revenue are expected to be increased; this will ultimately increase the net profit of the company. Within this context, the company is able to present long-term financial ambitions that reflect its projection for market conditions and the presumed result of its strategy including initiatives that are currently being undertaken.



**Md. Ahsan Kabir Khan**  
Managing Director



# Report of the Audit Committee

## for the year 2018

The Audit Committee is a sub-committee of the Board of Directors of the Company and its role is to assist the Board in fulfilling its oversight responsibilities relating to the integrity of financial statements, risk management, internal control and compliance, internal audit function and performance of external auditor of the company.

The composition of Audit Committee of the company and the qualification of Audit Committee members exist as per Bangladesh Securities and Exchange Commission's notification dated 03 June 2018. The detailed composition of the Audit Committee is given in page no. 82 of this Annual Report.

### Role of the Audit Committee

The role and responsibilities of the Audit Committee are set out in written terms of reference which are reviewed annually by the Committee taking into account relevant legislation and recommended good practices. The Committee's responsibilities include, but are not limited to, the following matters with a view to bringing any relevant issues to the attention of the Board:

- oversight of the integrity of financial statements
- oversight of risk management and internal control arrangements
- the performance of the internal audit function
- oversight of compliance with legal and regulatory requirements;

In so doing, the Committee maintains free and open communication with the Company's independent auditors, internal audit department and management.

### How the committee has discharged its responsibilities

According to the circular issued by Bangladesh Bank dated October 26, 2011, the Audit Committee must meet at least four times in a year which is also supported by the charter of the Committee. During the year 2018, the Audit Committee of the Company met 4 (four) times on the following dates: (i) 27 March 2018, (ii) 15 May 2018, (iii) 30 October 2018, and (iv) 27 December 2018. During the year, the Committee's principal activities were as follows:

#### 1. Review of financial statements

The year-end financial statements of 2018 was prepared by the Management of the company and after getting those audited by the external auditor, the financial statements were placed to the Audit Committee for review. The Audit Committee reviewed the financial statements including relevant disclosures for the year 2018 and recommended the same to the Board for approval.

#### 2. Review of the activities of internal control and compliance

The Committee reviewed Company's overall approach to risk management and control, and its processes, outcomes and disclosure. The Committee reviewed major activities of Internal Control & Compliance Department carried out during 2018 which are as follows:

- reviewed and approved internal audit plan of the company
- reviewed the report of internal auditor and advised Management to take corrective action
- reviewed management response to the Bangladesh Bank's inspection reports
- reviewed the Report of external auditor and management response thereon
- reviewed quarterly, half-yearly and yearly financial statements
- recommended appointment and remuneration of the statutory auditor
- reviewed and amended core risk policies of the company in line with regulatory guidelines and good practices
- reviewed activity of anti-money laundering compliance procedure
- Discussed with representative of external auditor regarding audit of annual financial statements

### 3. Legal regulatory and compliance oversight

The Committee oversees legal and regulatory matters that may have a material impact on the company's financial statements and the company's code of business conduct and ethics. The Committee periodically reviews the company's compliance policies and procedures, and receives and reviews certain reports on complaints, allegations, and incidents reported pursuant to the code of business conduct and ethics.

### Independence of external auditor

A. Qasem & Co., Chartered Accountants acted as statutory auditors of the company for audit of financial statements as of 31 December 2018. The Audit Committee sat with external auditors to discuss key audit matters and findings of audit of annual financial statements of the company for the year ended on 31 December 2018. The auditor expressed that the conduct of the audit was independently done.

As per the notification of Bangladesh Securities and Exchange Commission dated 03 June 2018, no other non-audit service was conducted by the external auditor. Tax and other related professional services were conducted by other professional Firms. However, reports of the tax and other professional issues were made available to the external auditors during their review of financial statements.



**Ahmed Kamal Khan Chowdhury**

Chairman

Audit Committee

## Pattern of Shareholding

As at 31 December 2018

Sl. No.	Name & Description of Shareholders	No. of Shares held	% of Holding
<b>A.</b>	<b>Parent/Subsidiary/Associate Companies and other related parties</b>	Nil	-
<b>B</b>	<b>Directors and their Spouses and Minor Children</b>		
	Mr. Mohammad Masudur Rahim, Representing East Coast Shipping Lines Limited	Nil	-
	Mr. Md. Aminul Haque, Representing Acorn Limited	Nil	-
	Mr. Tauseef Iqbal Ali	5,458,363	2.00
	Dr. Shamim Khan, Representing Pedrollo NK Limited	Nil	-
	Mr. Waheed Mahmud Khaled, Representing Mawsons Limited	Nil	-
	Mr. Uzzal Kumar Saha, Representing GQ Enterprise Ltd.	Nil	-
	Mr. Manzur Ahmed, Representing Agami Apparels Ltd.	Nil	-
	Engr. Salah Uddin Ahmed, Representing East Coast Shipping Lines Limited	Nil	-
	Mr. Ahmed Kamal Khan Chowdhury	Nil	-
	Mr. MBM Lutful Hadee	Nil	-
<b>C.</b>	<b>Executives and their Spouses and Minor Children</b>		
	Mr. Md. Ahsan Kabir Khan, Managing Director	Nil	-
	Mr. Mohammad Shahidul Islam, Chief Financial Officer	Nil	-
	Mr. Md. Mohsin Reza Khan, Company Secretary	Nil	-
	Mr. H M Nurul Amin, In-Charge of Internal Control and Compliance	Nil	-
<b>D.</b>	<b>Executives (Top five person other than MD, CFO, CS &amp; HICC):</b>		
	Ms. Gulshan Ara Hafiz, Senior Vice President	Nil	-
	Mr. Mohammad Zaved Lakiyet, Senior Assistant Vice President	Nil	-
	Mr. Muhammed Kamrul Islam, Senior Assistant Vice President	Nil	-
	Mr. Mohammed Faruque, Senior Assistant Vice President	Nil	-
	Mr. Mohammad Yeamin Kabir, Senior Assistant Vice President	Nil	-
<b>E.</b>	<b>Shareholders' holding 10 % (Ten percent) or more voting interest in the Company</b>	Nil	-

## Directors' Meeting & Attendance

During the year 2018

Sl. No.	Name of the Directors	Status	No. of Meetings held during the year	Meeting Attended	(%)	Remarks
1	Mr. Mohammad Masudur Rahim	Chairman & Non-executive Director	8	8	100	Continuing
2	Mr. Md. Aminul Haque	Non-executive Director	8	7	87.50	Continuing
3	Mr. Tauseef Iqbal Ali	Non-executive Director	8	8	100	Continuing
4	Dr. Shamim Khan	Non-executive Director	8	2	25.00	Date of Appointment 10.06.2018
5	Mr. Waheed Mahmud Khaled	Non-executive Director	8	8	100	Continuing
6	Mr. Uzzal Kumar Saha	Non-executive Director	8	5	62.50	Date of Appointment 04.04.2018
7	Mr. Manzur Ahmed	Non-executive Director	8	4	50.00	Continuing
8	Engr. Salah Uddin Ahmed	Non-executive Director	8	1	12.50	Date of Appointment 30.10.2018
9	Mr. Ahmed Kamal Khan Chowdhury	Independent Director	8	2	25.00	Date of Appointment 29.07.2018
10	Mr. MBM Lutful Hadee	Independent Director	8	-	-	Date of Appointment 30.10.2018

**Note:** The leave of absence of the Directors who could not attend at meeting was granted by the Board.

## Certification by Managing Director and Chief Financial Officer on Financial Reporting

### ANNEXURE-A

[As per condition No. 1(5) (xxvi)]

21 March 2019

#### The Board of Directors

Prime Finance & Investment Limited  
63 Dilkusha C/A  
Dhaka-1000

#### Subject: Declaration on Financial Statements for the year ended on 31 December 2018.

Dear Sirs,

Pursuant to the condition No. 1(5)(xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that:

- (1) The Financial Statements of Prime Finance & Investment Limited for the year ended on 31 December 2018 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
- (2) The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
- (3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- (4) To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
- (5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- (6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

In this regard, we also certify that:

- i. We have reviewed the financial statements for the year ended on 31 December 2018 and that to the best of our knowledge and belief:
  - a. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b. These statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- 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 in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,



(Md. Ahsan Kabir Khan)  
Managing Director



(Mohammad Shahidul Islam FCA, ACS)  
Chief Financial Officer

# Certificate on Compliance of Corporate Governance Code

## ANNEXURE - B

[As per condition No. 1(5) (xxvii)]

### **SARashid & Associates** (Chartered Secretaries)

Noakhali Tower (12th Floor, 13-D)

55/B Purana Paltan, Dhaka-1000, Bangladesh

Phone : +88-02-9558796, 01726-533655

E-mail : sarashid12000@yahoo.com, sarashidnasso@gmail.com

**S. Abdur Rashid FCS**

MBS, MBA (Finance), PGDHRM, LLB, MIPM

**Chartered Secretary in Practice**

Private Practice Certificate No.: 003

### **Report to the Shareholders of Prime Finance and Investment Ltd. on Compliance on the Corporate Governance Code**

We have examined the compliance status to the Corporate Governance Code by Prime Finance and Investment Ltd. for the year ended on 31 December 2018. This Code relates to the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations, which we have required, and after due scrutiny and verification thereof, we report that, in our opinion:

- The Company has complied with the conditions of the Corporate Governance Code as stipulated in the above mentioned Corporate Governance Code issued by the Commission except as stated in the remarks column of the Statement on Status of Compliance of the Code;
- The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code;
- Proper books and records have been kept by the company as required under the Companies Act 1994, the securities laws and other relevant laws; and
- The Governance of the Company is satisfactory.

For  
**SARashid & Associates**



*Rashid*

**S. Abdur Rashid FCS**  
Chartered Secretary in Practice

Place : Dhaka  
Dated : 25 May 2019



## Compliance Status of the Code

### ANNEXURE - C

[As per condition No. 1(5) (xxvii)]

**Status of compliance with the conditions imposed by BSEC's Notification # BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 issued under section 2CC of the Securities and Exchange Ordinance 1969 is presented below:**

#### (Report under Condition # 9)

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
1.1	Board Size (number of Directors - minimum 5 and maximum 20)	✓		
<b>1.2</b>	<b>Independent Directors:</b>			
1.2(a)	At least one fifth (1/5) of Directors should be Independent Directors;	✓		
1.2(b) (i)	Independent Director does not hold any share or holds less than 1% share of the total paid-up shares;	✓		
1.2(b) (ii)	Not a Sponsor of the Company or non- connectivity with the company's sponsor or director or shareholder who holds 1% or more shares on the basis of family relationship;	✓		
1.2(b) (iii)	Who has not been an executive of the company in immediately preceding 2 (two) financial years;	✓		
1.2(b) (iv)	Does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;	✓		
1.2(b) (v)	Not a Member or TREC, Director or Officer of any Stock Exchange;	✓		
1.2(b) (vi)	Not a Shareholder/Director/Officer of any Member/TREC holder of Stock Exchange;	✓		
1.2(b) (vii)	Not a partner or an executive or was not a partner or an executive during the preceding 3 (Three) years of the concerned Company's statutory audit firm;	✓		
1.2(b) (viii)	Shall not be an Independent Director in more than 5 listed companies;	✓		
1.2(b) (ix)	Not Convicted by a court of competent jurisdiction as a defaulter in payment of any loan/advance to a Bank or a Non-Bank Financial Institution;	✓		
1.2(b) (x)	Non convicted for a criminal offence involving moral turpitude;	✓		
1.2 (c)	Appointment of Independent Director shall be by Board and subsequently approved by shareholders in the AGM.	✓		
1.2 (d)	The post of Independent Director(s) cannot remain vacant for more than 90 (ninety) days.	✓		
1.2 (e)	Tenure of office of an Independent Director (for a period of 3 years, may be extended for 1 term only).	✓		
<b>1.3</b>	<b>Qualification of Independent Director (ID)</b>			
1.3(a)	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(b)(i)	Business Leader who is or was a promoter or director of an unlisted company;	✓		
1.3(b)(ii)	Corporate Leader who is or a top level executive of an unlisted company having 100 million paid up capital or of a listed company;	✓		
1.3(b)(iii)	Former official of government not below 5th grade of salary;			N/A
1.3(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law;			N/A
1.3(b)(v)	Professional like practicing Advocate, Chartered Accountant/Cost Accountant/Chartered Secretary or equivalent qualification;	✓		
1.3(c)	The Independent Director shall have at least 10 (ten) years of experiences.	✓		
1.3(d)	Relaxation of qualifications of Independent Directors subject to prior approval of the Commission.			N/A
<b>1.4</b>	<b>Duality of Chairperson of the Board of Directors and Managing Directors or Chief Executive Officer :</b>			
1.4(a)	The posts of Chairperson of the Board and MD/CEO shall be filled by different individuals.	✓		
1.4(b)	MD and/or CEO of a listed company shall not hold the same position in another listed company.	✓		
1.4 (c)	The Chairperson shall be elected form among the non-executive directors.	✓		
1.4 (d)	The Board shall clearly define respective roles and responsibilities of the Chairperson and the Managing Director and/or CEO.	✓		

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
1.4 (e)	In absence of Chairperson of the Board, for the particular Board Meeting, Chairperson may be elected from one of non-executive directors and to be duly recorded.			N/A
<b>1.5</b>	<b>The Directors' Report to Shareholders</b>			
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 including internal and external risk factor;	✓		
1.5(iv)	Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin;	✓		
1.5(v)	Discussion on continuity of any extra-ordinary activities and their implications;	✓		
1.5(vi)	Detail disclosure on related party transactions;	✓		
1.5(vii)	Utilization from public issues, rights issues and/or through any others instruments;			N/A
1.5(viii)	Explanation if the financial results deteriorate after going for IPO, RPO, Rights Offer, Direct Listing, etc.;			N/A
1.5(ix)	Significant variance between Quarterly Financial performance and Annual Financial Statements and explanation thereon;	✓		
1.5(x)	Remuneration to Directors including Independent Directors;	✓		
1.5(xi)	Statement about fairness of financial statements;	✓		
1.5(xii)	Maintenance of proper books of account;	✓		
1.5(xiii)	Application of appropriate accounting policies and estimates;	✓		
1.5(xiv)	Application of International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) as applicable in Bangladesh;	✓		
1.5(xv)	Statement about efficiency of Internal control system;	✓		
1.5(xvi)	Statement about the interest of minority shareholders have been protected;	✓		
1.5(xvii)	Statement about the ability to continue as going concern;	✓		
1.5(xviii)	Significant deviations from the last year's operation results of the issuer company shall be highlighted and the reasons there of should be explained;	✓		
1.5(xix)	Key operating and financial data of at least preceding 5 (Five) years;	✓		
1.5(xx)	Reason for non declaration of dividend;	✓		
1.5(xxi)	Board's statement to the effect that no bonus shares or stock dividend has been paid during the year or will be paid in future as interim dividend;	✓		
1.5(xxii)	Number of Board Meetings (no. of Board Meetings held and attendance by each director);	✓		
1.5(xxiii)	The pattern of shareholding;	✓		
1.5(xxiii) (a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	✓		
1.5(xxiii) (b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name wise details);	✓		
1.5(xxiii) (c)	Executives;	✓		
1.5(xxiii) (d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		
<b>1.5 (xxiv)</b>	<b>In case of appointment/re-appointment of a Director, disclose:</b>			
1.5(xxiv)(a)	Brief resume of the Director;	✓		
1.5(xxiv)(b)	Nature of his/her expertise in specific functional areas;	✓		
1.5(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	✓		
<b>1.5(xxv)</b>	<b>Management discussion and analysis signed by CEO or MD:</b>			
1.5(xxv)(a)	Accounting policies and estimation for preparation of financial statements;	✓		
1.5(xxv)(b)	Changes in accounting policies and estimation as well as cash flows on absolute figure for such changes;	✓		
1.5(xxv)(c)	Comparative analysis and financial position as well as cash flow for current financial year with immediate preceding five years explaining reasons;	✓		
1.5(xxv)(d)	Compare financial performance or results and financial position as well as cash flows with the peer industry scenario;	✓		
1.5(xxv)(e)	Briefly explain the financial and economic scenario of the country and the globe;	✓		
1.5(xxv)(f)	Risks and concerns issues related to the financial statements;	✓		
1.5(xxv)(g)	Future plan or projection or forecast for company's operation shall be explained to the shareholders in the next AGM;	✓		

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
1.5(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A;	✓		
1.5(xxvii)	Report as well as certificate regarding compliance of conditions of this Code as required under condition no. 9 shall be disclosed.	✓		
<b>1.6</b>	<b>Meetings of the Board of Directors</b>			
1.6	Compliance under Bangladesh Secretarial Standards (BSS).	✓		
<b>1.7</b>	<b>Code of Conduct for the Chairperson, other Board members and Chief Executive Officer</b>			
1.7(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC).	✓		
1.7(b)	The code of conduct as determined by the NRC shall be posted on the website.	✓		
<b>2</b>	<b>Governance of Board of Directors of Subsidiary Company</b>			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary.	✓		
2(b)	At least 1 Independent Director of holding company also be a director of the subsidiary company.	✓		
2(c)	Minutes of subsidiary to be placed in the following meeting of holding company.	✓		
2(d)	Minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company.	✓		
2(e)	The Audit Committee of the holding company shall also review the financial statements in particular the investments made by the subsidiary company.	✓		
<b>3.</b>	<b>Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS)</b>			
3.1	Appointment			
3.1(a)	Board shall appoint MD or CEO, CS, CFO, and HIAC;	✓		
3.1(b)	The positions of the MD or CEO, CS, CFO & HIAC shall be filled by different individuals;	✓		
3.1(c)	MD or CEO, CS, CFO, and HIAC of a listed company shall not hold any executive position in any other company at the same time;	✓		
3.1(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	✓		
3.1(e)	MD or CEO, CS, CFO, and HIAC shall not be removed from their position without approval of the Board and be disseminated to the commission and exchange;			N/A
3.2	Requirement to attend Board of Directors' Meetings.	✓		
<b>3.3</b>	<b>Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)</b>			
3.3(a)	MD or CEO and CFO to certify that they have reviewed financial statements to the best of their knowledge.	✓		
3.3(a)(i)	The statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	✓		
3.3(a)(ii)	The statements together present a true and fair view of the company's affairs and are in compliance;	✓		
3.3(b)	MD or CEO and CFO to certify on due diligence in the Report.	✓		
3.3(c)	The certification of the MD/CEO and CFO shall be disclosed in the Annual Report.	✓		
<b>4</b>	<b>Board of Directors' Committee</b>			
4.i	Audit Committee.	✓		
4.ii	Nomination and Remuneration Committee.			Explained under condition no. 6 (1)
<b>5</b>	<b>Audit Committee</b>			
5.1	Responsibility to the Board of Directors.	✓		
5.1(a)	Company shall have an Audit Committee as a sub-committee of the Board.	✓		
5.1(b)	The Audit Committee shall assist the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company.	✓		
5.1(c)	The Audit Committee shall report on its activities to the Board of Directors.	✓		
<b>5.2</b>	<b>Constitution of the Audit Committee</b>	✓		
5.2(a)	The Audit Committee shall be composed of at least 3 (three) members.	✓		
5.2(b)	Board shall appoint members of the Audit Committee who shall be non-executive director.	✓		
5.2(c)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial.	✓		
5.2(d)	When the term of service of the Committee member expires, Board shall appoint new Committee member immediately or not later than 1 month of vacancy.	✓		

Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
5.2(e)	The Company Secretary shall act as the Secretary of the Audit Committee.	✓		
5.2(f)	Quorum shall not constitute without at least 1 independent director.	✓		
<b>5.3</b>	<b>Chairperson of the Audit Committee</b>			
5.3 (a)	The Board shall select Chairperson of the Audit Committee who will be ID.	✓		
5.3 (b)	Absence of chairperson, the remaining members may elect one of them and reason of absence to be recorded in the minutes.			N/A
5.3 (c)	Chairperson of the Audit Committee shall remain present in the AGM.	✓		
<b>5.4</b>	<b>Meeting of the Audit Committee</b>			
5.4(a)	The Audit Committee shall conduct at least 4 meetings in a financial year.	✓		
5.4(b)	Quorum: presence of 2 or 2/3 members whichever is higher and 1 independent director is must.	✓		
<b>5.5</b>	<b>Role of Audit Committee</b>			
5.5(a)	Oversee the financial reporting process.	✓		
5.5(b)	Monitor choice of accounting policies and principles.	✓		
5.5(c)	Internal Audit and Compliance process to ensure that it is adequately resourced.	✓		
5.5(d)	Oversee hiring and performance of external auditors.	✓		
5.5(e)	Hold meeting with the auditors, review the annual financial statements before submission to the Board for approval or adoption.	✓		
5.5(f)	Review with the management, the annual financial statements before submission to the Board for approval.	✓		
5.5(g)	Review with the management, the quarterly and half yearly financial statements before submission to the Board for approval.	✓		
5.5(h)	Review adequacy of internal audit function.	✓		
5.5(i)	Review the management's discussion and analysis before disclosing in the Annual Report.	✓		
5.5(j)	Review statement of all related party transactions submitted by the Management.	✓		
5.5(k)	Review management letters or letter of Internal Control weakness issued by statutory auditors.	✓		
5.5(l)	Oversee determination of audit fees and evaluate performance of external audit.	✓		
5.5(m)	Oversee whether IPO/RPO proceeds utilized as per the published Prospectus.			N/A
<b>5.6</b>	<b>Reporting of the Audit Committee</b>			
5.6.(a)	Reporting to the Board of Directors.			
5.6 (a) (i)	The Audit Committee shall report on its activities to the Board.	✓		
<b>5.6 (a) (ii)</b>	<b>Shall report immediately the Board on the followings</b>			
5.6 (a) (ii)(a)	Report on conflicts of interests;			N/A
5.6 (a) (ii)(b)	Suspected or presumed fraud or irregularity or material defect identified in the internal audit and compliance process;			N/A
5.6 (a) (ii)(c)	Suspected infringement of laws, regulatory compliance including securities related laws, relies and regulation;			N/A
5.6 (a) (ii)(d)	Any other matter which the Audit Committee deems necessary shall be disclosed to the Board immediately;			N/A
5.6.(b)	Reporting to the Authorities.			N/A
5.7	Reporting to the Shareholders and General Investors.	✓		
<b>6</b>	<b>Nomination and Remuneration Committee (NRC)</b>			
6.1	Responsibility to the Board of Directors.			
6.1(a)	The company shall have a NRC as a sub-committee of the Board.			Pursuant to Bangladesh Bank circular letter no. 18 dated on 26 October, 2011, no other subcommittee of the Board is permitted except Executive Committee and Audit Committee of a Financial Institution.
6.1(b)	NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications and policy for remuneration of directors, top level executives.			
6.1(c)	The Terms of Reference of the NRC shall be clearly set forth in writing.			
<b>6.2</b>	<b>Constitution of the NRC</b>			
6.2(a)	The Committee shall comprise of at least three members including an ID.			
6.2(b)	All members of the Committee shall be non-executive directors.			
6.2(c)	Members of the Committee shall be nominated and appointed by the Board.			
6.2(d)	Board have authority to remove and appoint any member of the committee.			
6.2(e)	Board shall fill the vacancy within 180 days of such vacancy in the Committee.			
6.2(f)	The Chairperson of the Committee may appoint/co-opt any external non-voting expert for valuable advice.			



