



2011 Annual Report



Balancing Resources
Enhancing Values

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

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



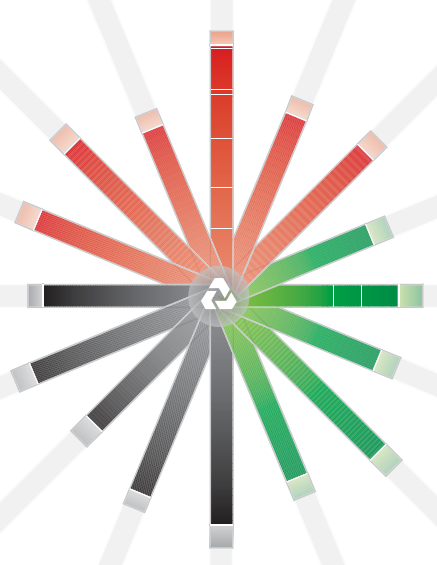
Balancing Resources Enhancing Values

Prime Finance started its journey in the year 1996 backed by some leading corporate houses and individuals entrepreneurs in the country. Since inception, among others the focus was on the diversity of business which was found as main strength of Prime Finance. Its growth strategy was aimed at increasing income through diversification of operations and broadening the service offered to the customers. The Company has a well diversified asset base and investment portfolio and the asset quality has been improving every year. The diversification of the earnings stream has also been increasing consistently.

This year the main focus of the management was for “balancing the resources and enhancing values” ..., The company was trying to accomplished this by strengthening

human resources pool; managing fund effectively; reducing NPL, increasing employees rewards; selecting right clients for financing; introducing liabilities & fund management team; reshaping sources of fund; reducing dependency on Banks borrowing; ensuring transparency; increasing team work; managing risks properly; building strong relationship with clients; protecting stakeholders interest; increasing full automated system within operations; widening area of operations; responding quick to new opportunities and so on.

We believe what we did in the recent will give consistent result in the coming years ...



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Awards & Recognition

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



Best Presented Accounts Awards 2010
Overall Winners' (Among all categories)
Presented by: South Asian Federation of
Accountants (SAFA)



Best Presented Accounts Awards 2010
Winner-Joint
Presented by: South Asian Federation of
Accountants (SAFA)



Best Presented Accounts Awards 2009
Presented by: South Asian Federation of
Accountants (SAFA)



Best Presented Accounts Awards 2008
Presented by: South Asian Federation of
Accountants (SAFA)



Best Presented Accounts Awards 2007
Presented by: South Asian Federation of
Accountants (SAFA)



Best Presented Accounts Awards 2006
Presented by: South Asian Federation of
Accountants (SAFA)

2003

Best Merchant Bank -
Rafiqul Islam Banking Award 2003

2005

First Prize - ICAB National Award 2005
SAFA Merit Award 2005

2006

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



11th ICAB National Awards for Best Published Accounts and Reports 2010



ICMAB Best Corporate Performance Award-2010



10th ICAB National Awards for Best Published Accounts and Reports 2009



ICMAB Best Corporate Performance Award-2008



9th ICAB National Awards for Best Published Accounts and Reports 2008



8th ICAB National Awards for Best Published Accounts and Reports 2007



7th ICAB National Awards for Best Published Accounts and Reports 2006



6th ICAB National Awards for Best Published Accounts and Reports 2005

2007

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

2008

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

2009

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

2010

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

the *Best* of the *Best* in SOUTH ASIA

SAFA BPA
AND CG
AWARD
2010

- 1st Position - Overall
- 1st Position - Financial Services Sector



Mr. Asad Khan, Managing Director of Prime Finance & Investment Limited receiving the Award of Overall Winner of "SAFA BPA & CG Award 2010" from the Minister for Commerce Mr. Muhammad Faruk Khan, MP, Government of the Peoples Republic of Bangladesh at a ceremony, held in Dhaka, Bangladesh.

Setting Standards in

PROFESSIONAL EXCELLENCE

TRANSPARENCY

ACCOUNTABILITY

CORPORATE GOVERNANCE

Financial snapshot

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

Revenue +67.38%

Average yearly growth (2006 to 2011)

2011 : 2,244.77
2010 : 3,078.53
2006 : 445.00

Total Assets +50.79%

Average yearly growth (2006 to 2011)

2011 : 15,116
2010 : 12,912
2006 : 3,735

Net Profit +108.38%

Average yearly growth (2006 to 2011)

2011 : 773
2010 : 1,732
2006 : 103

EPS (Restated) +89.48%

Average yearly growth (2006 to 2011)

2011 : 4.14
2010 : 10.65
2006 : 0.64

No. of Shareholders +91.16%

Average yearly growth (2006 to 2011)

2011 : 18,962 nos.
2010 : 16,130 nos.
2006 : 2,931 nos.

Shareholders Equity +140.08%

Average yearly growth (2006 to 2011)

2011 : 4,684
2010 : 3,894
2006 : 498

Market Value +301.56%

Average yearly growth (2006 to 2011)

2011 : 15,985
2010 : 42,048
2006 : 837

Net Assets Value +140.08%

Average yearly growth (2006 to 2011)

2011 : 4,684
2010 : 3,894
2006 : 498

Market Capitalization +301.56%

Average yearly growth (2006 to 2011)

2011 : 15,985
2010 : 42,048
2006 : 837

Zoom - in long run perspective

Assuming a shareholder got an IPO during 2005, his total return upto 2011 -

Initial investment during 2005 (50 shares @ Tk. 100 each) = Tk. 5,000

Year	Rate of dividend	Dividend		Cumulative holding
		Bonus (nos)	Cash (Tk)	
Initial Public Offering (IPO) at 2005		-	-	50
2006	10% B, 20% Cash	5	1,000	55
2007	40% B	22	-	77
2008	40% B	30	-	107
2009	40% B, 10% Cash	42	1,070	149
2010	80% B	119	-	268
Converted to Tk. 10 per share in 2010 (268 x 100/10)		-	-	2,680

Total return as on 29 December, 2011 (Last trading date) = (2680 x Tk. 98.40) + 1000 + 1070 = 265,782

Increased by 53.16 times

Return on individual Shareholder investment **+869.27%, 8.86 times**

Average yearly growth (2005 to 2011)

Vision

We aspire 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.

Mission

Our mission is to -

- Grow profitably** Through partnership with our clients delivering innovative solutions to cater their financial needs;
- Create shareholders' value** Through client satisfaction and employee commitment to excellence;
- Enhance the ability of our employees** Giving every opportunity to have access to adventurous experience through which they can raise their self-esteem, realise their full potential and achieve more than they ever thought possible;
- Serving our communities** With integrity and pride.





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 profitability;
- Achieving **higher return on equity**;
- Maintaining **strong relationship** with a wide variety of partners;
- **Responding quickly** to new opportunities;
- Assessing and **managing business risk** prudently.

Purpose

We help individuals and businesses across communities achieve their aspirations by providing innovative financial services that meet their needs.

Core Values

We believe we stand stronger than before. These 9 key values drive us in delivering excellent results to our stakeholders.

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

2 We are fair and honest and we deliver on our commitments;

We assume everything we do is in full public view.

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

4 We treat each other fairly and with respect;

5 We support our colleagues and invest in their development to help them realise their full potential;

6 We recognise and reward outstanding performance.

7 We listen to our clients and understand their needs;

8 We build enduring relationship with them by delivering superior products and quality services.

9 We work together to deliver excellent performance, taking responsibility, holding ourselves accountable and respecting the contribution of others.

10 We communicate effectively and give each other the space to do the job.

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

12 We actively invest in infrastructure, process improvement and skills to lower our delivery costs;

13 We do the right things right the first time, on time, every time.

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

1 Professional excellence

2 Integrity

3 Transparency

4 People

5 Clients

6 Teamwork

7 Prudent risk taking

8 Effectiveness

9 Focus on sustainability

Business Principles

Long-term relationship

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

Teamwork

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

Fun & Flair

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

Trumping bureaucracy

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

Efficient decisions

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

Welcoming change

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

Identifying opportunities

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

Embracing competition

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

Efficient risk assessment

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

Passion for building business

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

Rewarding talents

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



Ethical Principles

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

	<i>Fairness</i>	<i>Transparency</i>	<i>Respect</i>
Colleagues	<ul style="list-style-type: none"> Ban discrimination on the grounds of sex, race and political opinion; Practice respect and care towards employees at all time; Ban favoritism in recruitment, promotion, training and incentive policies. 	<ul style="list-style-type: none"> Share your knowledge without monopolizing it to your own advantage; Ensure transparency in career path. 	<ul style="list-style-type: none"> Clearly define duties and responsibilities for all employees; Listen and pay constant attention to employees, respecting their values, feeling, moral stance; never use any form of undue pressure or offense.
Clients	<ul style="list-style-type: none"> Strive for client satisfaction at all times; Pay appropriate attention to each of our clients. 	<ul style="list-style-type: none"> Ensure timely information on products and services at all times. 	<ul style="list-style-type: none"> Maintain confidentiality of any information acquired, both in relation to clients and the company itself and its decisions; safeguard its assets.
Investors	<ul style="list-style-type: none"> Pay appropriate attention to the investors, without discrimination or favoritism. 	<ul style="list-style-type: none"> Aim to be clear, complete and timely; Use most effective communication channel for investors; Turn market communication into an economic and cultural value. 	<ul style="list-style-type: none"> Behave with investors in line with corporate values and professional ethics as required by market's highest standards.
Communities	<ul style="list-style-type: none"> Establish suitable relations with stakeholders in order to offer assistance, service and opportunities without discrimination. 	<ul style="list-style-type: none"> Keep the community we work informed of what we do and how we do it. 	<ul style="list-style-type: none"> Promote growth which is ecologically and socially sustainable.



Reciprocity

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

Freedom

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

Trust

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

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

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

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

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

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

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

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

- Respect individual moral codes and culture.

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

Objective and Strategy

Strategic review

We have undertaken a thorough and disciplined strategic review of our business, which will set our direction for the coming years. In doing so we considered market trends and opportunities that exist in the chosen markets positions, how we derive value from our businesses and the performance of the key operational areas. We have updated our objectives accordingly.

Focus

Our future is about becoming more focused – a clear business model based on diversity and operations of diversified associate companies, focusing on our financial markets.

Integration

We aim to run our businesses in a more integrated way – organizing our activities along lines of business, supported by strong associate companies. This involves deploying proven processes, unique system and best practices within each business. In this way, we will maximize the competitive advantages that come from being a leading financial institution. However, it is critical that we balance this with the need to provide excellent service to customers and to maintain and build relationships with our key stakeholders.

Discipline

We plan to be more disciplined in the application of the best practices. Increasingly we will standardize our approach, applying even greater rigor to financial discipline, ensuring that we have the capital to grow, but maintaining the investor confidence that comes from a disciplined approach to our balance sheet. We maintain our target of increasing earnings per share.

Objective

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

Performance

We aim for operational excellence by performing to the highest standards of reliability and efficiency. We aim to continue to improve our financial performance.

Growth

We will invest in our existing businesses and in acquiring new business in our core markets, to generate future growth. We will diversify more our operational activities. We will be financially disciplined in the way we invest and in the way we manage our earnings stream through diversification.

Talent

We aim to maximize the contribution made by our employees by motivating our people to strive for continued improvement, developing their skills and talents and by promoting a culture that recognizes and respects inclusion and diversity.

Our strategy is underpinned by our commitments to developing strong and valued relationships with our customers, regulators, lenders, depositors and the communities in which we operate and to acting responsibly including commitment to reducing our environmental impact and to corporate governance and business ethics.

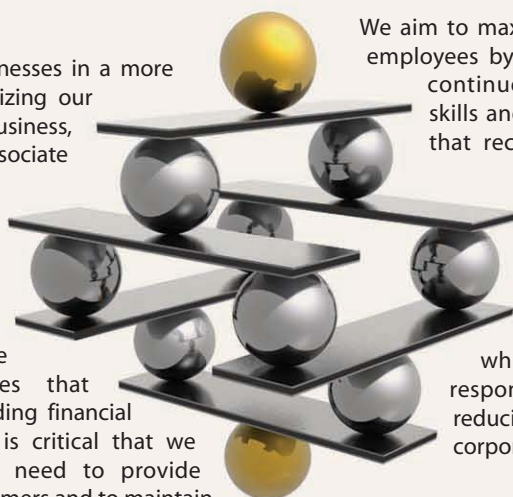
Relationship

We aim to improve relationships with our customers, regulators, fund providers and the communities in which we operate by focusing on the areas that are important to them such as the quality of services we provide to customers, the quality of information we provide to regulators, by investing in local communities and by the way we address the concerns of, and interact with, all our stakeholders.

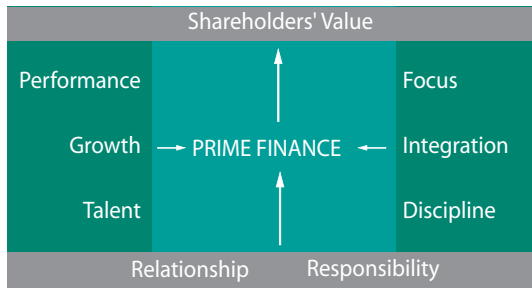
Responsibility

We believe operating responsibly is essential to the way we conduct our operations, invest, develop our people and manage our relationships and so responsibility underpins everything we do.

Although our activities have no direct impact on environment, we are committed to taking positive action to reduce our contribution to climate change and our other impacts on the environment. We want to operate to the highest standards of corporate governance and we believe in strong business ethics, based on our core values set out on page 10 of this Annual Report.



Objective and Strategy - *continued*



Performance

Our aim is for operational excellence, performing to the highest standards of efficiency, reliability, and financial performance.

Efficiency

By improving efficiency, we can constrain the cost of our operations borne by customers and improve returns to shareholders. We review our operations continually to identify opportunities to improve the operational productivity of our investment and our people, and to identify areas in which we can reduce cost or restrict cost increases, planning ahead is essential in our approach to maintaining and improving efficiency.

Our primary method of measuring improvement in efficiency is through our financial performance as described hereinafter.

Reliability

Our principal operations are critical to the functioning of the economies we serve. The reliability of our services to our customers, are therefore our next highest priority after efficiency.

Financial performance

If we achieve our objectives we should be able to deliver continued improvements in financial performance, so that we deliver on our commitment to growing our dividend above industry average.

The principal measures we use to monitor financing performance are operating profit, earnings per share and operating cash flows.

Growth

Investment and financial discipline are critical to our plans to grow our business.

Investment

We invest in our existing businesses and where we can create value through operational improvements, synergies and financial benefits.

Measures we use to monitor investment include investment in lease finance, term finance and other finances.

Generate value from our investments

We aim to generate value from our investments by improving the operating performance of our systems, by selecting investments that will provide the best returns, or in case of diversification, by selecting businesses where we can obtain synergies for the benefit of our customers and shareholders.

Measures we use to monitor the value we generate from our investment include our return on equity.

Financial discipline

In order to deliver sustainable growth, we must be disciplined in the way we manage our Balance Sheet.

This means that we will return cash to shareholders to the extent it is not required for our investment objectives.

Talent

Prime Finance depends on the talents, skills and motivation of employees. We aim to maximize the contribution made by our employees developing their skills and talents, motivating and driving continued improvements and promoting a culture that recognizes and respects inclusion and diversity and where all our employees share our core values described on page 10 of this report. In addition to obtaining the views of employees on an ongoing basis, we periodically carry out employee surveys to identify areas where we can improve the way we develop and interact with them.

Motivation and performance

We plan to improve our operational performance and the service we provide to our customers by motivating our employees to strive for continued improvement.

Our aim is for a world-class performance management system, involving integrated common performance processes, a single set of performance criteria, pay linked to leadership qualities as well as operational and financial performance and greater differentiation between levels of performance.

Development of talent and skills

Critical to our success is identifying, recruiting and developing talented people and helping all our managers and employees to serve to the best of their abilities.

Objective and Strategy - *continued*

Inclusion and diversity

In order to recruit, develop and retain talented people, we aim to achieve a more inclusive and diverse workforce. A number of areas have been identified to help achieve our vision of developing and operating our business in a way that results in a more inclusive and diverse profile, and to be seen as an employer of choice.

Performance measures we use to monitor our objective of promoting inclusion and diversity include the percentage of female employees and the turnover ratio.

Values

Our aim is for all our people to be proud to work for Prime Finance and to share our core values of professional excellence, integrity, teamwork, transparency, leadership, superior performance and sustainability.

Relationship

We have a diverse range of stakeholders including employees, lenders, depositors, customers, regulators, government and community. We strive to be open and constructive in our dealings with external audiences.

Our relationships with stakeholders are critical to our success. Our strategy involves improving those relationships by focusing on the areas that are important to them, such as the quality of service we provide to customers, the quality of information we provide to regulators and shareholders and the way we address the concerns of and interact with all our stakeholders.

Customer service

Our objective is to satisfy our customers with the quality of services we provide, with our responsiveness when things go wrong and our dedication to continued improvement.

Regulatory relationship

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

Lenders and depositors

We aim to work in partnership with our lenders developing constructive relationship, and working together effectively. Our objective is to developing

contractual arrangements with our lenders and depositors that align their interests with our own as far as possible and share financial risk appropriately.

Community involvement

Prime Finance's role as a good corporate citizen supports our strategic ambitions and is delivered through a sustained and consistent approach.

In all our investment, we aim to develop our business, support our employees, support our communities and enhance our reputation. Our approach is based on two principles: Investment in our communities and investment in our people.

Sharing of best practices across our business and working collaboratively with key partners and stakeholders enable us to maximize how communities benefit from our activities.

Responsibility

We are committed to operating in a responsible manner and this underpins our commitments to performance, growth, talents and relationships as discussed above. As a financial institution, our activities have an indirect impact on the environment. We remain very cautious while sanctioning loan keeping in mind the purpose of the loan and the nature of business of the customers. We are committed to strong governance and high ethical standards.

Protecting the environment

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

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

Corporate governance

We believe strong corporate governance is essential to operating responsibly and achieving our goals. We describe our approach to report on corporate governance on page 64 to 70 of this Annual Report.

Business ethics

We are committed not only to ensuring that all our behaviors are lawful and that we comply with our policies and regulatory guidelines, we also expect all of our employees to live up to our core values as set out on page 7 of this Annual Report.

Five-year financial summary

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

As of and for the years ended 31 December

Results of operations	2011	2010	2009	2008	2007
Operating revenue	2,244.77	3,078.53	1,425.36	819.62	724.42
Operating expenses	1,290.56	1,085.40	714.73	531.07	522.46
Profit before tax	954.20	1,993.14	710.63	288.55	201.96
Net profit	772.81	1,731.66	683.13	286.05	196.96

Balance sheet

Total investments	12,827.06	11,621.04	9,275.31	5,092.67	4,174.88
Total deposits	4,315.61	3,760.31	4,632.59	2,177.79	2,124.82
Total liabilities	10,431.84	9,018.36	8,546.79	4,700.36	3,843.98
Paid up capital	1,624.50	902.50	644.64	460.46	328.90
Capital employed (1)	13,073.94	11,340.74	9,224.69	4,830.75	3,793.66
Shareholders' equity	4,684.40	3,893.58	1,826.39	921.31	635.26
Property, Plant and Equity	327.67	323.62	321.63	14.21	13.84
Net Current Assets	288.88	1,398.54	2,191.59	4,04.53	813.80

Ordinary shares information

EPS	4.14	19.13	10.60	6.21	5.99
EPS (restated) (2)	4.14	10.65	4.21	1.76	1.21
Dividend	40B	80B	10,40B	40B	40B
Book value per share of Tk. 10 (end of period)	28.84	43.14	28.33	20.01	19.31
Ordinary shares Tk. 10 each	162.45	90.25	64.46	46.05	32.89
Year end market price per share	98.40	465.90	186.03	110.55	59.25
Market capitalisation	15,985.11	42,047.55	11,991.99	5,088.08	1,948.73

Financial ratios (%)

Return on average investment (PBT/average inv)	7.81	19.08	9.89	6.23	5.28
Return on average assets (PBT/average asset)	6.81	17.12	8.89	5.71	4.92
Return on average equity (PAT/average equity)	16.50	44.47	49.72	36.75	34.76
Equity to assets	30.99	30.15	17.61	16.39	14.18
Efficiency ratio (3)	15.42	7.35	12.66	17.10	19.54
Current ratio (times)	1.05	1.25	1.54	1.31	2.22
Price earnings ratio (times)	23.77	24.35	17.55	17.80	9.89
Deposit investment ratio	33.64	32.36	47.40	46.43	47.14
Debt equity ratio (times)	1.79	1.91	4.05	3.94	4.97
Coverage/reserve against NPL	57.52	65.70	60.61	82.42	68.72
Non performing assets to loans/leases (4)	6.48	6.23	7.04	7.06	8.02

Others

No. of branches	03	03	03	03	02
EVA	283.76	1,397.76	592.23	243.26	167.67
Enterprise value (5)	24,957.68	49,937.62	19,068.31	8,617.12	4,877.64

¹ Capital employed represents shareholders' equity and long-term borrowings

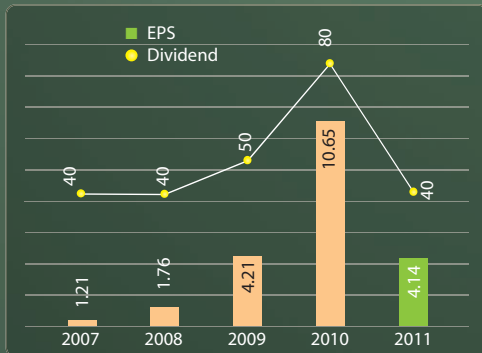
² Adjusted to reflect the 80 percent bonus share declared for the year 2010

³ Efficiency ratio represents management expenses as a percentage of net interest income (total interest income minus financial expenses) plus non-interest income

⁴ Non-performing Loans means classified loans/leases as per guide line of Bangladesh Bank.

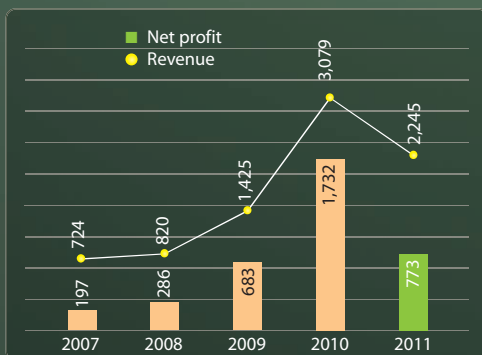
⁵ Enterprise Value represents market capitalization plus debt minus cash and cash equivalents

Graphical Presentation of Financial Performance and Condition



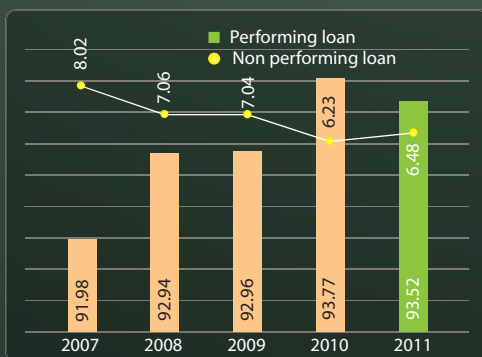
Earnings per share and percentage of dividend

Company's Earnings Per Share (EPS) was Tk. 4.14 in 2011, which was Tk. 10.65 in 2010. To maintain reward to the valued shareholders, the board in its meeting held on 26th February 2012 recommended 40 percent stock dividend i.e. 2 bonus shares for every 5 shares held for the year 2011 (Share as on 7 March 2012 as the date was the record date).



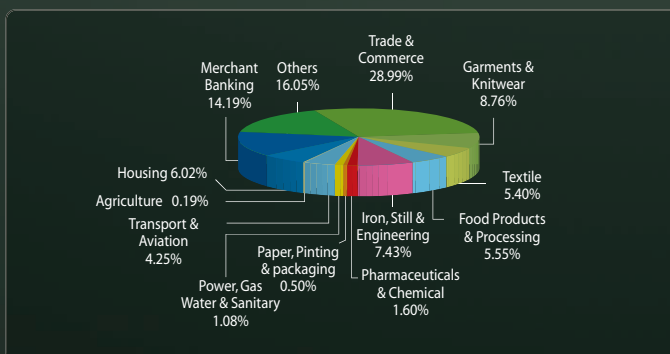
Net profit and total revenue

Total revenue and net profit was Tk. 2,245 million and Tk. 773 million respectively in 2011, which was Tk. 3,079 million and Tk. 1,732 million respectively in 2010. In 2011 net profit was 29.73 percent of total revenue resulting from a well managed management expenses, cost of fund and so on.



Performing and non-performing loans, advances and leases

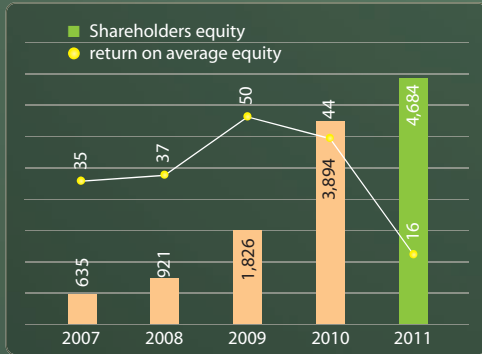
As a focal point of gradually cleaning up of Balance Sheet, the Company could improve its conditions regarding loans, advances and leases. The graph shows that non-performing loans, advances and leases were 6.48 percent in 2011, which was 6.18 percent in 2010. The rate of non-performing loan increased due to decrease of the base of the loans, as our subsidiary has been separated from 1 January 2011 to form a new company (Margin loan provides by subsidiary company).



Sector wise Investment

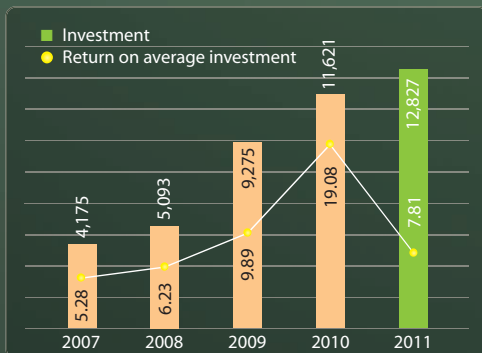
Diversification was the main focus of Prime Finance. During the year, the company could maintain its portfolio well diversified as well. Highest exposure was 28.99 percent in Trade and commerce followed by Other 16.05 percent, Merchant banking 14.19 percent, Garments and Knitwear 8.76 percent, Iron, Still and Engineering 7.43 percent, Housing 6.02 percent and so on.

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



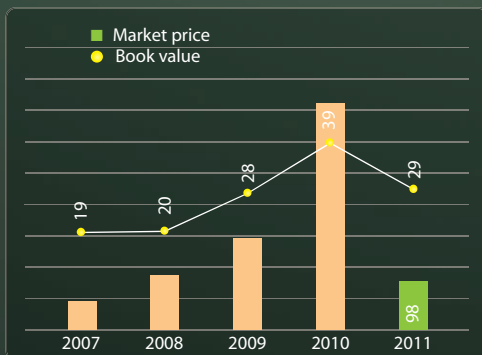
Shareholders equity and return on average equity

The shareholders equity was highest in Prime Finance's history. In 2011, shareholders equity was Tk. 4,684 million compared to Tk. 3,894 million in 2010 showing a growth of 20.31 percent over last year. Return on average shareholders equity was 16.50 percent in 2011.



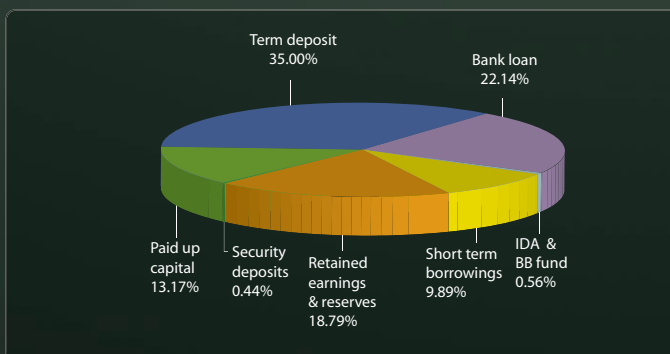
Investment and return on average investment

In 2011, investment of the Company was reached to Tk. 12,827 million which was Tk. 11,621 million in 2010 showing a growth of 10.38 percent. Return of average investment was 7.81 in 2011.



Market price and Book value per share

Market price per share at 29 December (as the closing date of the year 2011) was Tk. 98.40. Book value at the end of the year was 28.84 per share, despite adjusting stock dividend of 80 percent of 2010.



Sources of fund

Company's source of fund was well diversified. In 2011, term deposit was the top provider (in term deposit Tk. 3,795.50 million from institutions and Tk. 520.11 million from individuals) equivalent as 35 percent followed by bank loan 22.14 percent, retained earnings and reserve 18.79 percent, paid up capital 13.17 percent, short term borrowing 9.89 percent, and so on.

Board of Directors



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



K. M. Khaled
Chairman
Representing Khaled Textile Mills Ltd.
Age: 70 years

Qualification: B. Sc Engineer (Bangladesh University of Engineering & Technology)

Appointment to the Board: He was first appointed to the Board on 10 March 1996 and last re-appointed on 29 April 2009.

Experience: Mr. Khaled started his career in 1962 as Assistant Engineer in East Pakistan Water and Power Development Authority and retired as Executive Engineer. He started his business career as a Sponsor Director of Greenland Engineers & Tractors Co. Ltd (GETCO), dealer of Caterpillar Inc. – a world leader in the manufacture of construction equipments, diesel and gas engine and generators. A versatile business personality, Mr. Khaled established various organizations in the field of tele-communication, power generation, engineering, trading etc.

Committee Membership: Nil

Association with other Organization: Greenland Engineers & Tractors Co. Ltd., Machinery & Equipment Trading Co. Ltd, GETCO Ltd., Eurasia Gate Ltd., Acorn Trading Co. Ltd., K. S. Engineering & Technology Ltd., K. S. Consultants Ltd., Prime Bank Ltd., Prime Prudential Fund Ltd., PFI Properties Ltd., GETCO Power Limited, GETCO Jute Mills Ltd, GETCO Trading Ltd., GETCO Telecommunications Ltd., GETCO Agro Vision Ltd. and Khaled Textile Mills Ltd.



Md. Aminul Haque
Director
Representing Acorn Limited
Age: 71 years

Qualification: B. Sc Engineer (Bangladesh University of Engineering & Technology)

Appointment to the Board: He was first appointed to the Board as Director on 10 March 1996 and last re-appointed on 29 March 2011

Experience: After graduation from BUET in 1962, Mr. Haque started his career with the Industrial Development Bank of Pakistan and subsequently joined the then East Pakistan Water and Power Development Authority as Assistant Engineer. In the year 1972, he established Greenland Engineers & Tractors Co. Ltd. (GETCO), dealer of Caterpillar Inc. - a world leader in the manufacture of construction equipments, diesel and gas engines and generators. 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.

Committee Membership: He is member of Board Executive Committee

Association with other Organization: Prime Bank Ltd., Asia Gate Ltd., Prime Prudential Fund Ltd., Acorn Limited, Greenland Engineers & Tractors Co. Ltd. and Machinery & Equipment Trading Co. Ltd.

Muslima Shirin

Director

Representing Mawsons Limited

Age: 59 years

Qualification: Matriculation

Appointment to the Board: She was first appointed to the Board on 23 October 2005 and last re-appointed on 29 March 2011.

Experience: A dynamic and visionary woman entrepreneur Mrs. Muslima Shirin, set up a good number of business entities including bank, non-banking financial institution and insurance company.

Committee Membership: Ms. Muslima Shirin is member of Board Audit Committee. She is also a Member of Board Executive Committee.

Association with other Organization: Mawsons Limited

**Z. M. Kaiser**

Director

Representing Maksons (BD) Limited

Age: 59 years

Qualification: Masters of Science

Appointment to the Board: He was first appointed to the Board on 8 October 2006 and last re-appointed on 29 March 2011.

Experience: He has been associated with a number of companies including bank, insurance, exports and imports.

Committee Membership: Mr. Kaiser is a member of the Board Audit Committee & Executive Committee.

Association with other Organization: Prime Islami Life Insurance Company Limited.

**Mohammad Masudur Rahim**

Director

Representing East Coast Shipping Lines Limited

Age: 41 years

Qualification: Masters of Economics from the University of Dhaka, MBA from a reputed University, Completed course in Cost & Management Accounting.

Appointment to the Board: He was appointed to the Board on 9 January 2008 and last re-appointed on 28 March 2011

Experience: Masudur Rahim joined East Coast Group in 1999 as an Assistant Vice President. Over the years he has proven himself under different capacities at ECG and now serves as the Chief Operating Officer of EC Distribution Limited, a subsidiary of East Coast Group. Mr. Rahim represents of East Coast Shipping Lines Limited as a Nominated Director at Prime Finance & Investment Limited, a leading Non-Banking Financial Institutions (NBFI) in Bangladesh. He is also the member of East Coast Group Employees Welfare Fund.

Committee Membership: A member of the Board Executive Committee.

Association with other Organization: East Coast Shipping Lines Limited



Board of Directors - *continued*



Professor Salma Rahman

Director
Age: 67 years

Qualification: M.A. in English from University of Dhaka

Appointment to the Board: She was appointed to the Board on 29 June 2008 and last reappointed on 22 April 2010.

Experience: Mrs. Rahman started her career as a lecturer of English in Dhaka College and became the Principal of Narayangonj Women's College and retired in 2001 as the Director of Higher Secondary Education, Government of Bangladesh.

Committee Membership: She is a member of Board Audit Committee

Association with other Organization: Mrs. Rahman was twice elected President of Rotary Club of Dhaka New City and Assistant Governor of District for 2009- 2010. In 2011, she is the Chairperson of Women Empowerment Committee of the Rotary District. She is the President of Smritimoy-65 of Dhaka University Alumni Association, Life member of Dhaka University Alumni Association, Joint Secretary of Dhaka College Ex-professors Association and past Vice President of Gulshan Society.



M. Shahadat Hossain Kiron

Director
Representing Agami Apparels Limited
Age: 62 years

Qualification: Bachelor of Commerce

Appointment to the Board: He was first appointed to the Board on 19 April 1998 and last reappointed on 22 April 2010.

Experience: With a vast experience, Mr. Kiron set up a good number of business entities in the areas of trading, indenting, manufacturing, paints, garments, accessories etc.

Committee Membership: Nil

Association with other Organization: Agami Apparels Ltd. Dekko Garments Ltd., Dekko Apparels Ltd., Glubus Garments Ltd., Agami Fashions Ltd., Dekko Fashion Ltd., Dekko Accessories Ltd., Roxy Paints Ltd., Agami Accessories Ltd., Dekko Foods Ltd., Dekko Ainet Ltd., Agami Distribution Ltd., Dekko Designs Ltd., Dekko Washing Ltd., Prime Finance Capital Management Ltd.



M. N. H. Bulu

Director
Representing Abeeco Industries Limited
Age: 54 years

Qualification: Bachelor of Commerce

Appointment to the Board: He was first appointed to the Board on 10 March 1996 and last re-appointed on 22 April 2010.

Experience: With a diversified practical knowledge, Mr. Bulu started his business career and set up a good number of business entities engaged in trading, indenting, manufacturing, insurance, banking etc.

Committee Membership: Nil

Association with other Organization: National Chemical Manufacturing Co. Ltd., Rumki Industries Ltd., Shafkat PVC Sole Industries, Bulu International, Oishee International Company, Aleef Enterprise, Best Tape Company, Dhaka Bank Limited., B.N.S. International Co. Ltd., Boss PVC Denil Ind, Nowshin Denial Ind., Abeeco Industries Ltd.

Md. Aliuzzaman

Director

Self

Age: 75 years

Qualification: MBA from the University of Karachi, Pakistan**Appointment to the Board:** He was first appointed to the Board on 10 March 1996 and last re-appointed on 22 April 2010**Experience:** Mr. Aliuzzaman started his career in 1966 with Habib Bank Limited. During his career he held important positions in ICP, ICB, BSRS, Rupali Bank and Sonali Bank. He retired from Rupali Bank Limited as General Manager in 1994. He was the first Managing Director of Prime Finance & Investment Limited.**Committee Membership:** Mr. Aliuzzaman is the Chairman of Board Audit Committee.**Association with other Organization:** PFI Properties Ltd. and Prime Finance Capital Management Limited**Tauseef Iqbal Ali**

Director

Self

Age: 38 years

Qualification: Graduated in Business Administration major in Finance & Economics. He did MBA in International Business from Maastricht School of Business, Netherlands**Appointment to the Board:** He was first appointed to the Board on 7 September 1997 and last re-appointed on 29 March 2011**Experience:** Mr. Tauseef has long experience of working in financial institution and Securities brokerage house. Currently Mr. Tauseef serves as Deputy Managing Director of Nouvelle Securities Ltd. - a Stock Broker of Dhaka Stock Exchange**Committee Membership:** He is the Chairman of Board Executive Committee.**Association with other Organization:** Prime Finance Capital Management Limited**Prof. Parimal Chandra Datta, Ph.D**

Independent Director

Self

Age: 64 years

Qualification: Masters in Accounting from the University of Dhaka and did Ph.D in Accounting & Finance from Preston University, USA**Appointment to the Board:** He was first appointed to the Board on 26 February 2012.**Experience:** Currently, Mr. Datta working as the Professor in the School of Business in Primeasia University. Previously he served as the Registrar & Professor of Business Administration Department in IBAIS University, more than 30 years government jobs in different college & University.**Committee Membership:** He is a member of the Board Audit Committee.**Association with other Organization:** Nil

Senior Management

“

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

”



Asad Khan
Managing Director
With Prime Finance: Since 2011

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

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

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

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



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

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

Mr. Ahsan Kabir Khan was promoted to Deputy Managing Director in 2009 and assigned the current charge as Managing Director from 16 January 2011. He has been successfully performing different responsibilities at different times. He worked as Head of Risk Officer managing and controlling credit risk, also oversaw special assets management with monitoring activities. In addition, he has a long experience in credit administration, operation and marketing.

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



A K M Nozmul Haque M.Sc
Head of R & D
With Prime Finance: Since 2006

Mr. A K M Nozmul Haque, a senior banker of the country, joined Prime Finance in January 2006 and worked as Managing Director for two years. Then he was appointed as Consultant to the Board. He served more than 40 years in Central Bank, Development and commercial banks both in public and private sector and leasing companies. He started his career as a lecturer of Rajshahi University in 1965 and then joined State Bank of Pakistan in 1967. He served Bangladesh Bank for almost fifteen years.

Mr. Haque was the Managing Director of Agrani Bank, Rupali Bank and IIDFC. He was the Advisor of Bank Asia Limited.

Mr. Haque proved his academic feat all through his academic life. He completed his M.Sc. in Statistics from Rajshahi University, securing first class first position in 1965. Mr. Haque did his MA in Economics from New York University, USA.

Mr. Haque has also published articles in a number of journals, books and newspapers.



Md. Mizanur Rahman FCA
CFO
With Prime Finance: Since 2005

Mr. Rahman, A qualified Chartered Accountant, joined Prime Finance in 2005 as the Head of Finance. He was also responsible for Human Resource Management and Administration of the Company for more than six years. Mr. Rahman participated in a good number of training, workshop and seminars on financial services in home and abroad. He visited Malaysia for participating training on Islamic Market Program and visited United Kingdom for participation in a conference. He also visited France, Italy as well.

Mr. Rahman completed his Honors and Masters in Accounting from the University of Dhaka. Thereafter, he completed Chartered Accountancy course from Rahman Rahman Huq, a member firm of KPMG International. He is a Fellow of the Institute of Chartered Accountants of Bangladesh (ICAB). Before joining Prime Finance, he was the Audit Manager of Rahman Rahman Huq, Chartered Accountants. He is a faculty member of the ICAB. He is a member of SMP committee of ICAB as well. He is a Director of PFI Properties Ltd., PFI Prudential Fund Ltd. and has been appointed as an Independent Director of Prime Islami Life Insurance Ltd.



Md. Rezaul Haque MBA
Head of Operation & Marketing
With Prime Finance: Since 1996

Mr. Haque, an expert and experienced person in capital market started his career as an Investment Executive with Corporate Securities Management Limited, a private sector Issue Management Company in 1994. Then he joined Prime Finance in 1996 and since then he has been contributing his professional knowledge to this Company His contribution to put forward Prime Bank is inevitable. Now he is working as the Head of Operation & Marketing.

Mr. Haque attended numerous seminars, workshops and trainings in both home and abroad. He visited Shenzhen Stock Exchange, China for dialogue about RPCF in Nov 2009. Recently he visited United Kingdom for the purpose of developing and attracting non-resident Bangladeshi's to capital market.

Mr. Haque is a member of 'the Association of Accounting Technicians of Bangladesh, Lions Club of Dhaka Imperial' and Bangladesh-China People's Friendship Association'. He is a Director of PFI Securities Ltd, PFI Properties Ltd., and Prime Finance Capital Management Ltd.



Gazi Nilufar Yeasmin MBA
Vice President
With Prime Finance: Since 2009

Ms. Yeasmin has 12 years of work experience in both bank and financial institution. She started her career as a credit analyst in ICB Islamic Bank (then Al Baraka Bank), a joint venture Islamic bank. She joined as Head of Operations Department in 2001 in IDLC Finance Ltd, a leading multi product financial institution of the country. There, she was responsible for managing operational activities for wide variety of products starting from Corporate Finance, SME Finance, Syndicate Finance and Short Term Financing such as Factoring, Bill Discounting & Work Order..

After IDLC, she joined as Relationship Manager in Payments & Cash Management Department of HSBC Ltd. At HSBC, Ms. Yeasmin was Account Manager of foreign accounts under Foreign Direct Investment. She joined Prime Finance in May 2009 as Assistant Vice President in Operations and Marketing Department

Ms. Yeasmin graduated with Bachelor of Commerce in 1993 and obtained MBA, major in Marketing, from the Institute of Business Administration (IBA) of Dhaka University in 1997. She attended numerous trainings, seminars organized by reputed local and foreign organizations in both home and abroad.



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

Ms. Gulshan Ara Hafiz is one of the experienced members of the professional team of Prime Finance and has gathered immense acquaintance in her work of area in Operations and Marketing department. At present, she is acting as Head of the SME department as well as the Branch Coordinator of the Company. As a branch Coordinator, she is responsible in day-to-day operational and marketing related affairs of Chittagong and Rajshahi Branch. Her expertise lies in marketing clients of SME, woman entrepreneurs and different medium size clients.

She completed her graduation from Dhaka City College in the year 1998 and Masters in Bank Management from Bangladesh Institute of Bank Management (BIBM) in the year 2002. She accomplished her internship in United Commercial Bank Limited and after finishing of her Masters she joined Prime Finance. She has also attended a number of training courses on core risk management, product diversification, effective supervisory management and team building and other related fields of her concentration.

Senior Management



Ahsanullah M Dewan MIT
Assistant Vice President
With Prime Finance: Since 2011

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

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

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

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



Masru Hossain
Assistant Vice President
With Prime Finance: Since 2011

Mr. Hossain has a vast experience of marketing and business development in financial sector. He joined Prime Finance with an assignment of making the company self dependent in fund generation. He join as the Head of Liability & Fund management and is responsible for overall public & corporate funds, portfolio management as well as operation of the sales and marketing team.

Mr. Hossain started his career at United Leasing Company (ULC), there he was responsible for sales team operation and business development, and before leaving ULC he held the position of Sales Team Controller. After ULC he joined Uttara Finance and Investments Ltd. in 2009. At Uttara Finance he started a new department named Retail Business and was the Head of Retail Business.

He is specialized in Liability Operation, Product Development, Consumer Finance, Service & Operation and Sales & Marketing Team Operation. Mr. Hossain graduated in Business Studies and obtains MBA, major in Finance from North South University.



Rupak Nasrullah Zaidi
Assistant Vice President
With Prime Finance: Since 2011

Mr. Zaidi is an HR professional having 12 years experience in the field of HR, Training & Administration. He is an MBA major in HR and Marketing and also got Post Graduate Diploma in Human Resource Management (PGDHRM). He is a Management Consultant accredited by Institute of Management Consultant Bangladesh and having Post Graduate Diploma in Management Consulting (PGDMC). He is also a certified Trainer from City & Guild – UK. He is also taking classes in MBA program in leading Private Universities in Bangladesh. He started his career in 2000 in the department of HR & Admin with a national NGO and continuing his services in Govt. & different local & multinational corporate organizations. His expertise areas are HRM, Training, Administration and Organization Development. In his career he conducted number of trainings with different corporate, private & Govt. organizations. To contribute to the professional development in the HR field, Mr. Zaidi conducted five researched based study. Some of his research based articles have been published in national and international journals. He also attended national and International conference as paper presenter. He has a very good professional network and having the position of Secretary General of professional Body named Professional Society of Bangladesh. He is also member of Worldwide Trainers Forum, associate member of Bangladesh Society for Human Resource Management and Associate Member of Institute of Management Consultants Bangladesh (IMCB)



Lingkon Mondal, ACA
Assistant Vice President
With Prime Finance: Since 2011

Mr. Lingkon Mondal, Deputy Chief Financial Officer of Finance & Accounts has been working in Prime Finance since December 2011.

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

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

2011 Social Indicators

Staffing level	2011	2010	2009
Management Cadre	41	45	37
Non-management Cadre	8	7	11
Support Staff	17	15	15
Total workforce	66	67	63
Male	53	55	52
Female	13	12	11

Average age of employees			
Management Cadre	35	35	35
Non-management Cadre	30	31	33

Salary & allowance (in million Taka)			
Total Salary	103.69	86.32	63.44
MD's Salary	3.92	7.02	7.05
Total Benefits	107.61	93.34	70.49

Change in staffing level			
Total employee at the beginning	67	63	59
Recruitment during the year	19	4	8
Departures (retirement/resignation etc.)	12	-	4
Transferred to Subsidiary Company (Prime Finance Capital Mgt. Ltd.)	8	-	-
Changes during the year	1	-	4
Total employee at the end	66	67	63

Training			
Average number of days spent in training per employee	3.44	3.3	3.94
% of employees who participated in at least one training program during the year	51%	45%	56%
No. of employees who participated in at least one training program during the year	25	30	35
No. of training programs participated by employees during the year	42	34	19

Message from
The Chairman

“

Prime Finance has continued to post profits in 2011 despite a challenging business environment. Our focus was to strengthen the balance sheet with selective asset building. As a result, we achieved a 17.07% growth in total assets

”



K. M. Khaled
Chairman

The success story of Prime Finance & Investment Limited (PFI) continued in the year 2011. Despite one of the most challenging macroeconomic environment in the country the fundamentals of the company have shown an upward trajectory. The year 2011 was beset with one of the most difficult money market and capital market scenario that the company has ever faced. Despite this the company has largely met its growth objectives and has balanced its resources not only to avoid uncertainties and unnecessary risks but also charted a course for sustained future growth.

The company continues to reinvent itself and has redesigned its focus based on the lessons learnt from the recent financial debacles in the west. At the same time, PFI continues to redeploy its resources to ensure that maximum returns are made within the available resources at its command. Challenging environment, sound human resources practices, strategic thinking and above all creative solutions are the hallmarks of the company. Our 16th anniversary year was highlighted by operational growth and sound strategic progress.

Overview of performance in 2011

It is my great pleasure to report to you that through hard work and dedication, Prime Finance has continued to post profits in 2011 despite a challenging business environment. Our focus was to strengthen the balance sheet with selective asset building. As a result, we achieved a 17.07% growth in total assets from BDT 12,911.95 million to BDT 15,116.24 million through the expansion of investment activities.

Prime Finance reported a net profit of BDT 772.81 million for 2011 compared to BDT 1,731.66 million in 2010. There was significant activity in the investment area, thus income generated from such activities in the current year increased by 10.94%.

The adverse variance is due to market conditions where tight money market along with sharp fall of capital market throughout the whole year in 2011 was a dominant phenomenon. In the year 2010, capital market contributed significantly to the overall profitability of the company. However, in 2011, the company has largely been able to balance the profit centres, avoided placing too much focus on a single profit head and ensured that profit generation came from diversified profit centers thereby adhering to proper risk management practices. Now the company's financials would reflect that contributions to profits are coming from core business that has seen a quantum leap, as well as from subsidiaries and associates that have been a source of strength for the company.

Prudent management exercised strict expense controls measures and also adhered to prudent spending leading to stability in the overall operating expenses of the Company. This is again reflected in the

decrease of controllable management expenses of the company that has remained largely stagnant despite spiraling cost escalations.

Prime Finance continues to apply conservative investment practices and is following prudent risk management practices in granting new facilities and acquiring investments in line with the regulatory focus to control exposures. The Capital Adequacy Ratio reflected a healthy measure of approx. 18% against the mandatory 10% fixed by the Central Bank of Bangladesh (BB). The strong liquidity position with our capital base is expected to provide us a competitive advantage.

Strategic progress

Marketing Guru, Dr. Philip Kotler recently remarked that if an institution continued to do what it did 5 years back, it would be bankrupt. Hence the mantra of PFI is – grow or perish. It is in line with this philosophy that PFI has to address the future and unleash its creativity and vision.

Over the years, PFI has firmly entrenched itself as a professionally managed and creative entity that has stood the test of time. Some of the changes that have been brought in the company are the following:

- ▶ The subsidiaries and associates are independent entities and are manned by sound professionals who are handpicked to deliver. Although there was a strong focus on the capital market, through good governance and creativity, the units continued to make impressive profits that are contrary to the current situation in the market.
- ▶ Our company has successfully launched a Liability Management Unit that is manned by a high quality professional who is responsible to ensure sufficient flow of liquidity to enable to carry on the operational activity of the company. Early sign is encouraging and we believe that the yearly targets will largely be met by the end of 2012.
- ▶ A time befitting Human Resources Department (HRM) has been restructured reporting directly to the Managing Director. This unit should be able to address the hopes and aspirations of the employees of the company, assess the human development needs of the company and ensure that Human Development efforts are geared to fulfill the needs of the organization.
- ▶ We believe that future of the Non-Bank Financial Institutions (NBFIs) will be largely dependent on lean administration. NBFIs cannot match the strength of the banks and shall continue to function on the niche model. The only answer is low administrative cost, leaner manpower resources, and multiple skill development of the

The Chairman's Statement - *continued*

human resources. PFI is fully aware of the differences and have placed full focus on multiple skill development of its human resources to ensure that they are fully equipped to meet the challenges of the 21st century.

- ▶ We have given a new impetus to the Corporate Social Responsibility (CSR) of Prime Finance. PFI has now adopted a societal approach to business and our endeavor shall be make further commitments to the marginalized section of our society.
- ▶ IT continues to be the backbone of creativity of the company. IT department has now been redesigned with a fresh focus on creative solutions. The department has focused on in house development of software. IT is on track to bring deposit software that shall be the backbone of the deposit mobilization team.

Subsidiary and associates

Overall, our subsidiary and associates performed well during 2011, despite the challenging market conditions. Prime Finance's flagship subsidiary, Prime Finance Capital Management Limited (PFCML) maintained profitability, with net income for the year of BDT 250.74 million. The Company's associated companies contributed a total profit of BDT 87.08 million compared with a profit of BDT 331.32 million in 2010. Key contributors among the associates during the year was PFI Securities Limited which contributed BDT 117.02 million. During 2011, we maintained our substantial investment in human capital and information technology. We continued to sponsor our employees to gain professional qualifications, and took steps to enhance information security.

Business focus

Strategic business objective of PFI is to focus on the emerging sectors. As such the policies and practices of the company are geared towards identification of the growth sectors, focus on sectors that are buoyant and continue to make inroads with a view to maximize the returns without compromising with the risks.

Imbued with this spirit, the company has made inroads in some emerging sectors like shipbuilding sector, which has reinvented itself to cater to the needs of the world community. Emphasis has also been given to the fast moving consumer goods that are expected to remain buoyant on account of the demands of the burgeoning population. It is expected that a large population will continue to fuel the demand trajectory in this sector.

Fresh focus has been made to support the SME sector that will continue to be the mainstay of business target since the company is clear that there is too much crowd at the corporate client level.

Segment reporting

Prime Finance reviews segment reporting in order to assess performance and allocate resource. The various business segments are described below:

PFI manages the business activity from both a geographical and business perspective. From the geographical perspective, PFI operates in three principal regions: Dhaka, Chittagong and Rajshahi. As Rajshahi is comparatively a new branch for starting full-fledged operation, our business activities concentrated mostly in Dhaka & Chittagong and executed 65% contracts in Dhaka and 35% in Chittagong.

From the business perspective, PFI provides services through Corporate and SME Department under major financial products such as Lease, Term Finance and Real Estate Finance that represents 16%, 82% and 2% respectively of total loan contract in the current year.

Funding is provided to and from individual business segments through treasury operations as part of the asset and liability management process.

Corporate governance

Prime Finance views sound corporate governance as a critical factor in ensuring organizational integrity and efficiency, creating long-term value for shareholders, and protecting the interests of all stakeholders. We aspire to the highest standards of ethical conduct and best practices in reporting results with accuracy and transparency, and maintaining full compliance with the laws, rules and regulations that govern our businesses in different jurisdictions. During the year, we continued to strengthen the Company's corporate governance framework, and implemented a number of new initiatives, particularly in the areas of compliance, internal controls, and risk management. We put in place some initiatives to further strengthen the Company's risk and compliance functions.

Regulatory environment

The Bangladesh Bank (BB) has asked the non-banking financial institutions (NBFIs) to double their paid-up capital to BDT 1 billion by June 30, 2012 to help consolidate their capital base for minimizing risks. Prime Finance has adequate cushion against this as our paid up capital lies far above the required level.

Prime Finance has significant progress in preparation of BASEL II implementation. Bangladesh Bank has instructed mandatory implementation of the Basel II, under which we successfully reported Bangladesh Bank from the current year. By implementing new BASEL capital accord, we aim to raise comprehensive risk management ability and achieve professional risk management to support our business development.

The Chairman's Statement - *continued*

Efforts are underway by Bangladesh Bank to enact a new Financial Institution Act which should largely remove the anomalies and inconsistencies that were observed under the Financial Institution Act 1993. The new Act would place greater regulations on the NBFIs from the Central Bank.

Outlook

The fundamentals of the country are largely stable. Exports in the year are somewhat subdued on account of the Eurozone downturn and the target achievement is likely to be difficult. The surprise element of the economy is the foreign remittance from the wage earners that has seen an upward swing. Inflation is expected to be in single digit number due to higher food grain output and contraction monetary policy adopted by the Central Bank in the second half of 2011. Money market may become more stable in the first half of the year 2012 with Bangladesh Bank easing the contraction that it is currently enforcing.

Capital Market on account of low price to earning ratio, easing of monetary contraction policy and incentives to the investors may gradually become more cheerful with institutional and individual investors engaging in a more robust way. In this scenario, gradual improvement in capital market arena is expected and the gloom is likely to be replaced with a more positive outlook.

In the past, income from associates figured prominently in the overall profitability of Prime Finance. In 2011, profitability of the associates were mixed with some contributing and others unable to do so. In 2012, we expect that all associates would experience a transformation and contribute to the overall profitability of Prime Finance. Some of the newly formed associates like PFI Properties Limited would begin to contribute modestly and Prime Finance Asset Management Company Limited is likely to be rejuvenated. Prime Finance Capital Management Limited has a large pipeline of matured issues to be launched in 2012 and this will significantly contribute to the bottom line of the company. At the same time PFI Securities Ltd., somewhat subdued in 2011, may regain its rightful place among the top brokerage companies in the country.

I am very hopeful that core business of Prime Finance will be able to grasp all prospective opportunities to develop business models under the sound capital position of the company. Special attention will be given on quality asset and deposit mobilization. Net interest income along with other income is expected to increase in 2012 given a stable economic and political situation. Development of IT infrastructure to a desired level and increase in CSR activity is two of our priority works in 2012. Our persistent endeavor is to make Prime Finance one of the finest financial institutions with prudent risk management framework

that enables the company to uphold its position all time amidst increasingly changing and uncertain financial landscape.

One of our most important asset is our team of excellent professionals whose sincerity and dedication will let us continue to maintain good quality and diversified portfolio and ensure on going progress. Notwithstanding the challenges ahead, Prime Finance is well positioned to thrive business growth and deliver excellent shareholders value.

Changes to the Board

In April 2011, Mr. Md. Aminul Haque resigned as Chairman of the Board. On behalf of my fellow Directors, I would like to pay tribute to his valuable service to the Company as Chairman since 2007. During this time, Mr. Haque has led the transformation of Prime Finance from a small Financial Institution to a well-diversified and respected non-banking Financial Institution. I am pleased that he will remain as a member of the Board. We will continue to benefit from his expertise and experience.

In turn, I am honoured to have been elected as Prime Finance's new Chairman. I look forward to working with my fellow Directors and the Management team to guide the Company's strategic direction, and to ensure the future success of Prime Finance as a leading financial institution.

Conclusion

I would like to point out that 2011 was another successive year of profitability & positive performance in our 16-year history. Our strategy to maintain a strong level of liquidity and equity base has enabled Prime Finance to emerge stronger from the difficulties facing the non-banking industry.

Finally, I wish to place on record my appreciation to the Prime Finance's employees who have demonstrated their dedication, skill and professionalism in discharging their duties. I am also grateful to the Board of Directors and the Central Bank of Bangladesh for their strong support and guidance. Last but certainly not least, we owe special thanks to our shareholders for their continued support and confidence; the trust and loyalty of our clients; and the positive collaboration of our business partners.



K. M. Khaled
Chairman



Products & Services

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

Financial segments

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

Deposit schemes

- Monthly income deposit
- Annual income deposit
- Cumulative income deposit
- Double income deposit
- Triple income deposit
- Housing deposit
- Fortune DPS

Products & Services of our
Subsidiary & Associate Companies -

Prime Finance Capital Management Limited

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

PFI Securities Limited

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

Prime Finance Asset Management Company Limited

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

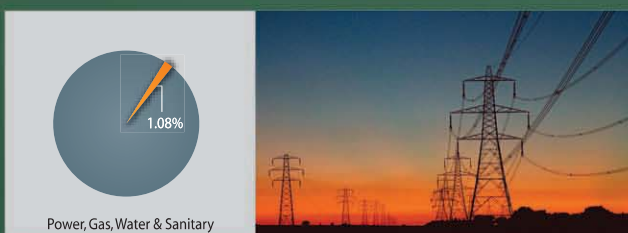
Prime Prudential Fund Limited

- Sponsor of Mutual Funds
- Capital Market Operation

PFI Properties Limited

- Construction of Commercial and Residential Building
- Developing Townships
- Securitization of receivables.

Sector wise Investments



Message from The Managing Director

“

Prime Finance's growth in 2011 was primarily driven by significant increases in net interest income, strict containment of lending rate and increased operating efficiency. During the year, the net interest income grew to BDT 1,313.24 million, which increased by 10.94% from the previous year. Lending rate was restricted at a competitive level through out the year considering tight money market situation across the industry

”



Asad Khan
Managing Director

It is indeed a great pleasure coming back to Prime Finance where I worked more than 6 years at the early age of Prime Finance back in 1998. I am honored to take over the charge as Managing Director from previous Managing Director, Current Charge in June 2011 with a tribute to him for his leadership and guidance for maintaining the overall growth and uphold the position of Prime Finance at a sustainable rate. I am delighted to report our results in different aspects to all our shareholders and public.

As you all know, we have crossed one more challenging year. If you are at the top, pressure to remain in the lead becomes more intense, standards continue to be higher and the objectives and goals become more pronounced. Having been bestowed with the onerous task of leading the company an industry leader under the present volatile money market situation, the initial objectives were to balance the resources of the company, redeploy the assets, fill the gap in the management hierarchy and continue the success story of the company.

The greatest challenge that we faced in 2011 was sudden drying up of the sources of funds. During the last 26 years of its existence, the NBFIs have been positioned on a complementary function with the banks. The banks used to fund the NBFIs ostensibly for long term funding on a niche market leaving the working capital financing to the banks. Inflation, the hydra headed monster, changed all that. Successive credit squeeze by the central bank to rein in the inflationary pressures mopped up the excess liquidity, dramatically raised the interest rates and simultaneously squeezed the flow of funds from banks. As a result, in order to meet the challenge, Prime Finance had no alternative but to redesign and reinvent its model to ensure continuity of operation.

Balancing resources

The first task was to balance the existing resources of the company. As a multiproduct financial institution widely diversified through subsidiaries and associates, the primary task of the management is to put its emphasis on those productive products that maximize returns in its investment. Early during the year it became increasingly evident that skewed investment pattern heavily in favour of capital market would have to be rationalized and the company would require focusing more on the core activities. Once the roadmap to balancing was completed, Prime Finance set about to define its other treasury function that was the crying need of the hour.

Sourcing the lifeblood

Early during the year it became clear that for all practical purposes, funds from banks would continue to dry. In my opinion, all NBFIs in future will have to function as boutique banks, have a niche market philosophy and operate with lean administration. Prime Finance had to undergo a metamorphosis – redesign its model to ensure that it is able to function as a bank – albeit without the foreign trade business and day-to-day transactions.

This gave birth to the Liability Management Unit under the wings of the Treasury Department with a dedicated team to ensure that the desired funding needs of the company could be mobilized direct from the public and the corporations. Highly capable professionals were inducted and this quickly gave positive results. Early trends show that we are on route to achieve our objectives by the end of December 2012. The company would continue to strengthen the liability management unit to ensure that by 2015, the unit would mop up enough funds to cater to around 80% of the funding needs of the company.

Human Resources

It is the greatest assets in any financial institution including banks. A happy team that produces results. It is the enabling environment that gives birth to creative thinking and achievement of laudable objectives. Continuity of human resources immensely strengthens an organization, develop a sense of belongingness and above all give the strength to face all odds.

Prime Finance in this arena faced the task of balancing the hierarchy, ensure optimum human resources and at the same time have a lean administration and management. In future it is those organizations that will continue to survive, thrive and flourish that can control its overheads and design a lean manpower plan. To ensure this, the company had to go for vigorous skill development and capacity building so that the existing human resources could deliver more. Prime Finance embarked upon multi skill development of its employees and this resulted in optimum utilization of its existing resources, enhanced the job satisfaction of the employees and also empowered them to develop a mindset to meet the challenges of the company's growth trajectory.

We know that the key to the path to sustained growth and development lies in the Human Resources capacity building. The Human Resources

Message from the Managing Director - *continued*

department has been redesigned under high profile Human Resources Executive to change the organogram suitably to give due emphasis that it rightly deserves.

The Human Resources department is now actively engaged in skill development through meaningful training, in house presentations through outside resource persons and mentor programming. In addition, employee training needs are closely assessed through interaction of the employees and their supervisors.

Information technology infrastructure

The 21st Century belongs to those institutions that are tech savvy knowledge based companies that rely heavily on information technology. This is evident from the advent of e-banking, on-line banking and software solutions towards major strides in service orientation of the institutions.

Prime Finance has redesigned its Information Technology department and has now placed greater emphasis on in house solutions to its IT needs. As part of its efforts, the IT department is now poised to complete a number of software programmes that shall form the backbone of its liability management solutions. Efforts are underway to undertake a host of IT solutions in house or provide solutions in conjunction with outsourced vendors. As in the past Prime Finance will continue to rely more on technology so that online activity among its branches are more pronounced in future.

Strategic consideration in 2011

Prime Finance's growth in 2011 was primarily driven by significant increases in net interest income, strict containment of lending rate and increased operating efficiency. During the year, the net interest income grew to BDT 1,313.24 million, which increased by 10.94% from the previous year. Lending rate was restricted at a competitive level through out the year considering tight money market situation across the industry.

Prime Finance has four associate company namely PFI Securities Limited, Prime Finance Asset Management Company Limited, Prime Prudential Fund Limited and PFI Properties Limited. Net earning from these associates during the year were BDT 87.08 million. PFI Properties Limited is still at very initial stage to contribute profit.

Significant achievements were made on the following areas:

(a) Honours and accolades:

Prime Finance was adjudged as the overall winner in best-published accounts in SAFA, an association of 8 countries in the SAARC region. This is a great honour for the company since it is only the second time that any institution in Bangladesh has so far been awarded. In addition it was also adjudged as the joint winner in the financial sector category in 2011. In addition to this Prime Finance has been honoured by Institute of Chartered Accountants of Bangladesh as well as Institute of Cost and Management Accountant of Bangladesh.

During this time the company moved up one notch in its credit rating and has been awarded a rating of "AA" for the year 2011 by CRISL. This is a testimony to the professionalism of the company.

(b) Strategic business selection:

On account of tight money market situation, Prime Finance moved very cautiously keeping in mind the risk factors that were likely to pose threats on the company. We imposed reasonable controls over credit volume and actively adjusted credit structure in line with the CRM policy. Portfolio of loans and advances to customers increased by BDT 1,675.90 million over 2010. New loans were mainly extended to prime customers and key domestic industries such as Shipbuilding, Pharmaceuticals & Packaging industries. We focused on meeting priority customers' credit needs, while strictly controlling loan extensions to areas such as real estate sector.

(c) Stringent monitoring:

Prime Finance improved its comprehensive risk management capability, refined risk policies, and adjusted credit structure through the preparation for implementing the New Basel Capital Accord. Asset quality continued to remain stable and sound, with steady balance and ratio of non-performing loans. The balance of non-performing loans reached at BDT 564.06 million which represents 6.48 percent (2010 : 6.23 percent) of the total portfolio.

(d) Management through unified planning:

All operational activities of the company are vested with the Management Committee, which meets on a regular basis to transact the company's day-to-day affairs. Deliberations are made to ensure that the

Message from the Managing Director - *continued*

decisions are not only timely but also well thought out. The corporate culture is now firmly entrenched.

(e) Developing leadership:

Prime Finance implements its talent development strategy and has constantly developed its corporate culture to create a cohesive and empowered workforce. We have formed teams with specific assignments from operational divisions to create future business leaders. These teams are accountable for developing and executing tactics to ensure they are working together and taking advantage of every opportunity to collaborate across the organization. A number of teams are in place to ensure that accountability and responsibility is placed lower down the hierarchy. We believe this is what will keep us ahead of our competitors and enable us to enrich the communities around us.

Outlook

Looking ahead, a number of economic and financial uncertainties will persist and Prime Finance will, as usual, take the challenge in our operations for sustainable development in 2012. We will accelerate the transformation of our business development

model and uphold our proactive and prudent operating strategy, expand its customer base with greater emphasis on risk management.

Acknowledgements

On behalf of the management, I would like to take this opportunity to express our sincere gratitude to our investors and the loyalty of our customers, the trust of our partners and associates, and the support of the other regulatory authorities that have guided us over the years. I also express profound thanks to the Board of Directors for their guidance and assistance, and to our colleagues for their diligence and contribution. Likewise, my thanks also go to my fellow management colleagues for their support and commitment in steering the Prime Finance forward. I believe that, with our concerted efforts in pursuit of excellence, PFI will achieve sustainable development in coming years.



Asad Khan
Managing Director



Financial Review, Segmental Analysis & Outlook

Financial Review, Segmental Analysis & Outlook (FRSAO) is provided to enable readers to assess Prime Finance's results of operations and financial condition for the year ended December 31, 2011, compared with prior years. The FRSAO should be read in conjunction with the audited consolidated and separate financial statements, which have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS). Unless otherwise indicated, all amounts in the FRSAO are expressed in Bangladeshi Taka. Certain comparative amounts have been reclassified to conform with the presentation adopted in the current year.

Overview on the Economy

Amidst the risk of low export earnings and the remittance inflows coupled with the lowering of domestic demand, the economic growth demonstrated strong recovery bolstered by agriculture along with the contributions by industry and services sector. The contributions of the agriculture, industry and services sectors are estimated respectively at 4.6 percent, 5.9 percent and 6.3 percent, indicating strong performance of all the three broad sectors. The share of services in GDP amounted to 49.7 percent followed by industry at 29.7 percent and agriculture by 20.6 percent at constant prices. The dominance of the services sector in terms of its contribution to economic growth is largely attributable to the performance of both agriculture and industry. Bangladesh has posted reasonably well growth in real GDP at 6.7 percent up from 6.1 percent in previous year and GDP increased from 687 to 755 USD. The increase in consumer prices that started in FY 2010 continued through the first nine months of FY 2011, driven largely by double-digit rise in food prices. Consumer Price Index (CPI) reached 266.34 in December 2011, which was 240.75 in December 2010.

The Financial sector passed a critical year surfing through an anti business climate both at home and abroad in 2011. The most discussed issue was liquidity crisis and biggest challenge was to manage asset-liability issue. Two digit call money rate existed in most months in 2011 starting from 11% to 22%.

According to the world bank Global Economic Prospect 2012, Bangladesh Economy will remain stable with over 6 percent GDP growth in the next two years. GDP growth is projected to be about 6.4 percent in 2012.

Again this backdrop, Bangladesh Bank has been very optimistic, and forecast that the growth rate of the economy will be 6.7 percent - this year's Govt. target of growth as stipulated in the current year's budget.

Despite all the challenges 2011 was the comparatively successful year for Prime Finance & Investment Limited. In 2011, we made significant progress towards balancing our resources by achieving the goals set in our New Horizon Strategy. Against the backdrop of an economic rebound in Bangladesh and the region, we further strengthened our market position in our focus, and our principal customers and products segments achieved continued healthy growth.

Challenges for 2011

- ▶ Severe liquidity crisis throughout the year;
- ▶ Capital market of the country was witnesses a continuous fall ;
- ▶ Unhealthy trend in domestic capital market;
- ▶ Inflation rate was ever high comparing with recent past;
- ▶ Continuous increases of Dollar prices, oil prices, power tariff and so on.
- ▶ Political unrest
- ▶ Affect of monetary policy of our central bank
- ▶ Effect of separation of merchant bank;
- ▶ Continuous shortage in energy supply and thereby low demand for industrial loan;
- ▶ The effect of climate change;

Despite having above challenges, Prime Finance could achieve its objectives successfully. Major achievements by the company during the year 2011 were as under:

Financial indicators

- ▶ Consolidated net profit for this year Tk. 772.81 million as against Tk.1,731.66 million of 2010 representing 55.37 percent lessening over last year;
- ▶ Investment increased to Tk. 12,827.06 million from Tk. 1,1621.04 million registering a growth of 10.38 percent;
- ▶ Maintaining enhanced deposit balance;
- ▶ Shareholder's equity increased to Tk. 4,684.40 million as against Tk. 3,893.58 billion of 2010;
- ▶ Market capitalization decreased to Tk. 15,985.11 million as against Tk. 42,047.55 million of 2010;
- ▶ Operating revenue decreased from Tk. 3,078.53 million to Tk. 2,244.47 million representing a decline of 27.09 percent over last year;
- ▶ Earnings per share decreased to Tk. 4.14 as against Tk. 10.65 (restated) of 2010; and
- ▶ Effective fund management to keep the cost of fund at reasonable level.