Condition No.	Title	Compliance Status		Remarks (if any)
		Complied	Not Complied	
6.2(g)	The company secretary shall act as the secretary of the committee.			Pursuant to Bangladesh Bank circular letter no. 18 dated on 26 October, 2011, no other subcommittee of the Board is permitted except Executive Committee and Audit Committee of a Financial Institution.
6.2(h)	Quorum shall not constitute without at least 1 independent director.			
6.2(i)	No member of the NRC shall receive any remuneration/advisory, other than Director's fees or honorarium from the company.			
<b>6.3</b>	<b>Chairperson of the NRC</b>			
6.3(a)	Board shall select 1 member of the NRC to be Chairperson of the Committee who shall be an Independent Director.			
6.3(b)	Absence of chairperson, the remaining members may elect one of them and reason of absence to be recorded in the minutes.			
6.3(c)	Chairperson of the NRC shall attend the AGM.			
<b>6.4</b>	<b>Meeting of the NRC</b>			
6.4(a)	The NRC shall conduct at least one meeting in a financial year.			
6.4(b)	The Chairperson of the NRC, may convene any emergency meeting.			
6.4(c)	Quorum: presence of 2 or 2/3 members whichever is higher and 1(one) independent director is must.			
6.4(d)	Proceedings of NRC meeting shall be recorded in the minutes and such minutes shall be confirmed in the next meeting.			
<b>6.5</b>	<b>Role of the NRC</b>			
6.5(a)	NRC shall be independent and responsible/accountable to the Board and to the shareholders.			
6.5(b)	NRC shall oversee, among others, the following matters and make report with recommendation to the Board:			
6.5(b)(i)	Formulating the criteria for qualification and remuneration of the directors and top level executives considering the following:			
6.5(b)(i)(a)	Level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully.			
6.5(b)(i)(b)	Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.			
6.5(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long term performance.			
6.5(b)(ii)	Devising a policy on Board's diversity taking into consideration age, experience etc.			
6.5(b)(iii)	Identifying persons who are qualified the criteria laid down and recommend their appointment and removal to the Board.			
6.5(b)(iv)	Formulating criteria for evaluation of performance of independent directors and the Board.			
6.5(b)(v)	Identifying company's needs for employees at different levels and determine their selection, transfer or replacement.			
6.5(b)(vi)	Developing recommending and reviewing annually the company's human resources and training policies.			
6.5(c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC at a glance in its annual report.			
<b>7.</b>	<b>External/statutory Auditors</b>			
7.1	Issuer company shall not engage its external auditors to perform the following services:			
7.1(i)	Appraisal or valuation services or fairness opinions.	✓		
7.1(ii)	Financial information systems design and implementation.	✓		
7.1(iii)	Book keeping or other service related to the accounting records.	✓		
7.1(iv)	Broker-dealer services	✓		
7.1(v)	Actuarial services	✓		
7.1(vi)	Internal/special audit services.	✓		
7.1(vii)	Any services that the Audit Committee may determine.	✓		
7.1(viii)	Certification services on compliance of corporate governance.	✓		
7.1(ix)	Any other service that may create conflict of interest.	✓		
7.2	No partner or employees of the External/Statutory Auditors audit firms shall possess any share of the company they audit at least during the tenure.	✓		
7.3	Representative of External Auditors shall remain present in the AGM.	✓		
<b>8.</b>	<b>Maintaining a website by the Company</b>			
8.1	The company shall have an official website linked with that of the stock exchange.	✓		
8.2	The company shall keep the website functional from the date of listing.	✓		
8.3	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchanges.	✓		
<b>9.</b>	<b>Reporting and Compliance of Corporate Governance:</b>			
9.1	The company shall obtain a certificate from a practicing professional firm on yearly basis regarding compliance of conditions of Corporate Governance	✓		
9.2	The professional who will provide the certificate on compliance of Corporate Governance shall be appointed by the Shareholders in the AGM.			To be complied from now and onward
9.3	The directors of the company shall state, in accordance with the Annexure-C attached, in the directors report whether the company has complied with these conditions.	✓		

**Independent Auditor's Report**  
**To the shareholders of Prime Finance & Investment Limited**  
**Report on the audit of the consolidated and separate financial statements**

**Opinion**

We have audited the consolidated financial statements of "Prime Finance & Investment Limited and its subsidiary" (the "Group") as well as the separate financial statements of Prime Finance & Investment Limited (the "Company") which comprise the consolidated and separate balance sheet as at 31 December 2018, and the consolidated and separate profit and loss account, consolidated and separate statement of changes in equity and consolidated and separate cash flow statement for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and separate financial statements of the Company give a true and fair view of the consolidated balance sheet of the Group and the separate balance sheet of the Company as at 31 December 2018, and of its consolidated and separate profit and loss accounts and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note # 2 and comply with the Financial Institutions Act, 1993, the Rules and Regulations issued by the Bangladesh Bank, the Companies Act, 1994 and other applicable Laws and Regulations.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), requirements of Bangladesh Securities and Exchange Commission (BSEC) and Bangladesh Bank and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements for 2018. These matters were addressed in the context of the audit of the financial statements, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. These results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Risk	Our response to the risk
<b>Measurement of provision for loans and advances</b>	
<p>The process for estimating the provision for loans and advances portfolio associated with credit risk is significant and complex.</p> <p>For the individual analysis, these provisions consider the estimates of future business performance and the market value of collateral provided for credit transactions.</p> <p>For the collective analysis, these provisions are manually processed that deals with voluminous databases, assumptions and calculations for the provision estimates of complex design and implementation.</p> <p>At year end of 2018 the Group reported total gross loans and advances of BDT 9,935,365,022 (2017: BDT 12,213,504,923) and provision for loans and advances of BDT 572,554,020 (2017: BDT 746,944,909).</p> <p>We have focused on the following significant judgments and estimates which could give rise to material misstatement or management bias:</p> <ul style="list-style-type: none"> <li>• Completeness and timing of recognition of loss events in accordance with criteria set out in FID circular no 08, dated 03 August 2002, FID circular no. 03, dated 03 May 2006, FID circular no. 06, dated 20 August 2006 and FID circular no.03 dated 29 April 2013;</li> <li>• For individually assessed provisions, the measurement of the provision may be dependent on the valuation of collateral, estimates of exit values and the timing of cash flows;</li> <li>• Provision measurement is primarily dependent upon key assumptions relating to probability of default, ability to repossess collateral and recovery rates;</li> </ul>	<p>We tested the design and operating effectiveness of key controls focusing on the following:</p> <ul style="list-style-type: none"> <li>• Tested the credit appraisal, loan disbursement procedures, monitoring and provisioning process;</li> <li>• Identification of loss events, including early warning and default warning indicators;</li> <li>• Reviewed quarterly classification of loans (CL);</li> </ul> <p>Our substantive procedures in relation to the provision for loans and advances portfolio comprised the following:</p> <ul style="list-style-type: none"> <li>• Reviewed the adequacy of the companies general and specific provisions;</li> <li>• Assessed the methodologies on which the provision amounts based, recalculated the provisions and tested the completeness and accuracy of the underlying information;</li> <li>• Finally assessed the appropriateness and presentation of disclosures against relevant accounting standards and Bangladesh Bank guidelines.</li> </ul>
<b>See note # 7.a to the financial statements</b>	
<b>Measurement of deferred tax assets</b>	
<p>In 2018, the Group and the Company reports net deferred tax assets (DTA) amounted to BDT 2,631,363 (2017: BDT 3,496,291)</p> <p>Significant judgment is required in relation to deferred tax assets as their recoverability is dependent on forecasts of future profitability over a number of years.</p>	<p>We obtained an understanding, evaluated the design and tested the operational effectiveness of the Group's key controls over the recognition and measurement of DTAs and the assumptions used in estimating the Group's future taxable income. We also assessed the completeness and accuracy of the data used for the estimations of future taxable income. We involved tax specialists to assess key assumptions, controls, recognition and measurement of DTAs.</p> <p>Finally assessed the appropriateness and presentation of disclosures against IAS 12 Income Tax.</p>
<b>See note # 13.4.2.a to the financial statements</b>	

## Other information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the consolidated and separate financial statements and our auditor's report thereon. The Annual report is expected to be available to us after the date of our auditor's report.

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Our opinion on the consolidated and separate financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

### **Responsibilities of management and those charged with governance for the consolidated and separate financial statements and internal controls**

Management is responsible for the preparation and fair presentation of the consolidated financial statements of the Group and also separate financial statements of the Company in accordance with IFRSs as explained in note # 2 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. The Financial Institutions Act, 1993 and the Bangladesh Bank guidelines require the management to ensure effective internal audit, internal control and risk management functions of the Company. The management is also required to make a self-assessment on the effectiveness of anti-fraud internal controls and report to Bangladesh Bank on instances of fraud and forgeries.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated and separate financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

In accordance with the Companies Act, 1994, the Securities and Exchange Rules, 1987, the Financial Institutions Act, 1993 and the rules and regulations issued by Bangladesh Bank, we also report that:

- (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- (ii) 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;
- (iii) the consolidated balance sheet and consolidated profit and loss account together with the annexed notes dealt with by the report are in agreement with the books of account and returns;
- (iv) the expenditures incurred and payments made were for the purpose of the Company's business for the year;
- (v) the financial statements of the Company have been drawn up in conformity with the Financial Institutions Act, 1993 and in accordance with the accounting rules and regulations which were issued by Bangladesh Bank to the extent applicable to the Company;
- (vi) adequate provisions have been made for loans, advances, leases, investment and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;
- (vii) the financial statements of the Company conform to the prescribed standards set in the accounting regulations which were issued by Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
- (viii) the records and statements which were submitted by the branches have been properly maintained and recorded in the financial statements;
- (ix) statement sent to Bangladesh Bank have been checked on sample basis and no inaccuracy has come to our attention;
- (x) taxes and duties were collected and deposited in the Government treasury by the Company as per Government instructions found satisfactory based on test checking;
- (xi) nothing has come to our attention that the Company has adopted any unethical means i.e. "Window dressing" to inflate the profit and mismatch between the maturity of assets and liabilities;
- (xii) proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions which were issued by Bangladesh Bank and other regulatory authorities have been complied properly as disclosed to us by management;
- (xiii) based on our work as mentioned above under the auditor's responsibility section, the internal control and the compliance of the Company is satisfactory, and effective measures have been taken to prevent possible material fraud, forgery and internal policies are being followed appropriately;
- (xiv) the Company has complied with relevant laws pertaining to capital, reserve, and net worth, cash and liquid assets and procedure for sanctioning and disbursing loans/leases found satisfactory;
- (xv) we have reviewed over 80% of the risk weighted assets of the Group & Company and we have spent around 1,500 person hours for the audit of the books and accounts of the Company;
- (xvi) the Company has complied with relevant instructions which were issued by Bangladesh Bank relevant to classification, provisioning and calculation of interest suspense;
- (xvii) the Company has complied with the "First Schedule" of the Financial Institutions Act, 1993 in preparing these financial statements and DFIM circular no. 11 dated 23 December 2009.
- (xviii) all other issues which in our opinion are important for the stakeholders of the Company have been adequately disclosed in the audit report.

Dated, Dhaka  
21 March 2019

  
**A. Qasem & Co.**  
Chartered Accountants

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# Consolidated Balance Sheet

As at 31 December 2018

PARTICULARS	Notes	Amount in Taka	
		2018	2017
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)		85,943	67,219
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		131,825,491	165,517,864
Total Cash	4.a	131,911,434	165,585,083
Balance with other banks and financial institutions			
In Bangladesh		398,469,772	972,746,274
Outside Bangladesh		-	-
Total balance with other banks and financial institutions	5.a	398,469,772	972,746,274
Money at call and on short notice			
		-	-
Investments			
Government		-	-
Others		1,029,702,639	1,196,532,642
Total Investments	6.a	1,029,702,639	1,196,532,642
Loans, advances and leases			
Loans, advances and leases etc.		9,935,365,022	12,213,504,923
Bills purchased and discounted		-	-
Total loans, advances and leases	7.a	9,935,365,022	12,213,504,923
Fixed assets including premises, furniture and fixtures	8.a	338,595,949	350,419,373
Other assets	9.a	2,001,281,442	2,098,206,115
Non - banking assets	10.0	176,097,907	176,097,907
Total assets		14,011,424,165	17,173,092,317
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11.a	1,735,730,678	2,142,490,132
Deposits and other accounts			
Current and other accounts		-	-
Bills payable		-	-
Savings accounts		-	-
Term deposits	12.a	6,634,959,037	8,938,854,327
Bearer certificates of deposit		-	-
Other deposits		-	-
Total deposits and other accounts		6,634,959,037	8,938,854,327
Other liabilities	13.a	2,447,117,955	2,956,984,196
Total liabilities		10,817,807,670	14,038,328,655
Capital/ shareholders' equity			
Paid up capital	14.0	2,729,164,830	2,729,164,830
Statutory reserve		939,728,546	927,108,510
Share money deposit		-	-
Other reserves		-	-
Retained earnings		(1,503,911,533)	(1,551,843,270)
Revaluation reserve		221,943,750	221,943,750
Equity attributable to shareholders' of the company		2,386,925,593	2,326,373,820
Non-controlling interest	15.0	806,690,902	808,389,842
Total shareholders' equity		3,193,616,495	3,134,763,662
Total liabilities and shareholders' equity		14,011,424,165	17,173,092,317

PARTICULARS	Notes	Amount in Taka	
		2018	2017
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		-	-
Un-disbursed contracted loans, advances and leases	42.0	25,000,000	10,000,000
Total other commitments		25,000,000	10,000,000
Total off-balance sheet items including contingent liabilities		25,000,000	10,000,000
Net Asset Value per share (NAV)			
		8.75	8.52

**Notes:**

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Company Secretary



Managing Director



Director



Chairman

Dated: Dhaka  
21 March 2019



**A. Qasem & Co.**  
Chartered Accountants

## Consolidated Profit and Loss Account

For the year ended 31 December 2018

PARTICULARS	Notes	Amount In Taka	
		2018	2017
Interest income	19.a	915,289,022	709,658,457
Interest paid on deposits, borrowings etc.	20.a	(868,179,112)	(1,002,004,740)
<b>Net interest income</b>		<b>47,109,910</b>	<b>(292,346,283)</b>
Investment income	21.a	84,941,635	198,191,727
Fees, commission, exchange and brokerage	22.a	28,487,011	32,335,706
Other operating income	23.a	(15,515,301)	(44,886,123)
		97,913,345	185,641,310
<b>Total operating income (A)</b>		<b>145,023,255</b>	<b>(106,704,973)</b>
Salaries and other employee benefits	24.a	155,153,440	163,800,670
Rent, taxes, insurance, electricity etc.	25.a	32,820,460	40,865,185
Legal expenses	26.a	1,837,277	10,198,584
Postage, stamp, telecommunication etc.	27.a	3,467,714	3,700,504
Stationery, printing, advertisements etc.	28.a	3,949,820	4,390,042
Managing director's salary and fees	29.0	8,141,000	15,500,000
Directors' fees	30.a	902,781	1,294,228
Auditors' fees	31.a	419,750	1,443,250
Charges on loan losses		-	-
Depreciation and repair of assets	32.a	19,053,405	17,992,517
Other expenses	33.a	16,214,331	31,066,667
<b>Total operating expenses (B)</b>		<b>241,959,978</b>	<b>290,251,647</b>
<b>Profit before provision (C=A-B)</b>		<b>(96,936,723)</b>	<b>(396,956,620)</b>
<b>Provision for loans, advances and leases</b>			
General provision	13.1	(31,400,787)	(89,670,138)
Specific provision	13.1	(146,137,100)	117,540,571
Provision for diminution in value of investment	13.2.a	8,399,906	18,080,021
Other provision		3,147,000	5,988,000
<b>Total provision (D)</b>		<b>(165,990,981)</b>	<b>51,938,454</b>
<b>Total profit before tax (C-D)</b>		<b>69,054,258</b>	<b>(448,895,074)</b>
<b>Provision for taxation</b>			
Current	13.4.1.a	12,832,788	11,725,300
Deferred	13.4.2.a	(2,631,363)	(3,496,291)
		10,201,425	8,229,009
<b>Net profit after tax</b>		<b>58,852,833</b>	<b>(457,124,083)</b>
<b>Attributable to</b>			
Shareholders of the company		60,551,773	(459,076,968)
Non-controlling interest		(1,698,940)	1,952,885
<b>Appropriations</b>			
Statutory reserve		12,620,036	-
General reserve		-	-
Proposed cash dividend		-	-
Proposed stock dividend		-	-
<b>Weighted average no. of outstanding shares</b>		<b>272,916,483</b>	<b>272,916,483</b>
<b>Earnings per share (EPS)</b>	36.a	<b>0.22</b>	<b>-1.68</b>

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Company Secretary



Managing Director




Director



Chairman

Dated: Dhaka  
21 March 2019



**A. Qasem & Co.**  
Chartered Accountants



# Consolidated Cash Flow Statement

For the year ended 31 December 2018

PARTICULARS	Amount in Taka	
	2018	2017
<b>A) Operating Activities</b>		
Interest receipts	742,911,864	575,587,819
Interest payments	(937,282,593)	(897,550,786)
Fees and commission receipts	5,477,070	6,434,027
Dividend & Gain receipts	72,308,287	17,269,321
Cash payments to employees	(143,696,242)	(159,342,723)
Cash payments to suppliers and management expenses	(70,199,762)	(70,216,986)
Income taxes paid	(16,908,665)	(8,869,362)
Receipts from other operating activities	10,918,545	46,799,830
Payments for other operating activities	2,632,300	9,846,959
<b>Cash generated before changes in operating assets and liabilities</b>	<b>(333,839,196)</b>	<b>(480,041,901)</b>
<b>Increase/ (decrease) in operating assets and liabilities</b>		
Net loans and advances to customers	2,389,047,106	2,446,762,575
Loans and deposits from banks and other customers	(2,795,741,933)	(1,075,217,541)
<b>Cash generated from operating assets and liabilities</b>	<b>(406,694,827)</b>	<b>1,371,545,034</b>
<b>Net cash generated from operating activities</b>	<b>(740,534,023)</b>	<b>891,503,133</b>
<b>B) Investing Activities</b>		
Acquisition of fixed assets	(8,124,024)	(8,653,263)
Disposal of fixed assets	-	-
Sale of securities	186,107,886	909,028,336
Investment in securities	(53,114,176)	(1,008,905,452)
<b>Net cash used in investing activities</b>	<b>124,869,686</b>	<b>(108,530,379)</b>
<b>C) Financing Activities</b>		
Dividend paid	-	-
Short term loan	7,714,186	(146,571,982)
<b>Net cash used in financing activities</b>	<b>7,714,186</b>	<b>(146,571,982)</b>
<b>D) Net increase/ (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(607,950,151)</b>	<b>636,400,772</b>
<b>E) Effects of exchange rate changes on cash and cash equivalents</b>	-	-
<b>F) Cash and cash equivalents at beginning of the year</b>	<b>1,138,331,357</b>	<b>501,930,585</b>
<b>G) Cash and cash equivalents at end of the year (D+E+F)</b>	<b>530,381,206</b>	<b>1,138,331,357</b>
<b>Cash and cash equivalents at end of the year represents</b>		
Cash in hand (including foreign currencies)	85,943	67,219
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	131,825,491	165,517,864
Balance with other banks and financial institutions	398,469,772	972,746,274
	<b>530,381,206</b>	<b>1,138,331,357</b>

## Notes:

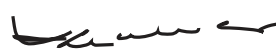
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Company Secretary



Managing Director



Director



Chairman

Dated: Dhaka  
21 March 2019




**A. Qasem & Co.**  
Chartered Accountants

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

PARTICULARS	Attributable to Equity Holder of Prime Finance & Investment Ltd.					Non-controlling Interest	Total	Amount in Taka
	Paid up capital	Statutory reserve	Revaluation reserves	Retained earnings				
<b>Balance as at 1 January 2018</b>	<b>2,729,164,830</b>	<b>927,108,510</b>	<b>221,943,750</b>	<b>(1,551,843,270)</b>		<b>808,389,842</b>	<b>3,134,763,662</b>	
Net profit for the year 2018	-	-	-	60,551,773		(1,698,940)	58,852,833	
Transfer to statutory reserve	-	12,620,036	-	(12,620,036)		-	-	
Issue of right share	-	-	-	-		-	-	
Issue of bonus share	-	-	-	-		-	-	
Payment of cash dividend	-	-	-	-		-	-	
<b>Balance as at 31 December 2018</b>	<b>2,729,164,830</b>	<b>939,728,546</b>	<b>221,943,750</b>	<b>(1,503,911,533)</b>		<b>806,690,902</b>	<b>3,193,616,495</b>	
<b>Balance as at 1 January 2017</b>	<b>2,729,164,830</b>	<b>927,108,510</b>	<b>221,943,750</b>	<b>(1,092,766,302)</b>		<b>806,436,957</b>	<b>3,591,887,745</b>	
Net profit for the year 2017	-	-	-	(459,076,968)		1,952,885	(457,124,083)	
Transfer to statutory reserve	-	-	-	-		-	-	
Issue of right share	-	-	-	-		-	-	
Issue of bonus share	-	-	-	-		-	-	
Payment of cash dividend	-	-	-	-		-	-	
<b>Balance as at 31 December 2017</b>	<b>2,729,164,830</b>	<b>927,108,510</b>	<b>221,943,750</b>	<b>(1,551,843,270)</b>		<b>808,389,842</b>	<b>3,134,763,662</b>	

  
Company Secretary

  
Managing Director

  
Director

  
Chairman

Dated: Dhaka  
21 March 2019

## Balance Sheet

As at 31 December 2018

PARTICULARS	Notes	Amount in Taka	
		2018	2017
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)		60,000	60,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		131,825,491	165,517,864
Total cash	4.0	131,885,491	165,577,864
Balance with other banks and financial institutions			
In Bangladesh		379,168,664	936,184,346
Outside Bangladesh		-	-
Total balance with other banks and financial institutions	5.0	379,168,664	936,184,346
Money at call and on short notice		-	-
Investments			
Government		-	-
Others		318,521,585	419,456,320
Total investments	6.0	318,521,585	419,456,320
Loans, advances and leases			
Loans, advances and Leases etc.		8,470,485,952	10,744,017,271
Bills purchased and discounted		-	-
Total loans, advances and leases	7.0	8,470,485,952	10,744,017,271
Fixed assets including premises, furniture and fixtures	8.0	324,526,757	334,410,421
Other assets	9.0	2,313,456,145	2,347,275,372
Non - banking assets	10.0	176,097,907	176,097,907
Total assets		12,114,142,501	15,123,019,501
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11.0	1,183,005,068	1,644,162,863
Deposits and other accounts			
Current and other accounts		-	-
Bills payable		-	-
Savings accounts		-	-
Term deposits	12.0	6,634,959,037	8,938,854,327
Bearer certificates of deposit		-	-
Other deposits		-	-
Total deposits and other accounts		6,634,959,037	8,938,854,327
Other liabilities	13.0	2,159,289,158	2,466,213,255
Total liabilities		9,977,253,263	13,049,230,445
Capital/ shareholders' equity			
Paid up capital	14.0	2,729,164,830	2,729,164,830
Statutory reserve	16.0	939,728,546	927,108,510
Other reserves		-	-
Retained earnings	17.0	(1,753,947,888)	(1,804,428,034)
Revaluation reserve		221,943,750	221,943,750
Total shareholders' equity		2,136,889,238	2,073,789,056
Total liabilities and shareholders' equity		12,114,142,501	15,123,019,501

PARTICULARS	Notes	Amount in Taka	
		2018	2017
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		-	-
Un-disbursed contracted loans, advances and leases	42.0	25,000,000	10,000,000
Total other commitments		25,000,000	10,000,000
Total off-balance sheet items including contingent liabilities		25,000,000	10,000,000
Net Asset Value per share (NAV)			
		7.83	7.60

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Company Secretary



Managing Director



Director



Chairman

Dated: Dhaka  
21 March 2019

  
**A. Qasem & Co.**  
Chartered Accountants



## Profit and Loss Account

For the year ended 31 December 2018

PARTICULARS	Notes	Amount in Taka	
		2018	2017
Interest income	19.0	893,048,567	673,706,400
Interest paid on deposits, borrowings etc.	20.0	(849,085,971)	(978,608,902)
<b>Net interest income</b>		<b>43,962,596</b>	<b>(304,902,502)</b>
Investment income	21.0	56,529,287	134,034,688
Fees, commission, exchange and brokerage	22.0	1,458,346	5,278,471
Other operating income	23.0	(15,604,476)	(49,797,260)
		42,383,157	89,515,899
<b>Total operating income (A)</b>		<b>86,345,753</b>	<b>(215,386,603)</b>
Salaries and other employee benefits	24.0	128,502,322	123,830,046
Rent, taxes, insurance, electricity etc.	25.0	25,077,201	30,896,234
Legal expenses	26.0	434,525	10,172,684
Postage, stamp, telecommunication etc.	27.0	3,274,093	3,481,468
Stationery, printing, advertisements etc.	28.0	3,619,398	4,051,601
Managing Director's salary and fees	29.0	6,191,000	7,700,000
Directors' fees	30.0	680,000	832,000
Auditors' fees	31.0	345,000	345,000
Charges on loan losses		-	-
Depreciation and repair of assets	32.0	11,634,383	11,788,100
Other expenses	33.0	11,193,329	12,447,464
<b>Total operating expenses (B)</b>		<b>190,951,251</b>	<b>205,544,597</b>
<b>Profit before provision (C=A-B)</b>		<b>(104,605,498)</b>	<b>(420,931,200)</b>
<b>Provision for loans, advances and leases</b>			
General provision	13.1	(31,400,787)	(89,670,138)
Specific provision	13.1	(146,137,100)	117,540,571
Provision for diminution in value of investment	13.2	(357,333)	5,501,000
Other provision		3,147,000	5,988,000
<b>Total provision (D)</b>		<b>(174,748,220)</b>	<b>39,359,433</b>
<b>Total profit before tax (C-D)</b>		<b>70,142,722</b>	<b>(460,290,633)</b>
<b>Provision for taxation</b>			
Current	13.4.1	8,465,779	4,346,919
Deferred	13.4.2	(1,423,239)	(2,631,255)
		7,042,540	1,715,664
<b>Net profit after tax</b>		<b>63,100,182</b>	<b>(462,006,297)</b>
<b>Appropriations</b>			
Statutory reserve	16.0	12,620,036	-
General reserve		-	-
Proposed cash dividend		-	-
Proposed stock dividend		-	-
<b>Weighted average no. of outstanding share</b>		<b>272,916,483</b>	<b>272,916,483</b>
<b>Earnings per share (EPS)</b>	36.0	<b>0.23</b>	<b>-1.69</b>