Financial Review, Segmental Analysis & Outlook - continued

Non-financial information

- ▶ Overall winner in the SAFA Best Presented Accounts Awards in 2010 and SAFA Silver Award for consecutive fourth times in 2009;
- ▶ First prize of ICAB National Award for all the years in a row since its listing with stock exchanges from 2005 to 2009 and Second prize in 2010;
- ▶ Remarkable verdict from Appellate Tribunal regarding tax exemption on capital gain (FY 2004 & FY 2006);

Focal points:

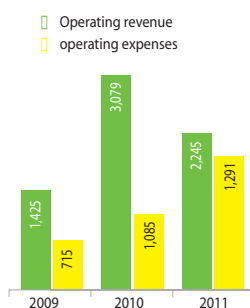
- ▶ Ensure quality investment;
- ▶ Improving the recovery position;
- ▶ Diversification;
- ▶ Maintaining profit growth;
- ▶ Lowering NPL rate;
- ▶ Reducing cost of fund;
- ▶ Professional tax management;
- ▶ Maintaining consistent dividend policy;

Financial Highlights

Revenue & Expenses

(Figures in million Taka)
For the year ended 31 December

	2011	2010	% of increase/ (decrease)
Revenue from loans, advances and leases	1,830.53	1,628.45	12.41
Revenue from Capital Market activities	682.09	1,535.99	(55.59)
Income from associates	87.08	331.32	(73.72)
Total revenue	2,599.69	3,495.76	(25.63)
Financial expenses	1,006.61	809.41	24.36
Depreciation on lease assets	354.93	417.23	(14.93)
Management expenses	190.95	165.98	15.04
Provision for doubtful losses	93.01	110.00	(15.45)
Total expenses	1,645.49	1,502.62	9.51
Profit before tax	954.20	1,993.14	(52.13)
Provision for taxation	181.39	261.47	(30.63)
Net profit after tax	772.81	1,731.66	(55.37)



Assets and Investments

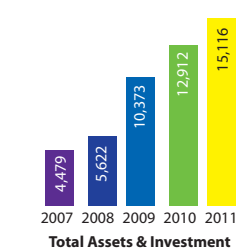
(Figures in million Taka)

Loans, advances and leases	10,396.60	8,720.70	19.22
Investment in securities	1,300.16	1,257.13	3.42
Equity investment	2,090.29	1,643.21	27.21
Fixed assets	327.67	323.62	1.25
Cash & cash equivalent and other assets	1,001.51	967.29	3.54
Total assets and investments	15,116.24	12,911.95	17.07

Shareholders' equity and liabilities

(Figures in million Taka)

Shareholders' equity	4,684.40	3,893.58	20.31
Deposits	4,315.61	3,760.31	14.77
Borrowings from banks and NBFIs	4,019.15	3,645.46	10.25
Provisions and others liabilities	2,097.08	1,612.60	30.04
Total shareholders' equity & liabilities	15,116.24	12,911.95	17.07



Financial Review, Segmental Analysis & Outlook - *continued*

Loans, advances and leases

Total loans, advances and leases were Tk. 10,396.60 million at 31 December 2011 representing 19.22 percent higher than 2010 worth Tk. 8,720.70 million. Outstanding balance (including advance against loans,

advances and leases not yet executed) of different types of loans, advances and leases as on 31 December 2011 and 2010 is summarized as under:

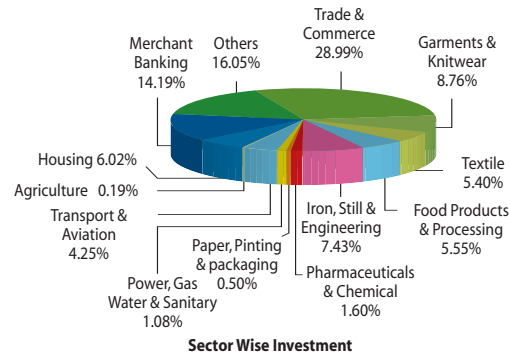
(Figures in million Taka)	2011		2010	
	Amount	Percentage	Amount	Percentage
Lease finance	1,279.32	12.31	1,398.11	16.03
Term finance	5,943.32	57.17	4,198.31	48.14
Real estate finance	132.80	1.28	138.81	1.59
Margin loan (Net)	2,926.98	28.15	2,910.73	33.38
Other finance	114.18	1.10	74.74	0.86
	10,396.60	100.00	8,720.70	100.00

In FY 2010, our main focus was given to ensure quality investment, improve recovery position, gradually cleaning up balance sheet rather than increase volume of investment. In 2011, total loans, advances and leases increased by 19.22 percent compared to FY 2010 mainly due to increase of term finance and margin loan by 57.17 percent and 28.15 percent respectively. For the year 2011 margin loan has been given to beneficiary through our subsidiary. Term finance turned up as some new clients have been provided working capital finance. More and more endeavor was given to regularize the stuck up and slow moving loans, advances and leases. Some written off loans has already been realized. Management has always been trying to concentrate on adding quality investments in its portfolio rather achieving high target of business volume, keeping in mind our previous experiences.

Diversification was the main strength of Prime Finance. Despite decrease of investment in lease finance, Prime Finance could achieve its investment target due to increase of margin loan and term finance significantly. Loans, advances and leases were also well diversified

Non-performing loans, advances & leases (NPL)

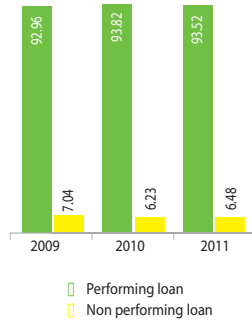
Loans, advances & leases are classified as non-performing when it booked as substandard category



or worse even if there exist no reasonable doubts as to collectivity. The company follows Bangladesh Bank guidelines for determining loans, advances and leases which should be placed on non-performing status. A loan/lease is placed on non-accrual status when it is classified as SMA. Interest income on non-accrual loans, advances and leases is credited to income when it is realized. Non-performing assets as of 31 December 2011 and 2010 were as follows:

(Figures in million Taka)	2011			2010		
	Outstanding amount	NPL	NPL (%)	Outstanding amount	NPL	NPL (%)
Lease finance	1,279.32	441.72	34.53	1,398.11	426.02	30.47
Term finance	5,943.32	88.34	1.49	4,198.31	83.55	1.99
Real estate finance	132.80	4.35	3.27	138.81	22.50	16.21
Margin loan	2,926.98	-	-	2,910.73	-	-
Other finance	114.18	29.66	25.98	74.74	11.30	15.12
	10,396.60	564.07	5.43	8,720.70	543.37	6.23

Financial Review, Segmental Analysis & Outlook - continued



Non-performing loans, advances and leases increased to Tk. 564.07 million in the year 2011 compare to Tk.543.37 million of 2010 reflecting an increase of 3.81 percent over previous year. Non-performing loans, advances and leases increased, because Management was very strict as to follow guideline for rescheduling/restructuring of classified accounts, some accounts which were previously classified as SMA have been entered into the list of classification, some accounts which have been rescheduled in the previous years also added in the list of classified loans, advances and leases this year, back in mind the company always follow conservatism principle during classification and above all the recovery environment of the Country was not very satisfactory. Despite increase of amount of classification, the Company was able to maintain the rate of classification at reasonable level. Classification rate of 2011 was 6.48 percent as against 6.23 percent (restated) of 2010 a little bit positive trend. The management set some strategies to improve the

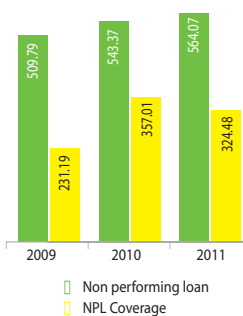
classification rate below 5 percent level and believe it will be achieved in the coming days.

During the year the Company written off Tk. 121.62 million as loans, advances and leases besides this the Company recovered Tk. 36.07 million from write-off loans, advances and leases and part of which is recognized as income for the period under reporting. Company's continuous endeavor is deployed to recover such loans. As on 31 December 2011 cumulative balance of write off loans, advances and leases was Tk. 328.90 million as compared to Tk.207.26 million of 2010. However, as a part of cleaning up of balance sheet of the company, the management considered writing off some stack up loans, advances and leases, that the management expects to execute in the year 2012. As written off loans, advances and leases has been charged previous year into profit and loss statement, any proceed that will recover from write-off loans, advances and leases, will be shown as income under cash receipt basis unless otherwise disclosed in the report.

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

The following table summarizes the allocation of the provision and interest suspense against loans, advances and leases for 2011 and 2010:

	2011					2010				
	Provision for NPL	Interest suspense	Total	% of NPL	% of NPL	Provision for NPL	Interest suspense	Total	% of NPL	% of NPL
Lease finance	209.11	85.17	294.29	441.72	66.62	213.73	80.69	294.42	426.02	69.11
Term finance	14.69	10.33	25.02	88.34	28.32	44.38	15.00	59.38	83.55	71.07
Real estate finance	3.38	0.97	4.35	4.35	100.00	0.20	-	0.20	22.50	0.87
Margin loan(Net)	-	-	-	-	-	-	-	-	-	-
Loan against term deposit	-	-	-	-	-	-	-	-	-	-
HP finance	0.78	0.04	0.82	29.66	2.77	2.24	0.77	3.01	11.30	26.62
	227.96	96.52	324.48	564.07	57.52	260.54	96.46	357.00	543.37	65.70



The provision for doubtful losses increases by charging to profit and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowances is based on the companies past loss experience, known and inherent risk in the portfolio, adverse situations that may affect the clients' ability to repay and current economic conditions. As on 31 December 2011 the

company maintained excess provision of Tk. 0.024 million considering future uncertainty.

We follow Bangladesh Bank guidelines strictly for making interest suspense and provisioning against loans, advances and leases. Interest amount is transferred to interest suspense account rather showing as income in the Profit & Loss Account when a loan/lease is classified as SMA and above. Base for provision is made after deducting interest suspense, value of eligible security from outstanding amount of a particular loan, advance and lease. Rate of provision for loans, advances and leases classified as Sub-standard, Doubtful and Bad & Loss is 20%, 50%, and 100% respectively on base for provision amount.

Financial Review, Segmental Analysis & Outlook - *continued*

Coverage ratio of loans advances and leases decreased significantly. As at 31 December 2011 coverage was 57.52 percent compared to 65.70 percent of 2010. We believe coverage is satisfactory as the company maintain adequate provision as per guidelines of Bangladesh Bank. While making provision we considered eligible security against the clients which will give comfort to the company other than on balance sheet coverage.

We take different measures to realize the classified/stuck-up loans, advances and leases. Among others we initiated legal action against the classified accounts. As

at 31 December 2011 there were 128 lawsuits pending against 28 parties and our lawyer expects that in most of the cases we will win ultimately.

Property, plant and equipment

The Company purchased a piece of land measuring 15 kathas at Panthapath, Kawran Bazar, Dhaka, adjacent to Basundhara Shopping Mall in the year 2009. The Company has a plan to build its corporate office over there. The book value of the land was Tk. 305.15 million at the end of 2011.

Liquidity Statement

Loans, advances and leases

(Figures in million Taka)	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Lease finance	-	135.23	344.21	577.78	172.10	1,229.32
Advance against lease finance	-	-	-	-	50	50.00
Term finance	71.79	287.16	1,794.75	5,025.29	-	7,178.98
Margin loan	228.33	684.98	507.40	-	270.61	1,691.32
Real estate finance	0.80	10.40	27.62	87.34	6.64	132.80
Housing finance	0.02	0.36	0.38	2.10	0.96	3.83
Loan against deposits	-	8.91	10.69	16.03	-	35.62
Hire purchase finance	0.12	0.69	2.30	7.48	0.92	11.50
Staff loan	10.75	15.81	15.81	2.53	18.34	63.23
Total	311.81	1,143.53	2,703.15	5,718.55	519.57	10,396.60

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

(Figures in million Taka)	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Bank Loan	27.30	54.59	737.01	1,146.46	764.31	2,729.67
ADB Fund	-	0.30	9.15	29.28	22.26	60.99
Fund from Bangladesh bank	-	-	0.42	4.41	3.65	8.48
Short term loan	13.42	30.50	61.00	749.08	366.00	1,220.00
Total	40.72	85.40	807.59	1,929.23	1,156.22	4,019.15

Maturity of assets and liabilities has been determined as per agreement with the parties concerned for assets and liabilities. Where there is no agreement, management considered its previous experience, nature of assets and liabilities, judgment of preparing the maturity analysis. Management always maintains long-term and short-term strategy to address the probable liquidity gap properly.

Liquidity is monitored daily to ensure the company's ability to support investment growth, deposit encashment, meet contractual obligations, maintain reserve requirements and otherwise sustain operations. Prime Finance maintains its liquidity in the form of readily encashable deposits with banks, collection of rentals/installments and investment in

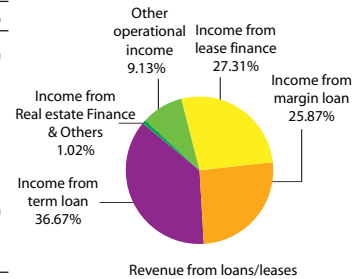
listed securities. On the other hand, the company based on its net assets can borrow very significant amount in the form of money at call and short notice, which is another point of comfort as far as fund management is concerned. Present limit of borrowing as money at call and short notice is Tk. 993.44 million based on latest net asset report submitted to Bangladesh Bank. Management, however, believes that the company's present position is adequate to meet its current and future liquidity requirements.

Revenue from loans, advances and leases

The following table shows revenues from loans, advances and leases.

Financial Review, Segmental Analysis & Outlook - continued

(Figures in million Taka)	2011		2010	
	Amount	%	Amount	%
Income from lease finance	499.94	27.31	602.03	51.20
Income from term loan	671.17	36.67	523.35	44.51
Income from margin loan	473.51	25.87	7.25	0.62
Income from real estate finance	16.82	0.92	7.25	0.62
Income from other finance	1.93	0.11	2.37	0.20
Other operational income	167.16	9.13	33.56	2.85
	1,830.53	100.00	1,175.80	100.00



A substantial portion of Company's revenue is generated from loans, advances and leases like lease finance, term finance, margin loan, real estate finance, SME finance. Earnings from loans, advances and leases represent 70.41 percent of total revenue earned by the Company during 2011 (2010: 33.55 percent). Income from loans, advances and leases increased by 55.68 percent i.e. Tk. 654.73 million in 2011 compared with 2010. This increase resulted from mainly increased income from term loan and income from margin loan.

Income from margin loan, which is a capital market related product, was 65 times higher than last year. The reason behind the huge growth was mainly due to the management capability to utilize the maximum opportunity from favorable capital market of the country.

Capital Market Operations and Equity Investment

The country's capital market witnessed a rather disappointing year in 2011.

After the Dhaka Stock Exchange General Index (DGEN) reached a record high of 8,919 points on December 5, 2010, a situation which many analysts believe to have been overheated, it shed much of the gains of the latter half of 2010 losing around 37 percent year-on-year in 2011.

By the end of 2010, it was well known that the capital markets of Bangladesh were well overvalued and overheated. The central bank had taken measures to cool the market down and control inflation by putting a leash on the liquidity.

The conservative monetary measures adversely affected the capital market, with the market falling once on December 13 by 285 points, over 3% of the DGEN Index which stood at around 8,500 points. The capital markets suffered a second fall on December 19, 2010 with the index falling a further 551 points, or about 7%. This 7% fall in the Dhaka Stock Exchange's index on a single day was the largest fall in the 55 year history of the Exchange, surpassing the fall of the 1996 market crash. This fall was deemed 'normal' by analysts, who believed the market was overvalued

Investors took to the streets with protests. Random objects like wood and papers were set on fire in front of the DSE office in Motijheel. Immediate measures were taken by the regulatory body Securities and Exchange Commission, which, together with the Bangladesh Bank, laxed its earlier conservative measures to pacify the fall. As a result, the market ameliorated the next day by 1.9%. Within December 2010 and January 2011, the DGEN index fell from 8,500 by 1,800 points, a total 21% fall, with masterminds of the crash making about BDT 5,000 crore (\$ 667 million) out of the scam.

The market fell by 5% on June 12, before taking a 4% plunge on October 11, sending the market into further turmoil. The fall finally triggered small investors to go on a fast-unto-death on October 16 after forming the Bangladesh Capital Market Investors' Council. Opposition politicians declared their solidarity with the protesters. The market stood at around 5,500 index points in October 2011 from 8,900 only a year ago.

In order to boost the capital market, the regulators and the Government came up with various incentive packages including exemption of capital gains tax for stock market investors over the course of the past 12 months.

Besides, the state-run Investment Corporation of Bangladesh (ICB) and Bangladesh Association of Banks (BAB) came up with two rescue funds namely the Bangladesh Fund and Market Stabilization Fund worth BDT 50 billion each.

"The funds are yet to make any significant impact on the market owing mostly to the incapability of the Bangladesh Fund to mobilize the promised amount and the less-than-expected contribution by the banks in the Market Stabilization Fund," it noted.

According to stock market data, a total of 14 got listed on the stock market in 2011 against Initial Public Offerings (IPO) of 23 securities worth around Tk. 35 billion came in the market in the last year. Average daily turnover decreased by around 62 percent in 2011 compared to the highly liquid market in the previous year

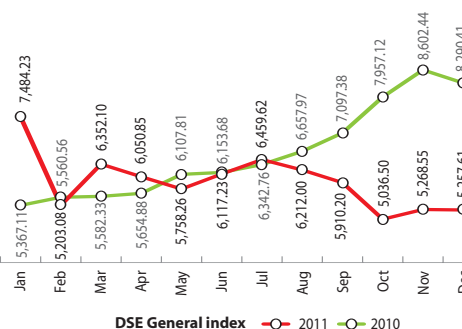
Financial Review, Segmental Analysis & Outlook - *continued*

We have also seen capacity pressure on the market operators with regard to handling large IPOs and the regulators were seen constrained at frequent intervals tackling multifaceted issues, requests, suggestions and pressure. Bangladesh Bank, the country's central bank, also seemed to have taken

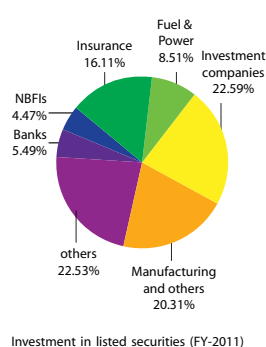
cognizance to raise a firewall between the banks and the merchant banks, making the merchant banks' as subsidiaries.

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

(Figures in million Taka)	2011		2010	
	Amount	%	Amount	%
Listed companies	977.69	28.84	1,200.90	41.40
Unlisted companies	322.47	9.51	56.23	1.94
Associate companies	2,090.29	61.65	1,643.21	56.66
Total	3,390.46	100.00	2,900.34	100.00



Investment in shares of listed companies



Investment in listed securities was Tk. 977.69 million compare to Tk. 1,200.90 million of 2010 which represents a marginal decrease of 18.59 percent as Bangladesh Bank gave restriction to the banks and NBFIs to

take part aggressively in the share markets. Accordingly the management is trying to decrease the exposure in listed shares & securities.

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

(Figures in million Taka)	2011		2010	
	Amount	%	Amount	%
Banks	71.41	5.49	221.41	17.61
NBFIs	58.13	4.47	81.23	6.46
Insurance companies	209.40	16.11	190.00	15.11
Investment companies	293.68	22.59	294.19	23.40
Fuel and power	110.60	8.51	206.06	16.39
Mfg companies and others	264.00	20.31	264.25	21.02
Other	292.94	22.53	-	-
Total	1,300.16	100.00	1,257.13	100.00

Sector-wise investment in securities available for sale at 31 December 2011, and 2010 at cost was as under:

Prime Finance invested in the shares diversifying its investment in different sectors with highest investment exposure in investment companies represents 22.59 percent of total investment followed by manufacturing sector 20.31 percent, insurance companies 16.11 percent, fuel and power 8.51 percent and banking sector 5.49 percent etc.

Prime Finance is exposed to market risk since the Bangladesh capital market is volatile. The company minimizes the risk through diversification and investing mostly in fundamentally strong securities. The fair value of the securities available for sale at 31 December 2011 and 2010 was Tk. 771.52 million and Tk. 2,695.92 million respectively. The value of securities as at 31 December 2011 and 2010 was higher than its cost price by 32.37 percent and 114.45 percent respectively.

Financial Review, Segmental Analysis & Outlook - *continued*

Provision for future losses on investment in shares & securities

Prime Finance follows guideline of Bangladesh Bank for making provision against probable future losses on investment in shares. As per Bangladesh Bank guidelines, provision has been made for those shares which market price is less than the cost price. In this

regard, only those shares has been considered which has higher cost price than market value rather than considering the portfolio shares. The Company maintains provision of Tk. 46.91 million in compared to Tk. 18.63 million for the year 2010 despite unrealized gain of Tk. 235.56 million as per portfolio value of shares as on 31 December 2011.

Investment in shares of unlisted companies Name of the security	Nature of shares	(Figures in million Taka)	
		2011	2010
CDBL	Ordinary	4.42	4.42
Confidence Salt Industries	Preference	15.00	15.00
Fareast Stock and Bond	Other	150.00	-
Prime Financial 1st unit fund	Unit fund	30.00	30.00
Peoples Leasing and Financial Services Limited	Preference	-	0.65
Summit Power	Preference	-	6.16
Bengal Windsor Limited	Ordinary	10.00	-
BD Welding Limited	Ordinary	0.29	-
Northern Power Solution Limited	Ordinary	5.00	-
United Airways (BD) Limited	Ordinary	99.50	-
Lafarge Surma Cement Limited	Ordinary	3.27	-
Bengal Meat Processing Industries Limited	Ordinary	5.00	-
Total		322.48	56.23

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

Out of total paid up capital of Tk. 1,000 million Prime Finance holds 60 percent, i.e. is Tk. 600 million. The Company was incorporated on 18 March 2010 reference incorporation no. C-83293/10 but started its operation from 01 January 2011. A consolidated financial statements has been presented with consolidation of operation of the Company as well as a separate financial statements has been given in the last part of this Annual Report. Moreover, the financial statements other than notes to the financial statements of all the associates are also been attached in the last part of this Annual Report. The list of the companies are listed below:

Investment in Associates and Subsidiary Company

Prime Finance is leading a large financial group of companies (Prime Financial Group). As guided by the Securities and Exchange Commission (SEC), for separating the merchant banking operation, Prime Finance formed a subsidiary Company in the name and style of Prime Finance Capital Management Limited.

Name of the associates	Nature of the business	Nature of Shares	Amount	% of share Holding	Face Value	Book Value
PFI Securities Limited	Stock broker & dealer	Ordinary	1,074.57	46.15	10	15.36
Prime Finance Asset Management Co. Ltd.	Asset management	Ordinary	31.68	49.00	100	107.83
Prime Prudential Fund Ltd.	Investment in securities, debentures, bonds etc.	Ordinary	19.07	40.00	10	11.52
PFI Properties Ltd.	Constructing building, developing townships etc.	Ordinary	4.98	40.00	10	2.61
Prime Finance Capital Management Ltd.	Merchant banking	Ordinary	960.00	60.00	10	16.34
Total			2,090.29			

Financial Review, Segmental Analysis & Outlook - *continued*

Public issue of shares

Through our subsidiary, PFI Capital Management Ltd., we assist corporate clients in meeting their financial needs and advising them on the most advantageous means of raising capital. We manage or co-manage public offerings of shares or arrange private placement

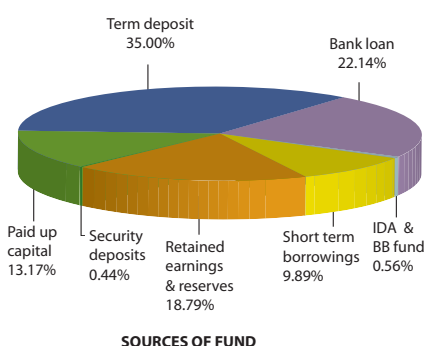
of shares with institutional or individual investors. In addition, we provide consulting services, including mergers and acquisitions and advising clients with respect to financing plans and related matters.

(Figures in million Taka)	2011		2010	
	Amount	%	Amount	%
Capital gain from sale of listed securities	480.15	97.46	1,224.22	79.70
Dividend income	10.97	2.23	15.44	1.00
Other fees and charges	1.52	0.31	4.15	0.27
Issue management fees	-	-	7.96	0.52
Underwriting commissions	-	-	2.67	0.17
Portfolio management fees	-	-	281.54	18.33
	492.64	100.00	1,535.98	100.00

Income from capital market comprises of income from capital gain on sale of securities, dividend income.

During 2011, total income from capital market operation was Tk. 492.64 million, which was Tk 1,535.98 million in 2010. Income from capital market decreased due to unfavorable capital market through out the year.

The Company maintains its own portfolio with a substantial amount of investment in listed securities and earned a total income of Tk. 491.12 million in the form of dividend and gain from sale of securities compare with Tk. 1,239.66 million in 2010.



Income from Associate Companies

	2011		2010	
	Amount	%	Amount	%
PFI Securities Limited	117.02	134.38	303.83	91.70
Prime Finance Asset Management Co. Ltd.	0.08	0.09	3.33	1.01
Prime Prudential Fund Ltd.	(13.37)	(15.35)	22.53	6.80
PFI Properties Ltd.	(16.65)	(19.12)	1.63	0.49
	87.08	100.00	331.32	100.00

Under equity method Prime Finance recorded proportionate income on the basis of holding of associate companies into the books of accounts. During the year 2011, Prime Finance earned income from its associate companies. Total income from associate companies in 2011 was Tk. 87.08 million compare to Tk 331.32 million in 2010 decrease by 73.72 percent over last year. Return from associates company resulted from proportionate income booked from PFI Securities Limited, a 46.15% owned associate company of Prime Finance.

Shareholders' Equity and Capital

Capital maintenance

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

Financial Review, Segmental Analysis & Outlook - *continued*

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

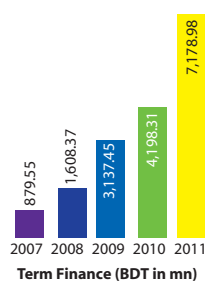
As at 31 December 2011, total shareholders equity stood at Tk. 4,684.40 million (FY 2010: Tk. 3,893.58 million).

The company is subject to maintenance of minimum capital required by Bangladesh Bank. Every year the Company is in compliance with the capital adequacy requirements. As at 31 December 2011, the Company's paid up capital was Tk 1,624.50 million which is Tk. 624.50 million higher than the regulatory required level of Tk. 1,000 million.

Borrowings from other banks and financial institutions

As at 31 December 2011, total outstanding loan from banks was Tk. 2,729.67 million compared to Tk. 2,580.21 million in 2010. Interest on bank loans is paid monthly/quarterly as per terms of the loan. During the year 2011, a total amount of Tk. 816.92 million was repaid. In addition, interest amounting to TK. 323.75 million was also paid.

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



Term deposits

We continued our drive to expand our funding sources to cope up with increasing needs of fund for operational purpose. To ensure proper shaping of asset-liability, management has given emphasize on long-term source of funding. During the

year 2011, Tk.4,294.56 million has been received as term deposits from various sources such as banks, insurance companies, other organizations as well as individuals compare with Tk. 2,514.32 million in 2010. As at 31 December 2011, total outstanding amount of term deposit was Tk. 4,315.61 million compare with Tk. 3,760.31 million in 2010. Interest amounting to TK.494.22 million was paid on term deposits during the year under reporting as against Tk. 515.87 million in 2010.

Cash flow analysis

A considerable portion of our total assets representing 3.86 percent is liquid in nature and consists mainly of cash and balance with various banks and financial institutions. The highly liquid nature of our assets provides us with flexibility in financing and managing our anticipated operating needs.

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

During the year under review the company had a total cash and cash equivalent of Tk. 583.04 million. Cash and cash equivalent is maintained to meet the requirement of CRR and SLR as guided by the Bangladesh Bank.

Cash flow

Cash flow from operating activities

The major component of cash flow is cash flow from operating activities. During the year 2011, net cash generated from operating activities is Tk. 15.08 million which was Tk. 80.26 million during the previous year.

Cash flow from investing activities

Net cash outflows from investing activities of Tk 163.95 million was mainly due to net investment in securities, investment in newly formed subsidiary as well as acquisition of property, plant and equipment, participation in the rights issue of PFI securities Ltd., participation in the same of Prime Finance Asset Management Company Limited. These all are part of our endeavor taken towards continuous diversification strategy.

Cash flow from financing activities

There was no cash flow during the year from financing activities. No shares were issued and no cash dividend was paid during the year. However, Other traditional financing activities such as received of deposits, borrowings and repayment of such liability was classified as operating activities as those are also main part of the company's operation.

Operating Expenses

Interest and other operating expenses

Interest paid on deposits, borrowing, etc comprises interest expenses for loans, deposits taken from

Financial Review, Segmental Analysis & Outlook - *continued*

different commercial banks, individuals, institutions, call loan, and security deposits etc. Interest expenses consist of 61.17 percent of total expenses (2010: 53.87 percent). Interest expenses in 2011 increased by 24.36 percent compared to that in the year 2010 mainly due to high cost bearing deposit collection, borrowing from banks, financial institutions. Financial expenses were 38.72 percent of total operating revenue of 2010 (2010: 23.15 percent).

(Figures in million Taka)

For the year ended 31 December	2011	2010	% of increase/ (decrease)
Financial expenses	1,006.61	809.41	24.36
Depreciation on Lease assets	354.93	417.23	(14.93)
Management expenses	190.95	165.98	15.04
Provision for doubtful losses	93.01	110.00	(15.45)
Total expenses	1,645.49	1,502.62	9.51

Provision for doubtful losses has been made as per guidelines of Bangladesh Bank. During the year total provision of Tk. 93.01 million has been made. In 2010, the amount under the same head was Tk. 110 million.

Risk factors

Set out below are certain risk factors, which could affect the Company's future results; the Company's results are also affected by competition and other factors. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

Company's business and earnings are affected by general business and political conditions

The performance of Prime Finance is influenced by economic conditions. Downturn in economies could result in a general reduction in business activity and a consequent loss of income of the Company. It could also cause a slow recovery of investments. Political conditions can also affect Company's earnings.

The financial performance of the Company is affected by borrowers' credit quality

Risks arising from changes in credit quality and the recoverability of loans/leases are inherent in a wide range of Company's business. Adverse change in credit quality of Company's borrowers or a general deterioration in Bangladesh and even global economic conditions, or events arising from systematic risks in the financial systems could affect the recoverability and value of Company's assets. This would require an increase in the provision for doubtful losses.

Management expenses include salaries and allowances, office maintenance, depreciation on fixed assets, legal and professional fee etc. Details of the expenses are given in the Notes to the Financial Statements of this Annual Report. Management expenses increased by 15.04 percent in 2011 to Tk. 190.95 million (2010: Tk. 165.98 million) mainly. During 2011, management expense was 7.35 percent of total revenue (2010: 4.75 percent).

Changes in interest rates and other market factors affect company's business

Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realized between lending and borrowing costs. The performance of financial markets and monetary policy of Bangladesh Bank may cause changes in the value of Company's investments and portfolios. Prime Finance has implemented risk management methods to mitigate and control these and other market risks to which the Company is exposed. However, it is difficult to predict with accuracy changes in economic and market conditions and to anticipate the effects that such changes could have on the company's financial performance and business operations.

Operational risks are inherent in Company's business

The Company's businesses are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational losses can result from fraud, errors by employees, failure to document transaction properly, failure to comply with regulatory requirements and code of business conduct. Although, Prime Finance has implemented risk controls and loss mitigation actions and substantial resources are devoted to developing efficient procedures and to staff training. It is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling each of the operational risks faced by Prime Finance.

Each of the Company's business is subject to substantial regulation and regulatory overseeing

The Company is subject to Financial Institutions Act, laws, regulations and administrative actions of

Financial Review, Segmental Analysis & Outlook - *continued*

Bangladesh Bank and Securities and Exchange Commission. This supervision and regulation, if changed could materially affect Company's business, the products and services offered or the value of assets.

Future growth of Company's earnings and shareholders' value depend on strategic decisions

The Company devotes substantial management and planning resources to the development of strategic plans for organic growth. If these strategic plans do not meet with success, the Company's earnings could grow more slowly or decline.

The risk of litigation is inherent in Company's operation

In the ordinary course of the Company's business, legal actions, claims by and against (in rare cases) Prime Finance arise; the outcome of such legal proceedings could affect the financial performance of the Company.

The Company is exposed to the risk of changes in tax legislation and its interpretation

The Company's activities are subject to tax at various rates. Action by government to withdraw any tax benefit or impose additional taxes would affect the profitability of the Company. Revisions to tax legislation or its interpretation might also affect Company's results in future.

Competition

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

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

Human Resources

Talent attraction and retention remain our key areas of focus. Our compensation programmes remain market-driven and are designed towards rewarding our employees through increasingly incentive compensation programmes. In line with our objective of increasing share ownership among employees, we introduced among others employee Provident Fund, Gratuity, mobile facility, retirement benefit, hospitalization benefit, maternity benefit, lunch facility, performance bonus, home loan facility, furniture allowance, transport facility and so on. At 31 December 2011, Prime Finance employed

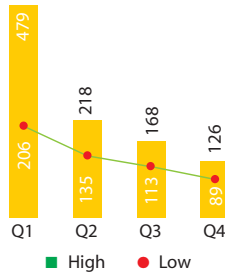
66 employees including 17 support staffs. Management considers, relations amongst its employees to be satisfactory. The list of senior executive officers of Prime Finance is given below:

Name	Age on 31-12-11	Executive Officer since	Present Position
Asad Khan	59	June 2011	Managing Director
Md. Ahsan Kabir Khan MBA	43	January 1998	Deputy Managing Director
A. K. M. Nozmul Haque M.Sc, M.A. (USA)	67	January 2006	Head of R & D
Md. Mizanur Rahman FCA	37	September 2005	EVP & Chief Financial Officer
Md. Rezaul Haque MBA	40	July 1996	EVP & Head of Operations & Marketing
Gazi Nilufar Yeasmin MBA	38	May 2009	Vice President
Gulshan Ara Hafiz MBM	32	April 2002	Assistant Vice President
Ahsanullah M Dewan MIT (Australia)	29	May 2011	AVP & Head of IT
Masru Hossain MBA	28	November 2011	AVP & Head of Liability & Fund
R M Nasrullah Zaidi	33	November 2011	AVP & Head of HRM & Admin
Lingkon Mondal ACA	27	December 2011	AVP & Deputy Chief (F&A)
Md. Kamrul Islam Ratan MBA	34	May 1999	Senior Manager
Md. Zaved Lakiyet MBA	37	January 2003	Senior Manager
Md. Yeamin Kabir	33	June 2003	Senior Manager
Mohammad Faruque M.Com	37	November 2005	Senior Manager
Humayun Rashid MBA	37	April 2007	Senior Manager
Farhana Mahejabin ACA	27	April 2011	Senior Manager

Financial Review, Segmental Analysis & Outlook - *continued*

Operational Hub

Our executive office and primary operations are located in approximately 12,300 square feet of leased space in a commercial building located at 63 Dilkusha Commercial Area, Dhaka. Our 2 branches office is leased having 1,800 square feet of space at 38 Agrabad, Chittagong and 2,000 square feet of floor space at Zodiac Palace, 88 Shaheb Bazar, Rajshahi . We conduct our securities trading activities through our associate company, PFI Securities Ltd. from our office at Dilkusha, Dhaka.



Market for Prime Finance's ordinary shares

Prime Finance's ordinary shares are traded on the Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. (CSE) under the symbol of 'Primefin' and 'PFIL' respectively. The following graph indicates the high and low prices for shares of Prime Finance, as reported by DSE for each quarter end 2011 (in Taka).

Annual Report and other important documents available in website

Prime Finance makes its Annual Report, prepared and presented on the basis of disclosure requirements by the regulatory authorities, available on its website at www.primefinancebd.com as soon as reasonably practicable after furnishing them to the Bangladesh

Bank, Securities & Exchange Commission (SEC), Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. (CSE). Prime Finance's corporate governance guidelines, code of ethics and business conduct for employees, charter of the Board and its Committees are also available on the website.

Outlook

As we look to the horizon, it appears that 2012 will undoubtedly be fraught with many of the same hazards we faced in 2011. Two factors, in particular, will continue to test our focus and acuity: the impact of economic factors on our portfolio credit performance and uncertainty about timing in the unstable capital market.

Entering into 2012, we find that economic indicators have deteriorated further - extreme unrest in the capital market, lower imports and exports, minimal implementation of ADP, low investors' confidence, tight money market situation, shortage of fuel and power and many more. Many regional economies are under even greater stress than ours. Our dedicated team remains focused on providing the highest level of customer services while seeking to maximize the overall performance of our portfolio.

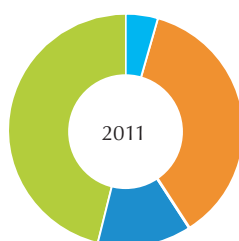
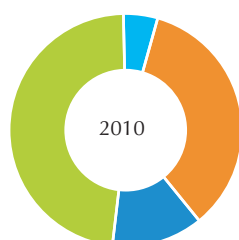
Website reference.

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

Value Added Statement

The value added statement provides a detailed account of total value addition and the distribution of the value created by the organization. Prime Finance contributes positively to socio-economic development by empowering employees through the payment of

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



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

Figures in BDT	2011		2010	
	Amount	%	Amount	%
Value added				
Net interest income	306,628,795	32.13	374,326,590	17.93
Fees earned including VAT	190,966,083	20.01	296,330,559	14.26
Investment income	491,119,530	51.47	1,239,660,058	75.23
Other income	249,442,571	26.14	358,802,530	0.87
Management expenses	(190,945,617)	(20.01)	(165,982,659)	(3.02)
Provision for doubtful losses	(93,010,489)	(9.75)	(110,000,000)	(5.27)
Total value added by the company	954,200,873	100.00	1,993,137,078	100.00

Distribution of Value Added

Employees

As salaries and allowances	126,510,485	13.26	93,481,477	4.47
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Provider of Capital

Dividend to shareholders	649,801,152	68.10	722,001,280	34.58
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Government

Corporate tax	181,388,330	19.01	259,414,363	12.42
Value added tax (VAT)	-	-	1,387,517	0.07

Expansion and business growth

Retained income	(10,721,124)	(1.12)	909,373,637	48.10
Depreciation	7,222,030	0.76	7,618,804	0.36

Total distribution	954,200,873	139,003,110	1,993,137,078	100.00
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- Market value of shares
- Book value of shares
- Market value added

Market Value Added Statement

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

shares. MVA is the difference between the market value of equity of a company and the book value of equity invested in the company. A positive MVA indicates that the company could add value to shareholders wealth. The following statement indicates the MVA at the year ended on 31 December 2011 and 2010 (in million Taka):

(in million Taka)	2011	2010
Market value of shares outstanding	15,985.11	42,047.55
Book value of shares outstanding	4,684.40	1,826.39
Market value added	11,300.71	38,559.21

Economic Value Added

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

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

NPAT

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

Equity

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

Cost of equity

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

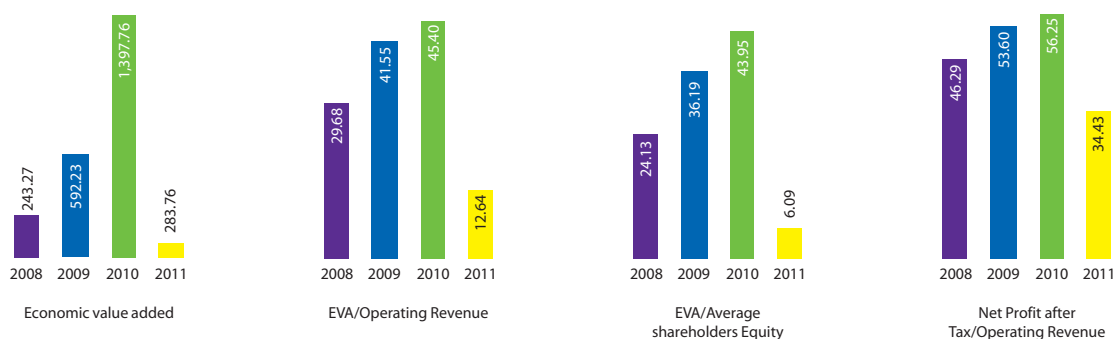
The following table indicates the EVA for the years from 2008 to 2011:

For the year ended	2011	2010	2009	2008
Shareholders' equity at year end	4,684,396,992	3,893,584,449	1,826,389,977	921,311,592
Accumulated provision for doubtful losses	362,300,000	375,000,000	265,000,000	260,000,000
Average shareholders' equity	4,657,640,720	3,179,987,213	1,636,350,785	1,008,285,280
Cost of equity (%)	10.50	10.50	10.50	13.50

Economic Value Added	283,760,267	1,397,760,215	592,230,374	243,268,019
Net profit after tax (before BB provision)	772,812,543	1,731,658,872	764,047,206	379,386,532
Less: Cost of equity	489,052,276	333,898,657	171,816,832	136,118,513

Key ratios

EVA/Operating revenue (%)	12.64	45.40	41.55	29.68
EVA/Average shareholders' equity (%)	6.09	43.95	36.19	24.13
Net profit after tax/Operating revenue (%)	34.43	56.25	53.60	46.29





Report on Human Resources

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

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

Prime Finance places great emphasis on keeping employees informed about the Company's vision, strategy and focus. Moreover, the Company provides regular communication to its employees with information regarding current-news of events and achievements.

Recruitment

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

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

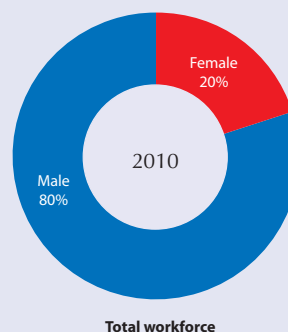
Prime Finance believes that having a broad range of age and experience in its workforce helps the Company meet the varied needs of its clients. This is reflected in the structure of the workforce. 86 percent of the Company's employee population is in the 21-40 age range, with the average age of Prime Finance employee being 34.18 years.

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

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

Career and development

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



Length of service

The average length of service within the Company is 5.14 years. The length of service distribution of the Company can be seen in page 55 of this Annual Report.

Job satisfaction and retention

Prime Finance seeks not only to attract the most qualified personnel, but to retain them by creating a superior working environment and attending to their needs. To ensure success for the Company as a whole, employees are encouraged to engage in synergetic teamwork, and every effort is made to facilitate

Report on Human Resources - *continued*

communication and the flow of information. Employee initiative and responsibility are promoted through challenging assignments where rewards are determined by results.

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

Incentives

By rewarding good results, Prime Finance encourages its people to fulfill their potential and in this way support the optimal performance of the Company. The system of profit-sharing in the form of performance bonus exemplifies how the Company works as a community and by the same token, shares the spoils of success as a community. By aligning the interest of employees and shareholders, Prime Finance enables its people to take an even more active role in bringing the success of their own community.

Socially based HR policies

We promote the well-being and performance of our employees through a good number of facilities and measures. Enabling people to harmonize working life with family life has been one of the strengths of our HR policies. We support our employees financially which in some cases apply to family members including father and mother. Under health program there is a routine check-up facility for all employees once in every year under an arrangement with a renowned local hospital. Our welfare activities relates to the following:

Housing

Financial facilities at a concessional rate are given to the employees for purchase of land/apartment or construction of building.

Food

The Company provides lunch to all the employees.

Transport

Full-time car is provided to the top Executives. Moreover, car loan along with adequate allowances is given to senior and mid level Executives. Transport facilities for other employees are provided to collect and bringing them to workplace by company's transport.

Furniture & household

Furniture allowance are given to Senior Executives for acquiring furniture & household goods.

Cultural and sporting events

Annual picnic and annual dinner with all employees.

Annual health checkup

The Company has an arrangement with a renowned hospital for checking-up of health of all the employees once in every year.

Pension scheme

Prime Finance contributes to a recognized funded pension scheme for the employees serving more than 10 years in the Company.

Provident fund

Amount spent on contribution @ 10% of basic equivalent to employees' contribution

Hospitalization benefits

Amount spent to share the cost of hospitalization of employees and his/her dependent family members.

Maternity benefits

Female employees and the spouses of male employees are entitled to this benefit.

Human Resource Strategy

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

Prime Finance continues to maintain a very satisfactory position in terms of people productivity. This is confirmed by the following indicators:

Report on Human Resources - *continued*

	2011	2010	2009
Total Employees	66	67	63
Net income per employee (Tk.)	11,709,281	25,767,450	10,843,407
Operating revenue per employee (Tk.)	34,011,593	45,808,966	22,624,816
Assets per employee (Tk.)	229,791,542	197,027,255	164,653,659

Staff Strength	2011	2010	2009
Senior Management	5	11	10
Mid level Management	18	40	36
Junior level Management	26	1	2
Support Staff	17	15	15
Total	66	67	63

Age analysis of the employees as at 31 December

Age group Year	Senior Management	Mid level Management	Junior level Management	Support Staff	2011 Total	2010 Total	2009 Total
Above 60	1	-	-	-	1	1	1
51 – 60	1	0	1	1	3	2	1
41 – 50	1	0	1	2	4	6	7
31 – 40	2	13	10	9	34	38	32
21 – 30	-	5	14	5	23	20	22
20 & below	-	-	-	1	1	-	-
Total					66	67	63

Average age of the employees as at 31 December 2011 was 34.18 years (2010: 34)

Service analysis of the employees as at 31 December

Service group Year	Senior Management	Mid level Management	Junior level Management	Support Staff	2011 Total	2010 Total	2009 Total
Above 10	2	1	2	5	10	14	14
7 – 10	0	4	3	1	8	6	3
5 – 7	2	6	4	2	14	13	6
2 – 5	-	2	5	4	11	22	27
Below 2	1	5	12	5	23	12	13
Total					66	67	63

Average service life of the Employees as at 31 December 2011 was 5.14 years (2010: 5.97 years)

Meet the Faces of Prime Finance

Our people strategy describes the way we put listening and responding into practice inside our company, making Prime Finance an even better place to work.



AKM Nozmul Haque M.Sc, MA
Head of Research & Development

Md. Ahsan Kabir Khan MBA
Deputy Managing Director

Asad Khan
Managing Director

Finance & Accounts



Md. Zaved Lakiyet
Senior Manager
Finance & Accounts

Masru Hossain
AVP & Head of
Liability & Fund Mgt.

Lingkon Mondal ACA
Assistant Vice President
Finance & Accounts

Md. Mizanur Rahman FCA
Executive Vice President &
Chief Financial Officer



Md. Anisuzzman
Manager
Treasury

Tarana Yasmin
Manager
Rental & Cheque Mgt.

Mansura Moin
Manager
Treasury

Farhana Mahejabin ACA
Senior Manager
Finance & Accounts



Md. Shahidul Islam
Officer
Finance & Accounts

Naima Akter
Officer
Treasury

Mahmudul Hasan Panna
Management Trainee
Finance & Accounts

Manowar Hossain
Management Trainee
Rental & Cheque Mgt.

Md. Rashadul Islam
Assistant Manager
Liability & Fund Mgt.

Together we are boundless...

Human Resources Management & Administration



Sonia Akter
Junior Officer

Md. Masudur Rahman
Assistant Manager

Md. Motaheer Hossain
Assistant Manager

Mohammed Faruque
Senior Manager

Md. Kamrul Islam Ratan
Senior Manager

RM Nasrullah Zaidi
AVP & Head of HRM

Operation & Marketing



Md. Faqru Islam Majumder
Manager
Corporate Finance

Humayun Rashid
Senior Manager
Operation & Monitoring

Mohammad Yeamin Kabir
Senior Manager
Operation & Monitoring

Gulshan Ara Hafiz
Assistant Vice President
SME Finance

Gazi Nilufar Yeasmin
Vice President
Corporate Finance

Md. Rezaul Haque MBA
EVP & Head of Operation & Marketing



Umme Anowar Rebeka Sultana
Assistant Manager
SME Finance

Mohammed Zakirul Islam
Assistant Manager
Operation & Monitoring

Syed Omar Faruq
Manager
Corporate Finance

Muhammad Anisuzzman
Manager
Operation & Monitoring



Tania Khan
Assistant Manager
Corporate Finance

Asif Raihan Chowdhury
Assistant Manager
Corporate Finance

Md. Shofikul Islam
Assistant Manager
Corporate Finance

Tazrian Hoque
Assistant Manager
SME Finance

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

We pride ourselves on our people...

Credit Administration



Md. Shariful Islam
Management Trainee

Corporate Affairs



Md. Omar Faruque
Assistant Manager

Internal Control & Compliance



Md. Feroz Iftekher
Assistant Manager

We have a guiding purpose – to celebrate life every day, everywhere, which permeates our work. We want our people to thrive at Prime Finance and are committed to their professional and personal development and to simply ensuring that **Prime Finance is a great place to work.**

Information Technology



Ahmed Abdur Razzak
Officer



Muhammad Saiful Alam
Assistant Manager



Ahsanullah M. Dewan
AVP & Head of IT

Rajshahi Branch



Md. Mizanur Rahman
officer



Adnan Wasim Mahmud Hasan
Officer

Chittagong Branch



Piyasha Barua
Junior Officer



Jolly Chowdhury
Management Trainee



Rahatullah Zaheed
Assistant Manager



Ali Sayka Khanam
Assistant Manager



Shamrat Kabir
Assistant Manager

Liability & Fund Management Team





Contribution to National Economy

At Prime Finance we are recognizing that we have certain responsibilities to the development of the society and the country as a whole. We aspire to be known as an institution that builds enduring relationship with and delivers value for our clients, shareholders, employees and the community where we work.

As a financial service provider, Prime Finance contributes to the economic prosperity by providing financial products and services to the industrial undertakings including SMEs. Based on the financials as on 31 December 2011, Prime Finance has a total credit exposure with around 1,200 clients of Tk. 10,396.60 million. Such facilities were extended mostly for importation of capital machineries and working capital and margin loan purpose. Prime Finance also manages IPOs of different companies to increase supply of securities in the capital market. This is how Prime Finance contributes to the industrialization and capital market development of Bangladesh and thus helping employment generation.

Prime Finance contributes to the economy paying out fair share of taxes to Government. During the year 2011 the Company provided provision of Tk. 32 million for tax.

We make an economic impact by creating employment and a well-trained workforce. Prime Finance and its associate companies employed as many as 186 employees as on 31 December 2011 (2010:166). During the year 2011, Prime Finance spent

total Tk. 0.36 million for training and HR development. During the year 2011, Prime Finance paid a total amount of Tk. 117.68 million as salaries and allowances to its employees (2010 :Tk. 86.32 million).

We recognize our fiduciary duty to our shareholders and seek to establish constructive relationships. We are focused on maximizing long-term shareholders' value through strong financial performance and returns, disciplined and profitable investments. Over the past many years, Prime Finance has been paying a satisfactory dividend to its shareholders placing it among the top ranking non-banking financial institutions. Prime Finance proposed 40 percent stock dividend equivalent to Tk. 649.80 million to its shareholders for the year 2011 (2010: 80 percent stock dividend equivalent to Tk. 722.00 million).

We always agree in building prosperity by supporting a broad range of causes through donation and sponsorship. We encourage our employees to participate in social and charitable programs. As a part of its social responsibility, the Company contributes to various funds, flood affected people, to hospitals and to the people who were affected by the natural calamities.

We believe that sustainable economic growth and a healthy environment are inter linked. We take supportive role in terms of providing financial services by restricting and discouraging those projects that cause pollution for environment and health hazard.

Corporate Social Responsibility

Prime Finance sees itself as an integral part of the communities in which it operates. This means that the Company recognizes that its activities have an impact on the community in which Prime Finance do business. The Company also realizes that the basis for any good business is trust and the society expects the highest standards from Prime Finance when it comes to ethics and corporate responsibility.

Prime Finance is and always has been founded on solid long-term relationships with all of its stakeholders. The Company achieves this by promoting a corporate culture that adheres to its business principles, and by generating good and sustainable returns for its shareholders. The objective of Company's involvement in CSR is to ensure mutual value creation for the Company as well as its employees and stakeholders.

Every aspect of business has a social dimension. Prime Finance in carrying out its business activities is pursuing its commitments to sustainable development and transparent corporate conduct in social and ethical manner.

We define corporate responsibility as operating with integrity at all the times, sustaining our company's long-term viability while contributing to the present and future well being of all our stakeholders. In doing so, we strive to take active responsibility for this daily choices that our company faces: How should we best structure and govern our Company? How should we best serve our clients in terms of ethics, privacy and services? How should we attract the best talents and motivate our employees? How should we contribute to our communities in which we operate our business? How can we minimize the impact of our business activities on the environment? and How can we grow our company in a sustainable way?

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

Prime Finance and its Clients

Prime Finance is committed to building its business and serving its clients, while at the same time improving the communities in which it does business. As a financial institution, people entrust Prime Finance with their funds, and therefore, with their aspirations for their families and businesses. This is a large

responsibility and a great opportunity. The Company in turn strives to listen to and learn from its stakeholders and to take the appropriate action where it applies, since responsible behavior towards its clients, shareholders and employees is an essential element of Company's daily business.

Our commitments to clients

Effective service

- ▶ Constantly strive to ensure that our employees are close to clients and available at all the time
- ▶ Respond quickly and efficiently to client requests and ensure quality follow-through

Professional expertise

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

Effective Service

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

Expertise

To ensure that our products and services meet evolving client needs, Prime Finance always try to address and responds to feedback from clients.

Statement of professional ethics

Prime Finance adheres to the professional code of conduct in force where it operates. Prime Finance compliance guidelines is based on the following fundamental principles:

Professional advice: We undertake to advise our clients after listening to them and a personalized analysis of their real needs;

Clear and honest information: We undertake to always give our clients the information that is clear and

Corporate Social Responsibility - *continued*

honest, the service to which they are entitled, the status of their loan/lease, the position of clients investments etc.;

Non-disclosure of confidential client information: We undertake to refrain from disclosing any information that we may acquire on the personal life, assets and activities of our clients;

Fairness: We undertake to manage faithfully the accumulated benefits and entitlement of our clients and to manage impartially all conflict of interests that arise between Prime Finance and also clients;

Prime Finance & its Shareholders

Our commitments to our shareholders

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

Living up to these commitments

Operating performance that ranks among the best in the industry

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

Efficiency ratio : When this indicator improves this means the assets and liabilities have been managed efficiently;

ROI : When this indicator improves this means the assets have been utilized efficiently;

EPS : When this indicator improves this means the profitability increases.

High standards of corporate governance

Details on Prime Finance's structures of corporate governance are given on page 64 of this Report.

Fully informed shareholders

Prime Finance has highly diversified shareholder base. Committed to building and maintaining a relationship based on trust and accessibility with both individual and institutional investors, Prime Finance provides

timely and relevant information as we have dedicated employees to respond to their requests.

Shareholders' information

A top priority

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

Prime Finance and its Employees

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

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

Our commitments to our employees

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

Corporate Social Responsibility - *continued*

Living up to these commitments

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

A workplace where employees are respected

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

- Provide equal opportunity and respect diversity;
- Promote constructive dialogue between employees and senior Management;
- Support employee efforts to achieve a healthy work-life balance;
- An empowering Management style that develops employee and encourages performance;

Prime Finance seeks to enhance employee motivation and performance in line with Company's strategic objectives and in accordance with Prime Finance brand promises: ethics, professionalism, innovation, pragmatism, team spirit and integrity.

In support of these, Prime Finance's management style encourages:

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

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

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

Performance appraisal is made up of some 20 traits. 3 sets of appraisal sheets are used for 3 categories of employees that is Senior Management, Mid level Management and Junior level Officers. An employee is assessed by two senior executives and the score is considered to be an appropriate barometer of employee satisfaction.

Working conditions are comparable to those enjoyed in best companies of the industry. Compensation levels also compare favorably to industry rates. Social indicator 2011 is given on page 27 of this Report.

2011 Highlights

Prime Finance considers Human Resources as its main asset and it always put emphasis in developing the skills of its employees.

- Total 25 no of employees have been given training
- Prime Finance spent Tk. 314,890 for training & development
- For overseas training Prime Finance spent Tk.100,750
- The cost of local training was Tk. 214,140



The corporate cricket team of Prime Finance & Investment Limited exclusively formed by its own employees to participate in the corporate cricket tournament.



Managing Director of Prime Finance & Investment Limited Asad Khan in presence of Bangladesh Bank Governor Dr. Atiur Rahman handing over books on liberation war worth Tk 2 lakhs to Bangladesh Bank High School managing committee president and BB Currency Officer Saiful Islam.

Corporate Social Responsibility - *continued*

Prime Finance and its Community

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

Our commitments to community

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

Living up to these commitment

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

Donation

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

We are committed to making a lasting social impact through inspiration, responsibility giving and building strong partnership with the charitable organization.



Mr. Asad Khan, Managing Director of Prime Finance & Investment Limited handed over a cheque to BSMMU VC Prof. Dr. Pran Gopal Dutta worth Tk 2 lac for the formation of Pediatric Foundation at BSMMU. The objective of this foundation is to provide emergency medical support for the poor children.

2011 Highlights

- ▶ As part of Corporate Social Responsibility, for the treatment of cancer affected children Prime Finance donated Tk 20,000 to ASHIC Foundation
- ▶ Prime Finance also donated Tk. 20,000 to Children Leukemia Assistance & Support Services (CLASS).

Sponsorship

Sponsorship is an integral part of Prime Finance's marketing and promotional activities and are selected to promote our image and reputation. In 2011, Prime Finance also participated in the community development by way of sponsoring some national & International programs.

2011 Highlights

- ▶ Prime Finance was one of the core sponsors of ICAB-International Conference of Chartered Accountants 2011 and the sponsorship amount was Tk. 5 Lac.
- ▶ Prime Finance sponsored TK. 1 Lac for 11th National Awards for Best Published Accounts and Reports 2010 by ICAB.
- ▶ Prime Finance also sponsored TK. 2 Lac for ICMAB Best Corporate Award-2011.

Prime Finance and its Environment

Our commitments to environment

- ▶ Ensure that our clients comply with the regulatory requirements
- ▶ Improve our own environmental record



Prime Finance donated to CLASS (Children Leukemia Assistance & Supportive Services) at Anderkilla, Chittagong for providing medical support to poor children who have Leukemia commonly known as child cancer.

Report on Corporate Governance

The Board of Directors of Prime Finance is committed to leadership in corporate governance

- Our core values guide the board's oversight, relationship with management and accountability to shareholders
- Our governance responsibilities are integral to our performance and long-term sustainability
- We embrace high standards of corporate governance, which reflects not only applicable legal and regulatory requirements but also evolving best practices
- Sound corporate governance is the foundation for responsible business behaviour towards our shareholders, employees, customers, communities and the environment in which we operate

Introduction

Prime Finance is fully committed to integrity and fair dealing in all its activities, and upholds the highest standards of Corporate Governance. The Board has adopted a comprehensive framework of Corporate Governance Guidelines which are designed to properly balance performance and conformance and thereby allow the Company to undertake, in an effective manner, the prudent risk-taking activities which are the basis of its business. The Guidelines and the practices of the Company comply among other with the Guidelines issued by the Securities and Exchange Commission (SEC) vide its notification dated 20 February 2006, as well as the Code of Corporate Governance as per DFIM circular no. 7 dated 25 September 2007 of Bangladesh Bank.

The Board considers that the Company complied with all the conditions of the notifications throughout the year.

Charter

The role and responsibilities of the Board of Directors are set out in the Board Charter. The Board's main roles are to define the Company's strategic objectives, to provide entrepreneurial leadership for the Company, to create value for shareholders and to ensure that the necessary financial and other resources are available to enable the Company and the Board to meet these objectives. The specific responsibilities reserved to the Board include the approval of all information supplied to shareholders in the annual and interim accounts; the setting of Company strategy, approving annual budgets; reviewing operational and financial performance; approving capital expenditure; setting of

borrowing limits; treasury policy; reviewing the Company's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; approving appointments to the Board and ensuring that a satisfactory dialogue takes place with shareholders over the Company's results and its aspirations for the future.

Statements of Compliance

Securities and Exchange commission's notification on Corporate Governance

As Prime Finance is listed on the Stock Exchanges in Bangladesh, we comply with the SEC's notification on Corporate Governance. For the year ended 31st December 2011, we have complied with the relevant provisions set out in page 82 in this report.

Bangladesh Bank's Guideline on Corporate Governance

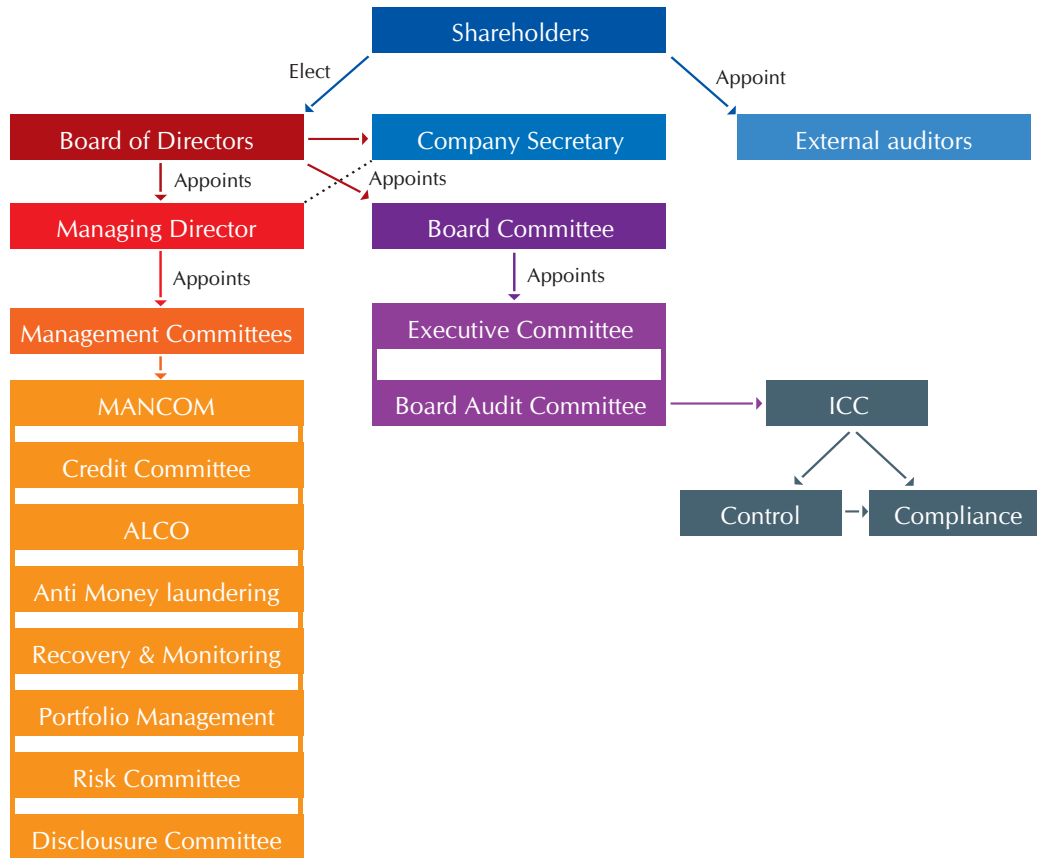
Being a Financial Institutions, Prime Finance is regulated under direct supervision of Bangladesh Bank and is also subject to the Guidelines on Corporate Governance of Bangladesh Bank circulated vide DFIM circular no. 7 dated 25 September 2007 which is published in page 79 of this report.

Corporate Governance Framework

Good corporate governance practices are not just a matter for the Board but are at the heart of everything that we do within the Company. The Company operates within a comprehensive governance



Corporate Governance Framework



framework, which is outlined in the diagram below and set out in the report that follows.

Composition of the Board

The Board comprises of eleven non-executive Directors of whom seven are nominated Directors and one Executive Director who is the Managing Director. The ten non-executive Directors also include one Independent Director. They encompass a range of talents, skills and expertise to provide prudent guidance with respect to the operations of the Company. Chairman of the Board and Managing Director of the company are different persons with different roles and responsibilities.

Board meetings

The Board holds regular Board meeting to discuss on scheduled matters. Moreover, the Board Committees meeting is convened whenever necessary. During the year 2011, a total 12 Board meetings were held. A detail

of the Board Meeting is given on page 117 of this Annual Report.

Role of the Board

The Board's main roles are to define the Company's strategic objectives, to provide entrepreneurial leadership for the Company, to create value for shareholders and to ensure that the necessary financial and other resources are available to enable the Company and the Board to meet these objectives. The specific responsibilities reserved to the Board include the approval of all information supplied to shareholders in the annual and interim accounts; the setting of Company strategy, approving annual budgets; reviewing operational and financial performance; approving capital expenditure; the setting of borrowing limits; treasury policy; reviewing the Company's systems of financial control and risk management; ensuring that appropriate management development and succession plans are in place; approving appointments to the Board and ensuring

that a satisfactory dialogue takes place with shareholders over the Company's results and its aspirations for the future.

Delegation of Authorities

The company run under delegation of authority as approve by the Board. Bank accounts of the Company is being operated by constituting two groups from management considering one from each group. The Board has delegated certain responsibilities to the Management on some matters within defined parameters. These include development and recommendation of strategic plans for consideration by the Board reflecting the longer term objectives and priorities established by the Board, including implementation of the strategies and policies of the Company as determined by the Board; monitoring the operating and financial results against plans and budgets; monitoring business operations against objectives; prioritizing the allocation of capital, management and control of borrowing limits and treasury policy; technical and human resources and developing and implementing risk management systems.

Directors' independence

Majority of the Directors are non-executive Directors. Only the Managing Director is an Executive Director. The Board considers that all the Directors have independence in minds, strength of character and judgment. There are no such relationships or circumstances relating to any of the Directors, which might cause any of them not to be considered independent. The Board considers that its constitution brings an appropriate balance of experience and expertise in judging matters of strategy, performance, resources, internal controls and corporate governance. Their wide-ranging experience and particular areas of knowledge and expertise continue to add value to the deliberations of the Board. The Directors biographies appear on pages 20 to 23 illustrate that the Directors have a complementary range of financial, operational and entrepreneurial experience which ensures that no single Director dominates in the decision making process.

Separate role of the Chairman & Managing Director

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

Role of the Chairman

The Chairman leads the Board in determination of its strategy and achievement of its objectives. The Chairman is responsible for organizing the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman is also responsible for ensuring that the Directors receive accurate, timely and clear information. The Chairman has no engagement in the day-to-day business of the Company. The Chairman facilitates the effective contribution of Non-Executive Directors and ensures that constructive relations exist amongst the Directors.

Minutes of Board meeting are signed by the Chairman. He also signs off the proposal for appointment of Managing Director and for revision of MD's salaries and allowances.

Role of the Managing Director

The Managing Director is responsible for running the business and for formulating and implementing Board strategy and policy. He also has direct charge and overall control of the Company on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Company.

Role of the Company Secretary

The company secretary is responsible for ensuring proper information flow within the Board and its Committees and between the senior management and non-executive directors. He is also responsible for advising the Board through the Chairman on all governance matters. He ensures that Board procedures are complied with. The authority of both the appointment and removal of the Company Secretary is vested to the Board as a whole.

Role of the Head of Internal Control & Compliance

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

Price Sensitive Information

Price Sensitive Information means any such information which if published, may influence market price of the concerned security and includes the following information. Every listed Issuer shall disseminate its any or all price sensitive information

Report on Corporate Governance - continued

within 30 minutes of the decision or immediately upon getting such information to the SEC and the Stock Exchanges under the signatures of its Chairman, the Chief Executive Officer or the Company Secretary through Fax and by special messenger, and through courier service in special cases and at the same time cause publishing the same in two widely circulated daily newspapers, one in Bangla and the other in English. Prime Finance always comply with the statutory requirements in this regard.

Conflict of interest

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

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

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

Appointment to the Board

Appointment of any new Director is made with the consent of the Directors and such new Director

retires in the immediate next Annual General Meeting (AGM) and may offer himself for re-appointment. The Managing Director is also appointed by the Board subject to approval of the Central Bank and consent of the Shareholders in the Annual General Meeting (AGM). Any new appointment to the Board requires intimation to the Central Bank, the Securities and Exchange Commission (SEC) and Stock Exchanges.

Board Committees

There are several Board Sub-Committees, each with a defined scope of work and terms of reference. These committees are responsible for providing independent and expert advice to the Board on the subjects assigned. The Board is assisted by different Board Committee who discharge duties within the delegated and prescribed job responsibilities. All the members of the Committee are non-executive Director. The Board Committees are as under:

- ▶ Board Audit Committee
- ▶ Executive Committee

Members of the Board and its Committee

Various Board Committees have been formed with clear Charter. The Charter defines the extent of the authority delegated to each sub-Committee. The Charter, including the composition of the Committee, are reviewed and updated as and when necessary to ensure ongoing compliance with code and other guidelines. The Board is kept fully informed of the work of those Committee from time to time. The list of different Board Committees and its members is given hereunder:

Directors	Board	Audit Committee	Executive Committee
Mr. K. M. Khaled	Chairman	-	-
Mr. Md. Aminul Haque	Member	-	Member
Mrs. Muslima Shirin	Member	Member	Member
Mr. Shahadat Hossain Kiron	Member	-	-
Mr. Z. M. Kaiser	Member	Member	Member
Mr. M. N. H. Bulu	Member	-	-
Mr. Tauseef Iqbal Ali	Member	-	Chairman
Mr. Md. Aliuzzaman	Member	Chairman	-
Professor Salma Rahman	Member	Member	-
Mr. Mohammad Masudur Rahim	Member	-	Member
Prof. Dr. Parimal Chandra Datta	Independent Director	Member	-

Report on Corporate Governance - *continued*

Company Management

The Company Management is supervised by the Managing Director who is responsible for implementation of policies and procedures adopted by the Board, carry out Board's directions under delegated authorities to achieve the broad objectives of the Company. Management is also responsible for implementation of internal control for proper accounting records, compliance with statutory and other regulatory requirements.

Management Committee

The Managing Director is assisted by different Management Committee who performs within their delegated authorities and scope of works. The Management Committees are:

- ▶ Management Committee (MANCOM)
- ▶ Investment Committee
- ▶ Asset-Liability Management Committee
- ▶ Money Laundering Prevention Committee
- ▶ Risk Committee
- ▶ IT Audit Committee
- ▶ Disclosure Committee

Members of the Management Committee are given on page 71 of this Annual Report.

Charter of the Board and its Committee

The Charter of the Board of Directors and its Committees setting out its key functions have been given on pages 76 to 78 of this Annual Report.

Disclosure and declaration by the new Director

Immediate after appointment of a Director, a details biography along with a declaration on his non-engagement with other financial institutions is required to submit to Bangladesh Bank. A declaration is also given to the Central Bank that he is not a loan defaulter. As per Financial Institutions Act, 1993, a person cannot be a Director of more than one financial institution. A loan defaulter is also disqualified to become a Director of a financial institution.

Induction, business awareness and development

Each new Director receives an induction presentation, an information memorandum and a personalized induction program. The induction presentation explains their responsibilities as a

Director of the company and sets out an overview of the Company and its businesses. The information pack gives details of the disclosures that Directors are required to make to comply with various laws and regulations. The Company Secretary along with other existing Directors conducts the induction presentation session.

Re-election of Director

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

Removal of the Managing Director

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

Appraisal of the Managing Director

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

Directors' remuneration

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

The Managing Director is appointed for a minimum period of three years during which the remuneration cannot be reviewed without the approval of Bangladesh Bank. The Managing Director is not entitled to any performance linked incentive bonus.

Disclosure of Directors' Remuneration

Directors of the Company are not eligible for any remuneration other than the meeting attendance fee as prescribed by the Bangladesh Bank. During the year under review, Board of Directors was eligible for attendance fee of Tk. 5,000 per meeting of Board, Executive Committee and Audit Committee. Remuneration paid to the Managing Director is disclosed on page 128 of this Report. Remuneration paid to the Directors for attending Board/Committee Meetings during the year 2011 is given below:

Report on Corporate Governance - *continued*

Name of directors	Board		Executive Committee		Audit Committee		Total
	Attendance	Fee	Attendance	Fee	Attendance	Fee	
Mr. Md. Aminul Haque	10	50,000	3	15,000	-	-	65,000
Mr. K. M. Khaled	6	30,000	2	10,000	-	-	40,000
Mr. Z. M. Kaiser	10	50,000	4	20,000	3	15,000	85,000
Mrs. Muslima Shirin	10	50,000	4	20,000	4	20,000	90,000
Mr. M. N. H. Bulu	3	15,000	-	-	-	-	15,000
Mr. M. Shahadat Hossain Kiron	4	20,000	-	-	-	-	20,000
Mr. Tauseef Iqbal Ali	10	50,000	4	20,000	-	-	70,000
Mr. Md. Aliuzzaman	10	50,000	4	20,000	4	20,000	90,000
Professor Salma Rahman	8	40,000	3	15,000	-	-	55,000
Dr. M. Mosharraf Hossain	1	5,000	-	-	-	-	5,000
Mr. Mohammad Masudur Rahim	4	20,000	1	5,000	-	-	25,000
Total		380,000		125,000		55,000	560,000

Employees' remuneration

The objective of the Company's remuneration policy is to attract, motivate, reward and retain quality staff. The Board ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Company, and do not give rise to conflicts between the objectives of the Company and the interests of individual Directors and key executives. The total compensation package for employees comprises basic salary, contributory provident fund, gratuity scheme, funded pension scheme, hospitalization and other benefits plans, employee home loan, employee transport assistance scheme, employee furniture and household assistance scheme, maternity benefits etc. In determining the composition of the package, the nature of the role performed and market practice are taken into consideration. To ensure that its remuneration package is competitive, the Company regularly reviews its base salary ranges and benefits package based on market data.

Board minutes to submit to Central Bank

Bangladesh Bank requires all financial institutions to submit full text of the minutes of the Board meetings to Bangladesh Bank within seven days of the following month.

Disclosure on the performance and prospect of the Company

Prime Finance attaches high priority on timely publication of quarterly, half-yearly and annual report with comprehensive details in excess of regulatory requirements. Mediums of publication include printed materials, newspapers and the website of the Company. Price Sensitive information is released to the regulators within half an hour of the decision. The Financial Statements are prepared in accordance with

IAS and IFRS as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

Setting out the Directors responsibilities

A separate statement as to the preparation and presentation of financial statements is given on page 100 of this Report. A Management report on the operational review and segmental analysis of the Company is given on pages 38 to 50 of this Report.

Related party transactions

Transactions with related parties are made on arm's length basis and are in the ordinary course of business. Detailed transactions with related parties are delineated on page 173 of this Annual Report.