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Company Secretary

  
Managing Director

  
Director

  
Chairman

Dated: Dhaka  
21 March 2019

  
**A. Qasem & Co.**  
Chartered Accountants

# Cash Flow Statement

For the year ended 31 December 2018

PARTICULARS	Notes	Amount in Taka	
		2018	2017
<b>A) Operating Activities</b>			
Interest receipts		856,232,635	575,508,071
Interest payments		(914,344,602)	(897,550,786)
Fees and commission receipts		1,458,346	5,278,471
Dividend & Gain receipts		56,529,287	12,455,937
Cash payments to employees		(117,015,498)	(130,742,142)
Cash payments to suppliers and management expenses		(50,461,013)	(53,338,929)
Income taxes paid		(13,431,974)	(6,704,467)
Receipts from other operating activities	34.0	10,918,545	46,799,830
Payments for other operating activities	35.0	2,432,815	9,967,124
<b>Cash generated before changes in operating assets and liabilities</b>		<b>(167,681,459)</b>	<b>(438,326,891)</b>
<b>Increase/ (decrease) in operating assets and liabilities:</b>			
Net loans and advances to customers		2,273,531,320	2,025,472,827
Loans and deposits from banks and other customers		(2,795,741,932)	(1,075,217,541)
<b>Cash generated from operating assets and liabilities</b>		<b>(522,210,612)</b>	<b>950,255,286</b>
<b>Net cash generated from operating activities</b>		<b>(689,892,071)</b>	<b>511,928,395</b>
<b>B) Investing Activities</b>			
Acquisition of fixed assets		(1,750,719)	(3,943,473)
Disposal of fixed assets		-	-
Sale of securities		186,107,886	909,028,336
Investment in securities		(85,173,151)	(792,103,535)
<b>Net cash used in investing activities</b>		<b>99,184,016</b>	<b>112,981,328</b>
<b>C) Financing Activities</b>			
Cash dividend paid		-	-
Issuance of shares		-	-
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>
<b>D) Net increase/ (decrease) in cash and cash equivalents (A+B+C)</b>		<b>(590,708,055)</b>	<b>624,909,723</b>
<b>E) Effects of exchange rate changes on cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>F) Cash and cash equivalents at beginning of the year</b>		<b>1,101,762,210</b>	<b>476,852,487</b>
<b>G) Cash and cash equivalents at end of the year (D+E+F)</b>		<b>511,054,155</b>	<b>1,101,762,210</b>
<b>Cash and cash equivalents at end of the year represents</b>			
Cash in hand (including foreign currencies)		60,000	60,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		131,825,491	165,517,864
Balance with other banks and financial institutions		379,168,664	936,184,346
		<b>511,054,155</b>	<b>1,101,762,210</b>

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Company Secretary

  
Managing Director

  
Director

  
Chairman


Dated: Dhaka  
21 March 2019

  
A. Qasem & Co.  
Chartered Accountants

## Statement of Changes in Equity

For the year ended 31 December 2018

	Amount in Taka				
PARTICULARS	Paid up capital	Statutory reserve	Revaluation reserves	Retained earnings	Total
<b>Balance as at 1 January 2018</b>	<b>2,729,164,830</b>	<b>927,108,510</b>	<b>221,943,750</b>	<b>(1,804,428,034)</b>	<b>2,073,789,056</b>
Net profit for the year 2018	-	-	-	63,100,182	63,100,182
Transfer to statutory reserve	-	12,620,036	-	(12,620,036)	-
Issue of bonus share	-	-	-	-	-
Payment of cash dividend	-	-	-	-	-
<b>Balance as at 31 December 2018</b>	<b>2,729,164,830</b>	<b>939,728,546</b>	<b>221,943,750</b>	<b>(1,753,947,888)</b>	<b>2,136,889,238</b>
<b>Balance as at 1 January 2017</b>	<b>2,729,164,830</b>	<b>927,108,510</b>	<b>221,943,750</b>	<b>(1,342,421,737)</b>	<b>2,535,795,353</b>
Net profit for the year 2017	-	-	-	(462,006,297)	(462,006,297)
Transfer to statutory reserve	-	-	-	-	-
Issue of bonus share	-	-	-	-	-
Payment of cash dividend	-	-	-	-	-
<b>Balance as at 31 December 2017</b>	<b>2,729,164,830</b>	<b>927,108,510</b>	<b>221,943,750</b>	<b>(1,804,428,034)</b>	<b>2,073,789,056</b>

  
Company Secretary

  
Managing Director

  
Director

  
Chairman

Dated: Dhaka  
21 March 2019

## Liquidity Statement (Assets and Liabilities maturity analysis)

As at 31 December 2018

Particulars	Amount in Taka				
	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years
<b>Assets</b>					
Cash in hand and Balance with Bangladesh Bank and its agent bank	60,000	131,825,491	-	-	-
Balance with other banks and financial institutions	69,123,563	10,045,101	300,000,000	-	-
Money at call and on short notice	-	-	-	-	-
Investments	25,641,954	38,462,931	-	-	254,416,700
Loans, advances and leases	147,613,719	640,575,827	1,630,827,829	2,925,707,515	3,125,761,062
Fixed assets including premises, furniture and fixtures	877,439	1,649,735	6,109,101	10,739,460	305,151,022
Other assets	40,428,582	116,485	1,030,000	-	2,271,881,078
Non banking assets	-	-	-	-	176,097,907
<b>Total assets (A)</b>	<b>283,745,257</b>	<b>822,675,570</b>	<b>1,937,966,930</b>	<b>2,936,446,975</b>	<b>6,133,307,769</b>
					<b>12,114,142,501</b>
<b>Liabilities</b>					
Borrowings from other banks, financial institutions and agents	28,992,166	54,778,086	149,247,406	949,987,410	-
Deposits	167,471,243	255,937,666	1,966,089,453	4,224,174,175	21,286,500
Provision and other liabilities	58,969,378	67,192,274	243,160,660	657,416,373	1,132,550,473
<b>Total liabilities (B)</b>	<b>255,432,787</b>	<b>377,908,026</b>	<b>2,358,497,519</b>	<b>5,831,577,958</b>	<b>1,153,836,973</b>
					<b>9,977,253,263</b>
<b>Net liquidity gap (A - B)</b>	<b>28,312,470</b>	<b>444,767,544</b>	<b>(420,530,589)</b>	<b>(2,895,130,983)</b>	<b>4,979,470,797</b>
					<b>2,136,889,238</b>



# Notes to the Financial Statements

As at and for the year ended 31 December 2018

## 1.0 REPORTING ENTITY

### 1.1 Domicile, legal form, country of incorporation and registered office

Prime Finance & Investment Limited ("The Company" or "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 five offices located in Motijheel, Gulshan, Uttara, Chittagong and Rajshahi.

The Company does not have an identifiable parent on its own. Prime Finance is the parent of the Group.

### 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, fee based activities, investments etc. The Company 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 etc.

#### Fee based activities

Fee based activities include issue management, underwriting, portfolio management and corporate advisory services performed through its subsidiary company named Prime Finance Capital Management Limited and stock brokerage services performed through its associate company PFI Securities Limited.

#### 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, sonchay plus deposit etc.

#### Investments

Prime Finance is also involved in investment in both 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 2018 Prime Finance has 01 (one) subsidiary company to include for preparation of consolidated financial statements as per International Financial Reporting Standard (IFRS) 10, 'Consolidated Financial Statements'. Besides, as on 31 December 2018 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 of accounting as per International Accounting Standard (IAS) 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 its subsidiary.

#### 1.3.2 PFI Securities Limited (Associate Company)

PFI Securities Limited is a public limited company incorporated in Bangladesh on 6 August 1997 under the Companies Act 1994. The principal activities of the company is to carry on stock brokerage activities having DSE's TREC No. 079. Prime Finance holds 46.15 percent shares in PFI Securities Limited.

#### 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 and licensed under the BSEC.

The main 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. Prime Finance owns 49% shares in this 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. Prime Finance owns 40% shares in this company.

## **2.0 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 International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), DFIM circular no. 11 dated 23 December 2009 and requirement of the Financial Institutions Act, 1993, the Companies Act, 1994, the Bangladesh Securities and Exchange Rules, 1987, the Listing Rules of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited, Guidelines of Bangladesh Bank and other applicable laws and regulations.

There are some areas where application of International Accounting Standard (IAS) and International Financial Reporting Standard (IFRS) 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 deviation exists.

### **2.1 Responsibility for financial statements**

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Company as per the provision of the Companies Act, 1994.

The financial statements of the company includes the following components:

- (i) Balance sheet providing the information on the financial position of the Company at the year end.
- (ii) Profit and loss account providing the information on the financial performance of the Company for the year.
- (iii) Cash flow statement providing the information on the ability of the Company to generate cash & cash equivalents and the utilization of those.
- (iv) Statement of Changes in Equity depicting all changes in shareholders' equity during the year.
- (v) Notes to the Financial Statements comprising accounting policies used for preparation of these financial statements and other notes

### **2.2 Reporting period:**

The financial statements of the company covers one year period ranging from 1 January 2018 to 31 December 2018.

### **2.3 Functional & presentation currency**

These financial statements are presented in Bangladeshi 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 Significant accounting judgments, estimates and assumptions**

The preparation of financial statements requires management to make judgements, 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 accounting estimate and areas where judgements were made by the management in the application of accounting policies are as follows:

- (i) Provision for diminution in value of investment (refer to note 3.18 and 13.2)
- (ii) Provision for loans, advances and leases (refer to note 3.18 and 13.1)
- (iii) Income taxes (refer to note 3.19 and 13.4)
- (iv) Depreciation/amortization of assets (refer to note 3.5 and 32)
- (v) Impairment of assets (refer to note 3.7 and 32)

## 2.5 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 International Accounting Standard (IAS) 1, 'Presentation of Financial Statements'.

## 2.6 Offsetting

Assets and Liabilities and income and expenses are not set-off unless permitted by the International Accounting Standards (IASs).

## 2.7 Risk and uncertainty for use of estimates

The preparation of financial statements in conformity with International Accounting Standards (IASs) 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 International Accounting Standard 37: Provisions, Contingent Liabilities and Contingent Assets, provisions are recognized in the following situations:

- (i) When the Company has an obligation as a result of past events;
- (ii) When it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (iii) Reliable estimate can be made of the amount of the obligation.

## 2.8 Changes in accounting policies and estimates

In accordance with the IFRS framework for the presentation of financial statements together with IAS 1 and IAS 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 IAS 8. Prime Finance however applied the same accounting and valuation principles in 2018 as in financial statements for 2017.

## 2.9 Segment reporting

In line with International Financial Reporting Standard (IFRS) 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.

The company's primary format for segment reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure.

## 2.10 Basis of consolidation

The financial statements of the company and its subsidiary have been consolidated in accordance with International Financial Reporting Standard (IFRS) 10: 'Consolidated Financial Statements'. The consolidation of the financial statements 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 subsidiary 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'.

## 2.11 Statement of compliance

The financial statements of the Company are prepared and presented within a framework of applicable rules and guidelines, some mandatory and some recommendatory. The Companies Act, 1994 requires the production of Directors' report, Auditors report, Balance sheet and Profit and loss account as a part of the annual report.

In addition to the above, listed companies are required to comply with Bangladesh Securities and Exchange Commission's accounting and disclosure requirements. The Rules 1987 as amended in 1997, requires listed companies to follow International Accounting Standards (IASs)/ International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). The Bangladesh 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.

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 IAS & IFRS. As at 31 December 2018, status and applicability of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) in the case of Prime Finance are as under:

IASs	Title of the IASs	Applicability	Remarks
IAS 1	Presentation of Financial Statements	Applied	See note 55 & 56
IAS 2	Inventories	Not applicable	
IAS 7	Statements of cash flows	Applied	See note 3.22
IAS 8	Accounting Policies, Changes in Accounting Estimates & Errors	Applied	See note 2.8
IAS 10	Events after the Reporting Period	Applied	See note 3.32 & 48
IAS 12	Income Taxes	Applied	See note 3.19 & 13.4
IAS 16	Property, Plant and Equipment	Applied	See note 3.5 & 8
IAS 17	Leases	Applied	See note 3.4.1 & 7.1
IAS 19	Employee Benefits	Applied	See note 3.25
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not applicable	
IAS 21	The Effects of changes in Foreign Exchange Rates	Applied	See note 49
IAS 23	Borrowing Costs	Applied	See note 3.17
IAS 24	Related Party Disclosures	Applied	See note 3.27 & 38
IAS 26	Accounting and Reporting by Retirement Benefit Plans	Applied	
IAS 27	Separate Financial Statements	Applied	
IAS 28	Investment in Associates and Joint Ventures	Applied	See note 3.3 & 9.1
IAS 29	Financial Reporting in Hyperinflationary Economies	Not applicable	
IAS 31	Interests in Joint Ventures	Applied	
IAS 33	Earnings Per Share	Applied	See note 3.21 & 36
IAS 34	Interim Financial Reporting	Applied	See note 53
IAS 36	Impairment of Assets	Applied	See note 3.7
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Applied	See note 3.13 & 42
IAS 38	Intangible Assets	Applied	See note 3.6 & 32
IAS 40	Investment Property	Not applicable	
IAS 41	Agriculture	Not applicable	

IFRSs	Title of the IFRSs	Applicability	Remarks
IFRS 2	Share Based Payment	Not applicable	
IFRS 3	Business Combinations	Not applicable	
IFRS 4	Insurance Contracts	Not applicable	
IFRS 5	Non-current Assets Held for Sale & Discontinued Operations	Not applicable	
IFRS 6	Exploration for and Evaluation of Mineral Resources	Not applicable	
IFRS 7	Financial Instruments: Disclosures	Applied	See note 3.10 & 56
IFRS 8	Operating Segments	Applied	See note 2.9
IFRS 9	Financial Instruments	Applied	
IFRS 10	Consolidated Financial Statements	Applied	See note 2.10
IFRS 11	Joint Arrangements	Not applicable	
IFRS 12	Disclosure of Interests in Other Entities	Not applicable	
IFRS 13	Fair Value Measurement	Not applicable	
IFRS 15	Revenue from Contracts with customers	Applied	

## 2.12 Departure from IAS/IFRS:

Bangladesh Bank is the prime regulatory body for all non-banking financial institutions in Bangladesh. Some requirements of Bangladesh Bank contradict with those of IAS/ IFRS. As such the company has departed from those contradictory requirements of IAS/IFRS 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.

## 3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 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.

### 3.2 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 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.

**3.3 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 International Financial Reporting Standard (IFRS) 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 International Accounting Standard 28: Accounting for investment in associates and Joint Ventures. 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 as guided by Bangladesh Bank.

**3.4 Loans, advances and leases****3.4.1 Lease operations**

Under International Accounting Standard 17: "Leases", has been following the finance lease method for accounting of lease income. 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, currently, 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.

**3.4.2 Term finance and other finance**

Term finance 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 investments becomes special mention accounts (SMA), those are classified as non accrual even if they are fully secured.

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 has been collected.



### 3.5 Fixed assets including premises, furniture and fixtures

#### Recognition and measurement

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 International Accounting Standard (IAS) 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.

#### Subsequent costs

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.

#### Disposal

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

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

### 3.6 Intangible assets

#### 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 IAS 38: Intangible Assets. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortization.

#### Subsequent costs

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.

### 3.7 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 International Accounting Standard 36: Impairment of Assets. If any such indication exists, the recoverable amount of assets is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account.

An impairment loss is 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 is treated as a revaluation decrease in accordance with the other standard. After the recognition of an impairment loss, the depreciation/amortization charge for the asset is 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.

### 3.8 Receivables

#### Accounts receivables

Accounts receivables include mainly 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 include 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.

### **3.9 Bank loans, deposits etc.**

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.

### **3.10 Financial instruments:**

Financial instrument includes non-derivative financial instruments such as cash and equivalents, money at call and on short notice, investments in shares, loans, advances and leases, borrowing from other banks and financial institutions, deposits etc.

### **3.11 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 recognition and disclosure for employee benefits are made in accordance with International Accounting Standard 19: Employee Benefits.

### **3.12 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.

### **3.13 Provisions, contingent liabilities and contingent assets**

Provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event 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 International Accounting Standard (IAS) 37: Provisions, contingent liabilities and contingent assets.

### **3.14 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.

### **3.15 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 International Accounting Standard (IAS) 37: Provisions, contingent liabilities and contingent assets.

### **3.16 Revenue recognition**

#### **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, 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.

#### **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.

#### **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.

#### **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.

#### **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.

#### **Income from secured term finance**

Income from secured term finance is recognized on accrual basis.

#### **Dividend income**

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 from preference shares is recognized on cash basis.

#### **Share of Income from associates and subsidiary**

In accordance with International Accounting Standard (IAS) 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.

#### **Fee based income**

Fee based income is recognized on cash basis.

#### **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.

### **3.17 Borrowing costs**

In line with International Accounting Standard (IAS) 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.

### **3.18 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) International Accounting Standard (IAS) 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.

### **3.19 Income tax**

Income tax expense represents the sum of current tax and deferred tax.

**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, the tax rates enacted or substantively enacted at the balance sheet date.

**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.

**3.20 Dividend to company's shareholders**

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 International Accounting Standard (IAS) 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.

International Accounting Standard (IAS) 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.

**3.21 Earnings per share**

The Company calculates Earnings Per Share (EPS) in accordance with International Accounting Standard (IAS) 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.

**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.

**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 2018, there was no scope for dilution and hence no diluted EPS is required to be calculated.

**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.

**3.22 Cash flow statements**

Cash flow statement of the company is prepared and presented as per the requirement of International Accounting Standard (IAS) 7: 'Statement of cash flows', and DFIM circular no. 11 dated 23 December 2009.

**3.23 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:

- (i) Balance with other banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term.
- (ii) Investments are on the basis of their respective maturity.



- (iii) Loans, advances and leases are on the basis of their repayment schedule.
- (iv) Fixed assets are on the basis of their respective maturity.
- (v) Other assets are on the basis of their realization/amortization.
- (vi) Borrowings from other banks, financial institutions and agents are as per their maturity/ repayment terms.
- (vii) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.
- (viii) Provisions and other liabilities are on the basis of their payment/ adjustments schedule.

### **3.24 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.

### **3.25 Employee benefits**

#### **3.25.1 Defined contribution plan**

##### **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.

#### **3.25.2 Defined benefit plan**

##### **Gratuity scheme**

Prime Finance has a funded gratuity for all eligible employees who 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.

##### **Superannuation scheme**

Prime Finance has a 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.

### **3.26 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 account as complied with Bangladesh Bank guidelines. Recovery of overdue credited to interest suspense account is recognized as income on cash basis.

### **3.27 Related party transactions**

Related parties are identified and disclosed as per International Accounting Standard (IAS) 24: 'Related Party Disclosure'. Related party disclosures have been given in note 38.

### **3.28 Interim financial reporting**

In accordance with International Accounting Standard (IAS) 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.

### **3.29 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 accounting principles.

### **3.30 BASEL-II and its implication**

Risk based capital adequacy (BASEL-II) under the Capital Adequacy and Market Discipline (CAMD) guideline is become applicable for the Company on January 1, 2012. With a view to ensuring proper implementation of Basel Accord in the Company, Basel Implementation Unit (BIU) was formed which is headed by the Managing Director. As per the CAMD guideline of Bangladesh Bank, financial institutions are required to maintain Capital Adequacy Ratio (CAR) of minimum 10%. Details of the risk weighted assets and CAR are given in note 14.1 to this financial statements.

### **3.31 Financial risk management**

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including interest rate risk and



equity risk), liquidity risk and operational risk. The overall risk management strategy of the Company take care of the financial risks and the appropriate financial risk governance framework for the Company. The RMF and RAU provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the policies and risk objectives of the Company. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

#### **Credit Risk**

Credit risk is the likelihood that a borrower or counterparty will not honor its obligations in accordance with the terms of agreement. i.e. the risk of default which is one of the most vulnerable risk faced by any financial institution. Credit Risk is inherent to all financial institutions where the main business is lending. The main aim of the Credit Risk Management is to minimize the risk and to maximize the risk adjusted rate of return of the Company.

As part of credit risk management the Credit Risk Management (CRM) department of the Company performs thorough assessment and due diligence before sanction of any credit facility. The risk assessment includes borrower risk analysis, financial analysis, industrial analysis, historical performance of the customer, security of the proposed customer and various critical risk factors.

#### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise two types of risk: interest rate risk and equity price risk since these are related with the Company. Financial instruments affected by market risk include loans, advances and leases, borrowings, deposits and investment in shares.

In order to limit interest rate risk the Board has set limits with respect to maximum and weighted average maturity. Management of equity price risks is done by ongoing monitoring of the values with respect to any impairment and appropriate risk-based capital allocation. Besides, to mitigate market risk management of the Company prepared VaR modeling, sensitivity analysis and stress testing, including an assessment of concentration risk and the assessment of illiquidity under stressful market scenarios

#### **Liquidity risk**

Liquidity risk occurs when the Company is unable to fulfill its commitments in time when payment falls due. Liquidity risks can be classified into four categories: Term liquidity risk, withdrawal/call risk, structural liquidity risk and market liquidity risk.

The Company monitors its risk to a shortage of funds using the liquidity planning tool. In this regard the Company implements prudent liquidity risk management which includes the maintenance of sufficient cash reserves and marketable securities in addition to regular forward planning and forecasting of liquidity requirements.

#### **Operational risk**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

To mitigate operational risk of the Company, a separate independent internal control and compliance department was established. Customer compliant cell monitors and mediates the complaint. Customer feedback system was developed to assess level of customer satisfaction on the Company.

### **3.32 Events after the reporting date**

Events after the reporting date that provide additional information about the Company's position at the balance sheet date are reflected in the financial statements. Events after the reporting date that are non adjusting events are disclosed in the notes when material.

**4.0 CASH****Cash In hand:**

Local currency  
Foreign currencies

**Balance with Bangladesh Bank:**

Local currency  
Foreign currencies

Amount in Taka	
2018	2017
60,000	60,000
-	-
60,000	60,000
131,825,491	165,517,864
-	-
131,825,491	165,517,864
<b>131,885,491</b>	<b>165,577,864</b>

**4.a CASH (consolidated)**

Prime Finance & Investment Limited  
Prime Finance Capital Management Limited

**Balance with Bangladesh Bank:**

Prime Finance & Investment Limited  
Prime Finance Capital Management Limited

60,000	60,000
25,943	7,219
<b>85,943</b>	<b>67,219</b>
131,825,491	165,517,864
-	-
<b>131,911,434</b>	<b>165,585,083</b>

**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 Institutions Act - 1993, Financial Institutions 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 and coin in BDT), balance with Bangladesh Bank, other banks and financial institutions, investment at call, 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	131,242,174	148,332,961
Actual reserve held	139,181,810	198,056,234
<b>Surplus/ (deficit)</b>	<b>7,939,636</b>	<b>49,723,273</b>

**4.1.2 Statutory Liquidity Requirement (SLR)****5.0% of average liabilities excluding fund from Banks & FIs**

Required reserve	342,640,558	384,004,804
Actual reserve held (note 4.1.4)	511,054,155	1,101,762,210
<b>Surplus/(deficit)</b>	<b>168,413,597</b>	<b>717,757,406</b>

**4.1.3 Held for Cash Reserve Requirement (CRR)**

Balance with Bangladesh Bank and its agent bank

131,825,491	165,517,864
<b>131,825,491</b>	<b>165,517,864</b>

**4.1.4 Held for Statutory Liquidity Requirement (SLR)**

Cash in hand  
Balance with Bangladesh Bank and its agent bank  
Balance with other banks and financial institutions (note 5.0)

60,000	60,000
131,825,491	165,517,864
379,168,664	936,184,346
<b>511,054,155</b>	<b>1,101,762,210</b>

**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. 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 2018, CRR has been maintained according to Bangladesh Bank Guideline.

**5.0 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS**

This represents balance with various banks and financial institutions in Bangladesh.

**Fixed deposit account**

Social Islami Bank Limited	200,000,000	200,000,000
Jamuna Bank Limited	100,000,000	600,000,000
The Farmers Bank Limited	20,045,101	100,000,000
	<b>320,045,101</b>	<b>900,000,000</b>

**Current account**

Southeast Bank Limited	58,080	-
	<b>58,080</b>	<b>-</b>

**Short term deposit account**

Bank Asia Limited	-	1,352
BRAC Bank Limited	28,631	31,582
Dutch Bangla Bank Limited	1,632,424	1,419,369
Islamic Bank Bangladesh Limited	24,528	-
Jamuna Bank Limited	1,315,233	-
Mercantile Bank Limited	148,773	-
Modhumoti Bank Limited	10,458,145	-
Mutual Trust Bank Limited	-	195,193
One Bank Limited	44,886	12,925
Premier Bank Limited	2,503	3,158
Prime Bank Limited	5,868,011	12,033,247
Pubali Bank Limited	26,685,487	388,892
Shahajalal Islami Bank Limited	1,140,262	11,055,342
Southeast Bank Limited	10,983,208	491,282
Standard Bank Ltd.	170,605	5,000,000
United Commercial Bank Limited	562,787	5,552,004
	<b>59,065,483</b>	<b>36,184,346</b>
	<b>379,168,664</b>	<b>936,184,346</b>

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 and demand liabilities, excluding loans from banks and financial institutions. Prime Finance maintained these reserve mostly in the form of deposits.