Budgetary process

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

Internal control

The Board has ultimate responsibility for establishing an effective system of internal control. It is designed to manage rather than eliminate the risk of failure to achieve the business objectives and to provide reasonable but not absolute assurance that assets are safeguarded against unauthorized use or material loss and those transactions are properly authorized and recorded. The internal control system embraces all business risks, including financial, operational and strategic risks. Accountability for managing risks is delegated to the Risk Committee who review and

Report on Corporate Governance - *continued*

assess risk management matters as part of their business processes and risks controls and actions are regularly adjusted in response to the changing market environment.

Major elements of the control environment are as follows:

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

A comprehensive financial reporting system including actual performance with budget.

Accountability and audit

Board Audit Committee comprises of four non-executive Directors, including independent Director is in place. The Chief Financial Officer (CFO) and the Company Secretary attend the meeting by invitation. The Head of Internal Control attends all the meetings. The full report of this Committee including the terms of reference and specific task carried out during the period ending on the date of Accounts approval is given on page 85 of this Report.

Appointment of external auditors

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

Communication with shareholders

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

The Company promotes the use of Company's website in all Company announcements. The website also contains corporate information which is updated on a regular basis and includes a corporate governance section which contains details of the Company's adherence to the Code and the full terms of reference of the Board and its Committees.

The Annual General Meeting is normally attended by all Directors, and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have been concluded. The sixteenth Annual General Meeting will be held on 28 March 2012. All shareholders of the Company are invited to attend the Company's Annual General Meeting. The Directors appreciate the importance of general shareholders of the Company and use the Company's Annual General Meeting as further opportunities to communicate with the Directors. The Company provides copies of its Interim Accounts and Annual Financial statements, in order that these are made available to the wider investing market. It is the Company's policy to give shareholders the opportunity at Annual General Meeting to ask questions about its activities and prospects. The Board also structures these meetings so that shareholders can vote separately on each matter, by proposing separate resolutions for each item to be considered. The proxy votes for and against each resolution are counted before Annual General Meeting of the Company. The results are provided to the meeting after each resolution has been voted upon by shareholders, thus enabling the Shareholders present to vote independently of the results of proxy votes already received. As in previous years, the Chairman of the Company is available to answer questions from shareholders at the Annual General Meeting. In accordance with the provisions of the Companies Act, 1994, the Notice of the 16th Annual General Meeting was sent to shareholders more than 14 working days before the meeting. Shareholders had the opportunity to vote separately on each proposal at the Annual General Meeting, either in person or by proxy. The Company maintains a corporate website at www.primefinancebd.com containing a wide range of information of the Company.

Management Committee

Management Committee (MANCOM)

Asad Khan
Md. Ahsan Kabir Khan
Md. Rezaul Haque
Md. Mizanur Rahman

Money Laundering Prevention Committee

Md. Ahsan Kabir Khan
Md. Mizanur Rahman
Lingkon Mondal
Mansura Moin

Asset-Liability Management Committee

Asad Khan
Md. Ahsan Kabir Khan
Md. Rezaul Haque
Md. Mizanur Rahman
Lingkon Mondal
Md. Zaved Lakiyet
All Departmental Heads

Portfolio Management Committee

Asad Khan
Md. Ahsan Kabir Khan
Md. Rezaul Haque
Md. Mizanur Rahman

Risk Management Committee

Asad Khan
Md. Ahsan Kabir Khan
Md. Rezaul Haque
Md. Mizanur Rahman
Gazi Nilufar Yeasmin
Farhana Mahejabin
Management of Concerned Department

Central Compliance Unit

Lingkon Mondal
Farhana Mahejabin
Mansura Moin
Md. Feroz Iftekher

IT Infrastructure Development Committee

Gazi Nilufar Yeasmin
Gulshan Ara Hafiz
Ahsanullah M Dewan
Masru Hossain
Rupak Nasrullah Zaidi
Mohammed Faruque
Mansura Moin

Basel Implementation Unit

Asad Khan
*Managing Director &
Head of Risk Management (The Chair)*
Md. Ahsan Kabir Khan
Deputy Managing Director
Md. Mizanur Rahman FCA
Chief Financial Officer
Md. Rezaul Haque MBA
Head of Operation & Marketing
Gazi Nilufar Yeasmin MBA
Vice President (Corporate Finance)
Farhana Mahejabin ACA
Senior Manager (Finance & Accounts)



Board's structure and its operation

Size of the Board

The Board of Prime Finance comprises of eleven members including the Managing Director. As per FID Circular No.# 9 dated 11 September, 2002 of the Bangladesh Bank, the size of the Board of a Non-banking Financial Institution shall be minimum of nine and maximum eleven excluding the Managing Director. As per SEC's Notification, a listed Company should have Independent Director of at least one-tenth of the Directors with a minimum of one. As per Articles of Association of the Company the Managing Director is an Ex-officio Director.

Composition

The Board of Prime Finance comprises of twelve members as under:

Non-executive Directors

Ten out of whom seven are Nominee Directors

Independent Director

One

Executive Director

One (The Managing Director)

Non-executive Director

There are eleven Non-executive Directors. None of the Directors takes part in the day to day operations of the Company. They attend only in the Board/Board Committees meeting to discuss the agenda reserved for the Board/Committee.

Independent Director

In order for a Director to qualify as an Independent Director, the Board affirmatively determines that the Director has no material relationship with Prime Finance (either as a partner, shareholder or officer of an organization that has a relationship with Prime Finance) that would preclude that nominee from being an Independent Director. For the purpose of such determination, the Directors consider that the

Independent Director does not hold any share or holds less than one percent shares of the total paid up capital of the Company, who is not connected with the Company's Promoters or Directors or Shareholders who holds one percent or more than one percent shares of the total paid up shares of the Company, on the basis of family relationship; who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/ associate companies, who is not a member, Director or Officer of any Stock Exchange and who is not a shareholder, director or officer of any stock exchange or an intermediary of the capital market.

Tenure and retirement

The office of Non-executive Directors is subject to retirement. At least one-third of the non-executive Directors shall retire by rotation in every Annual General Meeting. The Managing Director is appointed for a minimum period of three years subject to approval of the Central Bank. The office of the Managing Director being an Ex-officio Director is not subject to retirement.

Directors' compensation

Except the Managing Director, none of the Director holds any position of profit and does not receive any remuneration other than fees for attending the Board/Committee meetings. The maximum fees payable to a Director is Tk. 5,000 for attending each meeting.

Membership of Board Committee

All the Board Committees are comprised entirely of Non-executive Directors. Membership of Directors in the Board Committees is given on page 76 of this Annual Report.

Board's Structure and its operation - *continued*

Committee Charter

All the Board Committees have a written Charter that describes the Committees' purposes, duties and responsibilities. The Committee Charters are available on page 76 of this Annual Report

Board Meeting

The Board holds at least four regularly scheduled meetings each year. In the year 2011, the Board met twelve times to discuss scheduled businesses of the Company.

Directors' responsibility

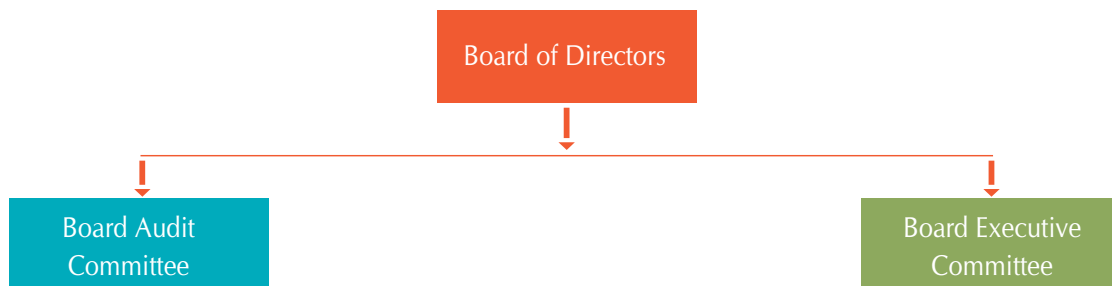
Each Director uses his or her best efforts to attend in all the meetings of the Board and the Board Committees to

which such Director is appointed. The Directors are responsible for developing and upgrading Prime Finance's Governance Principles, Code of Business Conduct and the Charter of each Committee on which such Director serves. For review, materials are provided to the members in advance of Board/Committee meetings.

Communication to Director

Interested parties may communicate with any Director by sending letter to such Director's attention in care of the Company Secretary, Prime Finance & Investment Limited, 63 Dilkusha C.A., Dhaka-1000.

BOARD STRUCTURE OF PRIME FINANCE



Corporate Culture

A good working environment is paramount to any Company's success and the well-being of its employees. At Prime Finance we strive to create a flexible and challenging framework that always attracts top quality candidates and encourages existing employees to continuously hone their skills and excel in their fields.

Prime Finance's corporate culture centres on the common interest of the Company and its clients by seeking to establish strong long-term relationships between the two.

Corporate culture places a premium on the Company's human resources through knowledge acquisition, job development, training and communication, leading to job satisfaction and a real sense of community. In this environment emphasis is placed on effective management, a clear definition of responsibility, straightforward work process and a minimum of bureaucracy. In this way Prime Finance is able to serve its clients as much as possible by helping them to achieve their goals.

In order to ensure that Prime Finance's clients are provided with exceptional guidance and receive that best possible service, the Company has organized the tenets of its culture into eleven business principles. These principles are undertaken by all the Company's operations and reviewed on a regular basis.

Long-term relationship

Prime Finance's main objective is to develop and maintain long-term relationship with its clients. Their need and interests are given a priority since their success consequently fuels our success, thus establishing a common goal.



Corporate Culture - *continued*

Teamwork

The best results are achieved when Prime Finance and its clients work together as a team. Effective corporate communication ensures fast and professional service and provides the basis for efficient teamwork.

Fun & Flair

Business becomes a pleasure when the Company can take part in celebrating its client's successes. Maintaining a positive morale supports, a sense of community and ambitious approach for a sound working environment. Providing effective advice and achieving excellent results lead to share enjoyment, to underscoring the company's commitment to its clients.

Trumping bureaucracy

Cutting bureaucracy enables Prime Finance to respond swiftly to its clients' needs. Short and straight lines of communication, a clear definition of responsibility and the devolution of power provide company's clients with sharp, swift and effective advice.

Efficient decisions

Effective services to Company's clients are based on swift and efficient decision-making, achieved through a flat hierarchy, the devolution of power and open communication. This also makes for an exciting and highly motivating work environment that attracts highly educated, top-quality candidates.

Welcoming change

The business environment is constantly undergoing changes, bringing the company up against new challenges as a leading financial company and adviser to ambitious clients. In order to assist its clients in gaining a competitive advantage, Prime Finance keeps abreast of changing business practices and seeks to implement changes ahead of the competition.

Identifying opportunities

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

choices. The Company ensures that its employees are able to perform. This task is done by providing them with training and education, building their confidence and encouraging their initiatives.

Embracing competition

Both Prime Finance and its clients face intense competition, as we are operating in a rapidly changing business environment. However, the Company views competition as a powerful motivator, as a spur to keep the Company's business ahead of the times and providing its clients with the best possible services in the industry.

Intelligent risk taking

Prime Finance uses its expertise to advise its clients on the risks they face and enable them to make decisions. Powerful information systems and highly qualified personnel, with the interest of the Company and its clients at heart, ensure intelligent risk assessment and decision making.

Passion for building business

Prime Finance is determined to build its clients businesses for the benefit of both parties. The best possible business results can be achieved through a strong and committed team of Company personnel and clients working in unison, focusing on the task at hand.

Rewarding talent

Prime Finance rewards those employees who perform most successfully. Company's greatest resource is its personnel, and it places great emphasis on retaining good employees, that is, those who provide the greatest benefits to the Company's clients.

Charter of the

Board and its Committee

The Charter of the Board of Directors and its Committees setting out its key functions are given below:

Board of Directors

Strategic planning process

- ▶ Determine the vision/mission of the Company and supervise the formulation of the strategic directions, plans and priorities of the Company
- ▶ Monitor implementation and effectiveness of the approved strategic and operating plans
- ▶ Review and approve the corporate financial goals and operating budget and actions of the Company periodically
- ▶ Approve major business decisions

Identification and management of risk

- ▶ Ensure that the processes are in place to identify the risk of Company's business
- ▶ Review the processes that ensure respect for and compliance with applicable regulatory, corporate, securities and other legal requirements

Succession planning and evaluation of management performance

- ▶ Supervise the succession planning processes of the Company, including the selection, appointment, disciplinary action, development, evaluation and compensation of the Managing Director and the Deputy Managing Director
- ▶ Perform analytical review as regards to the success or failure in achieving the target set out in the budget of the company

Oversee the communication and public disclosure

- ▶ Oversee establishment of process for accurate, timely and full disclosure
- ▶ Review due diligence process and controls in connection with certification of Company's financial statements

Internal Control

- ▶ Review the effectiveness of Company's internal control and management information systems
- ▶ Establish company's values
- ▶ Review and authorised annual budget, financial statements including liquidity statement of the company and oversee its compliance with applicable audit, accounting and reporting requirements
- ▶ Recommend dividend, appropriation of profit, expenditures and transactions that exceed threshold set by the Board.

Governance

- ▶ Oversee the corporate governance of the Company
- ▶ Establish appropriate structure and procedures to allow the Board to function independent of the management
- ▶ Establish Board committees and define their mandates to assist the Board in carrying out its roles and responsibilities
- ▶ Recommend to the Board the remuneration of the Managing Director and Deputy Managing Director
- ▶ Upgrade the code of conduct and business ethics from time to time;
- ▶ Update the charter of the Board and its committees.

Audit Committee

Internal Control

- ▶ Require management to implement and maintain adequate/appropriate systems of internal control and discuss with the management to assess the adequacy and effectiveness of those systems;
- ▶ Reviews all the policy developed by the Management regarding IT system and management information system (MIS).
- ▶ The Committee reviews the Management activities, whether they follow the recommendations regarding the internal control system given by the internal and external auditors from time to time.
- ▶ Review the existing Risk Management System to ensure effective control & execution system.

Financial Statement

- ▶ Discuss with management major issues concerning accounting principles and disclosures in the financial statements;
- ▶ Evaluates whether the financial statements are prepared in compliance with rules and regulations governed by the Bangladesh Bank or discloser of complete & proper information in the financial statements.
- ▶ Discuss with the External Auditor and Management prior to finalization of the financial statements

Internal & External audit

- ▶ Oversee the work of external auditors, internal auditors including matters of disagreement between management and the auditors;
- ▶ Review the findings of auditors, any disagreement and management responses;
- ▶ Review the duties, responsibilities, functions, degree of independence, due diligence with due care, objectivity and staffing of internal audit department;
- ▶ Recommend to the Board regarding appointment of the external auditors and their terms of appointment;
- ▶ Appoint the Chief Internal Auditor who will report to the Board Audit Committee regarding his findings relating to deviation of laws, rules, policies, norms, guidelines with management responses and impact;

- ▶ Review investments and transactions, as identified by the auditors or Management that could adversely affect the Company;

Compliance of existing rules & regulations

- ▶ Review reports on significant litigation and regulatory compliance matters;
- ▶ Evaluates whether the Management has been complying the rules & regulations and internal or operational policies formulated by the regulatory authority and the Board.

Others

- ▶ Conduct audit concerning violation, if any, by the management in carrying out operation of Company;
- ▶ Mitigate complaints received from related parties;
- ▶ Review policies related to liquidity management, capital management and other operations of Company;
- ▶ Meet the Management to discuss any matters if deem appropriate;

Report to the Board on the following:

- ▶ Activities of the Board Audit Committee
- ▶ Conflict of interests
- ▶ Suspected or presumed fraud or irregularity or material defect in the internal control system
- ▶ Suspected infringement of laws, rules and regulations
- ▶ Recommendation regarding changes of the accounting principles.
- ▶ Any other matters which deem necessary.

Members

Mr. Md. Aliuzzaman
Mrs. Muslima Shirin
Mr. Z. M. Kaiser
Professor Salma Rahman
The Independent Director

Executive Committee

Internal Control

- ▶ Guide the Management in achieving the organization's mission/vision;
- ▶ Review implementation of the business policy;
- ▶ Approve credit proposals upto Tk 50 million per client;
- ▶ Approve providing corporate guarantee upto Tk 50 million;
- ▶ Review significant risks and quality of credit portfolio;
- ▶ Approve all pre-IPO placement/underwriting proposals upto Tk 50 million;
- ▶ Approve all administrative expenses up to 5 million;
- ▶ Approve reduction of interest rate of lease/loan up to 1 percent;
- ▶ Approve waiver of unrealized delinquent charge up to 50 percent;
- ▶ Review the over due position of clients of the company;
- ▶ Review the write off loan/lease status of the company and recovery there of;
- ▶ Approve the requirements of Management personnel for different sections of the Company;
- ▶ Review management succession plans for executive positions;
- ▶ Review major compensation policies and recommend incentive program;
- ▶ Evaluate effectiveness of the HR Policy in carrying out the duties specified in its charter; and
- ▶ Approve purchase/disposal of the fixed/floating assets of the company upto the value of Tk one crore.

Members

Mr. Tauseef Iqbal Ali
Mrs. Muslima Shirin
Mr. Md. Aminul Haque
Mr. Z. M. Kaiser
Mr. Md. Masudur Rahim
The Chairman of the Board- in case of HR related matters should be invited



Compliance Report on Bangladesh Bank's guidelines on Corporate Governance

Bangladesh Bank requires the Financial Institutions to comply with the guidelines on Corporate Governance as per the DFIM circular no. 7 dated 25 September 2007. The Board of Directors of the Company has

taken appropriate steps to comply with the guidelines and implemented the same. Status report on compliance with those guidelines is given below:

Sl. Particulars	Compliance status
01. Responsibilities and authorities of Board of Directors	
A. Work-planning and strategic management	
i The Board shall determine the vision/mission of the Company. Board shall also determine the strategy and work-planning for enhancement of institutional efficiency and other policy matters on annual basis. Board shall make necessary amendment on the strategy on quarterly basis.	Complied Refer to Charter of Board and its committee on page 76 to 78 of this Annual Report.
ii The Board shall have its analytical review to be incorporated in the Annual Report as regard to the success or failure in achieving the target as set out in the annual work plan and inform the same to the shareholders in the annual general meeting.	Complied Refer to 'Operating results' and 'Significant deviation in operating results' of Directors report on pages 110 of this Annual Report.
iii Board shall determine Key Performance Indicators, and re-assess on half-yearly basis	Complied
B. Formation of sub-committee	
For making timely decision, executive committee can be formed. No alternative director shall be included in this committee.	Complied Refer to 'Board and its committee' on page 76 to 78 of this Annual Report.
C. Financial management	
i. Annual budget and statutory financial report shall be authorized by the Board of Directors.	Complied Refer to 'Charter of the Board and its committees' on page 76 to 78 of this Annual Report.
ii. Board shall review company's statement of income and expense, statement of Loan/Lease, liquidity requirement, capital adequacy, adequacy of provision, action taken for legal cases and recovery of default loan	Complied Refer to 'Charter of the Board and its committees' on page 76 to 78 of this Annual Report.

Compliance Report on Bangladesh Bank's guidelines - *continued*

Sl. Particulars	Compliance status
iii. The Board shall approve the procurement policy and shall accordingly approve the delegation of power for making such expenditure. The maximum delegation of power shall rest on the CEO and top management. However, decision relating to purchase of land, building, and vehicle shall remain with the Board.	Complied Refer to 'Report on Corporate Governance' on page 64 of this Annual Report.
iv. Bank account of the Company shall be operated by a group constituted from amongst the Management (Amended)	Complied
D. Loan/Lease/Investment management:	
i. The policies, strategies, procedures etc. in respect of appraisal of loan/lease/investment proposal, sanction, disbursement, recovery, rescheduling, and write-off shall be made with the Board's approval under the purview of the existing laws, rules and regulations. The Board shall specifically delegate the power of sanction of loan/lease/investment and such delegate should desirably be made among the CEO and other top management of the company.	Complied Refer to 'Report on Corporate Governance' on page 64 of this Annual Report.
ii. No director shall interfere directly or indirectly in the process of loan approval.	Complied
iii. Core Risk Management Guidelines shall be approved by the Board of Directors of the Company.	Complied
E. Risk Management	
Approval shall be taken from Board of Directors for syndicate loan/lease/ investment and large loan/lease/investment.	Complied
F. Internal Control & Compliance	
Audit Committee shall be formed for effective implementation of an integrated internal control system of the Company and for keeping loan/lease/investment quality at a desired level. Board Audit Committee shall review the report provided by the Internal Control & Compliance Department, the external auditor and the Bangladesh Bank shall make comments thereon.	Complied Refer to Report on the Audit Committee on page 85 of this Annual Report.
G. Human Resources Management	
Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, HR development etc. and service rule shall be framed and approved by the Board. The Chairman or the Board shall no way involve themselves or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the service rules. No member of the Board shall be included in the selection committees for recruitment and promotion of different levels except the positions MD, DMD and GM or equivalent.	Complied Refer to the 'Report on Human Resources' on pages 53 to 55 of this Annual Report.
H. Appointment of Managing Director and increase of salaries & allowances	
Board of Directors shall appoint a competent Managing Director with approval of the Bangladesh Bank. Board shall approve any increment of salaries and allowance of the Managing Director.	Complied
I. Benefit to Chairman	
Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the company subject to the approval of the Board.	Complied Refer to 'Report on Corporate Governance' on page 64 of this Annual Report.

Compliance Report on Bangladesh Bank's guidelines - *continued*

Sl. Particulars	Compliance status
02. Responsibilities and duties of Chairman	Complied
i. Chairman shall not personally possesses the jurisdiction to apply policy making or executive or authority. He shall not participate in or interfere into the administrative or operational and routine affairs of the Company.	Refer to 'Report on Corporate Governance' on page 64 of this Annual Report.
ii. The minutes of the Board meetings shall be signed by the Chairman	Complied Refer to 'Report on Corporate Governance' on page 64 of this Annual Report.
iii. Chairman shall sign-off the proposal for appointment of Managing Director and revision of his salaries & allowances.	Complied Refer to 'Report on Corporate Governance' on page 64 of this Annual Report.
03. Responsibilities of Managing Director	
i. Managing Director shall discharge his responsibilities on matters relating to financial, business and administration vested by the Board upon him. He is also accountable for achievement of financial and other business targets by means of business plan, efficient implementation of administration and financial management.	Complied
ii. Managing Director shall ensure compliance of Financial Institutions Act 1993 and other relevant circulars of Bangladesh Bank and other regulatory authorities.	Complied
iii. All recruitment/promotion/training, except recruitment/ promotion/ training of DMD & GM (as equivalent to EVP) shall be vested upon the Managing Director. He shall act such in accordance with the approved HR Policy of the Company.	Complied
iv. Managing Director may re-schedule job responsibilities of employees.	Complied
v. Managing Director may take disciplinary actions against the employees except DMD & GM (as equivalent to EVP) .	Complied
vi. Managing Director shall sign all the letters/statements relating to compliance of polices and guidelines. However, Departmental/Unit heads may sign daily letters/statements as set out in DFIM circular no.2 dated 06 January 2009 if so authorized by MD.	Complied

Compliance Report on SEC's Notification

Compliance is a key element of risk management. The Board of Directors is responsible for ensuring adequate measures that are undertaken to manage compliance with the laws, regulations, contracts, industry codes, internal standards and policies applicable to Company's operations.

The Securities and Exchange Commission (SEC) requires all listed companies to report on the

compliance of the conditions described in SEC's Notification dated 20 February 2006 on "Comply or Explain" basis. The Board of Directors of the Company has taken appropriate steps to comply with the conditions and implemented all those as applicable. Status report on compliance with those conditions is given below:

Sl. Conditions	Compliance status
01. The composition of Board and its report	
1.1 The members of the Board should not be less than 5 (five) and more than 20 (twenty)	Complied As per the FID circular no.9 dated 11 September 2002, size of Board of Directors of any NBFIs shall be limited to 9-11. As on 31 December 2011, total number of Directors of the Company was 10.
1.2 Independent Directors:	
(i) At least one-tenth of total number of Board of Directors	Complied Refer to 'Board structure and its operation' on page 72 of this Annual Report.
(ii) Appointment of Independent Director by elected Directors	Complied Refer to 'Board structure and its operation' on page 72 of this Annual Report.
1.3 Chairman of the Board and Chief Executive Officer be different person with different roles and responsibilities	Complied Refer to 'Report on corporate governance' on page 64 of this Annual Report.
1.4 Directors' Report to include declarations on:	
a. Fairness of Financial Statements	Complied Refer to 'Directors report' on page 112 of this Annual Report.
b. Maintenance of proper books of accounts	Complied Refer to 'Directors report' on page 112 of this Annual Report.
c. Consistent application of Accounting Policies in preparation of Financial Statements	Complied Refer to 'Directors report' on page 112 of this Annual Report.
d. Observance of Bangladesh Accounting Standards (BAS)	Complied Refer to 'Directors report' on page 112 of this Annual Report.
e. Soundness and efficiency of Internal Control	Complied Refer to 'Directors report' on page 112 of this Annual Report.
f. Ability to continue as a going concern	Complied Refer to 'Directors report' on page 113 of this Annual Report.
g. Significant deviations in operating results from last year	Complied Refer to 'Directors report' on page 110 of this Annual Report.
h. Presentation of key operating and financial data for at least last three years	Complied Refer to the 'Directors report' on page 110 of this Annual Report.
i. Declaration of dividend	Complied Refer to 'Directors report' on page 111 of this Annual Report.

Compliance Report on SEC's Notification - *continued*

Sl.	Conditions	Compliance status
j.	Number of Board Meeting held during the year and attendance by each Director	Complied Refer to 'Directors report' on page 113 of this Annual Report.
k.	Shareholdings pattern	Complied Refer to 'Directors report' on page 114 of this Annual Report.
2.0 CFO, Company Secretary and Head of Internal Audit		
2.1	Appointment of CFO, Company Secretary and Head of Internal Audit and defining their responsibilities	Complied
2.2	Attendance of CFO and Company Secretary in the Board of Directors' meeting	Complied
3.0 Audit Committee and its report		
3.1	i. Number of members of Audit Committee	Complied Refer to 'Report of the Audit Committee' on page 85 of this Annual Report.
	ii. Inclusion of Independent Director in the Audit Committee	Complied Refer to 'Report of the Audit Committee' on page 85 of this Annual Report.
	iii. Fill the casual vacancy in Audit Committee	No such matter arisen
3.2	i. Chairman of the Board Audit Committee	Complied Refer to 'Report of the Audit Committee' on page 85 of this Annual Report.
	ii. Professional Qualification and experience of Board Audit Committee Chairman	Complied Refer to 'Report of the Audit Committee' on page 85 of this Annual Report.
3.3.1	i. Reporting by Audit Committee on its activities to the Board of Directors	Complied Refer to 'Report of the Audit Committee' on page 85 of this Annual Report.
	ii. Report to the Board by the Audit Committee on conflict of interest any fraud or irregularities, violation of laws & any other matter.	No such matter to report on
3.3.2	Reporting of qualified point to the SEC	No such matter to report on
3.4	Report to the shareholders in the event of findings of certain occurrence under condition 3.3.1 (ii) above	No such matter to report on
4.0 Statutory Auditors		
	i. Appraisal or valuation services	Complied Statutory auditors of the Company only provide audit services
	ii. Financial information systems design and implementation	
	iii. Book keeping or other services related to financial statements	
	iv. Broker-dealer services	
	v. Actuarial services	
	vi. Internal audit services	
	vii. Any other services that the Audit determine	

Chairman's Letter on Governance

Commitment to good corporate governance, compliance and ethics is at the core of every renowned company. It is the framework where various stakeholders interest are balanced and creates links with the goals of the Company.

Prime Finance is absolutely committed to the principles of excellence in corporate governance and ethics. This commitment is evidenced by the following practices that are in place at Prime Finance – many of which have been long-standing policies:

- ▶ A Board of Directors with all being independent of Management;
- ▶ Separation of the role of the Chairman of the Board and Managing Director;
- ▶ An Audit Committee, Executive Committee comprises solely of Non-executive Directors;
- ▶ A code of Business conduct and ethics;
- ▶ Maintaining the basic principles of Corporate Governance principles;
- ▶ Published charter for all Board Committees;
- ▶ A set of corporate values – professional excellence, integrity, teamwork, transparency, leadership, superior performance and sustainability – communicated to all employees;
- ▶ Directors of Board Audit Committee possesses knowledge on Internal Control, Financial Matter, Administrative Matter etc.;
- ▶ Board Audit Committee that meet regularly without Managing Director's present;
- ▶ An established system of internal control with appropriate check and balance;
- ▶ Transparency in financial reporting and disclosures;
- ▶ A solid commitment to the long-term creation of shareholders value;

We take great pride in having built a solid foundation that stresses the importance of good governance and of achieving a fundamental balance among the interests of our three key stakeholders, namely our clients, our human resources and our shareholders. In this regard, the Board of Directors remain focused on the development, application and maintaining the best practices of good corporate governance in managing and measuring how we create long-term value, resulting in consistent performance, even in difficult economic times.

K. M. Khaled
Chairman



Report of the Audit Committee

The Audit Committee makes recommendations on the reporting, control and compliance aspects of the Directors' and the Company's responsibilities, providing independent monitoring, guidance and challenge to executive management in these areas. Its aim is to ensure that high standards of corporate reporting, control and compliance are achieved, in the belief that excellence in these areas enhances the effectiveness, and reduces the risks of the business.

Composition

All the members of the Audit Committee are Non-executive Directors. During the year the Audit Committee comprised of the following Directors of the Board.

sl	Name of members	Designation in the committee	Designation in the Company
1.	Mr. Md. Aliuzzaman	Chairman	Director
2.	Mrs. Muslima Shirin	Member	Director
3.	Mr. Z. M. Kaiser	Member	Director
4.	Professor Salma Rahman	Member	Director
5.	Prof. Dr. Parimal Chandra Datta	Member	Independent Director

Qualification & experience

Mr. Md. Aliuzzaman

Mr. Md. Aliuzzaman, a senior banker of the country, did his MBA from the IBA, University of Karachi, Pakistan. He has more than 45 years of experience in the banking industry. During his career in banking industry he served, in various capacities, a good number of companies amongst those are Habib Bank Limited, Bangladesh Shilpa Rin Shangstha, Investment Corporation of Pakistan, Investment Corporation of Bangladesh, Rupali Bank Ltd., Sonali Bank Ltd. etc. He was the first Managing Director of Prime Finance & Investment Limited.

Mrs. Muslima Shirin

Mrs. Muslima Shirin, a dynamic entrepreneur of the country, was associated to form various reputed company in the country including banks, NBFIs, insurance companies and many others.

Mr. Z. M. Kaiser

Mr. Z.M Kaiser did his Masters in Science and has been associated with a number of companies including bank, insurance, exports and imports.

Professor Salma Rahman

Professor Salma Rahman, was appointed to the Board on 29 June 2008 and last reappointed on 22 April 2010. Her career as a lecturer of English in Dhaka College and became the Principal of Narayangonj Women's College and retired in 2001 as the Director of Higher Secondary Education, Government of Bangladesh. Mrs. Rahman was twice elected President of Rotary Club of Dhaka New City and Assistant Governor of District for 2009- 2010. In 2011, she is the Chairperson of Women Empowerment Committee of the Rotary District. She is the President of Smritimoy-65 of Dhaka University Alumni Association, Life member of Dhaka University Alumni Association, Joint Secretary of Dhaka College Ex-professors Association and past Vice President of Gulshan Society.

Professor Dr. Parimal Chandra Datta

Prof. Parimal Chandra Datta, Ph.D working as the Professor in the School of Business in Primeasia University. Previously he served as the Registrar & Professor of Business Administration Department in IBAIS University.

Governance

The Committee met Four times during the year 2011. The Company Secretary, the Head of Internal Control & Compliance and other non-members attended the meeting by invitation of the Chairman. The Chief Financial Officer also attends by invitation. The Biography of the Chief Financial Officer is given on page 24 of this Annual Report.

Summary of the terms of reference

The Board Audit Committee operates within clearly defined Terms of Reference which have been approved by the Board:

- ▶ Review the financial and other systems including internal control and its reporting procedure;
- ▶ Oversee the work of external auditors, internal auditors including matters of disagreement between management and the auditors;
- ▶ Review the findings of auditors, any disagreement and management responses;
- ▶ Require management to implement and maintain adequate/appropriate systems of internal control and discuss with the management to assess the adequacy and effectiveness of those systems;
- ▶ Review the duties, responsibilities, functions, degree of independence, due diligence with due care, objectivity and staffing of internal audit department;

Report of the Audit Committee - *continued*

- ▶ Discuss with management major issues concerning accounting principles and disclosures in the financial statements;
- ▶ Conduct audit concerning violation, if any, by the management in carrying out operation of Company;
- ▶ Recommend to the Board regarding appointment of the external auditors and their terms of appointment;
- ▶ Appoint the Chief Internal Auditor who will report to the Board Audit Committee regarding his findings relating to deviation of laws, rules, policies, norms, guidelines with management responses and impact;
- ▶ Mitigate complaints received from related parties;
- ▶ Review investments and transactions, as identified by the auditors or Management that could adversely affect the Company;
- ▶ Review reports on significant litigation and regulatory compliance matters;
- ▶ Review policies related to liquidity management, capital management and other operations of Company;
- ▶ Meet the Management to discuss any matters if deem appropriate;
- ▶ Review the non-audit services, if any, provided by the statutory auditors;
- ▶ Review all the operational policies before being approved by the Board;
- ▶ Report to the Board on the following:
 - o Activities of the Board Audit Committee
 - o Conflict of interests
 - o Suspected or presumed fraud or irregularity or material defect in the internal control system
 - o Suspected infringement of laws, rules and regulations
 - o Any other matters which deem necessary.

The Committee's ToR are also available on the company's website www.primefinancebd.com or from the desk of Company Secretary at the registered office.

Meeting of the Board Audit Committee

Meeting held by the committee during the year 2011 were as follows:

Meeting number	Meeting date	Total member	Attendee
41	24-Feb-11	5	3
42	11-May-11	5	2
43	22-June-11	5	3
44	27-July-11	5	3

Board Audit Committee Activities in 2011

The Committee met 4 times in 2011 and covered following items under each heading are as follows:

Control Issues

- ▶ Reviewed quarterly operational report of the company submitted by internal auditor;
- ▶ Reviewed amended Internal Control and Compliance policies of the company;
- ▶ Considered the operating effectiveness of the Company's internal control system;

Financial Results

- ▶ Reviewed the annual report, annual and all interim financial statements of the company;
- ▶ Reviewed stress testing report prepared on the company.

Internal Audit Matters

- ▶ Received reports from the internal auditors;
- ▶ Monitored the performance of the Internal Audit function;
- ▶ Reviewed the yearly Internal Audit Plan.

External Audit Matters

- ▶ Reviewed the effectiveness and independence of the statutory auditors;
- ▶ Approved the re-appointment, remuneration and engagement letter of the statutory auditors;
- ▶ Considered the provision of non-audit services by the statutory auditors;
- ▶ Reviewed Management reports from the external auditors.

Governance and Compliance

- ▶ Reviewed issues concerning inspection report of Bangladesh Bank;
- ▶ Adopt Departmental Control Function Check list (DCFCL) in the Company;
- ▶ Reviewed various policy manual of the company;
- ▶ Reviewed various circulars, guidelines etc. issued by the regulators.

Audit

The Committee has worked closely with the Company's finance team to ensure that the audit processes adopted in connection with the financial statements in accordance with best practices. The

Report of the Audit Committee - *continued*

Chairman of the Committee had regular contact with the Management of the Company. The Committee had a meeting with external auditors.

Control process and reporting system

The Committee monitored the control process and reporting system and has dedicated meeting time to understand issues, assess progress and report on these to the Board of Directors.

Integrity

The Committee has examined in details with the Finance and Accounts Department and the auditors for ensuring the integrity of annual financial statements.

Internal audit

The internal audit wing reports to the Chairman of the Board Audit Committee. The Committee members met regularly with the head of Internal Control and Compliance Department during the year to review work plan and findings. The Internal Audit wing presents the report at each meeting of the Committee.

External auditors

A. Qasem & Co., Chartered Accountants, Gulshan Pink City, Suit # 01-03 (Level-7), Plot # 15, Road # 103, Block – CEN(C), Gulshan Avenue, Dhaka, were appointed as auditors of the company at the 15th Annual General Meeting held on 29 March 2011. The Firm audited the financial statements as of 31 December 2011 which were prepared by the Management and awarded unqualified opinion. The Management presented the annual financial statements of the Company and Auditor's Report thereon to the Board Audit Committee which was prepared in accordance with IAS and IFRS as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and presented as per the DFIM circular no. 11 dated 23 December 2009 of Bangladesh Bank.