**Maturity wise grouping**

Up to 1 month	69,123,563	236,184,346
1 month to 3 months	10,045,101	-
3 months to 1 year	300,000,000	200,000,000
1 year to 5 years	-	500,000,000
More than 5 years	-	-
	<b>379,168,664</b>	<b>936,184,346</b>

**5.a BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS (consolidated)**

Prime Finance & Investment Limited	379,168,664	936,184,346
Prime Finance Capital Management Limited	19,301,108	36,561,928
	<b>398,469,772</b>	<b>972,746,274</b>

**6.0 INVESTMENTS**

This represents investment made by the Company both in listed and unlisted securities. The investment is made up as under:

	<b>Amount in Taka</b>	
	<b>2018</b>	<b>2017</b>
Government securities	-	-
Other investments (note 6.1)	318,521,585	419,456,320
	<b>318,521,585</b>	<b>419,456,320</b>

**6.1 Other investments****Ordinary share**

	<b>As at 31 December 2018</b>		<b>Cost</b>	
	<b>No. of Company</b>	<b>Market Value</b>	<b>2018</b>	<b>2017</b>
Listed securities (note 6.1.1)	26	58,698,416	64,104,885	165,039,620
Unlisted securities (note 6.1.2)	4	224,416,700	224,416,700	224,416,700
Unit fund (note 6.1.3)	1	30,000,000	30,000,000	30,000,000
	<b>31</b>	<b>313,115,116</b>	<b>318,521,585</b>	<b>419,456,320</b>

**6.1.1 Listed securities:****Details of listed securities (Sector-wise):**

	<b>As at 31 December 2018</b>		
	<b>No. of shares</b>	<b>Cost price</b>	<b>Market price</b>
Banking companies	176,750	7,096,614	7,000,000
Non Banking Financial Institutions sector	-	-	-
Insurance sector	-	-	-
Investment companies	4,882,966	49,373,578	42,978,917
Fuel & power sector	94,600	2,474,867	2,648,800
Manufacturing sector and others	117,678	5,159,826	6,070,699
		<b>64,104,885</b>	<b>58,698,416</b>

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 2018 was 27 December).

**6.1.2 Unlisted securities****Details of unlisted securities:**

	<b>Cost price</b>	
Central Depository Bangladesh Limited	4,416,700	4,416,700
Lanka Bangla Securities Limited	5,000,000	5,000,000
PFI 2nd Mutual Fund	200,000,000	200,000,000
Ananda Shipyard and Slipways Limited	15,000,000	15,000,000
	<b>224,416,700</b>	<b>224,416,700</b>

The unlisted investments are shown at cost.

**6.1.3 Unit fund**

	<b>Cost price</b>	
Prime Finance 1st Unit Fund	30,000,000	30,000,000
	<b>30,000,000</b>	<b>30,000,000</b>

**6.1.4 Sector wise investments (at cost price)**

Banking sector	7,096,614	-
Non Banking Financial Institutions sector	-	-
Insurance sector	-	-
Investment companies	279,373,578	344,843,743
Fuel & power sector	2,474,867	-
Manufacturing sector and others	29,576,526	74,612,577
	<b>318,521,585</b>	<b>419,456,320</b>

**Maturity wise grouping**

Up to 1 month	25,641,954	82,519,813
1 month to 3 months	38,462,931	82,519,807
3 months to 1 year	-	-
1 year to 5 years	-	-
More than 5 years	254,416,700	254,416,700
	<b>318,521,585</b>	<b>419,456,320</b>

**6.a INVESTMENTS (consolidated)**

Prime Finance & Investment Limited	318,521,585	419,456,320
Prime Finance Capital Management Limited	711,181,054	777,076,322
	<b>1,029,702,639</b>	<b>1,196,532,642</b>

**7.0 LOANS, ADVANCES AND LEASES****Inside Bangladesh:**

	<b>Amount in Taka</b>	
	<b>2018</b>	<b>2017</b>
Lease finance (note 7.1)	427,478,184	603,667,734
Advance against lease finance (note 7.2)	3,258,928	3,258,928
Term finance (note 7.3)	7,775,162,524	9,841,522,136
Real estate finance (note 7.4)	136,897,995	157,676,177
Housing finance (note 7.5)	71,101,351	74,042,357
Loan against deposits (note 7.6)	29,362,520	29,134,637
Staff loan (note 7.7)	26,593,442	32,393,642
Factoring Finance (note 7.8)	631,008	2,321,660
	<b>8,470,485,952</b>	<b>10,744,017,271</b>

**Outside Bangladesh**

	-	-
	<b>8,470,485,952</b>	<b>10,744,017,271</b>

Loans, advances and leases include SME Finance amounting to Tk. 1,883,008,352 as at 31 December 2018 (2017: Tk. 3,159,034,634).

**7.1 Lease finance**

Principal outstanding (note 7.1.1)	332,895,532	511,340,840
Accounts receivable	94,582,652	92,326,894
	<b>427,478,184</b>	<b>603,667,734</b>

**7.1.1 Principal outstanding**

Gross rental receivables	365,825,432	540,206,991
Unearned lease income	(32,929,900)	(28,866,151)
<b>Net investment</b>	<b>332,895,532</b>	<b>511,340,840</b>

**Movement of lease finance:****Cost of lease assets (A)**

Balance at 1 January	1,278,683,045	1,509,322,852
Addition during the year	-	50,500,000
Disposal during the year	(268,545,579)	(281,139,807)
<b>Balance at 31 December</b>	<b>1,010,137,466</b>	<b>1,278,683,045</b>

**Accumulated depreciation (B)**

Balance at 1 January	767,342,205	814,320,635
Addition during the year	274,032,158	261,144,689
Adjustment due to disposal	(364,132,429)	(308,123,119)
<b>Balance at 31 December</b>	<b>677,241,934</b>	<b>767,342,205</b>

**Written down value of lease assets (A-B)**

	<b>332,895,532</b>	<b>511,340,840</b>
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**7.1.2 Aging analysis of lease receivable**

Up to one year	123,619,309	189,843,080
Above one year to three years	102,393,795	230,921,250
Above three years to five years	1,801,480	182,903,404
More than five years	199,663,600	-
	<b>427,478,184</b>	<b>603,667,734</b>

**7.2 Advance against lease finance**

Advance against lease finance	3,258,928	3,258,928
	<b>3,258,928</b>	<b>3,258,928</b>

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	7,130,312,771	8,814,687,429
Accounts receivable	644,849,753	1,026,834,707
	<b>7,775,162,524</b>	<b>9,841,522,136</b>

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	8,814,687,429	10,758,287,674
Investment during the year	579,900,000	4,224,620,000
Recovery/ adjustment during the year	(2,264,274,658)	(6,168,220,245)
<b>Balance at 31 December</b>	<b>7,130,312,771</b>	<b>8,814,687,429</b>

**7.3.1 Aging analysis of term finance**

Up to one year	2,177,219,111	2,134,104,333
Above one year to three years	1,650,078,578	2,175,689,378
Above three years to five years	1,102,346,025	1,940,194,104
More than five years	2,845,518,810	3,591,534,321
	<b>7,775,162,524</b>	<b>9,841,522,136</b>



		<b>Amount in Taka</b>	
		<b>2018</b>	<b>2017</b>
<b>7.4 Real estate finance</b>			
This represents disbursement made to the real estate developers usually for a period not exceeding 60 (sixty) months.			
Details are as under:			
Principal outstanding		90,174,705	121,285,598
Accounts receivable		46,723,290	36,390,579
		<b>136,897,995</b>	<b>157,676,177</b>
Real estate 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.			
<b>Movement of real estate finance (Principal outstanding):</b>			
Balance at 1 January		121,285,598	123,722,442
Investment during the year		-	-
Recovery/ adjustment during the year		(31,110,893)	(2,436,844)
<b>Balance at 31 December</b>		<b>90,174,705</b>	<b>121,285,598</b>
<b>7.4.1 Aging analysis of real estate finance</b>			
Up to one year		59,946,414	36,281,075
Above one year to three years		2,513,929	39,859,325
Above three years to five years		733,229	81,535,777
More than five years		73,704,423	-
		<b>136,897,995</b>	<b>157,676,177</b>
<b>7.5 Housing finance</b>			
This includes disbursement made against Bangladesh Bank Housing refinancing scheme and also includes housing finance to individuals. The usual term of the finance is matched with the facilities provided by the Bangladesh Bank. Details are as under:			
Principal outstanding		51,684,526	59,542,953
Accounts receivable		19,416,825	14,499,404
		<b>71,101,351</b>	<b>74,042,357</b>
Housing 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.			
<b>Movement of housing finance (Principal outstanding):</b>			
Balance at 1 January		59,542,953	68,627,012
Investment during the year		-	-
Recovery/ adjustment during the year		(7,858,427)	(9,084,059)
<b>Balance at 31 December</b>		<b>51,684,526</b>	<b>59,542,953</b>
<b>7.5.1 Aging analysis of Housing Finance</b>			
Up to one year		1,645,571	5,828,469
Above one year to three years		64,531,194	12,531,307
Above three years to five years		1,309,284	15,616,288
More than five years		3,615,302	40,066,293
		<b>71,101,351</b>	<b>74,042,357</b>
<b>7.6 Loan against deposits</b>			
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.			
Principal outstanding		29,362,520	29,134,637
		<b>29,362,520</b>	<b>29,134,637</b>
<b>7.6.1 Movement of loan against term deposit:</b>			
Balance at 1 January		29,134,637	13,769,544
Investment during the year		37,917,429	56,225,367
Recovery/adjustment during the year		(37,689,546)	(40,860,274)
<b>Balance at 31 December</b>		<b>29,362,520</b>	<b>29,134,637</b>
<b>7.7 Staff loan</b>			
Staff loan includes loan provided to the eligible employees as per company's approved policy.			
Employee's home loan		20,604,413	27,260,213
Employee's car loan		5,989,029	5,133,429
		<b>26,593,442</b>	<b>32,393,642</b>
<b>7.8 Factoring finance</b>			
This represents disbursement made to borrowers usually for a period not exceeding 90 days. Details are as under:			
Principal outstanding		-	1,700,252
Accounts receivable		631,008	621,408
		<b>631,008</b>	<b>2,321,660</b>
<b>7.8.1 Movement of factoring finance (Principal outstanding):</b>			
Balance at 1 January		2,321,660	12,731,270
Investment during the year		794,214	59,945,000
Recovery/adjustment during the year		(2,484,866)	(70,354,610)
<b>Balance at 31 December</b>		<b>631,008</b>	<b>2,321,660</b>

		Amount in Taka	
		2018	2017
<b>7. 8.2 Aging analysis of factoring finance</b>			
Up to one year		631,008	2,321,660
Above one year to three years		-	-
Above three years to five years		-	-
More than five years		-	-
		<b>631,008</b>	<b>2,321,660</b>
<b>7. 9 Classification wise loans, advances and leases</b>			
<b>Unclassified:</b>			
Standard (SME)		1,388,356,773	2,572,762,614
Standard (other than SME)		5,433,734,576	6,065,092,249
Special Mention Account (SMA)		198,584,220	769,192,731
		<b>7,020,675,569</b>	<b>9,407,047,593</b>
<b>Classified:</b>			
Sub-standard		109,608,886	167,225,760
Doubtful		89,884,698	51,749,443
Bad/loss		1,250,316,799	1,117,994,475
		<b>1,449,810,383</b>	<b>1,336,969,678</b>
		<b>8,470,485,952</b>	<b>10,744,017,271</b>
<b>7. 10 Geographical location wise loans, advances and leases</b>			
Dhaka Division		5,971,142,962	7,427,221,701
Chattagram Division		1,984,936,681	2,213,696,978
Rajshahi Division		210,999,435	397,342,645
Khulna Division		108,521,518	317,635,688
Rangpur Division		194,885,356	388,120,259
Mymensingh Division		-	-
		<b>8,470,485,952</b>	<b>10,744,017,271</b>
<b>7. 11 Sector wise loans, advances and leases</b>			
As per Bangladesh Bank circular, sector wise loans and advances are as follows:			
<b>Sectors</b>			
<b>Trade and Commerce</b>		<b>3,449,671,220</b>	<b>3,863,002,134</b>
<b>Industry</b>			
Garments and knitwear		265,568,649	280,056,488
Textile		21,470,043	28,885,692
Jute and jute products		136,488,123	176,292,911
Food products and processing industry		554,984,360	676,919,766
Plastic industry		81,578,983	119,890,143
Leather and leather-goods		18,588,572	51,896,044
Iron, steel and engineering		720,414,887	779,931,691
Pharmaceuticals and chemicals		77,031,451	104,468,057
Cement and allied industry		-	-
Telecommunication and information technology		41,085	816,823
Paper, printing and packaging		438,970,995	554,625,349
Glass, glassware and ceramic industry		-	-
Ship manufacturing industry		116,666,660	200,000,000
Electronics and electrical products		28,509,167	72,537,301
Power, gas, water and sanitary service		26,208,381	23,122,013
Transport and aviation		181,315,547	393,076,954
<b>Agriculture</b>		<b>430,088,601</b>	<b>968,287,337</b>
<b>Housing</b>		<b>208,773,895</b>	<b>233,177,189</b>
<b>Others:</b>			
Merchant banking		1,082,246,029	1,537,011,440
Margin loan		-	-
Others		631,869,304	680,019,939
<b>Grand Total</b>		<b>8,470,485,952</b>	<b>10,744,017,271</b>
<b>7. 12 Significant concentration wise loans, advances and leases</b>			
<b>Loans, advances and leases to-</b>			
Directors and their concerns		75,114,000	86,583,894
Chief executive and other senior executives		26,593,442	32,393,642
Customer groups		8,368,778,510	10,625,039,735
		<b>8,470,485,952</b>	<b>10,744,017,271</b>
<b>7. 13 Details of large loans, advances and leases</b>			
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 2018 Prime Finance has not disbursed large loans, advances and leases.			
No. of clients		-	-
Amount of outstanding loans, advances and leases		-	-
Amount of classified loans, advances and leases		-	-
Measures taken for recovery		Not applicable	Not applicable
		<b>-</b>	<b>-</b>

**7. 14 Particulars of loans, advances and leases**

		<b>Amount in Taka</b>	
		<b>2018</b>	<b>2017</b>
<b>SL</b>	<b>Particulars</b>		
I.	Loans considered good in respect of which the Company is fully secured	7,992,584,421	9,840,476,522
II.	Loans considered good against which the Company holds no other security than the debtors' personal guarantee	191,100,336	516,781,181
III.	Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor	286,801,195	386,759,568
IV.	Loans/leases adversely classified; provision not maintained there-against	-	-
<b>Total</b>		<b>8,470,485,952</b>	<b>10,744,017,271</b>
V.	Loans due by directors or officers of the Company or any of them either severally or jointly with any other persons	26,593,442	32,393,642
VI.	Loans due by companies or firms in which the directors or officers of the Company are interested directors, partners or managing agents or, in case of private companies, as members	75,114,000	86,583,894
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	-	-
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	-	16,200,000
IX.	Due from banking companies/financial institutions	-	-
X.	Classified loan for which interest not charged	1,449,810,384	1,336,969,678
A.	Increase/decrease of provision (specific)	(146,137,102)	117,540,571
	Amount of debts written off	-	-
	Amount realized against the debts previously written off	9,024,290	5,829,150
B.	Provision kept against the debt classified as bad/loss at the date of balance sheet	422,508,867	541,537,697
C.	Amount of interest creditable to the interest suspense account	232,444,046	270,664,941
XI.	Cumulative amount of the written off loans/leases:		
	Opening balance	812,543,573	812,543,573
	Amount written off during the year	-	-
	Cumulative to date	812,543,573	812,543,573
	The amount of written off loans for which law suit filed	812,543,573	812,543,573

**7. 15 Write-off of loans, advances and leases**

As per DFIM Circular no. 03 dated 08 April 2015 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:

- (i) Loans/ leases classified as Bad and Losses against which 100% provision has been made;
- (ii) Approval from the Board of Directors is required;
- (iii) 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:

	<b>During 2018</b>	<b>Cumulative</b>	
		<b>As on 31-Dec-18</b>	<b>As on 31-Dec-17</b>
Cumulative amount of loans/ leases written-off	-	812,543,573	812,543,573
No. of agreements written-off	-	63	63
No. of clients written-off	-	48	48
Interest suspense against written-off loans/ leases	-	(141,389,222)	(141,389,222)
Provision adjusted against written-off loans/ leases	-	(651,055,147)	(651,055,147)
Recovery against write-off loans/ leases	9,024,290	229,255,954	220,231,664

**7. 16 Particulars of required provision for loans, advances and leases**

Required provision has been made as per Bangladesh Bank guidelines. As per BB guidelines, provisions at the following rates have been made in the financial statements depending on the status of classification.

<b>Investment up to 5 years term</b>	<b>Classification status</b>	<b>Provision (%)</b>
Up to 2 months*	UC (SME)	0.25
Up to 2 months	UC (other than SME)	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
<b>Investment exceeding 5 years term</b>	<b>Classification status</b>	<b>Provision (%)</b>
Up to 5 months*	UC (SME)	0.25
Up to 5 months	UC (other than SME)	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:

		<b>Amount in Taka</b>	
		<b>2018</b>	<b>2017</b>
	<b>Base for provision</b>	<b>Provision 2018</b>	<b>Provision 2017</b>
<b>Unclassified - General provision</b>			
Standard (SME)*	1,388,356,773	3,470,892	5,981,967
Standard (Other than SME)	5,433,734,575	54,337,346	55,227,667
Special Mention Account (SMA)	185,764,309	9,288,215	37,287,606
Provision for other assets	-	38,558,000	35,411,000
	<u>7,007,855,657</u>	<u>105,654,453</u>	<u>133,908,240</u>
<b>Classified - Specific provision</b>			
Sub-standard	89,983,556	17,996,711	46,463,608
Doubtful	52,787,979	26,393,990	25,035,364
Bad/loss	422,508,867	422,508,867	541,537,697
	<u>565,280,402</u>	<u>466,899,568</u>	<u>613,036,669</u>
<b>Required provision for loans, advances and leases</b>		<b>572,554,021</b>	<b>746,944,909</b>
<b>Total provision maintained for loans, advances and leases</b>		<b>572,554,021</b>	<b>746,944,909</b>
<b>Excess provision for loans, advances and leases</b>		<b>-</b>	<b>-</b>

\*As per DFIM circular letter no. 03, dated 29 April 2013 of Bangladesh Bank general provision of 0.25% is required to be maintained for Standard SME loans, advances and leases.

#### 7.17 Maturity wise grouping

Repayable on demand	-	-
Not more than 3 months	788,189,546	1,329,557,662
3 months to 1 year	1,630,827,829	2,157,845,955
1 year to 5 years	2,925,707,515	3,606,040,078
More than 5 years	3,125,761,062	3,650,573,576
	<u>8,470,485,952</u>	<u>10,744,017,271</u>

#### 7.a LOANS, ADVANCES AND LEASES (consolidated)

Prime Finance & Investment Limited	8,470,485,952	10,744,017,271
Prime Finance Capital Management Limited	2,547,125,099	3,006,499,092
Adjustment for dealing with subsidiary	(1,082,246,029)	(1,537,011,440)
	<u>9,935,365,022</u>	<u>12,213,504,923</u>

#### 8.0 FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES

<b>Cost:</b>		
Land	305,151,022	305,151,022
Furniture and fixtures	18,535,044	18,530,044
Office decoration	35,893,940	35,010,311
Electric equipment	32,671,737	32,609,647
Owned vehicles	19,536,344	19,536,344
Leased vehicles	12,197,061	12,197,061
Intangible assets (software)	3,408,486	2,608,486
<b>Total cost</b>	<b>427,393,634</b>	<b>425,642,915</b>
Less: Accumulated depreciation / amortization / impairment	102,866,877	91,232,494
<b>Written down value at the end of the year</b>	<b>324,526,757</b>	<b>334,410,421</b>

Details are shown in **Annexure - A**.

#### 8.a FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES (consolidated)

Prime Finance & Investment Limited	324,526,757	334,410,421
Prime Finance Capital Management Limited	14,069,192	16,008,952
	<u>338,595,949</u>	<u>350,419,373</u>

##### 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.

#### 9.0 OTHER ASSETS

##### Income generating other assets:

Investment in associates (note 9.1)	636,212,556	662,735,578
Investment in subsidiary (note 9.2)	960,000,000	960,000,000
Accrued interest	41,670,519	47,330,435
	<u>1,637,883,075</u>	<u>1,670,066,013</u>

##### Non income generating other assets:

Advance office rent	1,322,580	1,646,580
Advance for office decoration of head office	-	883,629
Deposits with T & T, Petroleum Corporation etc.	454,100	454,100
Advance corporate tax	585,617,464	572,185,489
Deferred tax assets (note 13.4.2)	9,260,847	7,837,608
Receivable from brokerage houses against sale of shares	165,128	11,217,666
Receivable from provident fund account	-	-
Interest During the Construction Period (IDCP) receivable	-	4,583
Transfer price receivable	-	1,035,073
Others	78,752,951	81,944,631
	<u>675,573,070</u>	<u>677,209,359</u>
<b>Total</b>	<b>2,313,456,145</b>	<b>2,347,275,372</b>

**9.1 Investment in associates**

Investment in associates are recorded under the equity method as per the Bangladesh Accounting Standard (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 associate companies on reporting date.

**Movement of investment in associates**

	Balance as at Jan 01, 2018	Investment/ (Adjustment)	Revaluation reserve	Profit/(loss) under equity method	Balance as at Dec 31, 2018
PFI Securities Limited	615,804,870	-	-	(26,438,083)	589,366,787
Prime Finance AMCL	40,892,517	-	-	(368,087)	40,524,430
Prime Prudential Fund Limited	6,038,191	-	-	283,148	6,321,339
	<b>662,735,578</b>	<b>-</b>	<b>-</b>	<b>(26,523,022)</b>	<b>636,212,556</b>

A brief description of the associates, percentage of shareholding by Prime Finance and book value of shares in brief are given below:

Name of the company	Nature of the business	Type of shares held	% of share holding	Face value of shares	Book value per share
PFI Securities Limited	Stock brokerage	Ordinary	46.15	10	6.28
Prime Finance AMCL	Asset management	Ordinary	49.00	100	100.39
Prime Prudential Fund Ltd.	Investment in securities, debentures, bonds etc.	Ordinary	40.00	10	6.42

The book value per share is calculated based on audited financial statements of respective company.

**9.2 Investment in subsidiary**

Prime Finance has one subsidiary company as on the reporting date. Consolidated financial statements has been prepared for subsidiary following the requirements of Bangladesh Financial Reporting Standard (BFRS) 10, 'Consolidated Financial Statements'.

Prime Finance Capital Management Limited	960,000,000	960,000,000
	<b>960,000,000</b>	<b>960,000,000</b>

The subsidiary company engaged in merchant banking activities having paid-up capital of Tk. 2,032.80 million. Prime Finance holds 60% of ordinary shares of this company.

**9.a OTHER ASSETS (consolidated)**

Prime Finance & Investment Limited	2,313,456,145	2,347,275,372
Prime Finance Capital Management Limited	647,825,297	710,930,743
Adjustment for dealing with subsidiary	(960,000,000)	(960,000,000)
	<b>2,001,281,442</b>	<b>2,098,206,115</b>

**10.0 Non - banking assets**

Non - banking assets	176,097,907	176,097,907
	<b>176,097,907</b>	<b>176,097,907</b>

This represents assets owned under the 'Certificate of Ownership' given by the competent court under section 33(7) of Artha Rin Adalat Ain 2003.

**11.0 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS****In Bangladesh****Secured****Un secured**

Bank loan (note 11.1)	170,802,981	193,881,597
ADB fund under refinancing scheme (note 11.2)	1,548,621	7,736,934
Fund from Bangladesh Bank under refinancing scheme (note 11.3)	377,484,433	646,085,335
Short term borrowing (note 11.4)	633,169,033	796,458,997
	<b>1,183,005,068</b>	<b>1,644,162,863</b>

**Outside Bangladesh**

	-	-
<b>Total</b>	<b>1,183,005,068</b>	<b>1,644,162,863</b>

**11.1 Bank loan**

This represents long term loan taken from different commercial banks and its movement is as under:

Balance at 1 January	193,881,597	663,307,068
Received during the year	161,685,661	-
Repayment during the year	(184,764,277)	(469,425,471)
<b>Balance at 31 December</b>	<b>170,802,981</b>	<b>193,881,597</b>

Bank 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 five years.



		Amount in Taka	
		2018	2017
<b>11.2 ADB fund under refinancing scheme</b>			
Fund received from Asian Development Bank (ADB) through Rupantarita Prakritik Gas Company Limited (RPGCL) & refinancing scheme. Details are as under:			
Balance at 1 January		7,736,934	16,951,070
Received during the year		-	-
Repayment during the year		(6,188,313)	(9,214,136)
<b>Balance at 31 December</b>		<b>1,548,621</b>	<b>7,736,934</b>
<b>11.3 Fund from Bangladesh Bank under refinancing scheme</b>			
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		646,085,335	933,507,310
Received during the year		24,800,000	52,000,000
Repayment during the year		(293,400,902)	(339,421,975)
<b>Balance at 31 December</b>		<b>377,484,433</b>	<b>646,085,335</b>
<b>11.4 Short-term borrowings</b>			
This represents money at call and on short notice and bank overdraft and short term borrowing availed to meet short-term fund requirements.			
<b>Money at call and on short notice</b>			
As on the reporting date Taka 240.00 million was outstanding as money at call and short notice. According to DFIM circular no. 01, dated 29 January 2017, non-banking financial institution can avail Call Money facility maximum up to 30% of its equity. Based on the circular mentioned above, the maximum limit of call money for the company was Taka 651.80 million only (calculated based on the yearly report of 2017 of the Company).			
<b>Bank Overdraft</b>			
This represents Taka 293,169,003 received as bank overdraft from various commercial banks.			
<b>11.5 Maturity wise grouping</b>			
Repayable on demand		15,655,770	29,579,388
Up to 1 month		13,336,396	25,197,256
1 month to 3 months		54,778,086	105,242,666
3 months to 1 year		149,247,406	415,549,293
1 year to 5 years		949,987,410	1,068,594,260
More than 5 years		-	-
		<b>1,183,005,068</b>	<b>1,644,162,863</b>
<b>11.a BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS (consolidated)</b>			
Prime Finance & Investment Limited		1,183,005,068	1,644,162,863
Prime Finance Capital Management Limited		1,634,971,639	2,035,338,709
Adjustment for dealing with subsidiary		(1,082,246,029)	(1,537,011,440)
		<b>1,735,730,678</b>	<b>2,142,490,132</b>
<b>12.0 DEPOSITS AND OTHER ACCOUNTS</b>			
This comprises interest bearing deposits from individuals and organizations for period ranging from 3 months to 12 years.			
<b>Banks and other financial institutions</b>			
Term Deposit		<b>1,700,000,000</b>	<b>2,990,600,000</b>
<b>Other Institutions</b>			
Term Deposit		2,369,036,062	3,519,595,394
Monthly Income Deposit		-	500,000
		<b>2,369,036,062</b>	<b>3,520,095,394</b>
<b>Individuals</b>			
Term Deposit		1,752,969,126	1,936,439,970
Housing Deposit		6,257,000	7,375,000
Fortune DPS		102,785,000	99,623,500
Sonchoy DPS		96,619	-
Monthly Income Deposit		703,815,230	384,720,463
		<b>2,565,922,975</b>	<b>2,428,158,933</b>
<b>Total</b>		<b>6,634,959,037</b>	<b>8,938,854,327</b>
<b>12.1 Movements of deposits:</b>			
Balance at 1 January		8,938,854,327	9,016,194,779
Received/ renewed during the year		4,142,440,844	7,155,826,380
Repayment during the year		(6,446,288,753)	(7,233,166,832)
<b>Balance at 31 December</b>		<b>6,635,006,418</b>	<b>8,938,854,327</b>
<b>12.2 Maturity wise grouping</b>			
Repayable on demand		-	-
Repayable within 1 month		167,471,243	281,243,528
1 month to 3 months		255,937,666	582,317,916
3 months to 1 year		1,966,089,453	2,998,390,821
1 year to 5 years		4,224,174,175	4,997,191,162
5 years to 10 years		20,386,500	79,510,900
More than 10 years		900,000	200,000
		<b>6,634,959,037</b>	<b>8,938,854,327</b>

		Amount in Taka	
		2018	2017
<b>12.a DEPOSITS AND OTHER ACCOUNTS (consolidated)</b>			
Prime Finance & Investment Limited		6,634,959,037	8,938,854,327
Prime Finance Capital Management Limited		-	-
		<b>6,634,959,037</b>	<b>8,938,854,327</b>
<b>13.0 OTHER LIABILITIES</b>			
Provision for loans, advances and leases (note 13.1)		533,996,021	711,533,909
Provision for diminution in value of investments (note 13.2)		5,143,667	5,501,000
Other provision		38,558,000	35,411,000
Interest suspense (note 13.3)		232,444,046	270,664,941
Provision for tax (note 13.4)		448,298,600	439,832,821
Financial expenses payable (note 13.5)		536,414,647	601,673,279
Advance and security deposit (note 13.6)		205,502,822	242,809,859
Excise duty payable		84,600	4,581,450
Withholding tax payable		5,232,156	-
Accrued expenses and other payables (note 13.7)		153,614,599	154,204,996
		<b>2,159,289,158</b>	<b>2,466,213,255</b>
Excise duty payable represents excise duty deducted from deposit and other accounts but not yet deposited to government exchequer within 31 December 2018. The amount was subsequently deposited.			
Withholding tax payable represents tax and VAT deducted from various suppliers but not yet deposited to government exchequer within 31 December 2018. The amount was subsequently deposited.			
Other provision represents provision made for other assets.			
Previous year's figures have been rearranged whenever necessary to conform to current year's presentation.			
<b>13.1 Provision for loans, advances and leases</b>			
Management, on the basis of guidelines issued by Bangladesh Bank has computed provisions for loans, advances and leases. Adequate provision has been kept as per BB circular to cover possible future losses.			
General provision on unclassified loans, advances and leases		67,096,453	98,497,241
Specific provision on classified loans, advances and leases		466,899,568	613,036,668
<b>Provision as on 31 December</b>		<b>533,996,021</b>	<b>711,533,909</b>
<b>Movement in general provision on unclassified loans/ leases:</b>			
Provision as on 1 January		98,497,240	188,167,378
Add: Provision made/ (released) during the year		(31,400,787)	(89,670,138)
<b>Provision as on 31 December</b>		<b>67,096,453</b>	<b>98,497,240</b>
<b>Movement in specific provision on classified loans/ leases:</b>			
Provision as on 1 January		613,036,668	495,496,097
Less: Adjustment for write off		-	-
Add: Provision made/ (released) during the year		(146,137,100)	117,540,571
<b>Provision as on 31 December</b>		<b>466,899,568</b>	<b>613,036,668</b>
<b>Total</b>		<b>533,996,021</b>	<b>711,533,908</b>
<b>13.2 Provision for diminution in value of investments</b>			
Provision as on 1 January		5,501,000	-
Add: Provision made/ (adjusted) during the year		(357,333)	5,501,000
<b>Provision as on 31 December</b>		<b>5,143,667</b>	<b>5,501,000</b>
<b>13.2.1 Allocation of provision</b>			
Listed securities		1,142,667	-
Unlisted securities		4,001,000	5,501,000
		<b>5,143,667</b>	<b>5,501,000</b>
<b>13.2.a Provision made during the year (consolidated)</b>			
Prime Finance & Investment Limited		(357,333)	5,501,000
Prime Finance Capital Management Limited		8,757,239	12,579,021
		<b>8,399,906</b>	<b>18,080,021</b>
<b>13.3 Interest suspense</b>			
Balance as on 1 January		270,664,941	292,845,707
Add: Transferred during the year		44,415,975	65,212,923
<b>Less:</b>			
Amount of interest suspense recovered		(82,636,870)	(87,393,689)
Write off during the year		-	-
<b>Balance as on 31 December</b>		<b>232,444,046</b>	<b>270,664,941</b>

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.

- 13.4 Provision for tax**  
Provision for tax comprises provision for current tax and provision for deferred tax.

		Amount in Taka	
		2018	2017
<b>13.4.1 Provision for current tax made during the year</b>	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 2018.		
Balance at 1 January		439,832,821	435,485,902
Provision made during the year		8,465,779	4,346,919
<b>Balance at 31 December</b>		<b>448,298,600</b>	<b>439,832,821</b>

**13.4.1.a Provision for current tax (consolidated)**

Prime Finance & Investment Limited	8,465,779	4,346,919
Prime Finance Capital Management Limited	4,367,009	7,378,381
	<b>12,832,788</b>	<b>11,725,300</b>

**13.4.2 Provision for deferred tax**

Provision for deferred tax has been kept in the financial statements as per the requirement of Bangladesh Accounting Standard (BAS) 12, 'Income Taxes'. Deferred tax asset is arrived at as follows:

	Carrying amount	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
<b>Year: 2018</b>			
Fixed assets including premises, furniture and fixtures	19,375,735	44,071,326	(24,695,591)
	<u>19,375,735</u>	<u>44,071,326</u>	<u>(24,695,591)</u>
Applicable tax rate			37.50%
<b>Deferred tax assets (A)</b>			<u>(9,260,847)</u>
<b>Year: 2017 (B)</b>			<u>(7,837,608)</u>
<b>Deferred tax expense (A-B)</b>			<u>(1,423,239)</u>

**13.4.2.a Provision for deferred tax (consolidated)**

Prime Finance & Investment Limited	(1,423,239)	(2,631,255)
Prime Finance Capital Management Limited	(1,208,124)	(865,036)
	<b>(2,631,363)</b>	<b>(3,496,291)</b>

**13.5 Financial expenses payable**

This comprises interest accrued on borrowings, deposits and other accounts.

**13.6 Advance and cash 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:

Balance at 1 January	242,809,859	288,588,830
Received during the year	8,817,162	81,366,748
Adjusted during the year	(46,124,199)	(127,145,719)
<b>Balance at 31 December</b>	<b>205,502,822</b>	<b>242,809,859</b>

**Breakup of advances and cash security deposits on the basis of category of finance is as under:**

Lease advance	19,196,346	28,004,969
Term finance advance	44,241,474	48,062,890
Stock on hire advance	8,000	8,000
Cash security deposit	142,057,002	166,734,000
	<b>205,502,822</b>	<b>242,809,859</b>

Advance and cash 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.

**13.7 Accrued expenses and other payables**

Suspense receipts	78,216,547	58,596,808
Accrued management expenses	36,175,161	24,334,800
Other payables	39,222,891	71,273,388
	<b>153,614,599</b>	<b>154,204,996</b>

Suspense receipts represent 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.

**13.a OTHER LIABILITIES (consolidated)**

Prime Finance & Investment Limited	2,159,289,158	2,466,213,255
Prime Finance Capital Management Limited	287,828,797	490,770,941
Adjustment for dealing with subsidiary	-	-
	<b>2,447,117,955</b>	<b>2,956,984,196</b>

**14.0 SHARE CAPITAL**

As at 31 December 2018, a total of 272,916,483 (FY 2017: 272,916,483) 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

**Issued, subscribed, called up and paid up capital:**

Total ordinary shares 272,916,483 of Taka 10 each	2,729,164,830	2,729,164,830
Total bonus shares of Taka 10 each	-	-
	<b>2,729,164,830</b>	<b>2,729,164,830</b>

**Details of sponsors/ Director shareholding**

Sponsor/ Director Shareholders	No. of shares held	Percentage
East Coast Shipping Lines Limited	24,407,338	8.94
Acorn Limited	24,920,420	9.13
Pedrollo Nk. Limited	26,768,991	9.81
Mawsons Limited	5,654,752	2.07
GQ Enterprise Limited	23,222,142	8.51
Khaled Textile Mills Limited	22,882,420	8.38
Maksons (Bangladesh) Limited	19,845,118	7.27
Agami apparels limited	23,088,632	8.46
Abeeco Industries Ltd.	5,508,634	2.02
Mr. Tauseef Iqbal Ali	5,458,363	2.00
Mr. Md. Aliuzzaman	42,427	0.02

**Composition of shareholdings**

Composition of shareholdings as on 31 December 2018 and 2017 was as under:

Group	No. of Shareholders		No. of Shares		Percentage	
	2018	2017	2018	2017	2018	2017
Sponsors/ Director (Institutions)	9	9	176,298,447	173,073,845	64.59	63.42
Sponsors/ Director (Individuals)	2	2	5,500,790	5,500,790	2.02	2.02
General Public (Institutions)	186	259	24,310,805	25,596,321	8.91	9.38
General Public (Individuals)	13,622	14,694	66,806,441	68,745,527	24.48	25.18
	<b>13,819</b>	<b>14,964</b>	<b>272,916,483</b>	<b>272,916,483</b>	<b>100.00</b>	<b>100.00</b>

**14.1 Capital Adequacy Ratio (CAR)**

As per section 4(Gha) of the Financial Institutions Regulations 1994, the minimum paid up capital of the Financial Institution shall be Taka 100 crore. Provided that the sum of paid up capital and reserves shall not be less than the minimum capital determined under the Risk Based Assets of the Company. The surplus eligible capital of the Company as on December 31, 2018, on consolidation basis, were Taka 1,713.26 million and capital adequate ratio was 21.92%.

**Details of Capital Adequacy Ratio (CAR):****Tier-1 (Core capital)**

Fully paid-up capital	2,729,164,830	2,729,164,830
Statutory reserve	939,728,546	927,108,510
General reserve	-	-
Retained earnings	(1,503,911,536)	(1,551,843,270)
Non-controlling interests	806,690,902	808,389,842
<b>Total eligible Tier-1 capital</b>	<b>2,971,672,742</b>	<b>2,912,819,912</b>

**Tier-2 (Supplementary capital)**

General provision (Unclassified loans up to specified limit + SMA+ off Balance Sheet exposure)	67,346,453	123,353,800
Assets revaluation reserves up to 50%	110,971,875	110,971,875
<b>Total eligible Tier-2 capital</b>	<b>178,318,328</b>	<b>234,325,675</b>

**(i) Total eligible capital**

<b>3,149,991,070</b>	<b>3,147,145,587</b>
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**(ii) Total Risk Weighted Assets (RWA)**

<b>14,367,343,887</b>	<b>17,558,300,000</b>
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**(iii) Minimum Capital Requirement (MCR) (10% of RWA)**

<b>1,436,734,389</b>	<b>1,755,830,000</b>
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**(iv) Excess {(i) - (iii)}**

<b>1,713,256,681</b>	<b>1,391,315,587</b>
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**Capital Adequacy Ratio (CAR) {(i) / (ii)} [%]**

<b>21.92%</b>	<b>17.92%</b>
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**15.0 NON-CONTROLLING INTEREST**

Pursuant to the Bangladesh Financial Reporting Standard (BFRS) 10, 'Consolidated Financial Statements', non-controlling interest has been presented in the consolidated Balance Sheet within equity, separately from the equity of the owners of the parent. Non-controlling interest is made up as follows:

Balance as on 1 January	808,389,842	806,436,957
Profit/(loss) after tax for the year	(1,698,940)	1,952,885
<b>Balance as on 31 December</b>	<b>806,690,902</b>	<b>808,389,842</b>

		Amount in Taka	
		2018	2017
<b>16.0 STATUTORY RESERVE</b>			
Balance as on 1 January		927,108,510	927,108,510
Add: Transferred during the year		12,620,036	-
<b>Balance as on 31 December</b>		<b>939,728,546</b>	<b>927,108,510</b>
<b>17.0 RETAINED EARNINGS</b>			
Balance as on 1 January		(1,804,428,034)	(1,342,421,737)
Payment of cash dividend		-	-
Profit/(loss) after tax for the year		63,100,182	(462,006,297)
Transferred to statutory reserve		(12,620,036)	-
<b>Balance as on 31 December</b>		<b>(1,753,947,888)</b>	<b>(1,804,428,034)</b>
<b>18.0 INCOME STATEMENT</b>			
<b>Income:</b>			
Interest, discount and similar income (note 19)		893,048,567	673,706,400
Dividend income (note 21)		42,670,676	13,883,892
Gains less losses arising from dealing in securities		-	-
Fees, commission, exchange and brokerage (note 22)		1,458,346	5,278,471
Gains less losses arising from investment in securities (note 21)		13,858,611	120,150,796
Gains less losses arising from dealing in foreign currencies		-	-
Income from non-banking assets		-	-
Other operating income (note 23)		(15,604,476)	(49,797,260)
Profit less losses on interest rate changes		-	-
Nominal value of bonus share received		-	-
<b>Total income (A)</b>		<b>935,431,724</b>	<b>763,222,299</b>
<b>Expenses:</b>			
Interest paid on deposits, borrowings etc. (Note 20)		849,085,971	978,608,902
Administrative expenses		168,123,539	181,309,033
Depreciation and impairment on banking assets		11,634,383	11,788,100
Other operating expenses		11,193,329	12,447,464
<b>Total expenses (B)</b>		<b>1,040,037,222</b>	<b>1,184,153,499</b>
<b>Operating surplus (A-B)</b>		<b>(104,605,498)</b>	<b>(420,931,200)</b>
<b>19.0 INTEREST INCOME</b>			
Income from lease finance		45,868,895	66,450,550
Income from term finance		804,891,789	561,710,872
Income from real estate finance		3,397,802	10,502,689
Income from other finance		38,890,081	35,042,289
		<b>893,048,567</b>	<b>673,706,400</b>
<b>19.a INTEREST INCOME (consolidated)</b>			
Prime Finance & Investment Limited		893,048,567	673,706,400
Prime Finance Capital Management Limited		135,643,299	35,952,057
Adjustment for dealing with subsidiary		(113,402,844)	-
		<b>915,289,022</b>	<b>709,658,457</b>
<b>20.0 INTEREST PAID ON DEPOSITS, BORROWINGS etc.</b>			
Interest on bank loan		6,907,100	38,580,982
Interest on IDA and ADB fund under re-financing scheme of Bangladesh Bank		300,192	831,357
Interest on fund from Bangladesh Bank under re-financing schemes		24,938,707	37,871,101
Interest on term deposits		702,862,926	813,483,933
Interest on money at call and on short notice		41,750,548	40,893,676
Interest on cash security deposit		11,994,982	15,167,900
Interest on overdraft facility		60,331,516	31,779,953
		<b>849,085,971</b>	<b>978,608,902</b>
<b>20.a INTEREST PAID ON DEPOSITS, BORROWINGS etc. (consolidated)</b>			
Prime Finance & Investment Limited		849,085,971	978,608,902
Prime Finance Capital Management Limited		132,495,985	23,395,838
Adjustment for dealing with subsidiary		(113,402,844)	-
		<b>868,179,112</b>	<b>1,002,004,740</b>
<b>21.0 INVESTMENT INCOME</b>			
Capital gain on sale of securities (note 21.1)		13,858,611	120,150,796
Dividend income		42,670,676	13,883,892
		<b>56,529,287</b>	<b>134,034,688</b>



**21.1. Capital gain on sale of securities**

Gain on sales of securities	15,846,838	120,776,649
Loss on sales of securities	(1,988,227)	(625,853)
<b>Net gain from sale of securities</b>	<b>13,858,611</b>	<b>120,150,796</b>

**21.a INVESTMENT INCOME (consolidated)**

Prime Finance & Investment Limited	56,529,287	134,034,688
Prime Finance Capital Management Limited	28,412,348	64,157,039
	<b>84,941,635</b>	<b>198,191,727</b>

**22.0 FEES, COMMISSION, EXCHANGE AND BROKERAGE**

Service charge, factoring charge etc.	1,458,346	5,278,471
	<b>1,458,346</b>	<b>5,278,471</b>

**22.a FEES, COMMISSION, EXCHANGE AND BROKERAGE (consolidated)**

Prime Finance & Investment Limited	1,458,346	5,278,471
Prime Finance Capital Management Limited	27,028,665	27,057,235
	<b>28,487,011</b>	<b>32,335,706</b>

**23.0 OTHER OPERATING INCOME**

Income from associates (note 9.1)	(26,523,022)	(96,019,036)
Delinquent Interest, IDCP etc.	-	29,978,975
Renewals and proceeds	333,510	741,891
Write-off & others	10,585,036	15,500,910
	<b>(15,604,476)</b>	<b>(49,797,260)</b>

**23.a OTHER OPERATING INCOME (consolidated)**

Prime Finance & Investment Limited	(15,604,476)	(49,797,260)
Prime Finance Capital Management Limited	89,175	4,911,137
	<b>(15,515,301)</b>	<b>(44,886,123)</b>

**24.0 SALARIES AND OTHER EMPLOYEE BENEFITS**

Salaries & allowances	109,687,261	102,784,975
Medical & employee welfare	18,815,061	21,045,071
	<b>128,502,322</b>	<b>123,830,046</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.

**24.a SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)**

Prime Finance & Investment Limited	128,502,322	123,830,046
Prime Finance Capital Management Limited	26,651,118	39,970,624
	<b>155,153,440</b>	<b>163,800,670</b>

**25.0 RENT, TAXES, INSURANCE, ELECTRICITY ETC.**

Office rent & maintenance	23,367,863	29,141,008
Electricity bill	1,709,338	1,755,226
	<b>25,077,201</b>	<b>30,896,234</b>

**25.a RENT, TAXES, INSURANCE, ELECTRICITY ETC. (consolidated)**

Prime Finance & Investment Limited	25,077,201	30,896,234
Prime Finance Capital Management Limited	7,743,259	9,968,951
	<b>32,820,460</b>	<b>40,865,185</b>

**26.0 LEGAL EXPENSES**

Legal expenses include fees for professional services for tax consultancy, credit rating, RJSC consultancy, recovery agent fee, corporate governance certification etc.

**26.a LEGAL EXPENSES (consolidated)**

Prime Finance & Investment Limited	434,525	10,172,684
Prime Finance Capital Management Limited	1,402,752	25,900
	<b>1,837,277</b>	<b>10,198,584</b>

**27.0 POSTAGE, STAMP, TELECOMMUNICATION ETC.**

Postage, telephone and fax	2,225,260	2,352,266
Charges, levies, stamps and duties	1,048,833	1,129,202
	<b>3,274,093</b>	<b>3,481,468</b>

**27.a POSTAGE, STAMP, TELECOMMUNICATION ETC. (consolidated)**

Prime Finance & Investment Limited	3,274,093	3,481,468
Prime Finance Capital Management Limited	193,621	219,036
	<b>3,467,714</b>	<b>3,700,504</b>

**28.0 STATIONERY, PRINTING, ADVERTISEMENTS ETC.**

Printing and stationery	3,122,296	3,451,485
Books and periodicals	52,377	46,378
Advertisement and publicity	444,725	553,738
	<b>3,619,398</b>	<b>4,051,601</b>

**28.a STATIONERY, PRINTING, ADVERTISEMENTS ETC. (consolidated)**

Prime Finance & Investment Limited	3,619,398	4,051,601
Prime Finance Capital Management Limited	330,422	338,441
	<b>3,949,820</b>	<b>4,390,042</b>

**29.0 MANAGING DIRECTOR'S SALARY AND FEES**

Managing Director's salary includes basic salary, house rent allowance, house maintenance allowance, medical allowance, entertainment allowance, recreation allowance and fuel bill up to a certain limit.

**30.0 DIRECTORS' FEES**

During the year, a Director, in accordance with the Bangladesh Bank, DFIM Circular No. 13 dated 30 November 2015, was entitled to receive a fee of Tk. 8,000 for attending each meeting of the Board and its Committee. Detail of the fees paid to the Directors in the year 2018 was as under:

Total board meetings (nos.)	8	8
Total board audit committee meetings (nos.)	4	4
Total board executive committee meetings (nos.)	5	14
<b>Total fees paid</b>	<b>680,000</b>	<b>832,000</b>
No. of members in the Board	10	10
No. of members in the Audit Committee	5	5
No. of members in the Executive Committee	5	5

**30.a DIRECTORS' FEES (consolidated)**

Prime Finance & Investment Limited	680,000	832,000
Prime Finance Capital Management Limited	222,781	462,228
	<b>902,781</b>	<b>1,294,228</b>

**31.0 AUDITORS' FEES**

Auditors' fees	300,000	300,000
VAT on audit fees	45,000	45,000
	<b>345,000</b>	<b>345,000</b>

**31.a AUDITORS' FEES (consolidated)**

Prime Finance & Investment Limited	345,000	345,000
Prime Finance Capital Management Limited	74,750	1,098,250
	<b>419,750</b>	<b>1,443,250</b>

**32.0 DEPRECIATION AND REPAIR OF ASSETS**

Depreciation of fixed assets - freehold	11,418,534	11,652,251
Depreciation of fixed assets - leasehold vehicle	-	-
Amortization of intangible assets	215,849	135,849
	<b>11,634,383</b>	<b>11,788,100</b>

As on 31 December 2018, the company assesses the indication of impairment of assets and as per the assessment no such indication of an impairment loss present.

**32.a DEPRECIATION AND REPAIR OF ASSETS (consolidated)**

Prime Finance & Investment Limited	11,634,383	11,788,100
Prime Finance Capital Management Limited	7,419,022	6,204,417
	<b>19,053,405</b>	<b>17,992,517</b>

**33.0 OTHER EXPENSES**

HR development	211,198	662,564
Travelling and conveyance	2,837,754	2,460,299
Motor vehicle expenses	1,433,038	2,342,174
Subscription and fees	1,785,105	2,018,366
Meeting expenses	62,400	60,000
AGM expenses (note 33.1)	320,882	289,955
Entertainment, public relation etc.	399,873	410,745
Others	4,143,079	4,203,361
	<b>11,193,329</b>	<b>12,447,464</b>

**33.1 AGM expenses**

Rent for AGM venue	127,368	133,158
Printing, database management etc.	30,700	9,200
Publication of notice	107,564	92,347
Entertainment	15,000	15,000
Others	40,250	40,250
	<b>320,882</b>	<b>289,955</b>

**33.a OTHER EXPENSES (consolidated)**

Prime Finance & Investment Limited	11,193,329	12,447,464
Prime Finance Capital Management Limited	5,021,002	18,619,203
	<b>16,214,331</b>	<b>31,066,667</b>

**34.0 RECEIPTS FROM OTHER OPERATING ACTIVITIES**

IDCP etc.	-	30,557,029
Renewals and proceeds	333,510	741,891
Write-off & others	10,585,035	15,500,910
	<b>10,918,545</b>	<b>46,799,830</b>

**35.0 PAYMENTS FOR OTHER OPERATING ACTIVITIES**

Advance against office rent, renovation & decoration  
Advance against advertisement

Amount in Taka	
2018	2017
2,432,815	9,967,124
<b>2,432,815</b>	<b>9,967,124</b>

**36.0 EARNINGS PER SHARE**

Earnings per share (EPS) is calculated in accordance with International Accounting Standard (IAS) 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 2018 was based on the profit/(loss) attributable to ordinary shareholders of Tk. 63,100,183 (2017: Tk. (462,006,297)) and a weighted average number of ordinary shares outstanding as at 31 December 2018 of 272,916,483 (2017: 272,916,483).