Independence of external auditors

The Company's external auditors are prohibited from non-audit services as prescribed by the Securities and Exchange Commission vide its Notification dated 20 February 2006. Tax and other professional services of the Company are conducted by separate professional Firms to ensure the Auditors' independence. A. Hossain & Co., Chartered Accountants retains for company taxation services on the other hand A. Hossain & Associates and Hasan & Associates provides legal services to the Company. If there is uncertainty as to whether a matter falls within the permitted services, the matter is referred to the Head of Internal Control & Compliance, the Chief

Financial Officer and the Company Secretary who will consult with the Audit Committee.

Approval of Financial Statements

During its meeting, the Audit Committee reviewed and examined the annual financial statements of the Company for the year 2011 and recommended to the Board of Directors for its adoption in the Board Meeting. The Board approved the annual financial statements on 26 February 2011

Internal Control mechanism

During the year, the Committee has reviewed development of internal control mechanism in the company.

Fraud risk

During the year under audit, the report of the Committee did not revealed any fraudulent activities from Management.

IT control risk assessment

Information Technology is very much imperative for any financial company. The Committee, through the Internal Control & Compliance Department, assesses the controls in place in the IT system of the Company. The Committee focuses on control over following activities of IT:

- ▶ to ensure that data encryption mechanism is made properly on regular basis;
- ▶ to ensure that audit team under IT department covers overall activity of IT and reports to Head of IT at least on quarterly interval;
- ▶ to ensure that off-site data backup is kept at least 10 k.m away from the server room;
- ▶ to ensure that backup of program files and other important files are taken;
- ▶ to ensure that company has a sustainable 'Business Continuity Plan'.

Acknowledgement

The Board Audit Committee would like to express its thanks to the Members of the Board Audit Committee, Key Management personnel and all employees for their dedication and efforts during the year 2011.

sd/-

Md. Aliuzzaman

Chairman

Board Audit Committee

Report on Internal Control

Objectives

The aim of internal control is to provide reasonable assurance, by means of system of processes and procedures implemented by Prime Finance, that the following three objectives may be achieved:

- ▶ Optimization of operational efficiency;
- ▶ Accuracy of financial information;
- ▶ Compliance with the laws and regulations currently in force.

As in the case with any control system, the Company's internal control system cannot guarantee that all risk of error or fraud is fully eliminated or controlled.

Internal control procedure

Prime Finance believes on the principle of decentralization of authority and responsibility. Consequently, responsibility for the implementation of appropriate internal control procedures governing risk management, financial control and compliance with legislation is delegated to the managers of each department of the Company.

To ensure the consistency of Company's procedures with each department, senior management relies on the functional department to draw up the procedures necessary for the proper operation of controls, issue instructions regarding their implementation and ensure compliance with the said instructions.

The key operations and the internal control procedures applicable to them are described below :

Internal control procedures in respect of financial and accounting information

Financial and accounting information is prepared centrally on the basis of financial statements generated from the software application that is used by different departments and is in compliance with the IAS and IFRS as adopted by the ICAB.

Reports are produced monthly and prepared in the following month to which they relates whereas full accounting consolidation are produced quarterly and prepared within the following month to which they relate. The preparation of the annual financial statements is the responsibility of the Management under the control of the Audit Committee and Company's Auditor. The quarterly & half-yearly Financial Statements are prepared by the Management under the control of Audit Committee.

External financial information

Financial communication to external parties consists of financial statements prepared by the Management, submitted to the Board and reviewed and audited by the Auditors.

Cash position and financing

Responsibility for cash management is delegated to the treasury department by means of well defined procedures and delegation. Any departure from the general rules requires the prior authorization of ALCO.

The finance & accounts department is responsible for borrowings and investment with a term more than six months. Responsibility for borrowings and investment with a term of less than six months is delegated to the treasury department, which are required to comply with specific procedures: position of the banks involved, risk-free investment and monitoring of financial transactions.

Borrowings and investments are monitored on monthly basis by means of report produced by the treasury and finance & accounts department and submitted to Senior Management.

Procedures and inspections

With the objective of producing high quality financial and accounting information, Prime Finance has introduced procedures and instructions tailored to every section. These procedures are grouped by topic and deal mainly with accounting, treasury, regulatory and reporting issues.

The internal control & compliance department is independent from management. It audits the activities and systems of different departments in accordance with an audit plan, particularly in order to assess and improve the accuracy and reliability of the accounting and financial information.

The internal control & compliance department coordinates relations with external auditors.

Internal Control

Industrial investment

Industrial investments are made through different sections particularly the Corporate Finance, SME Finance, Real Estate Finance. Every project proposal passes through the Management Committee to the approving authority depending on the size of investment. The authorities are Credit Committee,

Report on Internal Control - *continued*

Executive Committee and the Board. The sanction limit for each level is defined and distinct. The proposal is also passed through the Risk Committee that assesses the probable risks associated with the project and give a report on it which is attached to each proposal under the signature of the head of Risk Management.

Customer relation

With the aims of specifying and formalizing certain practices regarding contractual relations with its clients, Prime Finance has developed a procedure for managing client risk: limit in respect of credit, delegation of authority, security, insurance and documentation.

The legal department analyzes the legal provisions applicable to financing agreements executed between Prime Finance and the clients. We have standard documents defining the conditions with which the agreements should comply in order to reduce the level of risk. These standard documents are regularly reviewed by the concerned department.

Human resources

The Human Resources department organizes career and skills development for those positions requiring a high level of responsibility. It carries out the performance evaluation program in each year. This department provides industry information to the management as to the emolument and benefits. It also ensures that information for management reports is obtained and circulated. Human Resources department is responsible for ensuring compliance with the service rules and regulations.

Information technology

The information technology department is responsible for integrating and ensuring the consistency of the hardware and software used. In Prime Finance, most data processing is carried out by means of integrated software packages. Back up of the data base is stored in a safe custody on daily basis at outside business premises.

Procedures to ensure continuous improvement

Research and Development

Prime Finance has taken initiative to strengthen further its Research and Development department to draw up Company's procedures concerning the management of programs for developing services and improving communication system.

Prime Finance has decided to carry out an assessment procedure to review internal control procedures in respect of accounting and financial information, human resources, research and development, information technology and terms & conditions applicable to financing agreements between clients and Prime Finance.

These assessment procedures enabled action points to be drawn up. It is expected that functional departments will begin to take action in respect of these points.

This gradual process of improving internal control procedures will continue in 2011 and onward.

Disclosure committee

Prime Finance has established Disclosure Committee that is tasked with various duties relating to the material disclosures made by the Company and relevant subsidiaries/associates companies.

The Disclosure Committee is Chaired by the Managing Director and its members are, Chief Financial Officer the Company Secretary, the head of Internal Control and such other members and/or Attendees as the Committee from time to time considers appropriate. The Committees role is to ensure that in fulfilling accurate disclosures have been made by the Company in time.

Report on Risk Management

Risk Management is a central part of any organization's strategic management. It is the process whereby organizations methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

Prime Finance has focused in good risk management through the identification and treatment of these risks. Its objective is to add maximum sustainable value to all the activities of the organization. We marshal the understanding of the potential upside and downside of all those factors which can affect the organization. It increases the probability of a sustainable future, and reduces both the probability of failure and the uncertainty of achieving the organization's overall objectives.

Here, we believe that Risk management should be a continuous and developing process which runs throughout the organization's strategy and the implementation of that strategy. It should address methodically all the risks surrounding the organization's activities past, present and in particular, future.

Prime Finance considered that it must be integrated into the culture of the organization with an effective policy and a programme led by the direct involvement of the management. We translated the strategy into tactical and operational objectives, assigning responsibility throughout the organization with each manager and employee responsible for the management of risk as part of their job description. It supports accountability, performance measurement and reward, thus promoting operational efficiency at all levels.

Risk Management Standard in Prime Finance:

► Risk Identification

Risk identification sets out to identify our organization's exposure to uncertainty. This requires an intimate knowledge of the organization, the market in which it operates, the legal, social, political and cultural environment in which it exists, as well as the development of a sound understanding of its strategic and operational objectives, including factors critical to its success and the threats and opportunities related to the achievement of these objectives.

Risk identification approached in a methodical way to ensure that all significant activities within the organization have been identified and all the risks flowing from these activities defined.

All associated volatility related to these activities identified and categorized. Our business activities and decisions can be classified in a range of ways, examples of which include:

- Strategic - These concerns with the long-term strategic objectives of the organization. They can be affected by such areas as capital availability, sovereign and political risks, legal and regulatory changes, reputation and changes in the physical environment.
- Operational - These concern with the day-to-day issues that the organization is confronted with as it strives to deliver its strategic objectives.
- Financial - These concerns with the effective management and control of the finances of the organization and the effects of external factors such as availability of credit, foreign exchange rates, interest rate movement and other market exposures.
- Knowledge Management - These concerns with the effective management and control of the knowledge resources, the production, protection and communication thereof.
- Compliance - These concerns with such issues as health & safety, environmental, trade descriptions, consumer protection, data protection, employment practices and regulatory issues.

Risk Description

Our objective of risk description is to display the identified risks in a structured format. The use of a well designed structure is necessary to ensure comprehensive risk identification, description and assessment process. Identification of the risk associated with business activities and decision making may be categorized as strategic, project/tactical, operational.

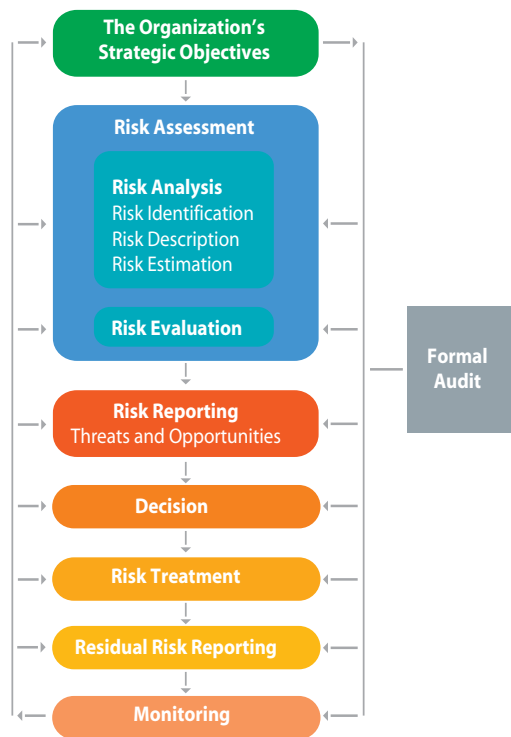
Risk Estimation

Risk estimation is done under quantitative, semi quantitative or qualitative in terms of the probability of occurrence and the possible consequence. For example, consequences both in terms of threats (downside risks) and opportunities (upside risks) may be high, medium or low. Probability may be high, medium or low but requires different definitions in respect of threats and opportunities of risks.

Report on Risk Management - *continued*

Key elements of risk management strategy of Prime Finance are:

- Risk identification – The management of the Company identifies involvement of risk in the Company.
- Qualitative and quantitative evaluations – Risks are evaluated both qualitatively and with appropriate quantitative analysis and robust stress testing. Risk models are regularly reviewed to ensure that they are appropriate and effective.
- Risk management framework – The Company's risk management frameworks for all risk types are documented, comprehensive, and consistent.



Risk in Prime Finance:

As a Non-Banking Financial Institution, Prime Finance faces following risk factors:

Credit Risk

Credit risk arises when an obligor fails to perform its obligations under a trading or loan contract or when its ability to perform such obligations is impaired. This risk is compounded if the assigned collateral only covers the claim made to the clients or if its value is variable or uncertain. Credit risk does not arise only when a borrower defaults on payment of a loan but also when its repayment capability declines (as it is

reflected in rating downgrade). Credit policies are designed to create, monitor and manage credit risk in a manner that complies with all applicable laws and regulations. The credit policies also include utilizing appropriate, accurate and timely tools to measure credit risk and maintaining acceptable levels if overall credit risk for the entire portfolio.

Credit Risk Management Philosophy

- All credit facilities must comply regulatory requirements including Financial Institution Act and Bangladesh Bank guidelines & circulars as amended from time to time.
- Credit extension shall focus on the development and enhancement of customers long-term relationship and shall be measured on the basis of the total yield for each relationship with a customer.
- Extension of credit facilities only to productive and legitimate business activities, which are socially desirable, nationally important and financially viable; and will not lend for unproductive purposes, speculative ventures, or socially undesirable schemes.
- Constant thriving for building and maintaining quality portfolio.
- Discourage financing to low net worth, or highly leveraged customers-who might jeopardize their repayment commitment or even in worse situations may face liquidity problem.
- Pricing of various lending depend on the level of risk, types of security offered and prevailing cost of fund.
- Discourage funding to industrial organizations that do not have effluent treatment plants or units that contribute to environment pollution.

Market risk:

Market risk relates to the potential loss arising from an adverse change in the market risk factors, including commodity prices, interest rates, credit spreads and equity prices. The major market risk components in Prime Finance are:

- share price risk (risk of loss due to adverse change in capital markets) and
- Interest rate risk (risk of loss resulted from the change in market interest rates).

Report on Risk Management - continued

Liquidity Risk:

Liquidity risk is the current and/or prospective risk that the Company, though solvent, either does not have sufficient financial resources available to meet its liability when they fall due or can secure them only at excessive cost. Liquidity risk arises from the inability to manage unplanned decreases or changes in funding sources.

Liquidity Risk Philosophy:

The objective of liquidity risk management is to ensure all anticipated funding commitments can be met when due and that access to funding sources is coordinated and cost effective. The liquidity ratio is interpreted in conjunction with cash flow projection and liability concentration ratios to measure exposure to liquidity risk. Prime Finance has stable funding base consist of diversified corporate and retail deposits as well as inter bank and other borrowings.

The practice of short Term Liquidity projections is regularly monitored to ensure that liability commitments can be met on the due dates.

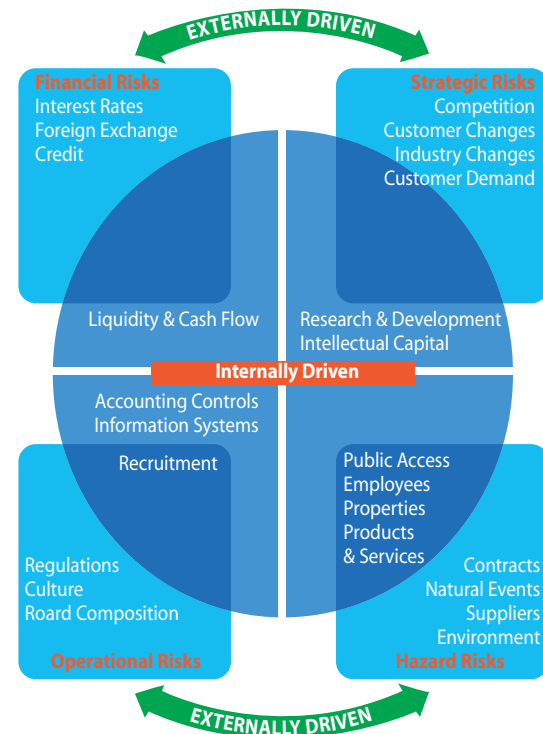
Operational Risk

Operational risk is the risk of direct or indirect loss or damage resulting from inadequate or failed internal processes or systems or from human error or external events. Strategic risk, reputation risk, legal risk and compliance risk are considered subcategories of operational risk. Operational risk is therefore inherent in all activities within the Company. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

Failure to manage operational risk effectively leads to significant financial losses, regulatory fines, reputational damage, all of which directly impact shareholders value. Accordingly, Prime Finance's operational strategy aims to:

- Minimize the operational risks on its shareholders.
- Reduce the likelihood of occurrence of unexpected events by managing the risk factors.
- Minimize the impact of unexpected and catastrophic events including related costs.
- Make all managers responsible for the management of operational risk and thus minimize actual or potential losses.

Internal & External Drivers of Risks:



IT Security Risk:

In Prime Finance information assets are well protected. In order to comply with the requirements of Bangladesh Bank and to secure the information and systems against the potential threats. Prime Finance has a board policy on IT Management approved by its Board of Directors. The policy covers major issues of Bangladesh Bank guidelines related to IT risks management. There is a Domain Controller (DC) to manage domain users and deliver information and software services to other computers linked by network. We have dedicated Database Server and Application Server. All these servers are located in a secured server room. Proper security measures have been taken to ensure data security and data integrity. The sensitive information is kept in a restricted area in the networking environment. Unauthorized access and electronic tampering is controlled strictly. Security system of the network is under dual administrative control.

Legal Risk:

Legal risk includes failure to act appropriately or diligently in response to a claim made against Prime Finance. It also means failure to take proper action to preserve the right of recourse to (insures) in respect of any claim against the company. (In Prime Finance, legal

Report on Risk Management - *continued*

issues are judiciously taken into consideration to meet unforeseen shocks).

Business Risk:

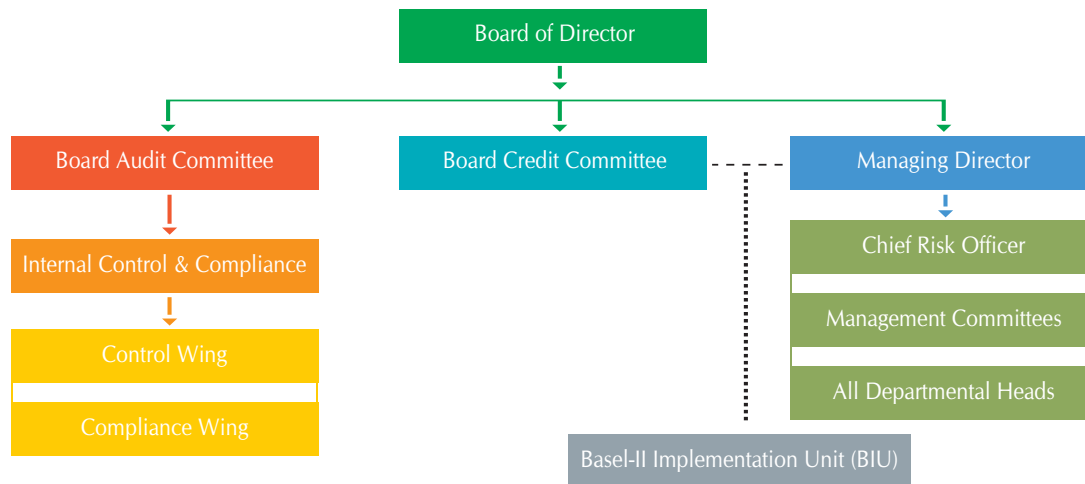
Business risk can lead to serious losses in earnings, thereby diminishing the market value of a company. It can result unexpected changes in business volume or margins from serious deterioration of the market environments, changes in the competitive situation or client behavior, but may also result from changes in the legal framework.

Risk Management Framework

Prime Finance strongly agrees to the principles of risk sensitive approach to capital adequacy as per the requirement of Basel-II framework. We assume with the coming implementation of Basel II, the entire sector of

non-banking financial institutions will be upgraded to a common platform for continuous development of risk management activities. We take this pleasure to declare that Prime Finance has already acquired desired capital adequacy level as stipulated in Basel-II way before the deadline declared by the Bangladesh Bank. Prime Finance obtained "AA" in the year 2011, rated by Credit Rating Information Services Limited (CRISL).

The Company applies a modern framework for its risk management, having long since established independent risk control, credit analysis and credit approval functions. Board supervision, an explicit decision-making structure, a high level of risk awareness among staff, common definitions and principles, controlled risk-taking within established limits and a high degree of transparency in external disclosures are the cornerstones of Prime Finance's risk and capital management.



Role of the Board of Directors

- Approve and periodically review risk strategy and policies;
- Ensure that senior management takes necessary steps to monitor and control risk;
- Ensure that management maintains an appropriate system of internal control and review its effectiveness;
- Approve and review changes/amendments to the risk management framework;
- Approve and review risk management procedures and control for new products and activities.

Role of the Board Audit Committee

- Oversee the work of external auditors, internal auditors including matters of disagreement between management and the auditors;

- Review the findings of auditors, any disagreement and management responses;
- Review the financial and other systems including internal control and its reporting procedure.

Detailed duties and responsibilities are set out on page 85 to 87 of this Annual Report.

Role of Internal Control and Compliance

Control Wing

- Conduct audit with the instruction contained in the internal control policy guideline and with the instruction of the Board/ the Board Audit Committee/ the management;
- This department performs first level and continuous independent verification of control measures put in place to manage all risks across the organization;

Report on Risk Management - *continued*

- ▶ Recommend for any change in policies or guidelines if necessary to the Management / Board Audit Committee;
- ▶ Report major lapses and irregularities to the proper authority;
- ▶ Internal control has the responsibility of auditing the risk management function to ensure that all units charged with risk management perform their roles effectively on a continuous basis.

Compliance Wing

- ▶ Ensure full compliance for regulatory requirements; inspection of audited reports and follow up with the department/ branches for regularization of the irregularities;
- ▶ Ensure that corrective measures are taken and the appropriate response is made on timely manner.

Role of Managing Director

- ▶ Ensure implementation of risk strategy approved by the Board of Directors;
- ▶ Develop policies and procedures for identifying, measuring and controlling risk;
- ▶ Review of all reports on regular and timely basis;
- ▶ Establish and maintain an effective risk management environment in the organization;
- ▶ Review proposals in respect of credit policies and standards and endorse them to the Board of Directors for approval.

Role of Head of Risk Management

- ▶ Provide all reports required by the Board and its Committees for the effective performance of risk management;
- ▶ Provide appropriate resources to evaluate and control risk;
- ▶ Review of all reports on regular and timely basis;
- ▶ Establish and maintain an effective risk management environment in the organization;
- ▶ Review proposals in line with credit policies and standards and endorse them to the respective approving authorities for approval;
- ▶ Monitor on an ongoing basis the Prime Finance's risk quality and performance, review periodic credit portfolio reports and assess portfolio performance.

Role of Management Committees

Management Committee (MANCOM)

- ▶ MANCOM members meet at regular intervals for addressing and discussing all strategic and technical decisions relating to business, credit, operations, administration, HR, internal and financial control and compliance;
- ▶ Review and discuss policies and procedures of the Company and make changes if necessary before presenting to the Board;
- ▶ Discussion on due diligence regarding different compliance matters;
- ▶ Monthly review of control and compliance (internal and regulatory) issues;

Portfolio Management Committee

- ▶ Oversee credit policies, procedures and controls relating to all credit risks arising from business operations;
- ▶ Ensure compliance with internal policies and procedures and external regulatory requirements;
- ▶ Analyze portfolio risks and provides input/advice regarding the formulation of strategic operating plans.

Asset Liability Management Committee (ALCO)

- ▶ The ALCO controls the short-term and long-term liquidity to ensure that the Company has adequate liquidity at all times and to minimize the funding costs;
- ▶ ALCO conducts our liquidity management in a manner that maintains stability and flexibility in our day-to-day funding activities. Our liquidity risk management starts by managing daily payment cheques, daily cash inflow and out flow, maturity of deposits and our access to other funding sources as and when required;
- ▶ The ALCO is also responsible for the Balance Sheet structure and measures to optimize regulatory capital;
- ▶ Develop and review of policies, procedures and system relating to Market risk and recommend policies to the Board;
- ▶ Monitor asset and liability mismatch, pricing and interest rates;
- ▶ Ensure compliance with statutory and regulatory requirements relating to market risks.

Report on Risk Management - *continued*

Money Laundering Committee

- ▶ Develop, oversee and maintain anti-money laundering compliance policy that ensures and monitors compliance with the prevention of Anti-Money Laundering Act 2009;
- ▶ Monitor and ensure reporting to Bangladesh Bank regarding any suspicious and doubtful transactions;
- ▶ Ensure all related employees get adequate training regarding prevention of money laundering;
- ▶ Ensure compliance with internal policies and procedures and external regulatory requirements.

Risk Management Committee

- ▶ Identify possible risk areas and take necessary measures to manage those risks;
- ▶ Ensure that Prime Finance's risk exposure is minimized;
- ▶ To assist the Audit Committee and the Board to fulfill their corporate governance responsibilities relating to risk Management;
- ▶ Advise and recommends on risk issues in order to facilitate decision making by Management and the Board;
- ▶ Ensure the economy, efficiency and effectiveness of the company's operations and internal controls and the implementation of established policies and procedures.

IT Audit Committee

- ▶ The IT Audit Committee members meet at regular intervals for addressing and discussing all IT & software related issues of Prime Finance;
- ▶ The team makes periodical audit of IT products and their progress. Without prejudice to the roles of these above mentioned committees, the Board of Directors retains ultimate responsibility for risk management.

Basel Implementation Unit

Basel-II implementation committee has already been formed under the supervision of the Managing Director of the Company. This committee is responsible for the implementation of Basel-II Accord. Prime Finance submitted report on Basel-II to the respective department of Bangladesh Bank on quarterly basis.

As a financial institution, Prime Finance understands the stringent requirements of Basel II. This

international standard that drives FI regulations defines how much capital FIs need to put aside to guard against financial risks. Basel II also strives to reduce operational risks—that is, the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Through compliance, Prime Finance assured that it holds sufficient capital reserves for the risk which expose the company through its lending and investment practices. We are also protecting our IT systems and inherent business information.

Stress testing

An underlying principle of modern financial risk management is that statistical models can be used to estimate the distribution of possible future financial outcomes, such as changes in interest rates or a firm's credit quality. Academic and practitioner research supports the view that such models characterize the probabilities of most future outcomes reasonably well. That estimated distribution indicates the probability that the portfolio's value will be above (or below) any given value. With that information in hand, the firm can manage its portfolio's risk exposure by setting aside capital sufficient to cover, say, 95% of possible portfolio losses arising from adverse outcomes. Such value-at-risk (VaR) analysis has become a standard risk-management tool. However, VaR models cannot incorporate all possible risk outcomes. Historical experience has shown that they cannot capture sudden and dramatic changes in market circumstances since such changes are, by definition, atypical.

To address this shortcoming, risk managers have developed "stress testing," which is a risk-management tool used to evaluate the potential impact on portfolio values of unlikely, although plausible, events or movements in a set of financial variables. While such unlikely outcomes do not mesh easily with VaR analysis, analysis of these outcomes can provide further information on expected portfolio losses over a given time horizon. Accordingly, stress testing is used increasingly as a complement to the more standard statistical models used for VaR analysis. We have reported half yearly to Bangladesh Bank regarding stress testing.

Here, in Prime Finance stress testing is mostly used in managing market risk, which deals primarily with traded market portfolios. These portfolios include interest rate, equity, foreign exchange, and commodity instruments and are amenable to stress testing because their market prices are updated on a regular basis. Stress-testing applications have expanded to considering credit risk in loan portfolios as well as the impact of sudden interest rate changes on firms' funding sources.

Report on Preparedness for Basel-II

Risk is the vital issue that the Financial Institutions need to address properly to ensure sustainable growth in the financial market. Addressing of risk and prudent management to optimize the same can ensure sustainable growth in the industry. Now it has become obvious for the Financial Institutions to implement the advises as prescribed in the Basel Accord which will act as guide to develop a risk adjusted asset and liability portfolio and capital structure.

In accordance with the roadmap /action plan of Bangladesh Bank (Ref. DFIM Circular no. 08 dated 2 August 2010), it has been decided to start implementation of Basel II Accord in the Financial Institutions from January 2012.

To cope with the international best practices and to make the capital more risks sensitive as well as more shock resilient, guidelines on 'Basel Accord for Financial Institutions (BAFI)' have been introduced from January 01, 2011 on test basis. At the end of test run period, Basel Accord regime will be started and the guidelines on BAFI will have come fully into force from 1 January 2012 with its subsequent supplements/revisions. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital, and Disclosure requirement as stated in this guideline have to be followed by all Financial Institutions for the purpose of statutory compliance.

Framework of BASEL-II

The Basel II framework consists of three pillars:

Pillar-1 (Minimum capital requirement)

Pillar-1 defines the rules for calculating the minimum regulatory capital requirement considering the different constituents of capital risk such as credit risk, operational risk and market risk.

Pillar-2 (Supervisory review)

Pillar-2 addresses the framework to the supervisory review process to ensure that the Company has sound internal processes to enable it to perform a thorough evaluation of its risks and therefore assess the required capital.

Pillar-3 (Market disclosure)

Pillar-3 specifies public disclosure requirements to enable market participants to assess key pieces of information on risk exposures and process of the Company.

Prime Finance's preparatory measures for Basel-II implementation

Prime Finance is always in the mode of complying all

regulatory guidelines, preparedness for Basel-II Accord is one of them. The implementation of risk based regulatory capital adequacy framework for Financial Institutions will be followed on the basis of instructions that are articulated in the guideline for implementation of Basel-II Accord issued by Bangladesh Bank.

Formation of Basel Implementation Unit (BIU)

Organizational structure of BIU

The Basel Implementation Unit (BIU) is responsible for the implementation of Basel-II Accord in Prime Finance. Managing risk based capital adequacy is the most important responsibility of the Company as it runs the risks. Specifically, the Basel Implementation Desk (BID) under the Risk Management Department manages the Basel activities.

Committee member

The management of the Company has already formed the BIU comprising of following members to address specific issues under Basel-II:

Asad Khan
*Managing Director &
Head of Risk Management (The Chair)*

Md. Ahsan Kabir Khan
Deputy Managing Director

Md. Mizanur Rahman FCA
Chief Financial Officer

Md. Rezaul Haque MBA
Head of Operation & Marketing

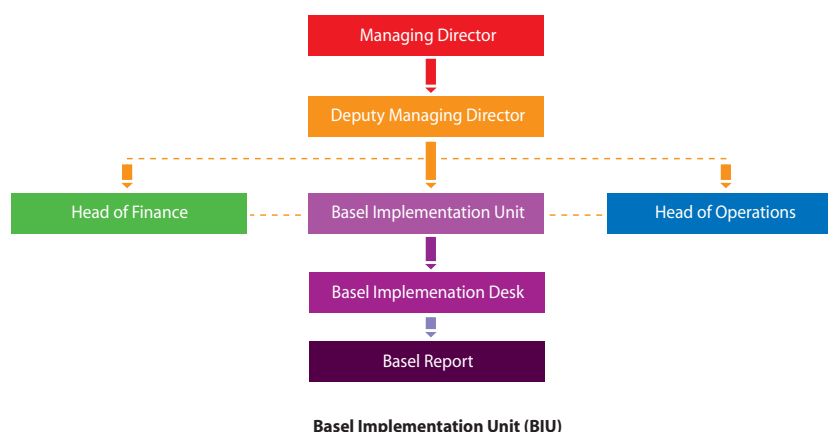
Gazi Nilufar Yeasmin MBA
Vice President (Corporate Finance)

Farhana Mahejabin ACA
Senior Manager (Finance & Accounts)

Terms of Reference of the Committee

- ▶ Apply the guiding requirements of Basel-II in the Company and review thereof;
- ▶ Communicate issues related to Basel-II implementation to the Management and the Board, if needed, of the Company;
- ▶ Help carrying out impact study, if necessary and the like;
- ▶ Capacity building program and training according to training need assessment for the concerned officials;
- ▶ Establish planning and supervisory review as required by pillar-2 of Basel-II framework.

Report on Preparedness for Basel-II - continued



Quantitative Disclosure under Basel-II Accord

Capital requirement from Credit Risk exposure

(Figures in million as on 31 December 2011)

Exposure type	Risk Weighted Assets (RWA)	RWA after factoring	Required capital on Credit Risk
On balance sheet	17,461.15	17,461.15	1,746.12
Off balance sheet	-	-	-
Total	17,461.15	17,461.15	1,746.12

Capital requirement from Market Risk exposure

(Figures in million as on 31 December 2011)

Exposure type	Capital charge for specific risk	Capital charge for general market risk	Total Capital Charge	RWA after factoring	Required capital on Market Risk
Interest rate related instruments	-	-	-	-	-
Equities	91.38	91.38	182.76	1,827.60	182.76
Foreign exchange position	-	-	-	-	-
Total	91.38	91.38	182.76	1,827.60	182.76

Capital requirement from Operational Risk exposure

(Figures in million as on 31 December 2011)

Year	Gross Income (GI)	Average Gross Income	Capital charge 15% of Avg. GI	RWA after factoring	Required capital on Operational Risk
2011	1,238.16	1,471.20	220.68	2,206.79	220.68
2010	2,269.12				
2009	906.30				
Total	4,413.58	1,471.20	220.68	2,206.79	220.68

Minimum Capital Requirement (MCR) as per the Basel-II

(Figures in million as on 31 December 2011)

Total exposure	
Capital requirement from Credit Risk exposure	1,746.12
Capital requirement from Market Risk exposure	182.76
Capital requirement from Operational Risk exposure	220.68
Total capital requirement (10% of the risk weighted assets as above)	2,149.56
Total Eligible Capital of Prime Finance (Tier-1 & Tier-2) (actual)	4,707.73
Capital Adequacy Ratio (CAR)	21.90%
Core Capital to Risk Weighted Assets	20.76%
Supplementary Capital to Risk Weighted Assets	1.14%

Report on Going Concern

Listed Companies are required by SEC to report on its ability to continue as going concern. The Board of Directors of Prime Finance has made annual assessment about whether there exists material uncertainties which may cast significant doubt upon the Company's ability to continue as going concern. The director's assessment of whether the company is a going concern entity involves making appropriate inquiries including review of budget and future outcome of inherent uncertainties in existence. The Directors are convinced from the following indications, which give reasonable assurance as to company's continuance as a going concern for the foreseeable future.

Financial indications

➤ Positive net current assets

Prime Finance has a positive net current assets of Tk. 288.88 million as on 31 December 2011. It signifies Company's ability to meet its short-term obligations out of short-term assets.

➤ Fixed term debt with realistic renewal or repayment

At the close of financial year 2011, total fixed term borrowings of the Company were Tk. 8,334.76 million. Based on our past experience we can say that there is every possibility that major part of the debt would be renewed further.

➤ Less reliance on short term borrowing

At the end of 2011, total short term borrowings of the Company were Tk. 1,220.00 million, representing only 11.69 percent of total liabilities that indicates the Company has least reliance on short term borrowings.

➤ Continuous financial support by lenders:

The Company has a very good track record and reputation in settlement of its obligation with its lenders/depositors. So, we enjoy easy and fair access to the funding sources to meet our increasing need for growth.

➤ Positive operating cash flows:

Cash flow statement of the Company for the year 2011 shows positive operating cash flows of Tk. 256.71 million (Separate Cash Flow). Statement of liquidity also shows overall positive liquidity gap representing strong ability to meet current and future obligations.

➤ Positive key financial ratios:

The Company has a very positive financial ratio as evident from financial summary given on page 17 of this Annual Report. Such positive financial ratios indicate Company's sound financial strength and good prospects.

➤ Consistent payment of dividends:

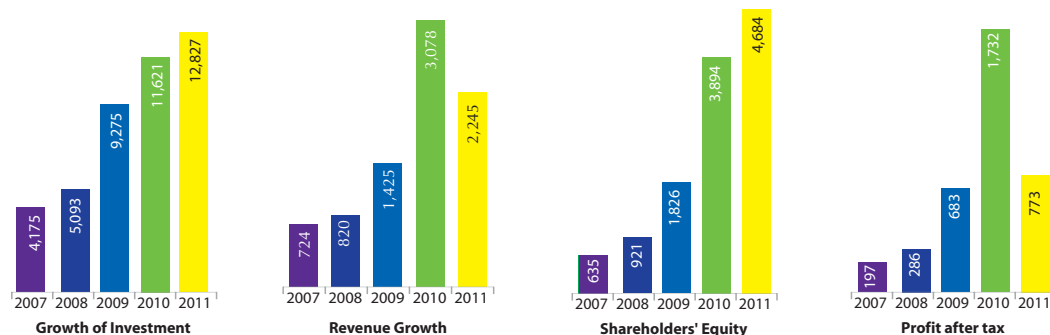
The Company has been paying dividend consistently to its shareholders over many years. Dividend payment record is given on page 17 of this Annual Report, which reflects company's long-term vision. Every year since listing, the Company has been continuously paying stock dividend that reflects Company's long-term viability in operational existence.

➤ Credibility in payment of obligations:

The Company has strong credibility in terms of payment of its obligations to the lenders. The Company is very particular in fulfilling the terms of loan agreement.

➤ Performance growth:

Prime Finance has excellent growth in its operating performance. Company's total investment has increased from Tk. 11,621.04 million to Tk. 12,827.06 million, indicating a growth of 10.38 percent over last year. Total consolidated operating revenue is Tk. 2,244.77 million and total profit after tax is 772.81 million. All those indicators support Company's continuance in foreseeable periods.



Operating indications

» **Expansion of business:**

Company has also expanded its product/service line by introducing new product like Triple money program, Earn ahead and Periodical Income Deposit. Business expansion has also gained by investing in associated companies namely PFI Securities Ltd., Prime Finance Asset Management Company Ltd., Prime Prudential Fund Ltd. and PFI Properties Ltd. and investing in subsidiary company namely Prime Finance Capital Management Limited. These represent Company's intention for perpetuity.

» **Corporate environment and employee satisfaction:**

There exists a very good corporate environment in the Company. Prime Finance is an excellent work place with friendly environment. Communication among the employees is very excellent. The company endeavors to be honest and practices fair treatment to all employees which ensures good corporate environment. The Company pays a very competitive compensation package and there exists a good number of employee benefits like transport benefit, annual health check-up, death benefit, hospitalization benefit, disability benefit, maternity benefit, performance related bonus, pension, gratuity, provident fund etc., which considered to be instrumental for employee satisfaction.

Other indications

» **Maintenance of sufficient capital:**

As on 31 December 2011, the Company's total consolidated equity stands at Tk. 4,684.39 million. While the minimum paid-up capital as required by Bangladesh Bank is Tk. 1,000 million, Company's paid-up as on 31 December 2011 was Tk. 1,624.50 million. The Board recommended

40% stock for the year 2011. Upon approval by the Shareholders in the next AGM to be held on 28 March 2012, the paid up capital would stand at Tk. 2,274.30 million one of the highest amongst NBFIs which reflects Company's long-term vision.

» **Strong equity base:**

As on 31 December 2011, total equity of the Company stands at Tk. 4,684.39 million (2010: 3,893.58 million) representing an increase of 20.31% over last year that reflects company's long-term viability.

» **Strong CAMEL rating:**

CAMEL rating is used by Bangladesh Bank as a tool for evaluating the strength and performance of a non-banking financial institution. The composite rating adjudged by Bangladesh Bank signifies satisfactory performance of Prime Finance. In that report, there was no adverse material observation of Bangladesh Bank on the activities of Prime Finance.

» **Changes in Government policy:**

Management anticipates no significant change in legislation or government policy, which may materially affect the business of the Company except imposition of tax on capital gain and separation of Merchant Banking operations through formation of a subsidiary

Based on the above indications, directors feel it appropriate to adopt going concern assumption and there is no material uncertainty exists in preparing the financial statements. Adequate disclosures have been made in the financial statements and different sections of the annual report to understand the appropriateness of going concern basis in preparing financial statements.

Statement on Directors' Responsibility

The Directors are responsible for preparing the Annual Report, Director' Report and the Financial Statements in accordance with applicable laws and regulations and in this regard, they prepare Financial Statements for each financial year. But the Directors have the power not to approve the accounts unless they satisfied that they give a true and fair view of the state of the affairs of the Company.

The Companies Act, 1994, requires the Directors to prepare the financial statements for presentation before the shareholder in each Annual General Meeting. The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act, 1994, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), Securities and Exchange Rules 1987 and the Listing Regulations of the Dhaka and Chittagong Stock Exchanges.

The financial statements are required by law and International Accounting Standards to present fairly the financial position of the Company and the performance for the period. In preparing financial statements, the Directors are required to:

- ▶ To select suitable accounting policies and then apply them consistently;
- ▶ To make reasonable and prudent judgments and estimates;
- ▶ To state that all applicable accounting standards have been followed i.e. the financial statements have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the ICAB;
- ▶ To prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- ▶ To ensure that the viability of the company is supported by the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act, 1994. Under applicable laws and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that laws and regulations.

The financial statements have been audited by a Chartered Accountant firm, which was given

unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and committees of the board as well as in the minutes of the Annual General Meeting. The Directors believe that all representations made to the independent external auditors during their audit were valid and appropriate.

In compliance with the requirements of the SEC's Notification, the Directors are also required to declare certain matters in their report which inter alia include as under:

- ▶ that the financial statements and other information included in the Annual Report fairly present in all material respects, the state of affairs of the Company;
- ▶ that in preparing the financial statements, information has been obtained from the books of accounts, which have been maintained properly as required by the law;
- ▶ that in preparation of financial statements, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments;
- ▶ the Directors have the responsibility for ensuring that the financial statements have been prepared in observance of Bangladesh Accounting Standards, Bangladesh Financial Reporting Standards, the Companies Act, 1994, the Securities and Exchange Rules, 1987 and all other applicable rules and regulations;
- ▶ the Directors have the general responsibility for taking such measures as is reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- ▶ it is the responsibility of the Directors to conduct appropriate enquires and analysis of financial reporting and other relevant indicators which give reasonable assurance as to the Company's ability to continue as going concern;
- ▶ to give a report on significant deviation in operating results from last year;
- ▶ to present key operating and financial data for at least last three years.

The Directors confirm that the Directors' Report includes the report on above matters and further confirm that the Annual Report together with the Financial Statements have been prepared in compliance with the laws, rules and regulatory guidelines.



Directors' Report

It is indeed a great pleasure and privilege on the part of the Board of Directors to present the Annual Report and the Audited Financial Statements of the Company for the year ended 31 December 2011 together with the Auditors' Report thereon, for consideration and approval of our valued Shareholders. These were approved by the Board of Directors of the Company on 26 February 2012.

This Directors' Report is in compliance with the Section 184 of the Companies Act 1994, SEC's Notification of 2006, the Listing Regulations of Dhaka and Chittagong Stock Exchanges, guidelines of Bangladesh Bank and other applicable rules and regulations in the country.

Relevant disclosures and explanations relating to certain issues have been given by the Directors, which they consider relevant and important to ensure transparency and good governance practices. It is our firm conviction that the report will give an insight into the Company's performance and success story in the manner and mode in which we do our business.

World economy

The economic woes of the Western World continue unabated. It is now three years after the crisis, and the global economy continues to be challenged with intermittent volatility. Pall of gloom rests on much of the Western World either with anemic growth or decline in GDP growth. It is now a tale of two regions – slowdown in the West and robust growth in the East. Larger economies in the east have slowly moved into a transition from export driven to internal growth models.

USA

The U.S. economy is struggling with sluggish growth and a mixed outlook. Job recovery is slow and painful and does not give an optimistic picture at least in the near term. The unemployment rate fell to 8.5 percent from 8.7 percent in November 2011, figures from the Labor Department, USA. US growth in 2011 was around 1.7%, which was downgraded from an earlier projection of 2.5% (According to the IMF). Growth in 2012 is also likely to be around 1.8% from a projected

rate of 2.7%. Downside risks weigh on the outlook given fiscal uncertainty, weakness in the housing market and household finances, renewed financial stress, and subdued consumer and business sentiment.

Despite bouts of Quantitative Easing and bailout plans, growth remains stagnant. Most economists credit quantitative easing, along with near-zero interest rates, the stimulus bill and the federal bank bailout, with preventing a global depression. But they also made the Fed the focus of unusual scrutiny and criticism, with some critics warning it was sowing the seeds of future inflation. Other economists warned that quantitative easing might be of limited use when the problem is a lack of demand, rather than of liquidity that consumers and businesses were uninterested in spending in the face of high unemployment no matter how much cheap money is around.

Of greater concern is the spiraling debt that continues forcing the US Government to move towards expenditure cuts and re-fixing the defense strategy by slashing nearly 80,000 US servicemen. In 2011, Debt to GDP ratio has crossed the threshold limit of 100% with Standard & Poor lowering the Credit Rating from AAA to AA+.

Latin America: cautious optimism

Unlike the US, the Latin American and Caribbean (LAC) region had a healthy growth in the first half of 2011, led by vibrant activity in many of the region's commodity exporters. The focus was more on domestic demand as a result of accommodative macroeconomic policies, strong capital inflows and favorable terms of trade supported the momentum. Although a little slowed down, growth remains positive though fiscal deficits and inflation have become a cause of concern. South America ended 2011 with a growth of 4.3 percent, which is inferior to the 5.9 registered in 2010, but with a noticeable reduction of poverty and inequality. The countries those had greatest growth were Argentina (9 percent), Ecuador (8 percent), Peru (7 percent) and Chile (6.3 percent), with a dynamic job generation and concluding with a regional unemployment rate going down from 7.3 to 6.8 percent.

Brazil

Brazil is South America's most influential country, an economic giant and one of the world's biggest democracies. It is one of the rising economic powers - otherwise known as BRIC nations - together with Russia, India and China. Over the past few years it has made major strides in its efforts to raise millions out of poverty. The discovery of major offshore oil reserves could propel the country into the top league of oil-exporting nations.

Brazil has weathered the recent economic gloom much better than many more developed economies. Brazil's success over the last decade has been the result of a lucky confluence of global economic trends, with countries like China hungry for its commodities that include iron ore and soybeans, not to mention the oil recently found in abundance offshore. A surge in deal making and the resilience of Brazil's currency has attracted foreign investment bankers, hedge fund managers and venture capitalists. Well-educated Brazilians are returning from abroad.

Latin America used to be one of the most exposed and vulnerable regions. Now it is not. In fact, the new Latin America has charted the course on how to save for difficult times and guarantee the control of the risks of the banking system. This part of the western hemisphere benefited by having solid fundamentals, good policy frameworks and prudent macro-economic strategies & policies that allowed them to enjoy sustained development with less vulnerability.

Europe: challenging days ahead

Sovereign debt crisis continues to plague Europe. The crisis is escalating and dragging down the world economy as it sharply cut its outlook for global growth and called for policies to restore confidence. US and other advanced economies would likely not escape unharmed if Europe's crisis escalated further. The IMF chopped its 2012 forecast for global growth to 3.3% from 4% saying the outlook had deteriorated in most regions. The largest impact of the slowdown would likely be felt in Central and Eastern Europe, which has strong trade links with the Euro zone economies. It revised down its estimate for the region to 1.1% in 2012 from a previous forecast of 2.7%. For the first time since the debt turmoil erupted two years ago, the IMF said the 17-nation Euro zone would likely slip into a mild recession in 2012, with output contracting by about 0.5%.

Starting with Iceland the Greek debt crisis contagion has spread too much of developed European countries. European giants like Italy and Spain have been put under the scanner with rating agency Fitch lowering the sovereign rating to A- from A+ for Italy

and rating to A from AA- for Spain. Borrowing rates have jumped to nearly 7% leaving the prospect of a greater fiscal deficit in 2012. France narrowly missed being downgraded from its AAA rating.

Growth in the euro area fell sharply with prospect of several EU countries remaining stagnant. The GDP in the euro area expanded 0.20 percent in the 3rd quarter of 2011 over the previous quarter. Historically, from 1995 until 2011, the euro areas average quarterly GDP growth was 0.42 percent. In contrast, Turkey and Lithuania continues to register robust growth. A few economies like Denmark, Germany and Netherlands are operating close to average rates. Unemployment has become a cause for concern with public unrest spreading in many parts of Europe.

With slowdown in US, prospects for a quick economic revival in EU appear to be subdued. Major economies of Europe have staggering debt to GDP ratio, the highest recorded in Greece 159.1 percent, Italy 119.6 percent, Portugal 110.1 percent and Ireland 104.9 percent. At the end of the third quarter of 2011, Eurostat said, the government debt to GDP ratio in the 17-member euro zone was 87.4 percent, down compared with 87.7 percent at the end of the second quarter of 2011.

Sub-Saharan Africa: renewed optimism

Activity in the region expanded strongly in 2011. Robust private and public consumption underpinned this strength. The region is poised for continued economic expansion in the near term, provided the recent rise in financial and economic instability in major advanced economies remains contained. GDP growth in the SSA region is projected to average 5.25 to 5.75 percent during 2011-12, with considerable differences across the region.

Average growth for the Low Income Countries (LIC) in African Region is projected at 6 percent in 2011, on the back of strong domestic demand and accelerating exports. In 2012, growth is expected to gather speed to 6.50 percent as investment strengthens in Kenya.

Oil-exporting African countries have a similarly positive outlook, with growth of about 6 percent in 2011, increasing to 7.25 percent in 2012. The acceleration in growth in 2012, despite lower oil prices than projected in the June 2011. Middle-income countries (MICs), whose greater integration with global markets made them more vulnerable to the crisis, have yet to fully recover from its impact.

Middle East and North Africa: uncertainties ahead

Arab Spring has brought uncertainties in the region. Political turmoil in many of the economies in the

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region has adversely affected the economy of countries like Egypt, Syria, Tunisia and Libya. Egypt particularly has been affected adversely in its tourism industry and foreign direct investment.

Growth in oil-exporting economies is forecast to reach 5 percent in 2011 and about 4 percent in 2012 with growth led by Qatar, Iraq, and Saudi Arabia. The outlook for oil importers is much more subdued for countries such as Egypt, Syrian Arab Republic, and Tunisia, with growth projected at 1.50 percent in 2011. Oil importers' growth is projected to reach 2.50 percent in 2012, underpinned by a slow recovery in investment.

Asia: surging ahead

It is China's success story once again. Despite US and European slowdown, erosion of purchase power of the masses, China continues to power ahead in 2011 with GDP growth of 9.2%. This has been possible on account of greater integration among the economies in the region, spearheaded by China, India, Korea, Indonesia and Australia. Regional trade in Asia has surged to unprecedented levels among the major economies during the crisis and the recovery has been enviable. Growth remains strong, although it is moderating with emerging capacity constraints and weaker external demand.

Countries in the region are focusing more on domestic growth driven policies and appears to be slowly decoupling from the West. The weaning process is gradual but there are clear signs that the growth momentum would be domestic driven and more regional in nature.

Activity in Asia remained solid but moderated somewhat in the first half of 2011 owing to the temporary disruption in supply chains from the Japanese earthquake and tsunami, especially in the automotive and electronics sectors. Japan's economy shrank .6% in the Oct-Dec quarter compared with the previous quarter as slowing global trade, a strong currency and disruption from severe floods in Thailand all took their toll. For all of 2011, GDP was down 0.9 percent on year following the 4.4 percent increase in 2010.

Some economies in emerging Asia also experienced a slowdown in export growth, although domestic demand continued to be supported by relatively accommodative policies, solid growth in credit and asset prices in the first half of the year, firm consumer and business sentiment, and strong labor markets.

Investment growth has decelerated with the unwinding of the fiscal stimulus, but it remains the principal contributor to growth. Inflation pressure and

restrictions on multiple home purchases have been gaining traction: property price inflation and credit growth have softened from recent record levels. Most of the region's policy makers eased monetary policy or adopted a "wait-and see" stance on concerns over the health of the global economy. More concerned with the effects of a possible global slowdown than inflationary pressures, Bank Indonesia and Bank of Thailand cut their policy rates, the People's Bank of China lowered its reserve requirement ratio, while the Monetary Authority of Singapore switched to a slower rate of currency appreciation on the premise that risks of imported inflation have subsided.

Activity in South Asia has been dominated by a slowdown in the region's largest economy India. The deceleration in regional economic growth in 2011 to a large extent stems from slowing growth in India, which accounts for about 80 percent of South Asia's GDP. In 2011, India's GDP growth is 8.5%, Q4 growth at 7.8%. Investment is expected to remain sluggish amidst renewed global uncertainty and less favorable external financing environment. The Reserve Bank of India has raised interest rates 13 times since March 2010 with repo rates raised upto 8.50% to contain rising inflation which remains dogged with figures running close to double digits. According to policy makers, inflation is endemic and there is little likelihood of bringing it under control in the near future. Despite policy tightening and several bouts of repo rises, inflation sees no sign of easing.

In the newly industrialized Asian economies (NIEs), growth is expected to slow as activity moderates to close positive output gaps. The contribution from net exports is forecast to remain positive, in part due to limited appreciation of real effective exchange rates despite sustained current account surpluses. Near-term growth in the ASEAN-59 is projected to average 5.5 percent, pulled by domestic demand in particular, robust investment which will offset the slowdown in export momentum.

South and Southeast Asia

In South Asia, GDP growth is expected decelerate to 5.8 percent during the calendar year 2012, reflecting domestic and external headwinds. Domestic demand is expected to continue to slow, with private consumption being hampered by sustained high inflation that has cut into disposable incomes. Rising borrowings costs have cut into outlays for consumer durables and investment, with heightened uncertainty and delayed regulatory reforms also playing a role. The external environment is expected to remain difficult, with continued market unease and a significant weakening of foreign demand. Given the possibility of

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further weakening in the global economy, efforts at greater revenue mobilization (particularly in Pakistan, Sri Lanka, Bangladesh and Nepal) and expenditure rationalization (especially in India) could pay dividends by allowing governments to maintain critical social and infrastructure programs.

A deepening of the Euro area crisis would lead to weaker exports, worker remittances and capital inflows to South Asia. Remittances, which form a major chunk of the GDP of some South Asian nations like Nepal and Bangladesh, are likely to fall in 2012, on account of slowdown in major economies. The slowdown in the region reflects continued deceleration in investment growth on account of a number of factors, including domestic policy paralysis and uncertainty about regulatory reforms. It also cited deterioration in international investor sentiment, heightened uncertainty and weaker external demand from high-income Europe and developing countries for the projected slowdown.

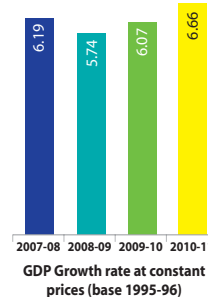
The GDP in Viet Nam expanded 6.1% in the fourth quarter of 2011 and 6.3% in 2012. Monetary tightening moderated the pace of economic expansion in 2011, but will push growth up in 2012 once macroeconomic stability sets in. Cambodia's economy is expected to grow 6.8% this year and 6.5% in 2012, due to policy initiatives in agriculture, real estate, and finance intended to diversify the economy beyond garment exports and tourism. Brunei Darussalam's economy will continue to recover, as both oil-and-gas and other sectors continue to rebound. GDP is expected to grow 1.7% in 2011 and 1.8% in 2012. The economy of Myanmar will expand 5.3% in 2011 and 5.4% in 2012, supported by improving agriculture, increased tourism revenues, and larger remittances.

Bangladesh Economy

Domestic demand remained strong this fiscal year, with consumption expenditures receiving a boost from increased public and private wages, and a good agricultural performance. Increased imports of capital machinery indicates rise in private investment this year. Improved global economic conditions and rising labor costs in competing countries are providing impetus to exports from Bangladesh after a lackluster performance in FY10.

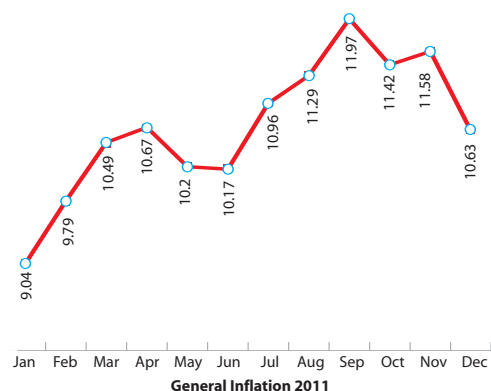
GDP, CPI & INFLATION

Bangladesh has posted reasonably well growth in real GDP at 6.7 percent up from 6.1 percent in previous year and GDP value at Taka 7875 billion in 2010-11. Also, per capita GDP increased from 687 to 755 in USD. The increase in consumer prices that started in FY10



continued through the first nine months of FY11, driven largely by a double-digit rise in food prices. Consumer Price Index (CPI) reached 266.34 in Dec 2011, which were 240.75 in Dec 2010.

The year-on-year inflation rate has remained in double digits since March 2011 and climbed at 11.97 percent in Sep 2011 which is the highest level in 20 years fuelled by soaring food prices, raised oil and gas prices, global economic unrest etc. Given food's large weight in the inflation index (58.8 percent), the 13.9 percent rise in food prices by March 2011 has affected overall inflation. The food price rise has been driven mainly by the upward trend in international prices. Besides Government is under pressure from global lending agencies such as the IMF to raise its heavily subsidized fuel and power prices even more, but more cuts in subsidies would add to public fury over the spiraling cost of living. The local currency unit, the taka, has continued to fall against the U.S. dollar, further fanning inflation and import costs.



Agricultural performance

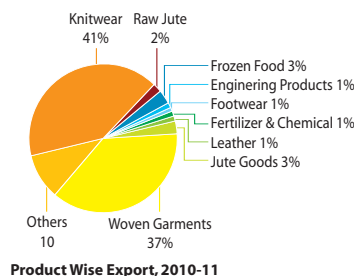
Agricultural performance was good, according to preliminary estimates of the Aus and Aman harvests. Industrial activity looks to have picked up in FY11, judging by a marked increase in manufactured-garment exports over those of FY10, and increased imports of intermediate goods. The service sector's output is also likely to have received a boost from the impact on wholesale and retail trade impact of good

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agricultural and manufacturing output, but this may be partially counteracted by flat remittances. Although an improvement was noticed in the power sector, the gas crisis is hindering investment. Also, an increase in banks' lending rate in recent times also holds back investment.

Current account

The external current account surplus has narrowed and reserves have declined, but both exports and imports rose in FY2011 while remittance growth fell sharply, thus narrowing the external current account surplus. In the first half of this year, exports recovered strongly from the depressed base of FY10. Exports recorded a growth of 41.7 percent in FY2011, up from only 4.1 percent in the previous year. Export earnings in FY2011 exceeded (23.9 percent higher) the annual export target (\$18.5 billion) set by the government. Recovery in demand for low-end garment products, exploration of new markets and sharp rise in exports of frozen food and jute products contributed to the higher growth of exports. Export earnings stood at \$22.37 billion till Nov 2011, marking a rise of 30.1 percent over the same period 2010. Import payments grew rapidly by 41.8 percent due to higher prices of food grains, fertilizer, fuel, raw cotton and yarn in the international market. In addition, the volume of oil import rose because of higher demand from the newly set up oil based power projects. Import payments during FY 2010-11 increased by USD 9.92 billion or 41 percent to USD 33.657 billion compared to USD 23.738 billion during FY 2009-10. Trade balance recorded a higher deficit of USD 7.328 billion during FY 2010-11 compared to the deficit of USD 5.155 billion during FY 2009-10.

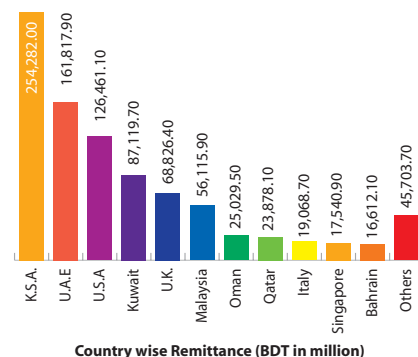


Indeed, the world economy has entered a dangerous period and developing countries including Bangladesh have suffered from its negative impact. Economists have said that the growth rate is lower due to such domestic factors as slow investment, high inflation and volatile exchange rate. The Euro area represents about one fourth of South Asian merchandise export market including Bangladesh and the European demand for merchandise has gone

down due to a debt crisis there. But there were some shifting orders from China and India has also offered zero tariff access. All these factors favoured exports.

Remittance

Remittances fell sharply in the first half of FY11 but have since recovered slightly. Growth in cumulative remittances in the first nine months of FY11 was around 4 percent, significantly below the 19 percent growth seen during the same period the previous year. The drop, especially in the first half of FY2011, was caused by declining remittances from the Middle East, where most Bangladeshi migrants work. In addition, it is also possible that the move to formal banking channels and money transfer companies (as opposed to the informal channels), that started a few years ago "inflated" the actual growth of remittance inflows to Bangladesh, and that this "boost" to the official growth figure has now been exhausted.

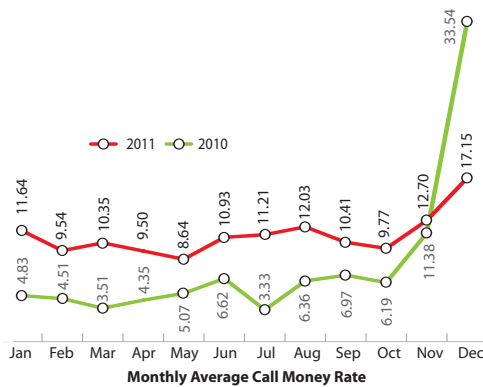


Liquidity crisis & currency devaluation

The financial sector passed a critical year surfing through an anti business climate both at home and abroad in 2011. The most discussed issue was liquidity crisis and biggest challenge was to manage asset-liability issue. Two-digit Inter-bank call money rate existed in most months in 2011 starting from 11.64% in Jan 2011 and 17.15% in Dec 2011. The lowest rate was 8.6%, which was much higher than first ten months in 2010. Industry deposits grew by 20.77%, while private commercial banks posted 23% growth during the similar period. Deposit growth of small PCBs was relatively higher due to higher deposit rates offerings. A sudden but significant rise in interest rates in Bangladesh has emerged as a threat to the local industry, which is already feeling the pinch of a record devaluation of the taka against the dollar. The taka depreciated by 15 percent and reached Tk. 82 in exchange for a dollar at import levels. Bankers forecast that a rising interest rate can lead to an increase in default rates. Bangladesh Bank (BB) withdrew the cap

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on lending interest rates, except on farm credit, to put brakes on soaring inflation. BB had placed the cap in April 2009 in the backdrop of the world economic crisis. Soon after the cap was withdrawn, banks that were collecting deposits at higher costs to maintain the regulatory ratio entered a race to raise the lending rate.



Efforts were made to tighten reserve money. The Bangladesh Bank increased the Cash Reserve Requirement and the Statutory Reserve Requirement by 50 basis points in December 2010, and raised the repo and reverse-repo rates by 50 basis points in March, 2011, and by another 25 basis points in April. Recent measures adopted by Bangladesh Bank in bolstering stability of the financial sector include mandatory implementation of the Basel II capital regime (with standardized approach for credit and market risks, and basic indicators approach for operational risks) from the year 2010, with the attendant shoring up of risk management structures and practices that these will entail.

NBR revenues

Total Revenue of National Board of Revenue (NBR) has been 28.4 percent higher than in the same period last fiscal year. As a result, tax revenues this year are expected to be one percentage point of GDP higher than they were in FY10. Total revenues are expected to be around 12.1 percent of GDP in FY11, up from 10.9 percent in FY10. The higher tax revenues stem from policy measures adopted in the FY11 budget and an intensification of collection efforts. Meanwhile, total expenditures are projected to remain broadly in line with what was set forth in the FY11 budget, although the composition of expenditures has changed. Growing food imports have put pressure on the budget, leading to slightly higher expenditures on subsidies and transfers. Rising fuel prices are also intensifying pressures on the budget. With better-than-anticipated revenue collection, these additional pressures could be absorbed without increasing the overall budget deficit.

Affects of stock market in banking sector

Stock trading was suspended a few times as the government sought to prevent major sell-offs. The developments in the stock market could potentially affect the banking sector in three ways: (i) through the commercial banks' exposure to the stock market, reportedly at 3 percent of total liabilities, which could raise non-performing loans further; this could be exacerbated by their uneven exposure to their merchant bank subsidiaries; (ii) the proposed Tk. 50 billion mutual fund created by the Investment Corporation of Bangladesh and the state-owned banks and financial institutions to intervene in the stock market exposes these institutions to risk; and (iii) other lending from commercial banks – such as the “all-purpose loans” and some SME credit – may be entering the stock market, inadvertently exposing the banks further to stock-market volatility. The Bangladesh Bank has indicated that it is maintaining a close watch and taking action to safeguard the soundness of the banking system.

Increase in power tariff

Power tariffs was increased by the Energy Regulatory Commission (BERC) by an average 11 per cent for bulk consumers and issued an interim order to raise tariffs for retail customers by 5 percent, with effect from February 1, 2011. In November last year, BERC hiked electricity tariff for bulk consumers by 33.57 percent on an average to reduce mounting losses incurred by Bangladesh Power Development Board (BPDB). The bulk tariff earlier went up by 16.79 percent or Taka 0.47 per unit on an average from December 01, 2011 under the first phase. The commission raised electricity tariff for retail consumers up to 23.94 percent in two phases in December 2011 to reduce mounting losses of state-run electricity distribution companies. The first phase hike up to 15.02 percent was effective from December 1, 2011.

Digital Bangladesh

To achieve economic improvement by removing all constraints, government of Bangladesh has taken the plan to digitalise the country by 2021. As a part of that, introduction of national web portal of Bangladesh, online admission and exam systems in major educational institutions, online banking transaction and recent automation of container handling at the country's main Chittagong Port have become the hallmarks of digitalization of the country. Meanwhile, the country has started manufacturing and distributing low cost laptops to popularize the use of internet.

Monetary policy

Bangladesh Bank (BB) maintains that at 7.0% GDP growth rate for the country is achievable for FY2012, taking into account the half yearly figures for

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agriculture, industrial and service sector output and under the circumstance that there is no change in the global economic environment.

As per the latest policy, targets for major monetary aggregates have been revised downwards for FY2012 as follows. Broad money (M2) growth rate has been set at 17.0% down from earlier target of 15.5%. Active liquidity management of the central bank through raising repo rates by 100 basis points and lifting of lending rate caps of all sectors barring agriculture and exports has helped bring down M2 growth rate to 17.7% by November 2011. As a matter of fact, M2 growth rate stood at 19.7% in October, prior to the latest hike in repo rate.

Reserve money growth rate will be targeted at 12.2% down from previous target of 16.0%. Reserve money growth rate stood at 15.4% in November 2011.

Domestic credit growth has been targeted at 19.1% down from earlier target of 20.0%. Private sector credit will be targeted at 16.0% while public sector credit growth target will be increased to 31.0% growth from previous level of 28.1%. Emphasis has been given to control government borrowing from the banking system, in spite of the fact that adequate provision seem to have maintained to cater to it. The BB has suggested in increase of interest rate on savings certificates to curb this sort of borrowing. Among other measures, credit flows to sectors deemed unproductive will continue to be monitored strictly. As a matter of fact, loan margin ratio has been revised in order to discourage demand for consumer and real estate loans. With regards to the external sector, opening of L/Cs for non-essential and luxury items will be discouraged in order to reduce pressure on the foreign exchange reserves and to provide adequate support for the import of essential items such as petroleum.

Economic outlook

According to the World Bank Global Economic Prospects 2012, Bangladesh economy will remain stable with over 6.0 percent GDP growth in the next two years. GDP growth is projected to be about 6.4 percent in FY2012. The increase from the projected 6.2 percent growth in FY2011 is based on expectations of higher public and private investment as well as increased capacity utilization due to export growth. Private investment will rise if the supply-side constraints, particularly energy are eased and global economic conditions improve. A recovery in remittances will support consumption growth and help finance the imports associated with increased domestic investment without drawing down reserves, but the outlook for such an increase is still uncertain.

As per economic catch up theory, the per capita incomes in poorer countries will tend to grow faster than the per capita incomes in richer countries. This can be achieved by high rates of capital accumulation

as well as the diffusion of technology from more technologically advanced economics.

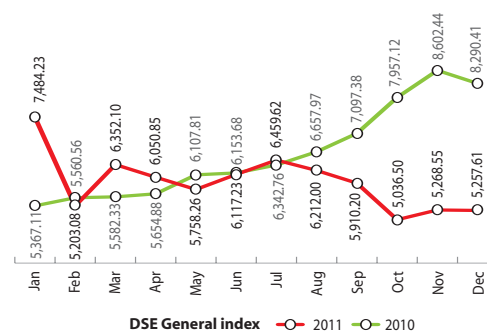
Bangladesh demographic window opens with the raising share of working-age population and declining dependency ratio, generating savings and investable surplus. This is once in a lifetime opportunity to transform the country from lower to middle income country.

With steady economic growth the pace of urbanization will be taking into the consideration. The country should play a proactive role to accelerate the pace of urbanization and facilitate basic infrastructure and utility services. It requires huge funding which is one of the drawbacks of this concept.

Apart from the risks to the global economy, there are several short- and long-term risks facing the Bangladesh economy. Short-term risks include rising food and fuel prices placing stress on fiscal and external balances deteriorating remittances and impact on the current account, leading to the possibility of increased reserve draw down; the growing quasi-fiscal deficit; and stock market volatility and its possible impact on the banking sector. The macroeconomic policy response will need to strike a balance between maintaining a comfortable level of reserves, containing inflation and allowing greater exchange-rate flexibility. Long-term risks include the inability to sufficiently alleviate power shortages, raise public investment, and remove bottlenecks to private investment. In addition, the impact of rising food and fuel prices on poverty will need to be carefully managed.

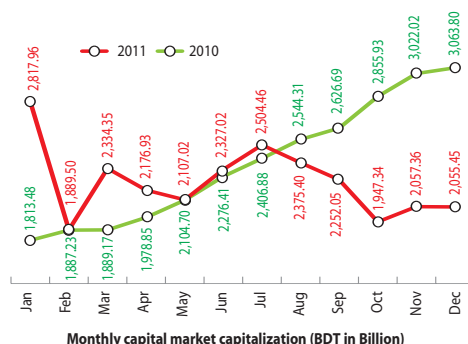
Capital market scenario

Year 2011 was just opposite side of 2010 for the equity investors. The DGEN index was 8,290.41 points on 1st trading day of 2011 and ended with 5,257.61 points on December, which reflects 36.58% down. The DGEN index was volatile throughout the whole year. On 10 January 2011, DGEN's plunged more than 636 points. This fall in the Dhaka Stock Exchange's index on a single day was the largest fall in the 55 year history of the Exchange, surpassing the fall of the 1996 market crash. After that the DGEN index surged by 1013 points. DGEN's yearly volatility rose to 45.83 percent in 2011, which was 21.44 percent in 2010.



Directors' Report - continued

In the year January, 2010 market capitalization was Tk. 1,813,481 million which was increased by 68.94 percent and stands at Tk 3,063,797 million in December, 2010. On the other hand, In January 2011 market capitalization was Tk. 2,817,962 million and Tk 2,055,447 million in December, 2011, which reflects 27.05 percent negative growth.



Share turnover velocity ratio, an indicator of market liquidity, displayed sheer weakness of market activity in the bourse. The ratio declined to 56 percent in 2011 from 146 percent in 2010 implying the sign of illiquidity. Market liquidity has decreased substantially which got reflected in the 33 percent and 59.6 percent negative growth of average number of trade and average daily turnover respectively during the year.

The government has taken many steps to address the continuous declining trend of the capital market like tax rebate of capital market investors, exemption of credit for margin level investors and also taking steps to influence banks to generate more investment in capital market. The most important step that the government has already declared to raise a banking fund and through investing in capital market by banking channel and tried to recover the capital market.

The market stabilization fund (MSF) was conceived by the Bangladesh Association of Banks (BAB) in late October 2011 as a method to increase liquidity in the market and increase share prices, worth BDT 50 billion (\$ 667 million). Banks have reportedly kept buying shares despite suffering from liquidity crises themselves, and not selling any shares. However, share indices kept plummeting throughout the time period.

In Bangladesh, most of the investors are retail. Their behavior prediction is very difficult. If institutional investors were more, then it would have been easy to predict as retail investors would have followed the institutional investors. Considering the present market scenario, retail investors need to rebalance their portfolio after this severe price correction.

Non-Banking Financial Institutions (NBFIs):

Under the directives of Bangladesh Bank (BB), the NBFIs will have to raise their paid-up capital up to a minimum of BDT 1.0 billion (100 crore) by June 30, 2012 from the existing Tk 500 million (50 crore). The central bank has taken the latest move to consolidate the capital base of the country's NBFIs in line with the Basel-II framework that would be mandatory from January 1, 2012. Many of the NBFIs will need to issue rights or bonus shares to comply with the latest provision relating to capital base.

Profits of almost all of the NBFIs in the first nine months of the year dropped significantly because of ongoing liquidity crisis and crash of stock market. Most of the NBFIs faced liquidity shortage starting from the beginning of the year. Although NBFIs increased the rate of interest on loans, they had to increase the deposit rates to collect fund. Severe liquidity crisis forced the NBFIs to squeeze loans. Overall, the business and investment scenario in private sector remained dull in last few months.

The central bank has allowed the NBFIs to invest more funds in the stock market through relaxation of its provisions relating to capital market investment. Under the amended provisions, investment by the NBFIs in their subsidiaries -- brokerage houses and merchant banks -- and other companies, in the form of long-term equity investment or venture capital, will not be treated as exposure to the capital market. The central bank has taken the measure against the backdrop of a long-persisting falling trend of institutional investment in the market as merchant banks and brokerages houses were under pressure to comply with the single-borrower exposure limit.