**Profits attributable to ordinary shareholders**

Net profit for the year

<b>63,100,182</b>	<b>(462,006,297)</b>
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**Weighted average number of ordinary shares**

Ordinary shares at 1 January

272,916,483	272,916,483
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Weighted average number of ordinary shares at 31 December

272,916,483	272,916,483
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**Earnings per share (EPS)**

<b>0.23</b>	<b>(1.69)</b>
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**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 2018 and hence no diluted earnings per share is required to be calculated.

**36.a EARNINGS PER SHARE (consolidated)****Profits attributable to ordinary shareholders of the Company**

Net profit for the year

<b>60,551,773</b>	<b>(459,076,968)</b>
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**Weighted average number of ordinary shares**

Ordinary shares at 1 January

272,916,483	272,916,483
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Weighted average number of ordinary shares at 31 December

272,916,483	272,916,483
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**Earnings per share (consolidated)**

<b>0.22</b>	<b>(1.68)</b>
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**37.0 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 2018 was 272,916,483 and the market value per share of last trading day (27 December 2018) was Tk. 9.50 in DSE. Thus market capitalization based on DSE value was Tk.2,592.71 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' and 'PFIL' respectively. 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 2018.

	Quarters	DSE		CSE	
		High	Low	High	Low
<b>High low share price</b>	First quarter	12.10	9.60	11.50	9.50
	Second quarter	11.20	8.40	11.20	8.60
	Third quarter	11.20	8.70	11.00	9.00
	Fourth quarter	9.90	8.70	10.00	9.00
No. of shareholders		There were 13,818 shareholders as per Share Register as on 31 December 2018.			

**38.0 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 mentioned in Bangladesh Accounting Standard 24: Related Party Disclosures.

Total on-balance sheet exposure with the related parties as at 31 December 2018 was as under:

Name of the related party	Relationship	Nature of transaction	Outstanding receivable/ (payable) 2018
East Coast Trading Pvt. Ltd.	Common Directors	Term deposit	(100,000,000)
EC Distribution Ltd.	Common Directors	Term deposit	(100,000,000)
PFI Properties Limited	Common Directors	Term finance	63,167,598
Prime Finance Asset Mgt. Company Ltd.	Associate Company	Term deposit	(25,675,000)
PFI Securities Limited	Associate Company	Term finance	2,750,522,881
Prime Finance Capital Management Ltd.	Subsidiary Company	Term finance	1,082,246,029
<b>Total</b>			<b>3,670,261,508</b>

**Key management personnel**

Managing Director's salary and allowance

Amount in Taka	
2018	2017
6,191,000	7,700,000
<b>6,191,000</b>	<b>7,700,000</b>

**38.1 Significant contract where Prime Finance is party and wherein Directors have interest**

As on 31 December 2018 no such contract exists.

**38.2 Share issued to Directors and executives without consideration or exercisable at a discount**

As on 31 December 2018 no share issue exists.

**38.3 Lending policy to related parties**

Loans, advances and leases extended to related parties were as per the credit policy of the company.

**38.4 Investment in the securities of directors and their related concern**

As on 31 December 2018 no such investments exists.

**39.0 PARTICULARS OF THE DIRECTORS**

Sl. No.	Directors	Nominated by	Designation	Address	% of shares as at 31 December 2018
1.	Mr. Mohammad Masudur Rahim	East Coast Shipping Lines Ltd.	Chairman	East Coast Centre, SW(G), 8 Gulshan Avenue, Gulshan-1, Dhaka-1212	8.94
2.	Engr. Salah Uddin Ahmed	East Coast Shipping Lines Ltd.	Director	Mobil House, CWS(C) - 9, Gulshan 1, Dhaka-1212	
3.	Mr. Md. Aminul Haque	Acorn Limited	Director	Acorn Limited, Plot-68, Block-H, Road-11, Level-5, Banani, Dhaka	9.13
4.	Mr. Tauseef Iqbal Ali	N/A	Director	House # CEN-C2, Road # 95, Gulshan-2, Dhaka-1212.	2.00
5.	Dr. Shamim Khan	Pedrollo NK Limited	Director	Pedrollo Plaza", 5, Jubilee Road, Chittagong-4000	9.81
6.	Mr. Waheed Mahmud Khaled	Mawsons Limited	Director	House # 63, Avenue # 5, Block # A, Section # 6, Mirpur, Dhaka-1216.	2.07
7.	Mr. Uzzal Kumar Saha	GQ Enterprise Ltd.	Director	331/2 Tajuddin Ahmed Swaroni, Bara Maghbazar, Dhaka-1217	8.50
8.	Mr. Manzur Ahmed	Agami Apparels Ltd.	Director	Flat# 1/D, House # 28, Road # 9/A, Dhanmondi R/A, Dhaka-1209	8.46
9.	Mr. Ahmed Kamal Khan Chowdhury	N/A	Independent Director	Tajwar Centre (5th Floor), House No. 34, Road- 19/A, Block- E, Banani, Dhaka- 1213	NIL
10.	Mr. MBM Lutful Hadee	N/A	Independent Director	House # 77, 2nd Floor, Road # 4, Block # C, Banani, Dhaka-1213.	NIL

**40.0 DIRECTORS AND THEIR ENTITIES IN WHICH THEY HAVE INTEREST**

Sl. No	Name of the Directors	Designation	Entities where they have interest
1	Mr. Mohammad Masudur Rahim	Chairman	1 Radiant Alliance Ltd. 2 Bangladesh Trade Syndicate Ltd. 3 Prime Finance Capital Management Limited
2	Mr. Md. Aminul Haque	Director	1 Acorn Limited 2 Asia Gate Ltd. 3 B-Trac Engineering Ltd. 4 Bangla Trac Ltd. 5 THANE Technology 6 Bangla Trac Oil & Gas Ltd. 7 Bangla Trac Power Unit-1 Ltd. 8 Bangla Trac Power Unit-2 Ltd.
3	Mr. Tauseef Iqbal Ali	Director	1 Prime Finance Capital Management Limited
4	Dr. Shamim Khan	Director	1 Progressive Trading 2 Orko Health Ltd. 3 Halda Valley Food & Beverage Ltd. 4 Pedrollo nk Ltd. 5 Halda Valley Tea Co. Ltd. 6 PNL Holdings Ltd. 7 Polyexprint Ltd. 8 Halda Fisheries Ltd. 9 Pedrollo Dairy & Horticulture Ltd. 10 Poly Tape Ltd. 11 PNL Water Management Ltd. 12 NUOVO Renewable Energy Ltd.
5	Mr. Waheed Mahmud Khaled	Director	1 Mawsons Limited 2 Prime Finance Capital Management Limited 3 Everest Homes Ltd 4 Everest Trading Ltd.
6	Engr. Salah Uddin Ahmed	Director	-
7	Mr. Uzzal Kumar Saha	Director	1 Prime Finance Capital Management Limited 2 PFI Securities Limited
8	Mr. Manzur Ahmed	Director	1 PFI Securities Limited
9	Mr. Ahmed Kamal Khan Chowdhury	Independent Director	1 Prime Finance Capital Management Limited
10	Mr. MBM Lutful Hadee	Independent Director	1 Prime Bank Securities Ltd.

**41.0 DISCLOSURES ON THE BOARD AUDIT COMMITTEE****Composition and qualification:**

The Audit Committee consists of the following directors of the Board:

Name	Status with the Company	Status with the Committee	Educational Qualification
Mr. Ahmed Kamal Khan Chowdhury	Independent Director	Chairman	Masters in Economics
Mr. Mohammad Aminul Haque	Director	Member	B. Sc Engineer
Mr. Tauseef Iqbal Ali	Director	Member	MBA
Mr. MBM Lutful Hadee	Independent Director	Member	FCA, LLM
Mr. Uzzal Kumar Saha	Director	Member	M.Com (Accounting)

**Audit Committee meetings held during the year 2018:**

SL	Meeting no.	Meeting date
1	75 no. Audit Committee Meeting	27-Mar-2018
2	76 no. Audit Committee Meeting	15-May-2018
3	77 no. Audit Committee Meeting	30-Oct-2018
4	78 no. Audit Committee Meeting	27-Dec-2018

**Major issues discussed in the Audit Committee Meeting during the year 2018 were as under:**

- Reviewed the draft financial statements of the Company and its Subsidiary.
- Recommended the Board for appointment of statutory auditors and fixation of their remuneration.
- Reviewed the effectiveness of external audit process.
- Reviewed the Internal Audit Plan.
- Reviewed the Core Risk Management Policies of the Company.
- Reviewed and approved the 'Audit Committee Report'.
- Reviewed the quarterly financial statements.
- Reviewed the quarterly report on compliance of internal policy and operations report.

**42.0 CONTINGENT LIABILITIES & OTHER COMMITMENTS**

Contingent liabilities:

Other commitments:

Un-disbursed contracted loans, advances and leases

Amount in Taka	
2018	2017
-	-
25,000,000	10,000,000
<b>25,000,000</b>	<b>10,000,000</b>

This represents loans, advances and leases sanctioned during the year but not yet disbursed.

**43.0 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.

**44.0 BOARD MEETINGS AND NUMBER OF DIRECTORS**

During the year 2018, 08 (Eight) Board Meetings were held. As on 31 December 2018, there were 10 members in the Board, which include two 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.

**45.0 NUMBER OF EMPLOYEES**

A total number of 108 employees, including 20 sub staffs were employed in Company as at 31 December 2018. All the employees received salary of Taka 36,000 and above per annum during the year 2018.

**46.0 REPORTING CURRENCY AND LEVEL OF PRECISION**

The figures in the financial statements represent Bangladesh currency (Taka), which has been rounded off to the nearest integer.

**47.0 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.

**48.0 EVENTS AFTER THE REPORTING PERIOD**

None as on 31 December 2018

**49.0 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.

**50.0 COMPARATIVE FIGURES**

Comparative information in respect of the preceding period as specified in IAS 1, para 38 has been disclosed in respect of the year 2018 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. Previous years figures have been rearranged whenever considered necessary to ensure comparability with the current period.



**51.0 FINANCIAL HIGHLIGHTS**

Key financial highlights of the company are annexed as **Annexure-B**.

**52.0 GEOGRAPHICAL AREA OF OPERATION**

Prime Finance continues its business operation through its offices at Dilkusha, Gulshan, Chittagong, Rajshahi and Uttara.

**53.0 INTERIM FINANCIAL REPORTING**

Prime Finance prepared its interim financial statements on quarterly and half-yearly basis as per the requirements of International Accounting Standard (IAS) 34, 'Interim financial reporting'. The Company publishes its interim financial statements in the website of the Company as required by the Bangladesh Securities and Exchange Commission's notification no. SEC / CMRRCD / 2008-183 / Admin / 03-34, dated September 27, 2009.

**54.0 DISAGREEMENT WITH AUDITORS**

There were no disagreement with the Auditors on accounting and financial disclosures.

**55.0 DEPARTURE FROM IAS 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.

**56.0 DEPARTURE FROM IAS 39**

The requirement of DFIM Circular no. 11 dated 23 December 2009 contradicts with the requirement of IAS 39. As per IAS 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 in recognizing investment in share and maintaining provision on the same.

**57.0 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were authorized for issue by the Board of Directors of the Company on 21 March 2019.

## Annexure-A

**Schedule of fixed assets**  
Including premises, furniture and fixtures  
As at 31 December 2018

Particulars	Cost			Depreciation/Amortization/Impairment			Written down Value as at Dec' 31, 2018
	Balance as at Jan' 01, 2018	Addition during the year	Disposal/ adjustment during the year	Balance as at Jan' 01, 2018	Charged during the year	Disposal/ adjustment during the year	
<b>Freehold assets:</b>							
Land	305,151,022	-	-	-	-	-	305,151,022
Furniture and fixtures	18,530,044	5,000	-	14,464,050	1,377,925	-	2,693,069
Office decoration	35,010,311	883,629	-	24,362,855	4,288,992	-	7,242,093
Electrical equipment	32,609,647	62,090	-	25,998,405	3,220,204	-	3,453,128
Owned vehicles	19,536,344	-	-	12,572,744	2,531,413	-	4,432,187
<b>Intangible assets:</b>							
Software	2,608,486	800,000	-	1,637,384	215,849	-	1,555,253
<b>Leasehold assets:</b>							
Leased vehicles	12,197,061	-	-	12,197,056	-	-	5
<b>As at 31 December 2018</b>	<b>425,642,915</b>	<b>1,750,719</b>	<b>-</b>	<b>91,232,494</b>	<b>11,634,383</b>	<b>-</b>	<b>324,526,757</b>
<b>As at 31 December 2017</b>	<b>421,699,442</b>	<b>3,943,473</b>	<b>-</b>	<b>79,444,394</b>	<b>11,788,100</b>	<b>-</b>	<b>334,410,421</b>

Amount in Taka

## Annexure - B

## HIGHLIGHTS

Sl. No	Particulars	Financial Year	
		2018	2017
1	Paid-up capital	2,729,164,830	2,729,164,830
2	Total capital	3,149,991,070	3,147,145,587
3	Capital surplus/ (shortage)	1,713,256,681	1,391,315,587
4	Total assets	14,011,424,165	17,173,092,317
5	Total deposits	6,634,959,037	8,938,854,327
6	Total loans, advances and leases	9,935,365,022	12,213,504,923
7	Total Contingent liabilities and commitments	25,000,000	10,000,000
8	Loans deposits ratio (%)	149.74	136.63
9	Percentage of classified loans against total loans, advances and leases	17.12	12.44
10	Net profit after tax and provision	58,852,833	(457,124,083)
11	Classified loans, advances and leases during the year	1,449,810,384	1,336,969,678
12	Provision against classified loans, advances and leases	466,899,568	613,036,668
13	Surplus/ (shortage) in provision against loans, advances and leases	-	-
14	Fund cost (%)	10.80	8.89
15	Interest earning assets	13,203,939,661	16,330,297,875
16	Non-interest earning assets	807,484,504	842,794,442
17	Return on average investment (ROI) (%)	0.54	(2.94)
18	Return on average assets (ROA) (%)	0.44	(2.49)
19	Income from debentures, bonds etc.	-	-
20	Net income per share	0.22	(1.68)
21	Earnings per share	0.22	(1.68)
22	Price earnings ratio (times)	42.82	(7.25)

This Annexure - B has been prepared as per the requirement of Bangladesh Bank's DFIM circular no. 11, dated 23 December 2009.

# Prime Finance Capital Management Limited

## Directors' Report

### 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 2018 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 21 March 2019.

The Directors' Report has been prepared in compliance with Section 184 of the Companies Act, 1994 and other applicable rules & regulations.

### Global Economy

#### Economic performance

According to the latest projections by the World Bank, despite recent softening, global economic growth will remain robust at 3.1 percent in 2018 before slowing gradually over the next two years, as advanced-economy growth decelerates and the recovery in major commodity-exporting emerging market and developing economies levels off.

Activity in advanced economies is expected to grow 2.2 percent in 2018 before easing to a 2 percent rate of expansion next year, as central banks gradually remove monetary stimulus, the June 2018 Global Economic Prospects says. Growth in emerging market and developing economies overall is projected to strengthen to 4.5 percent in 2018, before reaching 4.7 percent in 2019 as the recovery in commodity exporters matures and commodity prices level off following this year's increase.

Another Special Focus finds that elevated corporate debt can heighten financial stability concerns and weigh on investment. Corporate debt and, in some countries, foreign currency debt has risen rapidly since the global financial crisis, making them more vulnerable to rising borrowing costs.

Growth in the East Asia and Pacific region is forecast to ease from 6.3 percent in 2018 to 6.1 in 2019, reflecting a slowdown in China that is partly offset by a pickup in the rest of the region. Growth in China is anticipated to slow from 6.5 percent in 2018 to 6.3 percent in 2019 as policy support eases and as fiscal policies turn less accommodative. Excluding China, growth in the region is forecast to moderate from 5.4 percent in 2018 to 5.3 percent in 2019 as a cyclical economic recovery matures. Indonesia's economy is expected to grow 5.2 percent rate this year and 5.3 percent the next. Growth in Thailand is expected accelerate to 4.1 percent in 2018, before moderating slightly to a 3.8 percent rate in 2019. For both commodity exporting and importing economies of the region, capacity constraints and price pressures are expected to intensify over the next two years, leading to tighter monetary policy in an increasing number of countries.

Growth in the South Asia region is projected to strengthen to 6.9 percent in 2018 and to 7.1 percent in 2019, mainly as factors holding back growth in India fade. Growth in India is projected to advance 7.3 percent in Fiscal Year 2018/19 (April 1, 2018-March 31, 2019) and 7.5 percent in FY 2019/20, reflecting robust private consumption and strengthening investment. Pakistan is anticipated to expand by 5 percent in FY 2018/19 (July 1, 2018-June 30, 2019), reflecting tighter policies to improve macroeconomic stability. Bangladesh is expected to accelerate to 6.7 percent in FY 2018/19 (July 1, 2018-June 30, 2019).

After many years of downgrades, consensus forecasts for long-term growth have stabilized, a possible signal the global economy is finally emerging from the shadow of the financial crisis a decade ago. However, long-term consensus forecasts are historically overly optimistic and may have overlooked weakening potential growth and structural drags on economic activity.

### World capital market outlook

The global economy should post consistently solid growth in 2018 and US monetary policy should gradually return to normal. In its Capital Markets Outlook 2018 there are nevertheless potential economic perils, especially of inflation rising too rapidly.

Following a challenging 2017 fixed income investors are unlikely to fare much better in 2018. Although it is too early to talk about a bear market (constantly falling prices); the decades-long bull market (constantly rising prices) is drawing to a close. It is expected that interest rates to continue rising at both the short and long ends of the yield curve in the US and the eurozone. In the US prices are likely to be dampened not only by the expected key rate hikes but also by the smaller Fed balance sheet and China's smaller current account surpluses – both combined with fewer purchases of US government bonds. Although marked increases in capital market rates are not to be expected in the eurozone, rising yields on German government bonds – the benchmark for eurozone bonds: the 10-year Bund should yield around one percent at the end of 2018.

The uptrend in global stocks is set to enter its tenth year in March 2018. Market participants could demand a higher risk premium on account of the already longstanding cycle. Nevertheless, the outlook is interesting due to the strong global economy: One particular source of hope is the fact that corporate earnings have now become the main driver of price movements. Whereas company valuations may even drop slightly, global earnings for the coming year are forecast to average a solid 10 percent. Stocks could play a role for correspondingly risk-seeking investors in 2018 as well.

The German stock market is likely to continue benefiting from its cyclical orientation – even though prices may fluctuate more sharply as a result.

In Japan, the leading Nikkei index recently climbed to a 25-year high and the outlook remains rosy. Japanese multinationals are benefiting from the uptick in world trade. The fact that in the year to date the yen has traded lower on average than in 2016 is helping Japanese exports. In addition, there are the large cash reserves of Japanese firms that should accrue to investors over the long term either via dividends and share buybacks or could be used for capital expenditure. The development of liberalisation in the Chinese stock market is exciting. Due to the long-term high savings ratio of the Chinese they have accumulated about 10 trillion US dollars which might also be invested outside mainland China over the medium term. The Hong Kong and mainland China stock exchanges are linked via so-called Stock Connects. Moreover, international investors could gradually become more interested in mainland Chinese stocks due to the opening-up of markets.

Even without a potential overshooting of inflation, stronger fluctuations on the capital markets are to be expected in the coming year. In addition to investments in real estate and multi-asset funds, investments in stocks and bonds could come in to play for investors who are willing to take risks: bond market risks is an active term structure and flexible management. In spite of the partially improved outlook, direct investments in commodities do not play a notable role for Deutsche Bank at present.

### **Bangladesh Economy**

Bangladesh has come a long way in its economic growth. From US\$ 5.70 billion in 1972, the Gross Domestic Product (GDP) increased to US\$ 285.82 billion in 2018. The Bangladesh economy is the 42nd largest in the world in nominal terms and 31st largest in terms of Purchasing Power Parity (PPP). Recently, Bangladesh graduated from Least Developed Country (LDC) status to a lower middle income country, and hopes to become a developed country by 2041.

Economic growth in Bangladesh has been helped largely by export earnings from the Ready-Made Garments (RMG) sector; remittances sent by migrant workers; growth in the agricultural sector; expansion in Medium, Small and Micro Enterprises (MSMEs) and decline in the rate of population growth.

Being a labour surplus country, annually about 0.5 million Bangladeshis migrate abroad in search of jobs. According to the Bureau of Manpower Employment and Training (BMET), the total number of Bangladeshi labour migrants was around 11.5 million in 2017. The figure represents about 4.5 per cent of the country's population and 11 per cent of its labour force (BMET 2018). With increase in the number of migrant workers, there has been considerable increase in the amount of annual remittance. Agriculture sector witnessed remarkable progress, despite continued loss of arable land. There has been a sharp

increase in food grain production during the last over four decades. The increase has been made possible as a result of a liberalized input market and expansion of irrigation, encouraging farmers to adopt the new seed-fertilizer technology.

Small and Medium Enterprises (SMEs) have played a vital role in promoting economic growth, poverty reduction, and employment generation. The Government of Bangladesh highlighted the importance of SMEs in its Industrial Policy; and it has been identified as a 'thrust sector' by the Ministry of Finance. However, to efficiently run SMEs, allocation of adequate funds and skill development of both entrepreneurs and workers are critically needed.

Commercial banks have been playing an important role in the economic development of Bangladesh. They provide investible funds to both the public sector, and specially the private sector. Further, banks have played a significant role in respect of the four major drivers of economic growth in Bangladesh as discussed above. The banking sector, however, is faced with various challenges, which include among others, weak management, poor governance, lack of strong leadership, and non-compliance with ethical standards leading to various types of banking scams such as money laundering and Non-Performing Loans (NPLs).

To become a developed country by 2041, the major impediments to development need to be effectively addressed. Therefore, there is urgent need to: further increase public spending on infrastructure development; increase the investment-GDP ratio, and encourage greater investments in the private sector; increase export earnings by both increasing the volume and quality of RMG products as well as by considerably diversifying export basket and exploring new markets; increase inward remittances by providing adequate skills to the migrant workers, exploring new countries of destination, and further improving banking channels for receiving inward remittances; create adequate number of "decent jobs" to provide the workforce with reasonable wages and decent standard of living; make required investments in the health and education sectors to be able to reap the benefits of "demographic dividend"; ensure continued growth in agriculture, despite loss of arable land and threats of natural disasters; increase efficiency and productivity in the SME sector by duly addressing various challenges faced by the sector; increase private sector credit to the productive sectors; improve efficiency, management, governance, leadership, and transparency in the banking sector to check money laundering and other scams and recover NPLs, which could, then, be used for productive investment; strengthen macro prudential frameworks and enhance exchange rate flexibility to improve resource allocation, reduce vulnerabilities and boost resilience; ensure inclusive growth and development; and last, but not the least, improve efficiency, transparency, accountability and overall governance, both in the public and the private sectors.



### Capital market scenario

2018 was a year of disappointment for the stock market, as the market index and turnover, including foreign investment, declined.

Meanwhile, the total transaction figure stood at Tk13,359 crore the year 2018, which was 38.43% less than last year. This year the DSE's average daily turnover was Tk. 552.03 crore. It was Tk. 874.83 crore the previous year. Market capitalization fell by 8.42% to Tk. 35,599 crore. The overall price earnings (P/E) ratio rose to 15.09 at the end of 2018.

The market was slow in 2018 and the speed with which it was supposed to recover was not achieved. The ratio of stock market capitalization to GDP stood at 17.21% as of December 27, 2018. The ratio is significantly lower than many of the neighbouring countries such as India (86.34%), Pakistan (28.25%), Thailand (110.33%) and Malaysia (142.24%). The ratio reflects the growth potential of the capital market and it is used to determine whether the overall market is undervalued or overvalued.

The overall market scenario was also negative in 2018 as investors were discouraged by one issue after another, and sales pressure from foreigners worsened the scenario. Investors went through a volatile financial sector amid financial scams, non-performing loans, and poor management that dampened investor moods. Most of the banks disclosed profit declines in their quarterly financial reports that also worsened the situation. Foreigners bought shares worth Tk. 4,496.24 crore against their share sales of Tk. 5,089.71 crore in 2018. Last year overseas investors had bought shares worth Tk. 6,576.29 crore and sale of Tk. 4,871.34 crore.

### Industry outlook

Merchant banks play a vital role in bringing good companies to the capital market, thus, increasing market depth and liquidity. Therefore, these institutions have to find good companies that can provide fair and sustainable returns to shareholders.

Furthermore, merchant banks should also groom prospective companies and teach them to practise proper corporate governance before entering the capital market through IPO (initial public offering).

Bringing a company to general investors through IPO is challenging, as it forces companies to be accountable to those investors. Sometimes, we have to provide practical suggestions to shape regulations related to our scope of services. Apart from that, merchant banks have a crucial role in promoting financial literacy among investors so that they can make correct decisions, and also provide professional portfolio management services.

High bank interest rates, failing to secure bank loans and flexible terms of stock market are some of the reasons that attracted companies to go public. Besides, good exposure to foreign buyers that favour listed firms for sourcing products and the demutualization of the Dhaka Stock Exchange (DSE) are two other major reasons to attract firms to get listed on the

premier bourse, initially through issuing IPOs.

According to DSE's latest data, a total of 13 companies have raised funds worth Tk. 546 crore in 2018 which was Tk. 219.25 crore in the last year. Out of them, two companies have raised Tk280 crore using the book building method, while 11 companies collected Tk. 266 crore under the fixed price method.

### Company outlook

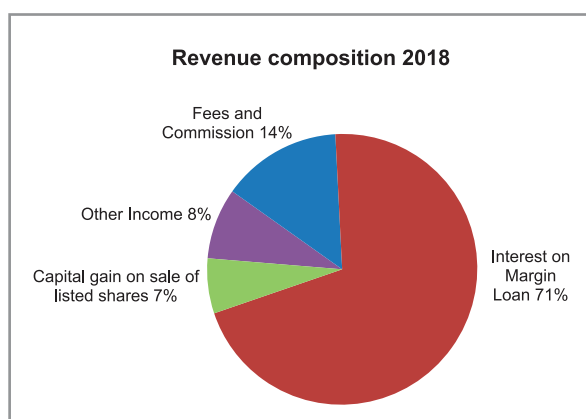
Prime Finance Capital Management Limited (PFCML) is a subsidiary of country's leading financial institution-Prime Finance & Investment Limited. Since 1996, PFCML has been in the capital market as a full-fledged merchant bank under the merchant banking wing of Prime Finance & Investment Limited to serve individual clients, small and large companies with a full range of issue management, underwriting, portfolio management and corporate advisory services. However, as per BSEC's guideline, the merchant banking wing was converted into subsidiary company and incorporated in 18 March 2010 as a public limited company with an authorized capital of Tk. 2,500 crore and an initial paid-up capital of Tk. 1,000 crore. Currently, as on 31 December 2018 the paid up capital of the Company is Tk. 203.28 crore.

### Principal activities

The main objectives of the company are to carry out business of merchant banking in all 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.

### Operational performance

The Company reported net loss after tax attributable to equity holders of the Company of Tk. 4,247,350/- for the year ended on 31 December 2018 against the net profit after tax of Tk. 4,882,212 for the year ended on 31 December 2017. The Company has made a provision of Tk. (4,367,009) as income tax on capital gain and dividend. Total investment of the Company in margin loan was Tk. 2,547,125,099 and investment in shares including unquoted shares was Tk. 711,181,054 for the year ended on 31 December 2018.



### Fixed assets addition

During the year 2018 total written down value of fixed assets stood at Tk. 14,069,192/- compared to Tk. 16,008,952/- in 2017. In the current year, addition of fixed assets was for Tk. 5,628,845/- and disposal of fixed assets was for Tk. 250,000/-.

### Reserve & surplus

The reserve & surplus of the Company includes retained earnings only. As on 31 December 2018 balance of retained earnings stood at Tk. (16,072,744) which was Tk. (11,825,394) on 31 December 2017.

### Dividend

The Company's profitability status is not in a position to pay out dividend. The Board in its meeting held on 21 March 2019 recommended "No" dividend for the year 2018.

### 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 25 April 2019.

### Annual General Meeting

The 9th Annual General Meeting of the Company will be held on 12 May 2019 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 2018 including the reports of the Directors and the Auditors;
- To consider dividend for the year 2018 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; and
- To appoint the statutory auditors for the year 2019 and fixation of their remuneration.

### Auditors

M. M. Rahman & Co., Chartered Accountants of Padma Life Tower, 115 Kazi Nazrul Islam Avenue, Dhaka-1000, was appointed as the Auditors of the Company for the year 2018 in the 8th Annual General Meeting. The Auditors will retire in the 9th Annual General Meeting. The Board recommended to the Shareholders to appoint K. M. Hasan & Co., Chartered Accountants as the Auditors of the Company for the year 2019 at a remuneration of Tk. 65,000/- (Taka sixty five thousand) only plus VAT.

### Retirement and Re-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. Independent Directors shall not fall under the purview

of retirement by rotation.

Accordingly, Mr. Waheed Mahmud Khaled and Mr. Md. Ahsan Kabir Khan shall retire by rotation from the Board in the upcoming 9th Annual General Meeting of the Company.

As per Article 128 of the Article of Association of the Company, the retiring directors are eligible for re-election in the next Annual General Meeting of the Company.

As per para 86 of Schedule-I of The Companies Act 1994, the Directors shall have power to appoint an additional Director who shall retire from office of the Company and eligible for election as Director at the same Annual General Meeting. Accordingly, the following Directors shall retire and eligible for election in the 9th Annual General Meeting:

- 1) Mr. Mohammad Masudur Rahim
- 2) Ms. Syeda Tasnuva Khanam
- 3) Mr. Muhammad Moniruzzaman
- 4) Mr. Mohammad Shahidul Islam

### 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 dated 3 June 2018.

### 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 2018 that has significantly affected or may significantly affect the operations of the Company.

### Conclusion

There are a number of dynamics, both political and economic factors, which could significantly affect money market and capital market in which the Company operates. As recent turmoil in the market indices, investors remain concerned about stock prices, interest rates, inflation and growth, all of which will inevitably determine capital market's future directions. We are convinced of our ability 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 appreciations the support and co-operation 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,



**Md. Ahsan Kabir Khan**

Chairman

Board of Directors

Prime Finance Capital Management Limited



এম এম রহমান এন্ড কোং  
**M M Rahman & Co.**  
Chartered Accountants

Padma Life Tower, Level-10, 115 Kazi Nazrul  
Islam Avenue, Bangla Motor Dhaka-1000  
Tel : 02 48311027, 02 48311029  
Email : info@mmrahman.org, Web : www.mmrahman.org

## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Prime Finance Capital Management Limited

### Opinion

We have audited the financial statements of the company which comprises the statement of financial positions as at December 31, 2018 and the statement of profit or loss and other 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 information.

In our opinion, the financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) give a true and fair view of the state of the company's affairs as at December 31, 2018 and of the results of its operations and cash flows for the year then ended and comply with the Companies Act 1994, the Securities and Exchanges Rules 1987 and other applicable laws and regulations.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), the Companies Act 1994 and other applicable laws and regulation 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's responsibility for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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**M M Rahman & Co.**  
Chartered Accountants

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Islam Avenue, Bangla Motor Dhaka-1000  
Tel : 02 48311027, 02 48311029  
Email : info@mmrahman.org, Web : www.mmrahman.org

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Report on other legal and regulatory requirements

In accordance with the Companies Act 1994, we also report the following:

- 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 these books;
- c) The statement of financial position and statement of profit or loss and other 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.

Dated: Dhaka  
21 March 2019

  
**M M Rahman & Co.**  
Chartered Accountants

# Prime Finance Capital Management Limited

## Statement of financial position

As at December 31, 2018

Assets	Notes	Dec' 31,2018 Amount (Tk.)	Dec' 31,2017 Amount (Tk.)
Property, plant and equipment	7.00	14,069,192	16,008,952
Investment in shares	8.00	711,181,054	777,076,322
Deferred tax assets	9.00	4,158,901	2,950,777
<b>Total non-current assets</b>		<b>729,409,147</b>	<b>796,036,051</b>
Margin loan	10.00	2,547,125,099	3,006,499,092
Account & other receivables	11.00	395,718,033	357,570,697
Advance, deposit and prepayment	12.00	247,948,363	350,409,270
Cash and cash equivalents	13.00	19,327,051	36,569,147
<b>Total current assets</b>		<b>3,210,118,546</b>	<b>3,751,048,206</b>
<b>Total assets</b>		<b>3,939,527,693</b>	<b>4,547,084,257</b>
<b>Equity</b>			
Share capital	14.00	2,032,800,000	2,032,800,000
Retained earnings	15.00	(16,072,744)	(11,825,394)
<b>Total equities</b>		<b>2,016,727,256</b>	<b>2,020,974,606</b>
<b>Liabilities</b>			
Term loan-long term maturity	16.01	60,410,283	87,148,384
<b>Total non-current liabilities</b>		<b>60,410,283</b>	<b>87,148,384</b>
Margin deposit	17.00	15,358,627	17,270,443
Current account with parent company	18.00	1,082,246,029	1,537,011,440
Short term loan	19.00	492,315,327	411,178,886
Accounts payable	20.00	325,719	1,800,948
Other payables and accruals	21.00	101,615,142	156,900,111
Provisions for taxes	29.00	170,529,310	314,799,439
<b>Total current liabilities</b>		<b>1,862,390,154</b>	<b>2,438,961,267</b>
<b>Total liabilities</b>		<b>1,922,800,437</b>	<b>2,526,109,651</b>
<b>Total equity and liabilities</b>		<b>3,939,527,693</b>	<b>4,547,084,257</b>
<b>Net assets value per share (NAV) per share</b>		<b>9.92</b>	<b>9.94</b>

The accounting policies and explanatory notes form an integral part of the financial statement.

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Managing Director (CC)

Date : Dhaka  
March 21, 2019

Sd/-  
**M M Rahman & CO.**  
Chartered Accountants



# Prime Finance Capital Management Limited

## Statement of profit or loss and other comprehensive income

For the year ended December 31, 2018

	Notes	Dec' 31,2018 Amount (Tk.)	Dec' 31,2017 Amount (Tk.)
Fees and commission	22.00	27,028,665	27,057,235
Interest on margin loan	23.00	135,643,299	35,952,057
Capital gain on sale of listed shares	24.00	12,633,348	64,157,039
Other income	25.00	15,868,175	4,911,137
<b>Total operating income</b>		<b>191,173,487</b>	<b>132,077,468</b>
Financial expenses	26.00	(132,495,985)	(23,395,838)
Management expenses	27.00	(51,008,728)	(84,707,152)
<b>Total operating expenses</b>		<b>(183,504,713)</b>	<b>(108,102,990)</b>
<b>Operating profit</b>		<b>7,668,774</b>	<b>23,974,478</b>
Provision for doubtful loss	28.00	(8,757,239)	(12,579,021)
<b>Profit/(loss) before income tax</b>		<b>(1,088,465)</b>	<b>11,395,457</b>
Current tax	29.00	(4,367,009)	(7,378,381)
Deferred tax	9.01	1,208,124	865,036
<b>Net profit/(loss) after income tax</b>		<b>(4,247,350)</b>	<b>4,882,112</b>
Other comprehensive income for the year			
Total comprehensive income for the year		(4,247,350)	4,882,112
Earning per share (Basic)		(0.021)	0.024

The accounting policies and explanatory notes form an integral part of the financial statement.

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Managing Director (CC)

Date : Dhaka  
March 21, 2019

Sd/-  
**M M Rahman & CO.**  
Chartered Accountants

## Prime Finance Capital Management Limited

### Statement of cash flows

For the year ended December 31, 2018

	Dec' 31,2018 Amount (Tk.)	Dec' 31,2017 Amount (Tk.)
<b>Cash flows from operating activities</b>		
Net received from/(payment to) portfolio customers	(27,387,508)	47,144,545
Net received from brokers	597,668,705	410,145,204
Fees and commission receipt	4,018,724	1,155,556
Payment for management expense	(46,419,493)	(45,478,638)
Received of dividend income	15,779,000	4,813,384
Received of interest income	82,073	79,748
Bank charge paid	(100,516)	(120,165)
Tax paid	(3,476,691)	(2,164,895)
<b>Net cash generated from operating activities</b>	<b>540,164,294</b>	<b>415,574,739</b>
<b>Cash flows from investing activities</b>		
Payment against fixed assets	(6,373,305)	(4,709,790)
Received against/ (payment for) employees car loan/home loan	300,000	-
Net received from/(payment for) investment in shares/bond	32,058,975	(216,801,917)
<b>Net cash flow from / (used) in investing activities</b>	<b>25,985,670</b>	<b>(221,511,707)</b>
<b>Cash flows from financing activities</b>		
Net payment against term loan	(23,571,022)	(31,241,983)
Payment for financial expenses	(136,340,835)	(29,391,488)
Net received from/ (payment for) overdraft facility	31,285,208	(85,938,510)
Net loan payment to inter company	(454,765,411)	(36,000,000)
<b>Net cash used in financing activities</b>	<b>(583,392,060)</b>	<b>(182,571,982)</b>
<b>Net cash flows for the year</b>	<b>(17,242,096)</b>	<b>11,491,050</b>
Cash and cash equivalents at January 01, 2018	36,569,147	25,078,097
<b>Cash and cash equivalents at December 31, 2018</b>	<b>19,327,051</b>	<b>36,569,147</b>
<b>Break-up of the balance is as follows</b>		
Cash in hand	25,943	7,219
Cash at bank	19,301,108	36,561,928
	<b>19,327,051</b>	<b>36,569,147</b>

## Prime Finance Capital Management Limited

### Statement of changes in equity

For the year ended December 31, 2018

January 01, 2018 - December 31, 2018

Particulars	Share capital Amount (Tk.)	Retained earnings Amount (Tk.)	Total Amount (Tk.)
Opening balance as on January 01, 2018	2,032,800,000	(11,825,394)	2,020,974,606
Addition during the year	-	(4,247,350)	(4,247,350)
<b>Closing balance as on December 31, 2018</b>	<b>2,032,800,000</b>	<b>(16,072,744)</b>	<b>2,016,727,256</b>

January 01, 2017 - December 31, 2017

Particulars	Share capital Amount (Tk.)	Retained earnings Amount (Tk.)	Total Amount (Tk.)
Opening balance as on January 01, 2017	2,032,800,000	(16,707,606)	2,016,092,394
Addition during the year	-	4,882,212	4,882,212
<b>Closing balance as on December 31, 2017</b>	<b>2,032,800,000</b>	<b>(11,825,394)</b>	<b>2,020,974,606</b>

The accounting policies and explanatory notes form an integral part of the financial statement.

Prime Finance Capital Management Limited  
**Property, plant and equipment**

As at 31 December 2018

Schedule - A

Name of Assets	Cost			Rate	Depreciation			WDV as on 31.12.2018
	Balance as on 01.01.2018	Addition during the year	Adjustment during the year		Balance as on 01.01.2018	Charged during the year	Adjustment during the year	Balance as on 31.12.2018
Furniture & Fixture	18,412,249	-	250,000	15%-20%	11,075,157	2,738,444	100,417	13,713,184
Electrical Equipment	8,678,561	85,045	-	20%	6,774,508	1,494,177	-	8,268,685
Motor Vehicle	7,792,328	5,543,800	-	20%	4,438,452	1,906,178	-	6,344,630
Office Decoration	8,534,826	-	-	15%	5,120,895	1,280,224	-	6,401,119
<b>As on December 31, 2018</b>	<b>43,417,964</b>	<b>5,628,845</b>	<b>250,000</b>		<b>27,409,012</b>	<b>7,419,023</b>	<b>100,417</b>	<b>34,727,618</b>
<b>As on December 31, 2017</b>	<b>39,104,099</b>	<b>4,313,865</b>	<b>-</b>		<b>21,204,595</b>	<b>6,204,417</b>	<b>-</b>	<b>27,409,012</b>
								<b>16,008,952</b>

## Prime Finance Capital Management Limited

### Notes to the Financial Statements

As at and for the year ended December 31, 2018

#### 1.00 Corporate history of the 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 (BSEC) 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.

#### 2.00 Address of registered office and principal place of business

The registered office and Principal Place of Business of the company is 56-57, Dilkusha C/A, Dhaka-1000.

#### 3.00 Corporate financial statements and reporting

These comprise the Statement of financial position, Statement of profit or loss and other comprehensive income, Statement of changes in equity, Statement of cash flows and explanatory notes covering accounting policies.

The financial statements are prepared under the historical cost convention and in accordance with the requirements of International Financial Reporting Standards (IFRS); International Accounting Standards (IAS); The Companies Act, 1994; The Securities and Exchange Rules, 1987; and other applicable laws and regulations.

The Board of Directors is responsible for preparing and presenting the financial statements including adequate disclosures.

#### 3.01 Date of authorization

The Financial statements of Prime Finance Capital Management Limited for the year ended December 31, 2018 were authorized for issue in accordance with a resolution of the Board of directors on March 21, 2019.

#### 4.00 Basis of preparation

##### 4.01 Statement of compliance

The financial statements have been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and as per requirements of the Companies Act 1994 and other applicable laws and regulations.

#### 5.00 Basis of measurement

##### 5.01 Going concern

The financial statements have been prepared on going concern basis under historical cost conventions of generally accepted accounting principles.

##### 5.02 Functional currency and presentation currency

These financial statements are presented in Bangladesh Taka, which is also the Company's functional currency. All financial information presented in Taka have been rounded off to the nearest taka.

#### 5.03 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

-Liability for gratuity.

-Selection of depreciation method and estimation of useful lives.

#### 5.04 Reporting period

The financial period of the company covers one year from January 01 to December 31 and is followed consistently. These financial statements are prepared for the year ended December 31, 2018.

#### 5.05 Accrual basis of accounting

These financial statements except the statement of cash flows have been prepared under the accrual basis of accounting.

#### 5.06 Comparative information

Comparative information to be disclosed in respect of the previous period for all amounts reported in the financial statements, both on the face of the financial statements and in the notes, unless another Standard requires otherwise. Comparative information is provided for narrative and descriptive where it is relevant to understanding the financial statements of the current period. Comparative information of these financial statements cover the period from January 01, 2017 to December 31, 2017.

#### 6.00 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### 6.01 Property, plant and equipment

##### 6.1.1 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 labor, any other cost directly attributable to bringing the assets to a working condition for their intended use.

**6.1.2 Subsequent cost**

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 cost of the day-to-day servicing of property, plant and equipment are recognized in the profit and loss account as incurred.

**6.1.3 Depreciation**

Depreciation on the property, plant and equipment is recognized in the profit and loss account on a straight line basis over the estimated useful lives of each item of property, plant and equipment. Prime Finance Capital Management Limited uses the month-placed-in-service depreciation convention for all property, plant and equipment. Using this convention, depreciation begins in the month the property, plant and equipment is placed in service regardless of which day within the month the property, plant and equipment is placed in service.

In case of additions, normal rates are uniformly applied on assets from the month of acquisition.

Rate of depreciation on property, plant and equipment considering the useful life of the assets are as follows:

Class of assets	Rate
Motor vehicles	20.00%
Electrical equipments	20.00%
Furniture and fittings	15.00%-20.00%
Office decoration	15.00%

**6.1.4 Retirements and disposals**

In case of disposal of asset, no depreciation is charged in the month of disposal. 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.

**6.02 Advances, deposits and prepayments**

Advances are initially measured at cost. After initial recognition advances are carried at cost less deduction, adjustment or charges to other account heads such as property, plant and equipment, inventory or expenses.

Deposits are measured at payment value.

Prepayments are initially measured at cost. After initial recognition prepayments are carried at cost less charges to Statement of profit or loss and other comprehensive income.

**6.03 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, Cash at bank.

**6.04 Provisions**

A provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

**6.05 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.

**6.06 Income tax expense**

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 2018. Applicable tax rate for the Company as a Merchant Bank is 37.5%.

**6.07 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.

**6.08 Revenue recognition**

Revenue is recognized in accordance with IFRS 15: 'Revenue', unless otherwise mentioned or otherwise guided by the separate IAS/IFRS.

**6.8.1 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.

**6.8.2 Income from portfolio management fee**

Income from portfolio 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.

**6.8.3 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.

**6.8.4 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.

**6.09 Cash flow statement**

Cash flows statement is prepared principally in accordance with IAS -7 and the cash flow from operating activities have been presented under direct method as prescribed by the securities and exchange Rules 1987.

**6.10 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.



**7.00 Property, plant & equipment : Tk. 14,069,192****Cost**

Opening balance	43,417,964	39,104,099
Addition during the year	5,628,845	4,313,865
Adjustment during the year	(250,000)	-

**Total cost**

<b>48,796,809</b>	<b>43,417,964</b>
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**Accumulated depreciation**

Opening balance	27,409,012	21,204,595
Depreciation charged during the year	7,419,023	6,204,417
Adjustment during the year	(100,417)	-

**Total accumulated depreciation**

<b>34,727,618</b>	<b>27,409,012</b>
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**Written down value (WDV)**

<b>14,069,192</b>	<b>16,008,952</b>
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Details of Property, plant & equipment are shown in the (Schedule - A)

**8.00 Investment in shares: Tk. 711,181,054**

Quoted shares		706,181,054	725,676,322
Un-quoted shares	8.01	5,000,000	51,400,000
		<b>711,181,054</b>	<b>777,076,322</b>

**8.01 Un-quoted shares: Tk. 5,000,000**

Bengal Meat Processing Industries Limited		5,000,000	5,000,000
PFI Properties Limited		-	46,400,000
		<b>5,000,000</b>	<b>51,400,000</b>

**9.00 Deferred tax assets : Tk. -4,158,901**

Opening balance		(2,950,777)	(2,085,741)
Addition during the year	9.01	(1,208,124)	(865,036)
<b>Closing balance</b>		<b>(4,158,901)</b>	<b>(2,950,777)</b>

**9.01 Written down value of fixed assets**

Tax base		14,069,192	16,008,952
Deductible temporary difference		25,159,594	23,877,691
Tax rate		(11,090,402)	(7,868,739)
		37.50%	37.50%

**Closing balance of deferred tax asset**

<b>(4,158,901)</b>	<b>(2,950,777)</b>
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Opening balance of deferred tax asset		(2,950,777)	(2,085,741)
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<b>Addition/ (Adjustment) during the year</b>		<b>(1,208,124)</b>	<b>(865,036)</b>
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**10.00 Margin loan: Tk. 2,547,125,099**

Margin loan		2,547,125,099	3,006,499,092
		<b>2,547,125,099</b>	<b>3,006,499,092</b>

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.

**11.00 Account & other receivables: Tk.395,718,033**

This is made up as follows:

Receivable from PFI Securities Limited		385,644,140	351,792,453
Receivable from Vision Capital Management Limited		103,348	777,697
Receivable from Fareast Stock and Bonds Limited		109,391	-
Other receivables		9,861,154	5,000,547
		<b>395,718,033</b>	<b>357,570,697</b>

**12.00 Advance, deposits & prepayments: Tk.247,948,363**

This is made up as follows:

Advance income tax	12.01	146,732,504	291,892,950
Advance for investment in shares		47,774,262	3,210,994
Other advances	12.02	53,441,596	55,305,326
		<b>247,948,363</b>	<b>350,409,270</b>

**12.01 Advance income tax : Tk.146,732,504**

	Dec' 31,2018 Amount (Tk.)	Dec' 31,2017 Amount (Tk.)
Opening balance	291,892,950	289,712,549
Add:		
Advance income tax paid u/s-64 of Income Tax Ordinance, 1984	-	1,156,953
Tax deducted at source during the year	3,476,692	1,023,448
	3,476,692	2,180,401
	295,369,642	291,892,950
Less:		
Adjustment for completed assessment year	148,637,138	-
<b>Closing balance</b>	<b>146,732,504</b>	<b>291,892,950</b>

**12.02 Other advances : Tk.53,441,596**

This is made up as follows:

Advance against employee house building finance	16,783,969	16,292,720
Advance against employees' car finance	1,477,808	1,944,464
Other advances	35,179,819	37,068,142
	<b>53,441,596</b>	<b>55,305,326</b>

**Notes:-** 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.

**13.00 Cash and cash equivalent: Tk. 19,327,051**

Cash in hand	13.01	25,943	7,219
Cash at bank	13.02	19,301,108	36,561,928

**13.01 Cash in hand: Tk. 25,943**

Cash in hand	6,653	2,069
Stamp in hand	19,290	5,150
<b>Total</b>	<b>25,943</b>	<b>7,219</b>

**13.02 Cash at bank: Tk. 19,301,108**

This is made up as follows:

Name of bank	Account number	Type of account	Name of branch	Balance as on december 31,2018	Balance as on december 31,2017
Mutual trust bank Ltd.	0012-0320000955	SND	Dilkusha	3,657	3,172
Shahjalal islami bank Ltd.	4001-13100001266	SND	Dhaka main branch	137,794	118,986
Shahjalal islami bank Ltd.	4001-13100002122	SND	Dhaka main branch	16,846,265	28,091,940
Shahjalal islami bank Ltd.	4001-13100002139	SND	Dhaka main branch	816,629	(3,420,283)
Shahjalal islami bank Ltd.			Rajshahi branch	23,099	23,099
Shahjalal islami bank Ltd.	4001-13100002701	SND	Dhaka main branch	201,712	(9,481)
NCC bank Ltd.	0028-0325000386	SND	Dilkusha	1,132,320	1,111,527
First security islami bank Ltd.	0101-13100002161	SND	Dilkusha	29,768	30,342
Dutch bangla bank Ltd.	1011100030730	CD	Dilkusha	54,843	2,635,641
National bank Ltd.	005836003503	SND	Dilkusha	2,639	3,661
National bank Ltd.	005836001021	SND	Motijheel	2,822	3,845
Eastern bank Ltd.	1111220133464	SND	Shyamoli	49,560	7,969,479
<b>Total</b>				<b>19,301,108</b>	<b>36,561,928</b>

**14.00 Share capital : Tk. 2,032,800,000**

Authorised capital  
500,000,000 ordinary shares of Taka 10 each

<b>5,000,000,000</b>	<b>5,000,000,000</b>
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**Issued and paid capital**

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	160,000,000
17,600,000 ordinary shares of Tk. 10 each issued as bonus share	176,000,000	176,000,000
9,680,000 ordinary shares of Tk. 10 each issued as bonus share	96,800,000	96,800,000
	<b>2,032,800,000</b>	<b>2,032,800,000</b>

**Notes:-** 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.

**Notes:-** 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.

**Notes:-** The Company issued bonus share @ 10% (i.e. 1 bonus for every 10 shares held) for the year 2013. Allotment was made on 17 September 2014 after getting approval of Bangladesh Securities and Exchange Commission vide its consent letter no. SEC/CI/CPLC-258/2010/549 dated 10 August 2014.

**Notes:-** The Company issued bonus share @ 5% (i.e. 1 bonus for every 20 shares held) for the year 2014. Allotment was made on 14 October 2015 after getting approval of Bangladesh Securities and Exchange Commission vide its consent letter no. SEC/CI/CPLC-258/2010/434 dated 9 September 2015.

Share holding position are as follows:

			Dec' 31,2018 Amount (Tk.)	Dec' 31,2017 Amount (Tk.)
Name of shareholder	% of Share	Number of shares	Balance as on december 31,2018	Balance as on december 31,2017
Prime Finance & Investment Limited	60.00%	121,968,000	1,219,680,000	1,219,680,000
Mr. K. M. Rakib Hasan	6.00%	12,196,800	121,968,000	121,968,000
Mr. Waheed Mahmud Khaled	4.59%	9,338,175	93,381,750	93,381,750
Mr. Nazim Asadul Haque	6.00%	12,196,800	121,968,000	121,968,000
Mr. Rubaiyat Khaled	3.85%	7,830,900	78,309,000	78,309,000
Mr. Tauseef Iqbal Ali	3.00%	6,098,400	60,984,000	60,984,000
Mr. Md. Aliuzzaman	0.30%	600,600	6,006,000	6,006,000
Syeda Tasnuva Khanam	3.00%	6,098,400	60,984,000	60,984,000
GQ Enterprise Limited	4.00%	8,131,200	81,312,000	81,312,000
Agami Apparels Limited	4.00%	8,131,200	81,312,000	81,312,000
Mr. Shahriar Khaled	3.85%	7,830,900	78,309,000	78,309,000
Ms. Sarwat Khaled Simin	1.41%	2,858,625	28,586,250	28,586,250
<b>Total</b>	<b>100%</b>	<b>203,280,000</b>	<b>2,032,800,000</b>	<b>2,032,800,000</b>

#### 15.00 Retained earnings : Tk. -16,072,744

This is made up as follows:

Opening balance	(11,825,394)	(16,707,606)
Profit / (Loss) during the year	(4,247,350)	4,882,212
Prior year adjustment	(16,072,744)	(11,825,394)
	-	-
<b>Closing balance</b>	<b>(16,072,744)</b>	<b>(11,825,394)</b>

#### 16.00 Long term loan: Tk. 87,273,530

Loan from International leasing and financial services Ltd.	27,934,638	32,496,894
Loan from International leasing and financial services Ltd.	20,944,821	31,916,762
Loan from Midland bank Ltd.	38,394,070	46,371,742
<b>Total</b>	<b>87,273,530</b>	<b>110,785,398</b>

#### Current and non-current portion classification

Term loan - long term maturity	16.01	60,410,283	87,148,384
Term loan - short term maturity	16.02	26,863,247	23,637,014
		<b>87,273,530</b>	<b>110,785,398</b>

#### 16.01 Term loan - long term maturity : Tk. 60,410,283

Name of Bank	Agreement No.	Amount	Amount
International leasing and financial services Ltd.	2-2299/13-0-1	17,830,221	23,618,046
International leasing and financial services Ltd.	201391597-0-1	13,368,636	25,259,496
Loan from Midland bank Ltd.		29,211,425	38,270,842
<b>Total</b>		<b>60,410,283</b>	<b>87,148,384</b>

#### 16.02 Term loan - short term maturity : Tk. 26,863,247

Name of Bank	Agreement No.	Amount	Amount
International leasing and financial services Ltd.	2-2299/13-0-1	10,104,417	8,878,847
International leasing and financial services Ltd.	201391597-0-1	7,576,185	6,657,266
Loan from Midland bank Ltd.		9,182,645	8,100,900
<b>Total</b>		<b>26,863,247</b>	<b>23,637,014</b>

## Terms &amp; Conditions :

Particulars	Details	Details
Name of financial Institute	International leasing and financial services Ltd.	International leasing and financial services Ltd.
Agreement no.	2-2299/13-0-1	201391597-0-1
Nature of facility	Term loan	Term loan
Period	60 months	60 months
Expiry	June 07,2021	June 07,2021
Securities	Corporate guarantee of Prime Finance and investment Limited	Corporate guarantee of Prime Finance and investment Limited
Purpose	To regularize the account and to bring down the installment size within affordable range.	To regularize the account and to bring down the installment size within affordable range.

Particulars	Details
Name of financial Institute	Midland bank Ltd.
Agreement no.	2014-02-045-546
Nature of facility	Term loan
Limit	BDT 5,00,00,000
Expiry	June 01,2022
Securities	Corporate guarantee of Prime Finance and investment Limited
Purpose	To meet business requirement of the company.

**17.00 Margin deposits : Tk. 15,358,627**

Margin deposits

Dec' 31,2018 Amount (Tk.)	Dec' 31,2017 Amount (Tk.)
15,358,627	17,270,443
<b>15,358,627</b>	<b>17,270,443</b>

**18.00 Current account with parent company : TK. 1,082,246,029**

Prime Finance &amp; Investment Limited

1,082,246,029	1,537,011,440
<b>1,082,246,029</b>	<b>1,537,011,440</b>

**Notes:-** This represents finance facilities taken from Prime Finance & Investment Limited, the parent company of Prime Finance Capital Management Limited.

**19.00 Short term loan : Tk.492,315,327**

Bangladesh Finance & Investment Company Limited	371,532,616	324,907,616
Midland Bank Limited	93,919,464	62,634,256
Term loan - short term maturity	16.02	26,863,247
		23,637,014
<b>Total</b>	<b>492,315,327</b>	<b>411,178,886</b>

## Terms &amp; Conditions :

Particulars	Details
Name of financial Institute	Bangladesh Finance & Investment Company Limited
Nature of facility	Short Term Loan
Period	01 (one) year.
Purpose	To meet working capital requirement.

Particulars	Details
Name of financial Institute	Midland Bank Limited
A/C no.	0011-2050000091
Nature of facility	Overdraft (General)
Period	01 (one) year,P.A. with quarterly rest or as revised by the bank from time to time.
Credit limit	Tk.10.00 crore (Taka Ten Crore) only.
Purpose	To meet working capital requirement.

**20.00 Account payables: Tk. 325,719**

Payable to Vision Capital Management Limited	157,731	942,705
Payable to PFI Securities Limited	58,597	858,243
Payable to Fareast Stock and Bonds Limited	109,391	-
	<b>325,719</b>	<b>1,800,948</b>

**Notes:-** Accounts payable represents balance outstanding with brokerage houses arising from transaction on client's account. These balances are confirmed by the respective brokerage houses.

**21.00 Other payables and accruals : Tk. 101,615,142**

	Dec' 31,2018 Amount (Tk.)	Dec' 31,2017 Amount (Tk.)
Interest payable	3,361,041	55,104,265
Audit fee payable	74,750	1,098,250
Suspense receipts PIA dividend income	6,285,863	5,598,087
Gratuity and super annuation fund payable	12,211,726	20,063,657
Provision for doubtful losses	43,542,541	34,785,303
Others	36,139,221	40,250,549
<b>Total</b>	<b>101,615,142</b>	<b>156,900,111</b>

**22.00 Fees and commission : Tk. 27,028,665**

Issue management fee	5,652,500	50,000
Underwriting commission	650,000	70,000
Portfolio management fee	20,176,165	25,849,200
Corporate advisory fee	550,000	1,080,000
Service charge from IPO	-	8,035
<b>Total</b>	<b>27,028,665</b>	<b>27,057,235</b>

**23.00 Interest on margin loan : Tk. 135,643,299**

Interest on margin loan	135,643,299	35,952,057
	<b>135,643,299</b>	<b>35,952,057</b>

**Notes:-** Interest on margin loan includes interest earned on margin loan provided to portfolio investors against their margin deposit.

**24.00 Capital gain on sales of listed shares : Tk. 12,633,348**

Capital gain on sales of listed shares	12,633,348	64,157,039
	<b>12,633,348</b>	<b>64,157,039</b>

**Notes:-** Capital gain represents realized gain earned against investment in shares of listed companies under the company's portfolio investment.

**25.00 Others income : Tk. 15,868,175**

Income from bank interest of STD accounts	84,175	79,754
Dividend income	15,779,000	4,813,384
Documentation fee	5,000	18,000
<b>Total</b>	<b>15,868,175</b>	<b>4,911,137</b>

**26.00 Financial expenses : Tk. 132,495,985**

Interest on loan	132,495,985	23,395,838
	<b>132,495,985</b>	<b>23,395,838</b>

**27.00 Management expenses : Tk. 51,008,728**

Salaries and allowances	27,128,435	46,136,541
Legal and professional fees	1,402,752	25,900
Audit fee	74,750	1,098,350
CDBL charges	224,518	1,349,023
Office maintenances	1,376,253	2,525,002
Recruitment and human resources	166,000	132,500
Bank charges	100,516	142,653
Books and periodicals	28,065	33,043
Telephone, postage etc.	193,621	219,036
Stationeries	330,422	338,441
Directors' fees	222,781	462,228
Car allowances	960,000	960,000
Office rent	5,975,888	5,868,216
Motor vehicle expenses	844,531	1,340,727
Meeting expenses	42,158	71,538
Subscription and fees	166,600	226,710
Medical and employee welfare	512,683	674,083
Utility expenses	1,775,946	1,627,331
Business development and publicity	1,169,913	3,766,563
Brokerage commission and charges	893,873	11,504,850
Depreciation	7,419,023	6,204,417
<b>Total</b>	<b>51,008,728</b>	<b>84,707,152</b>



	Dec' 31,2018 Amount (Tk.)	Dec' 31,2017 Amount (Tk.)
<b>28.00 Provision for doubtful loss : Tk. 8,757,239</b>		
Provision for doubtful loss	8,757,239	12,579,021
	<b>8,757,239</b>	<b>12,579,021</b>

**Notes:-** Provision for doubtful loss represents provision made against diminishing in value of investment in shares in company' portfolio which has been made on the basis of directive of Bangladesh Securities and Exchange Commission dated 12 January 2015.

**29.00 Provision for taxes : Tk. 170,529,310**

Provision for tax has been calculated as follows:

Opening balance	314,799,439	307,421,058
Add: Provision during the year	4,367,009	7,378,381
	319,166,448	314,799,439
Less: Adjustment during the year	148,637,138	-
	<b>170,529,310</b>	<b>314,799,439</b>

**30.00 Information based on per share**

**30.01 Earnings per share (EPS) : Tk. -0.02**

**Basic EPS**

Earnings attributable to the ordinary shareholders (Net profit after tax)	(4,247,350)	4,882,112
Weighted average number of ordinary shares outstanding at the end of the year	203,280,000	203,280,000
<b>Earnings per share</b>	<b>(0.021)</b>	<b>0.024</b>

**Diluted EPS**

No diluted EPS was required to be calculated for the year since there was no scope for dilution of share during the year Earnings per share has been calculated in accordance with IAS -33 "Earnings per share (EPS)".

**30.02 Net assets value (NAV) with revaluation : Tk. 9.92**

Shareholders' equity	2,016,727,256	2,020,974,606
Number of ordinary shares outstanding during the year	30.03 203,280,000	203,280,000
<b>Net assets value per share with</b>	<b>9.92</b>	<b>9.94</b>

**30.03 Weighted average number of shares**

100,000,000 ordinary shares of Tk. 10 each issued for cash	100,000,000	100,000,000
60,000,000 ordinary shares of Tk. 10 each issued for cash as rights issue	60,000,000	60,000,000
16,000,000 ordinary shares of Tk. 10 each issued as bonus share	16,000,000	16,000,000
17,600,000 ordinary shares of Tk. 10 each issued as bonus share	17,600,000	17,600,000
9,680,000 ordinary shares of Tk. 10 each issued as bonus share	9,680,000	9,680,000
<b>Total weighted average number of shares</b>	<b>203,280,000</b>	<b>203,280,000</b>

**31.00 Other commitments, contingencies and relevant information**

**31.01 Contingent liability**

There was no contingent liability at December 31, 2018.

**31.02 Capital expenditure commitment**

There was no capital expenditure commitment or contract at December 31, 2018. There was no material capital expenditure authorized by the Board but not contracted for as at December 31, 2018.

**31.03 Directors' interest in contracts with the company**

There was no transaction resulting in Directors' interest with the company and no leasing facilities have been made available to the Directors.

**31.04 Segment reporting**

As there is a single business and geographic segment within the company operates as such no segment reporting is felt necessary.

**31.05 Credit facility not availed**

There was no credit facility available to the company under any contract, but not availed as on December 31, 2018 other than trade credit available in the ordinary course of business.

**32.00 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 23.

**33.00 Related party transaction**

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.

**34.00 General**

All the figures in the financial statements represent Bangladeshi taka currency (BDT) rounded off to the nearest figure.

To facilitate comparison, certain relevance balances pertaining to the previous year have been rearranged or reclassified whenever considered necessary to conform to current year presentation.

**35.00 Events after the reporting period**

No material events had occurred from the Financial position date to the date of issue of this Financial position, which could materially affect the values stated in the Financial position.

# PFI Securities Limited

## Statement of Financial Position

As at 31 December 2018

Particulars	Amount in Taka	
	2018	2017
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, Plant and Equipments	483,024,860	520,715,690
<b>Non-Current Assets</b>		
<b>Investment and Advances</b>	513,670,000	592,414,733
Membership of Stock Exchanges	381,500,000	456,500,000
Employees Loan	19,670,000	22,410,413
Investment in Shares Institute & Others	112,500,000	113,504,320
<b>Current Assets</b>	10,554,866,048	9,921,950,781
Investment in Share Dealers	85,263,748	93,559,808
Advance, Deposit and Prepayments	12,584,410	14,793,723
Margin Loan to Clients	8,361,488,719	8,440,065,751
Accounts Receivable	1,901,701,703	1,224,058,421
Advance Income Tax	126,642,594	108,466,087
Cash & Cash Equivalents	67,184,873	41,006,991
<b>TOTAL ASSETS</b>	<b>11,551,560,908</b>	<b>11,035,081,204</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserve</b>	1,103,646,910	1,160,929,193
Share Capital	1,758,120,000	1,758,120,000
General Reserve	150,000,000	150,000,000
Revaluation Reserve	443,887,500	443,887,500
Retained Earnings	(1,248,360,590)	(1,191,078,307)
<b>Non Current Liabilities</b>	2,702,522,882	2,754,522,882
Long Term Loan From Bank & Financial Institution	2,702,522,882	2,754,522,882
<b>Current Liabilities</b>	7,745,391,116	7,119,629,129
Short Term Loan From Bank & Financial Institutions	4,906,438,315	4,859,669,196
Accounts Payable	1,972,220,445	1,418,727,578
Provision for Investment	695,482,916	675,482,916
Provision for Income Tax	171,249,440	165,749,439
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11,551,560,908</b>	<b>11,035,081,204</b>

Sd/-

Managing Director &amp; CEO

Sd/-

Director

Sd/-

Chairman

As per our annexed report of same date.

Sd/-

Date : March 21, 2019

**MABS & J Partners**  
Chartered Accountants

## PFI Securities Limited

## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

Particulars	Amount in Taka	
	2018	2017
<b>OPERATING INCOME</b>	<b>726,201,710</b>	<b>1,037,146,449</b>
Commission on Securities Trading	34,459,518	71,542,499
Interest on Margin Loan	693,156,494	1,053,407,255
(Loss)/Gain on sale of Shares	(37,243,373)	1,968,335
Loss on Investment in United Media Ltd.	-	(136,021,937)
Loss on Sale of Fixed Assets	-	(654,517)
Loss on Unsecured Loan	-	(704,874)
Dividend Income	8,114,787	11,176,701
Other Operating Income	27,714,284	36,432,987
<b>OPERATING EXPENSES</b>	<b>777,983,993</b>	<b>1,246,039,224</b>
Laga and Howla Charges	2,825,727	6,445,065
Management Expenses	142,973,886	143,619,169
Financial Expenses	612,184,379	895,974,990
Provision for Margin Loan	20,000,000	200,000,000
<b>Profit Before Tax</b>	<b>(51,782,283)</b>	<b>(208,892,775)</b>
<b>Provision for Income Tax</b>	<b>5,500,000</b>	<b>7,047,167</b>
<b>Net Profit After Income Tax</b>	<b>(57,282,283)</b>	<b>(215,939,942)</b>
<b>Earning Per Share (EPS)</b>	<b>(0.33)</b>	<b>(1.23)</b>
<b>Restated Earning Per Share (EPS)</b>	<b>(0.33)</b>	<b>(1.23)</b>

Sd/-

Managing Director &amp; CEO

Sd/-

Director

Sd/-

Chairman

As per our annexed report of same date.

Date : March 21, 2019

Sd/-

MABS & J Partners  
Chartered Accountants

# Prime Finance Asset Management Company Limited

## Statement of financial position

As at December 31, 2018

Particulars	Dec' 31,2018 Amount (Tk.)	Dec' 31,2017 Amount (Tk.)
<b>Assets</b>		
Property, plant and equipment:	5,581,336	7,090,271
Car loan to employees-non-current portion	38,920	544,528
Deferred tax asset	774,887	672,217
<b>Non-current assets</b>	<b>6,395,143</b>	<b>8,307,016</b>
Car loan to employees-current maturity	233,328	661,096
Advance, deposits and prepayments	22,549,142	21,362,079
Investment	10,884,655	9,668,240
Account & other receivables	28,549,228	32,560,893
Short term investment	25,675,000	25,000,000
Cash and cash equivalents	6,434,792	5,025,170
<b>Total current assets</b>	<b>94,326,145</b>	<b>94,277,478</b>
<b>Total assets</b>	<b>100,721,288</b>	<b>102,584,494</b>
<b>Equity</b>		
Share capital	66,000,000	66,000,000
Retained earnings	257,455	7,608,652
<b>Total equities</b>	<b>66,257,455</b>	<b>73,608,652</b>
<b>Liabilities</b>		
Liability for gratuity	4,385,361	4,731,471
Liability for provident fund	7,883,753	7,552,597
<b>Total non-current liabilities</b>	<b>12,269,114</b>	<b>12,284,068</b>
Withholding tax and VAT	289,160	248,108
Provision for expenses	3,692,960	3,692,960
Other liabilities	5,389,301	779,119
Provision for income tax	12,823,298	11,971,587
<b>Total current liabilities</b>	<b>22,194,719</b>	<b>16,691,774</b>
<b>Total liabilities</b>	<b>34,463,833</b>	<b>28,975,842</b>
<b>Total equity and liabilities</b>	<b>100,721,288</b>	<b>102,584,494</b>

Sd/-  
\_\_\_\_\_  
Managing Director & CEO

Sd/-  
\_\_\_\_\_  
Director

Sd/-  
\_\_\_\_\_  
Chairman

As per our annexed report of same date.

Date : March 21, 2019

Sd/-  
\_\_\_\_\_  
**M M Rahman & Co.**  
Chartered Accountants



# Prime Finance Asset Management Company Limited

## Statement of profit or loss and other comprehensive income

For the year ended December 31, 2018

Particulars	Dec' 31,2018 Amount (Tk.)	Dec' 31,2017 Amount (Tk.)
<b>Operating revenue</b>		
Income from fees	18,393,373	22,232,270
Capital gain	5,678,076	7,418,782
Income from consultancy	-	1,800,000
Dividend income	255,092	496,003
	<b>24,326,541</b>	<b>31,947,055</b>
<b>Operating expenses</b>		
Administrative expenses	(27,194,281)	(26,169,143)
<b>Profit/(loss) from operating activities</b>	<b>(2,867,740)</b>	<b>5,777,912</b>
Interest income	2,462,678	2,548,921
Miscellaneous income	402,906	329,924
<b>Profit /(loss) before income tax</b>	<b>(2,156)</b>	<b>8,656,757</b>
Current tax	(851,711)	(1,809,830)
Deferred tax (expense)/income	102,670	91,218
Income tax expense	(749,041)	(1,718,612)
<b>Net profit /(loss) after tax</b>	<b>(751,197)</b>	<b>6,938,145</b>

Sd/-

Managing Director & CEO

Sd/-

Director

Sd/-

Chairman

As per our annexed report of same date.

Date : March 21, 2019

Sd/-

**M M Rahman & Co.**  
Chartered Accountants

# Prime Prudential Fund Limited

## Statement of Financial Position

as at 31 December 2018

Particulars	Amount in Taka	
	2018	2017
<b>Non-current assets</b>	<b>510</b>	<b>2,970</b>
<b>Current assets:</b>		
Cash and cash equivalents	1,646,018	1,239,087
Investment in shares	12,783,220	12,783,220
Advance corporate tax	719,357	604,257
Receivable	1,184,997	860,596
<b>Total current assets</b>	<b>16,333,592</b>	<b>15,487,160</b>
<b>Total assets</b>	<b>16,334,102</b>	<b>15,490,130</b>
<b>Shareholders' equity:</b>	<b>15,803,682</b>	<b>15,095,810</b>
Share capital	24,600,000	24,600,000
Retained earnings	(8,796,318)	(9,504,190)
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>
<b>Current liabilities:</b>		
Payable to Prime Finance & Investment Limited	309,075	309,075
Provision for audit fee	87,750	66,750
Liability to employees	-	-
Corporate tax liability	124,287	9,187
Tax payable	9,308	9,308
<b>Total current liabilities</b>	<b>530,420</b>	<b>394,320</b>
<b>Total shareholders' equity and liabilities</b>	<b>16,334,102</b>	<b>15,490,130</b>

The accounting policies and explanatory notes form an integral part of the financial statement.

Sd/-  
\_\_\_\_\_  
Managing Director & CEO

Sd/-  
\_\_\_\_\_  
Director

Sd/-  
\_\_\_\_\_  
Chairman

Signed as per our annexed report of same date.

Date : March 21, 2019

Sd/-  
\_\_\_\_\_  
**M M Rahman & Co.**  
Chartered Accountants

# Prime Prudential Fund Limited

## Statement of Comprehensive Income

for the year ended 31 December 2018

Particulars	Amount in Taka	
	2018	2017
<b>Income</b>		
Capital gain/(loss) from sale of shares	-	-
Cash dividend income	804,437	617,689
Bank interest income	47,878	24,602
<b>Total operating income</b>	<b>852,315</b>	<b>642,291</b>
<b>Operating Expenses</b>		
Salaries and allowances	-	-
Medical and employee welfare	-	-
Director remuneration fee	-	-
Office maintenance expenses	-	-
Board meeting expenses	-	-
Telephone and postage	-	-
Printing and stationery	-	-
License renewal fee	-	-
Audit fee	21,000	21,000
Fees and charges for sale of shares	2,120	547
Depreciation	2,460	2,460
Bank charge and excise duty	3,765	3,880
<b>Total operating expenses</b>	<b>29,345</b>	<b>27,887</b>
Other Income	-	-
<b>Profit/(loss) before tax</b>	<b>822,970</b>	<b>614,405</b>
Provision for tax	115,100	-
<b>Profit/(loss) after tax</b>	<b>707,870</b>	<b>614,405</b>

The accounting policies and explanatory notes form an integral part of the financial statement.

Sd/-  
\_\_\_\_\_  
Managing Director & CEO

Sd/-  
\_\_\_\_\_  
Director

Sd/-  
\_\_\_\_\_  
Chairman

Signed as per our annexed report of same date.

Date : March 21, 2019

Sd/-  
\_\_\_\_\_  
**M M Rahman & Co.**  
Chartered Accountants



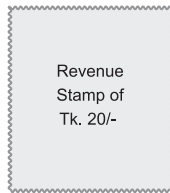
**Prime Finance**  
& Investment Limited

Registered Office: 63, Dilkusha, C.A., Dhaka-1000

**Proxy Form**

(This form is for use at the 23rd Annual General Meeting of Prime Finance & Investment Limited to be held on 30 June 2019)

I/We.....  
of ..... being a member of PRIME FINANCE  
& INVESTMENT LIMITED and a holder of ..... shares do hereby  
appoint Mr./Ms./Mrs. .... or (failing him/her) of  
..... as my/our proxy to attend and vote for me/us and on my/our behalf at the 23rd Annual  
General Meeting of the Company to be held on **Sunday, 30 June 2019** and at any adjournment thereof.



Signature of the Member : .....

BO ID No. : .....

No. of shares : .....

Signature of the proxy : .....

**Note:**

A member entitled to attend and vote at the General Meeting may appoint a proxy to attend and vote in his/her stead. The Proxy Form, duly stamped, must be deposited at the Registered Office Address of the Company not later than 72 (seventy two) hours before the time fixed for the meeting.



**Prime Finance**  
& Investment Limited

Registered Office: 63, Dilkusha, C.A., Dhaka-1000

**Attendance Slip**

I hereby record my attendance at the 23rd Annual General Meeting of the Company as a holder  
of ..... shares being held on **Sunday, 30 June 2019**.

Name of the Member/Proxy : .....

BO ID No. : .....

Signature : .....

**Note:**

Member(s) attending the meeting in Proxy or Proxies are requested to complete the attendance slip and deposit the same at the entrance of the meeting hall.





Higher Income  
in Every month

Prime Finance  
*Sonchay Plus*

Tk 1,022/- per Lac  
every month\*



\* Tax applicable



**Prime Finance**  
& Investment Limited

Please call

019 PRIMEFIN  
019 77463346

This Annual Report is also  
available at our official website  
[www.primefinancebd.com](http://www.primefinancebd.com)



**Prime Finance**  
& Investment Limited