Operation of the company

With the persistent effort of all divisions and employees, amidst dull performance in the overall financial sector, Prime Finance successfully posted profit in 2011. Company's total operating profit is BDT 954.20 million which is 52.13 percent down from the previous year. This reduction in profit was resulted from lesser income of capital gain due to volatile capital market throughout the year, excessively high cost of fund & as the overall investment opportunity was remote in the current year. Also, due to severe liquidity crisis, investment remained stagnant resulting low interest income. Moreover, our merchant banking operation was separated effective from Jan 2011, which has been a major reason for reduction in profit. Besides our newly formed associate company PFI Properties Ltd. is at very initial stage to contribute profit.

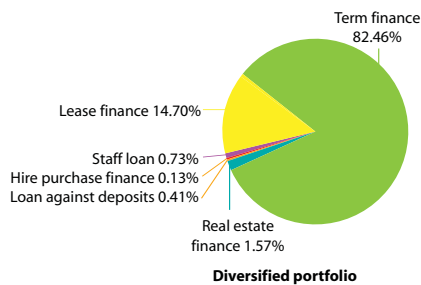
Directors' Report - continued

Business activities

Prime Finance offers diversified products and services, which include lease finance, term finance, real estate finance, SME finance etc.

Diversified portfolio

Well diversified portfolio of Prime Finance includes Term Loan Finance that represents 82.46 percent of total loans, followed by lease finance 14.70 percent, Real estate finance 1.57 percent, etc.

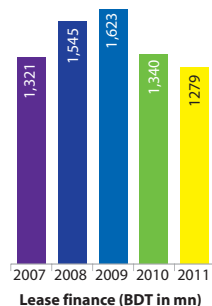


Financing activities

Our main focus was to identify and select emerging sectors for financing and maintaining quality portfolio. Due to continued global recession and subsequent impact on our economy, we slowed down financing to sectors such as Textile, spinning etc. Real Estate sector financing also remained sluggish due to severe gas and electricity crisis. Major portion of financing was to shipyard, pharmaceuticals, service & trading Industry. Overall investment was squeezed because of dry money market and up soaring interest rate throughout the year. On the top of everything, highest priority was given and relentless effort was made to recover loans/lease at utmost level and in which the company performed well.

Lease finance

Lease financing is the fund based product for managing corporate investments in movable equipment. We finance customers of different segments of the local market mainly to developing companies, SMEs and market-leading concerns. The standard credit assessment procedures of investment

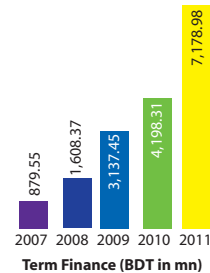


proposals help to measure credit risks entailed in the lease proposals. In 2011, total Lease finance added was BDT 231.42 million. As on 31 December 2011 gross lease rental receivables was BDT 1,292.64 million.

Long and short term finance

We provide both long-term and short-term finance to the wide variety of customers depending on their needs. In 2011, Term finance continued to be the top financing products for Prime Finance. As a result, investment in term finance increased by 71 percent compared to the previous year. With our short term financing, customers can comfortably manage fund in case of need and ensure business growth. Our short term financing mainly includes:

- ▶ Direct finance for working capital
- ▶ Work order finance
- ▶ Bill discounting
- ▶ Finance against term deposits



Real-Estate finance

We offer this product only to the real estate developers for construction of residential apartment, construction of commercial building and corporate office. As mentioned earlier, we were slow and selective in financing Real Estate sector due to continued slow down in real estate business since 2010. Mainly, prolonged stoppage of gas & electricity connection to the newly built apartments, liquidity crisis in the banking sector, decline in remittance earnings growth, the stock market crash and the ineffective role of REHAB have contributed to the present state of affairs in the real estate sector. In 2011, total investment in this product was BDT 132.80 Million which is a bit lower than the previous year.

Bridge/equity finance

We provide bridge finance of all types of immediate long term financing ranging from term loans to IPO or equity investment. However, this product remained unused in the current year due to overall slowdown in capital market.

Directors' Report - continued

Bill discounting

Prime Finance offers bill discounting services to both the importers and exporters. Through this, companies can infuse liquidity into their operation by way of discounting their bills. This specific mode of financing can prove to be extremely effective in receivable and working capital management especially for the manufacturing concerns.

Consortium finance

Prime Finance raises fund to implement projects that require large-scale investments in the form of debt and equity from multiple sources. Other banks/financial institutions are made financial partners who negotiate and decide upon basic terms and conditions for specific projects.

Geographical segments

Prime Finance provides services through its three offices geographically diversified in the areas namely Dhaka, Chittagong and Rajshahi.

Treasury

The treasury department is responsible for the timely availability of funds when needed for the support of the business. The aim ought to be to improve the net worth of a company by managing funds in the most appropriate manner. Prime Finance & Investment Ltd. has an efficient treasury department whose primary role is to ensure that adequate liability is available to meet Company's funding requirements as they arise and that financial risk arising from Company's underlying operations is effectively identified and managed. The treasury operations are conducted in accordance with policies and procedures approved by the Board and are reviewed annually. Monthly reports on treasury operations are provided to ALCO and treasury operations are subject to periodical internal and external review.

Liquidity and funding

The Company maintains sufficient facilities to meet its normal funding requirements. These facilities are primarily in the form of bank facilities arranged on a bilateral basis with a number of commercial banks and term deposits mobilized from individuals and institutions ranging for a period from 6 months to fifteen years. The Company sometimes participates in the call money market to meet its immediate requirement of funds, which subsequently transform into term loan.

Operating results

Company generated BDT 2,244.77 million as revenue in 2011, out of which Profit from operation was BDT 954.20 million. Net profit has decreased by 55.37 percent to BDT 772.81 million. Provision for tax of BDT 181.39 million has been provided in 2011. Earnings per share was BDT 4.14 as against BDT 10.65 (restated) last year. The weighted average number of ordinary shares outstanding during the year was 162.45 million (2010: 90.25 million). The financial results of the Company for the year 2011 with a comparison of 2010 are summarized below:

	(BDT in million except per share data)		
	2011	2010	2009
Operating revenue	2,244.77	3,078.53	1,425.36
Operating expenses	1,290.56	1,085.40	714.73
Profit before tax	954.20	1,993.14	710.63
Provision for tax	181.39	261.48	27.50
Profit after tax	772.81	1,731.66	683.13
Earnings Per Share (EPS)	4.14	10.65	4.21

Five years' key operating and financial data have been given on page 17 of this Annual Report.

Significant deviation in operating results

Operating profit for the year 2011 has decreased by 52.13 percent to BDT 954.20 million (2010: BDT 1,993.14 million). The underlying main reasons for such reduction are:

- ▶ volatile capital market throughout the year and separation of our merchant banking operation effective from Jan 2011
- ▶ high cost of fund
- ▶ liquidity crisis,
- ▶ low interest income from stagnant investment in the current year compare to the previous year
- ▶ loss incurred by newly formed associate company PFI Properties Ltd. which is at very initial stage of operation.

Share of income from associate companies

Prime Finance provides comprehensive investment and financial services including full service securities brokerage, margin loan and advisory services through its 46.15 percent owned associated company - PFI Securities Limited. The company contributes significantly to the earnings of Prime Finance. Total revenue of the Company was BDT 515.74 million

Directors' Report - continued

during the year 2011 while EPS was BDT 1.74. Prime Finance's share of income from PFI Securities Limited for the year 2011 was BDT 117.02 million which was BDT 303.83 million in 2010. Besides PFI Securities Limited, Prime Finance has other three associates namely Prime Finance Asset Management Company

Limited, Prime Prudential Fund Limited, PFI Properties Limited. Net earnings from these four associates during the year were BDT 87.08 million. Separate audited financial statements of the associate companies are given on pages 181 to 218 of this Annual Report.

Changes of investment in associates/subsidiary

(Figures in BDT)	Balance as on 1 Jan 2011	Investment/ (Adjustment)	Revaluation Method	Profit/(loss) under equity method	Balance as on 31 Dec 2011
PFI Securities Ltd.	957,554,338	-	-	117,018,341	1,074,572,679
Prime Finance 1st MF	-	-	-	-	-
Prime Finance Asset Mgt Co. Ltd.	31,594,107	-	-	81,931	31,676,038
Prime Prudential Fund Ltd.	32,437,444	-	-	(13,369,561)	19,067,883
PFI Properties Ltd.	21,626,594	-	-	(16,650,053)	4,976,541
Prime Finance Capital Mgt Ltd.	600,000,000	360,000,000	-	-	960,000,000
Total	1,643,212,483	360,000,000	-	87,080,658	2,090,293,141

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 2011 that has significantly affected or may significantly affect the operations of the Company, the results of its operations or its state of affairs, which is not already reflected in this report other than the following:

- ▶ On 26 February 2012, Prime Finance announced 40 percent stock dividend (4 bonus shares for 10 shares held). Details of the announced dividend declared during the financial year are disclosed in Note 45 of the Financial Report.

Appropriations of profit (Based on separate F/S)

Taking into account the profit available for distribution after complying with the regulatory requirements, the Board recommended 40 percent stock dividend (4 bonus shares for 10 shares held) for the year ended 31 December, 2011 for approval of Shareholders in the Sixteenth Annual General Meeting. The Board proposed the following appropriations:

	Amount in million BDT
Net profit for the year 2011	522.10
Retained earnings at the beginning of 2011	990.61
Total profit available for appropriation	1,512.71
Proposed Appropriations	
Transferred to statutory reserve	104.41
Proposed stock dividend	649.81
Proposed cash dividend	Nil
Retained earnings	758.49

Dividend

The Board of Directors in its meeting held on 26 February 2012 recommended 40 percent dividend (4 bonus shares for 10 shares held) for the year 2011. Moreover, the Company has been paying dividend consistently for many years. From historical data given in the five years data on page 17 of this Annual Report, there is a reasonable assurance as to the continuance of similar practices in future.

Annual General Meeting

The notice of the Sixteenth Annual General Meeting is given on page 119 to 220 of this Annual Report. A summary of the agenda is given below:

Ordinary Business

- ▶ Adoption of Directors' Report, Auditors Report and Audited Financial Statements;
- ▶ Declaration of dividend;
- ▶ Re-appointment of retiring Directors;
- ▶ Appointment of Auditors.

Special Business : Nil

An update of AGM held in 2011 :

The Board of Directors of Prime Finance in its 188th meeting held on 24 February, 2011 decided to increase the Authorized share capital of the Company from Tk 100 crore to Tk 500 crore. The proposal was approved by the shareholders in the Annual General Meeting

Directors' Report - continued

held on 29 March 2011 at 10:00 am in Dhaka. We applied to Bangladesh Bank on 27 February 2011 for NOC from their part to increase the authorized share capital of the Company. But, Bangladesh Bank vide their letter, which we received after holding the Annual General Meeting, gave us NOC to increase the authorized Share Capital from Tk 100 crore to Tk 300 crore instead of Tk 500 crore. Under the above circumstances, the Board of Prime Finance decided to follow the direction of Bangladesh Bank to increase the authorized share capital of the Company from Tk 100 crore to Tk 300 crore instead of Tk 500 crore and same would be placed for rectification of the shareholders in the next Annual General Meeting.

Observance of BAS, BFRS & applicable laws

The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable us to ensure that the financial statements comply with the Companies Act, 1994, the Financial Institutions Act, 1993, and the Securities and Exchange Rules, 1987. The Directors also confirm that the financial statements have been prepared in accordance with the Bangladesh Accounting Standards and other applicable rules and regulations. A separate report on Directors' Responsibilities as to the preparation of financial statement is set out on page no 100 in this Annual Report.

Accounting policies and maintenance of books of accounts

The Directors consider that in preparing the Financial Statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and that all International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) have been followed. In preparing financial statements, information has been obtained from the books of accounts, which have been maintained properly as required by the applicable rules and regulations.

Fairness of the accounts

As per Companies Act, 1994, it is the responsibility of the Directors to prepare financial statements for each year to be presented before the shareholders in the General Meeting. The financial statements and other financial information included in this report fairly present in all material respects, the financial conditions, results of operations, cash flows and changes in equity of the Company as of, and for, the year ended 31 December, 2011.

Risks

Managing risks is an integral part of Prime Finance. If any risk remains unchecked against a backdrop of rapidly changing financial landscape and increased uncertainty, it can be detrimental to the company. Therefore, PFI maintains a risk management framework where risk can be managed proactively at various level. At the apex of risk management, the Board has the overall responsibility to ensure there is proper oversight of the management of risks in Prime Finance. The Board set the risk appetite and tolerance level that is consistent with the PFI's business objectives and desired risk profile. We translate the strategy into tactical and operational objectives, assigning responsibility throughout the organization with each manager and employee responsible for the management of risk as part of their job description. Detail of risk management standards and process are given in page no 90 of this report.

Prime Finance places great importance to BASEL II that allows the entire financial sector to meet international best practices for the PFI's credit, market, operational and liquidity risk management practices. We take this pleasure to declare that Prime Finance has already acquired desired capital adequacy level as stipulated in Basel-II way before the deadline declared by the Bangladesh Bank. Prime Finance, has regularly been submitting Basel-II report, stress testing report and all other reports required by the central bank. In Prime Finance, stress testing is mostly used in managing market risk, which deals primarily with traded market portfolios. These portfolios include interest rate, equity, foreign exchange, and commodity instruments and are amenable to stress testing because their market prices are updated on a regular basis.

It also gives immense pleasure to declare that Prime Finance was awarded "AA" in 2011 (rated by CRISL) upgraded from AA- last year. We strongly believe, risk management is a continuous process and we will pursue business development mode and uphold proactive and prudent operating strategy with greater emphasis on risk management.

Internal control

The Board retaining ultimate responsibility for its operations, though has delegated the review of the effectiveness of the system of internal controls to the Audit Committee. The internal control system provides reasonable but not absolute assurance against material misstatements, losses and fraud and of the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate rules and regulations and best practices and the identification and management of business risk. We have continued

Directors' Report - continued

to strengthen risk management oversight with a focus on internal controls, policies and procedures. Our internal control department is supported by a professional staff who conducts periodic audits of all aspects of Prime Finance's operations. The internal audit function reporting to the Audit Committee, operates independently of the other aspects of the company's management structure. The system of internal control is updated from time to time to align with the dynamic changes in the business environment as well as process improvement initiatives undertaken. Detailed implementation of the system of internal financial control throughout the company has been delegated to the Executive Management by the Board. These controls include financial controls that assist the Board in meeting its responsibilities for the integrity and accuracy of the company's accounting records. The Company's financial statements, prepared from these records, comply with the required laws and standards.

Directors' meeting & attendance

During the year ended 31 December 2011 a total twelve meetings were held. During this year, all of the Directors serving on the Board attended is more than 74 percent of the aggregate of the total number of meetings of the Board of Directors. The attendance in the Board meetings by each Director is given in Annexure-I on page 117 of this Annual Report.

Directors' statement pursuant to the disclosure and transparency

The Directors confirm that to the best of each director's knowledge and belief:

- ▶ the financial statements, prepared in accordance with IAS and IFRS as adopted by ICAB, give a true and fair view of the assets, liabilities, financial position and results of the Company, and
- ▶ the management report contained in the operational and financial review includes a fair review of the development and performance of the business and the position of the company, together with a description of principal risks and uncertainties that may face.

Directors' responsibilities of preparation of Financial Statements

The Directors are responsible for preparing the Annual Report and Company's financial statements in accordance with applicable laws and regulations. The Board confirms that the Financial Statements have been prepared under the applicable laws and

regulations and as per requirements of regulatory authorities. A statement of the Directors' responsibility in relation to financial statements has been given on page 100 of this Annual Report.

Corporate and financial reporting framework

The Directors, in accordance with SEC's notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated 20 February 2006, confirm compliance with the financial reporting framework for the following:

- ▶ The financial statements prepared by the management of Prime Finance, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- ▶ Proper books of accounts of the Company have been maintained;
- ▶ Appropriate accounting policies have been consistently applied, except for the changes disclosed in the financial statements in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- ▶ International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- ▶ The system of internal control is sound in design and has been effectively implemented and monitored; and
- ▶ There exists no significant doubts as to the Company's ability to continue as a going concern.

Report on the compliance of the conditions of SEC's notification

The Directors are required by the SEC's Notification dated 20 February, 2006 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 SEC's conditions is given on page 82 to 83 of this Annual Report.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review. The financial position of the Company, its cash

Directors' Report - continued

flow, liquidity position, facilities and borrowing position are described in the business review and report on risk management provide further details on the Company's management of financial risks. The business review includes an analysis of the key risks facing the company and the company's approach to risk management. After reviewing the company's annual budget, liquidity requirements, plans and financing arrangement, the Directors are satisfied that the Company has adequate resources to continue to operate in the foreseeable future and confirm that the company is going concern. For this reason Directors continue to adopt the going concern basis in preparing these financial statements. A separate report on going concern has been set out on page 98 to 99 of this Annual Report.

Substantial shareholdings

SEC's Notification dated 20 February 2006 requires a listed company to disclose in the Directors' Report, the list of shareholders holding ten percent or more voting interest in the Company. None of the shareholders hold ten percent or above shares in Prime Finance. The shareholding status of all sponsors shareholders as on 31 December 2011 is given in Annexure-II, page 117 of this Report.

Pattern and distribution of shareholding

Shareholding patterns of the Company as at the end of the year 2011 is shown in Annexure-III, page 118 of this Annual Report. The distribution of shareholdings as required by the regulatory authorities is also given in Annexure-IV, on page 118 of this Annual Report.

Directors to retire and re-appointment

As per Article 67 of the Articles of Association of the Company, the following Directors will retire in the Sixteenth Annual General Meeting and being eligible offered themselves for re-appointment as per Article 69 of the Articles of Association of the Company:

Mr. K. M. Khaled
Nominated by Khaled Textile Mills Ltd.

Mr. M. Sahadat Hossain Kiron
Nominated Agami Apparels Ltd.

Mr. Md. Aliuzzaman

Mr. M. N. H. Bulu
Nominated by Abeeco Industries Ltd.

Article 61 of the Articles of Association also requires that any Director appointed by the Board since last

Annual General Meeting shall retire in the next Annual General Meeting. Accordingly, Mr. Mohammad Masudur Rahim, Director and Prof. Dr. Parimal Chandra Datta, Independent Director shall retire in the Sixteenth Annual General Meeting and eligible for reappointment.

Corporate responsibility

In recent years Corporate Social Responsibility (CSR) has witnessed a resurgence at the global level. Prime Finance is strongly committed to operate in a socially responsible manner. We consider the social and environmental implications of corporate financial decisions. We exhibit conscious efforts to comply with the relevant provisions through depicting a good environmental citizen image. To preserve the rights of stakeholders, we take the following initiative:

- a. Continuous focus on offering on time and satisfying service to our customers irrespective of their size.
- b. Strive to improve and develop our corporate responsibility (CR) policies and performance.
- c. Offer good financial advices and appropriate products
- d. Consistency in declaring dividend to our shareholders
- e. Always try to give higher dividend
- f. Always be transparent to its board of directors and to other stakeholders
- g. Ensure the highest level of employee benefits
- h. Ensure profit bonus for employees
- i. Regularly hold Board Audit Committee to make the things more transparent
- j. Always publish financial reports duly audited by renowned auditor firm

Charitable donation

The company donates to different charitable organizations & currently and has focused attention on assistance to cancer stricken children. Two of the projects that have received support are children Leukemia Assistance & Support Services (CLASS) of Chittagong and ASHIC Foundation of Dhaka.

Political donation

During the year under review, Prime Finance did not make any donation to any political party.

Directors' Report - continued

Corporate governance

The main objective of Prime Finance's corporate governance is to develop a strong, sustainable and competitive company in the best interest of its shareholders, employees, business associates and society at large. The Board of Directors and Management aim for a controlled and profitable development and long-term creation of growth through well-founded governance principles, operation procedures and risk management. A detailed report on corporate governance has been set out on page 64 to 70 of this Annual Report.

Stakeholder engagement

On-going stakeholder dialogue is very important for a successful business, as it enables us to understand financial, social and environmental impacts. We strive to engage with wide range of stakeholders as well as interested parties. We seek to learn more from the experience of organizations and business in the community. We have identified our primary stakeholders as follows:

- ▶ Shareholders
- ▶ Clients
- ▶ Employees
- ▶ Business partners and lenders
- ▶ Government and regulators
- ▶ The communities in general

Our employees and environment

Prime Finance has created an environment where the vast majority of our employee truly enjoys coming to work each and every day. We continuously encourage and appreciate our employees for their talents and hard work. Sometimes they are moved from one department to another department in the organization for the purpose of developing multi skill. Our employees regularly enjoy multifarious training both local and abroad for their overall development and for creating future leaders. Easy access to the Management and free discussion regarding business activities have made the work environment smooth and friendly. Managing Director along with top management team holds regular meetings with every department to discuss financial strategies, policies and performance affecting the Company. We have recently revised policies related to maternity leave, home loan, car loan and introduced policies regarding commission payment to employees for deposit mobilization. Also, arranging annual picnic and annual nights are our regular activities that are source of great

entertainment and encouragement for our employees.

As far as external environment is concerned, we are committed to comply with environmental legislations and minimize the impact of its activities on the environment. We always use equipment and vehicles that are non hazardous to the environment.

Business ethics

Customer service is the most important ethical issue in prime Finance and that's why we developed a culture of customer service that is integrated across the organization and through all of its systems and processes and reflected in its ethical policies, management, leadership, and treatment of its employees. All Directors, Management team and Officers i.e. all employees of Prime Finance are responsible for strict compliance of Ethical Principles elaborately stated on Page no 12 to 13. Any review, disclosure or non-performance regarding the ethical issues should be reported to the Board for taking immediate measure. Each Director and Executive Officer also complies with all applicable laws, rules and regulations and use all reasonable efforts to oversee compliance by employees, other Directors and other Executive Officers with all applicable laws, rules and regulations.

Contribution to the national exchequer and the economy.

During the year 2011, the company contributed a total amount of BDT 201 million as Corporate Tax, BDT 52 million as TDS & BDT 2 million as VAT, in total BDT 255 million was paid to the national exchequer. Prime Finance always uphold its responsibilities to the development of the society and the country as a whole. We encourage our employees to participate in social and charitable programs. A detailed report on the contribution to national economy has been given on page 59 of the Annual report.

Audit information

The Directors who held office at the date of this Director's Report confirm that:

- ▶ So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- ▶ The Directors have taken all the steps that they themselves ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the company's Auditors are aware of that information.

Directors' Report - continued

Auditors

M/S. A. Qasem & Co., Chartered Accountants was appointed as the statutory auditor of the Company in the Fifteenth Annual General Meeting held on 29 March 2011. The auditor will retire in the Sixteenth Annual General Meeting. Being eligible under Section 212 of the Company's Act, 1994 and the Financial Institutions Act, 1993, the Auditors have expressed their willingness to continue their office for the Financial Year 2012. The Auditors have completed their first year of audit and hence eligible for re-appointment. A resolution proposing the re-appointment of M/S. A. Qasem & Co., Chartered Accountants, as the statutory auditor of the Company at a remuneration of BDT 2 lac plus VAT will be proposed at 2012 Annual General Meeting of Prime Finance & Investment Limited.

Outlook

The "Outlook" sections in this document are based on the PFI's views and the actual outcome is not certain. Stakeholders should consider the above-noted factors when reviewing these sections.

The Board remains very excited with the prospects of Prime Finance. We will continue to have a strong capital position, quality portfolio and diversity in our revenue and earning streams. There are creative opportunities to reshape our competitiveness and introduce new business models, as we seek to balance incremental business-as-usual with market-relevant innovations.

Expenses will be carefully managed and initiatives will be advanced to improve customer satisfaction and drive efficiencies. The PFI's net interest income is expected to increase driven by moderate asset growth. Growth in other income will be moderate and

provisions for credit losses will remain relatively stable in 2012. It is expected that asset growth will moderate in emerging sectors relatively strong in SME Financing. Deposit growth will likely be tempered by continued high interest rates and increasing competition. In 2012, we expect that all associates would experience a transformation and contribute to the overall profitability of Prime finance.

Notwithstanding the challenges ahead, Prime Finance will be well-positioned to seize every growth opportunity and will devote its full efforts to achieving excellent operating results to reward our shareholders and the community.

Acknowledgement

On behalf of the Board of Directors, I would like to express my gratitude to our customers, business partners and shareholders for their continuous support and confidence in Prime Finance. A special note of appreciation goes to the Management team and all the employees for their dedication, integrity, hard work and professional discipline.

My sincere thanks also go to Bangladesh Bank, Securities and Exchange Commission, Dhaka and Chittagong Stock Exchanges, lenders and depositors, who were the partners in the growth of this Company for their invaluable assistance, support, guidance and counsel.



K.M.Khaled
Chairman
Dhaka, 26 February 2012

Annexure - I**Directors' Meeting & Attendance**

Name of the Directors	Nominated by	Total Meetings	Meeting Attended	(%)	Change during 2011
Mr. K. M. Khaled	Khaled Textile Mills Ltd.	12	06	50	
Mr. Md. Aminul Haque	Acorn Limited	12	12	100	
Mrs. Muslima Shirin	Mawsons Limited	12	12	100	
Mr. Mohammad Masudur Rahim	East Coast Shipping Lines Ltd.	08	05	63	
Mr. Z.M. Kaiser	Maksons (Bd) Ltd.	12	12	100	
Mr. Mohammed Kafiluddin	Pedrollo Nk. Limited	03	0	0	Resigned from the Board
Mr. M. N. H. Bulu	Abeeco Industries Ltd.	12	04	33	
Mr. M. Shahadat Hossain Kiron	Agami Apparels Ltd.	12	06	50	
Mr. Tauseef Iqbal Ali	Self	12	11	92	
Mr. Md. Aliuzzaman	Self	12	12	100	
Professor Salma Rahman	Self	12	09	75	
Dr. M. Mosharraf Hossain	Self	01	01	100	Resigned from the Board

Annexure - II**Shareholdings of Sponsor Shareholders**

Name of Sponsor Shareholders	% of Shareholding
Khaled Textile Mills Ltd.	9.69
Acorn Limited	9.13
Pedrollo Nk. Limited	9.80
Mawsons Limited	2.91
Maksons (Bd) Ltd.	7.83
Agami Apparels Ltd.	8.46
Mr. Tauseef Iqbal Ali	1.69
Professor Salma Rahman	1.03
East Coast Shipping Lines Limited	8.94
GQ Enterprise Limited	8.50
Abeeco Industries Ltd.	0.28
Mr. Md. Aliuzzaman	0.16
Total	68.42

Annexure - III

Pattern of Shareholdings

Shareholders/Directors/Executives	No. of shares held	Percentage
Khaled Textile Mills Ltd.	15,733,584	9.69
Acorn Limited	14,833,584	9.13
Pedrollo Nk. Limited	15,933,924	9.80
Mawsons Limited	4,734,972	2.91
Maksons (Bd) Ltd.	12,720,546	7.83
Agami Apparels Ltd.	13,743,234	8.46
Mr. Tauseef Iqbal Ali	2,758,026	1.69
Professor Salma Rahman	1,678,968	1.03
East Coast Shipping Lines Limited	14,528,178	8.94
GQ Enterprise Limited	13,822,704	8.50
Abeeco Industries Ltd.	451,568	0.28
Mr. Md. Aliuzzaman	256,088	0.16
Prof. Parimal Chandra Datta	Nil	-
Mr. Asad Khan, Managing Director	Nil	-
Mr. Md. Mizanur Rahman, CFO	Nil	-

Other top five Senior Executives

Mr. Md. Ahsan Kabir Khan	Nil
Mr. Md. Rezaul Haque	Nil
Ms. Gazi Nilufar Yeasmin	Nil
Ms. Gulshan Ara Hafiz	Nil
Mr. Ahsanullah M. Dewan	Nil

Shareholders Holding 10% or more voting right

Shareholders holding ten percent (10%) or more voting interest in the Company	Nil
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Annexure - IV

Range of Shareholdings

The distribution schedule of shareholdings as on 31 December 2011 was as under:

Shareholding range	No. of shareholders	No. of shares	% of total
1 to 500	12,158	2,440,831	1.50
501 to 5,000	6,041	8,874,561	5.46
5,001 to 10,000	357	2,598,038	1.60
10,001 to 20,000	161	2,273,190	1.40
20,001 to 30,000	49	1,189,268	0.73
30,001 to 40,000	37	1,265,090	0.78
40,001 to 50,000	26	1,172,372	0.72
50,001 to 100,000	58	3,980,438	2.45
100,001 to 1,000,000	62	19,724,042	12.14
1,000,001 to 9,999,999,999	13	118,932,458	73.21
Total	18,962	162,450,288	100



Auditors' Report to the Shareholders of Prime Finance & Investment Limited

We have audited the accompanying consolidated financial statements of Prime Finance & Investment Limited (The company) and its subsidiary which comprise the Balance Sheet as at 31 December 2011 and the Profit & Loss Account, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs), the Financial Institution Act 1993, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards and comply with the Financial Institution Act 1993, the rules and regulations issued by Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account;
- d) the expenditure incurred and payment made were for the purpose of the company's business;
- e) the Financial Statements have been drawn up in conformity with the rules and regulations issued by the Bangladesh Bank to the extent applicable to the company;
- f) adequate provisions have been made for advances which are, in our opinion, doubtful of recovery;
- g) the company has complied with the relevant laws pertaining to reserves and maintenance of liquid assets;
- h) the information and explanations required by us have been received and found satisfactory; and
- i) we have reviewed over 80% of the risk weighted assets of the company and we have spent about in excess of 1400 person-hours for the audit of books and accounts of the company;

A. Qasem & Co.
Chartered Accountants
Dhaka
27 February 2012

Consolidated Balance Sheet

as at 31 December

(Figures in BDT)	2011	2010	Notes
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)	45,000	15,000	
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	59,523,740	37,200,011	
Total cash	59,568,740	37,215,011	4.a Page 146
Balance with other banks and financial institutions			
In Bangladesh	544,717,347	715,956,397	
Outside Bangladesh	-	-	
Total balance with other banks and financial institutions	544,717,347	715,956,397	5.a Page 148
Money at call and on short notice	-	-	
Investments			
Government	-	-	
Others	1,300,164,193	1,257,130,031	
Total investments	1,300,164,193	1,257,130,031	6.a Page 149
Loans, advances and leases			
Loans, advances and leases	10,396,598,999	8,720,700,063	
Bills purchased and discounted	-	-	
Total loans, advances and leases	10,396,598,999	8,720,700,063	7.a Page 155
Fixed assets including premises, furniture and fixtures	327,674,192	323,617,525	8.a Page 156
Other assets	2,487,518,286	1,857,327,845	9.a Page 158
Non - business assets	-	-	
Total assets	15,116,241,756	12,911,946,872	
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	4,019,152,726	3,645,457,340	10.a Page 160
Deposits and other accounts			
Current and other accounts	-	-	
Bills payable	-	-	
Savings accounts	-	-	
Term Deposits	4,315,609,590	3,760,306,212	11.a Page 160
Bearer certificates of deposit	-	-	
Other deposits	-	-	
Total Deposits and other accounts	4,315,609,590	3,760,306,212	
Other liabilities	2,097,082,449	1,612,598,871	12.a Page 164
Total liabilities	10,431,844,765	9,018,362,423	

Consolidated Balance Sheet - *continued*

(Figures in BDT)	2011	2010	Notes
Capital/shareholders' equity			
Paid up capital	1,624,502,880	902,501,600	13 Page 164
Statutory reserve	755,711,970	651,297,442	
Share money deposit	18,000,000	-	
Other reserve	-	-	
Retained earnings	1,561,846,535	1,715,745,762	
Minority interest	502,391,856	402,095,895	
Revaluation reserve	221,943,750	221,943,750	
Total shareholders' equity	4,684,396,992	3,893,584,449	
Total liabilities and shareholders' equity	15,116,241,756	12,911,946,872	

OFF-BALANCE SHEET ITEMS

Contingent liabilities

Acceptances and endorsements	-	-
Letters of guarantee	-	150,000,000
Irrevocable letters of credit	-	-
Bills for collection	-	-
Other contingent liabilities	-	-
Total contingent liabilities	-	150,000,000

Other commitments

Documentary credits and short term trade-related transactions	-	-
Forward assets purchased and forward deposits placed	-	-
Undrawn note issuance and revolving underwriting facilities	-	-
Undrawn formal standby facilities, credit lines and other commitments	-	-
Total other commitments	-	-

Total off-balance sheet items including contingent liabilities - **150,000,000**

Notes:

The annexed notes 1 to 56 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 26 February 2012 and were signed on its behalf by:



Managing Director



Director



Chairman

Signed in terms of our separate report of even date annexed

Dhaka,
26 February 2012



A. Qasem & Co.
Chartered Accountants

Consolidated Profit and Loss Account

for the year ended 31 December

(Figures in BDT)	2011	2010	Notes
Interest income	1,313,236,929	1,183,739,208	17.a Page 167
Interest paid on deposits and borrowings etc.	(1,006,608,135)	(809,412,618)	18.a Page 167
Net interest income	306,628,795	374,326,590	
Investment income	491,119,530	1,239,660,058	19.a Page 168
Fees, Commission, exchange and brokerage	190,966,083	296,330,559	20.a Page 168
Other operating income	249,442,571	358,802,530	21.a Page 169
	931,528,184	1,894,793,147	
Total operating income (A)	1,238,156,979	2,269,119,737	
Salaries and other employee benefits	117,684,531	86,459,698	22.a Page 169
Rent, taxes, insurance, electricity etc.	10,818,754	6,747,441	23.a Page 170
Legal expenses	1,683,197	830,208	
Postage, stamp, telecommunication etc.	15,160,917	28,209,889	24.a Page 170
Stationery, printing, advertisements etc.	10,147,248	6,196,180	25.a Page 170
Managing Director's salary and fees	8,825,954	7,023,779	
Directors' fees	1,315,000	513,000	26.a Page 171
Auditors' fees	235,125	212,750	27.a Page 171
Depreciation and repair of assets	7,222,030	9,097,637	28.a Page 171
Other expenses	17,852,861	20,692,077	29.a Page 172
Total operating expenses (B)	190,945,617	165,982,659	
Profit before provision (C=A-B)	1,047,211,362	2,103,137,078	
Provision for loans, advances and leases			
General provision	(61,100,149)	70,756,724	12.1 Page 161
Specific provision	121,385,203	44,298,586	12.1 Page 161
Provision for diminution in value of investment	32,725,435	(5,055,310)	12.2.a Page 162
Total provision (D)	93,010,489	110,000,000	
Total profit before tax (C-D)	954,200,873	1,993,137,078	
Provision for tax			
Current	181,364,264	280,978,206	12.4.a Page 163
Deferred	24,066	(19,500,000)	
	181,388,330	261,478,206	
Net profit after tax	772,812,543	1,731,658,872	

Consolidated Profit and Loss Account - *continued*

(Figures in BDT)	2011	2010	Notes
Attributable to			
Shareholders of the company	672,516,582	1,729,562,977	
Minority interest	100,295,961	2,095,895	
Appropriations			
Statutory reserve	104,414,528	345,283,827	
General reserve	-	-	
Proposed cash dividend	-	-	
Proposed stock dividend	649,801,152	722,001,280	
Retained surplus	18,596,863	659,134,027	
Weighted average no. of outstanding shares	162,450,288	90,250,160	
Earnings per share (restated)	4.14	10.65	33.a Page 173

Notes:

The annexed notes 1 to 56 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 26 February 2012 and were signed on its behalf by:



Managing Director



Director



Chairman

Signed in terms of our separate report of even date annexed

Dhaka,
26 February 2012



A. Qasem & Co.
Chartered Accountants

Consolidated Cash Flow Statement

for the year ended 31 December

(Figures in BDT)	2011	2010
A. OPERATING ACTIVITIES		
Interest receipts	1,273,080,700	878,619,526
Interest payments	(3,188,280,904)	(775,533,030)
Fee and commission receipts	3,225,317,438	296,330,559
Dividend receipts	10,969,908	15,435,717
Capital gains from sale of listed shares	480,152,322	1,224,224,341
Cash payments to employees	(73,434,787)	(75,893,680)
Cash payments to suppliers and management expenses	(89,634,964)	(69,972,742)
Income taxes paid	(124,577,121)	(21,821,092)
Receipts from other operating activities	596,002,423	708,768,765
Payments for other operating activities	(936,931,864)	(1,743,174)
Cash generated before changes in operating assets and liabilities	1,172,663,151	2,178,415,190
Increase/(decrease) in operating assets and liabilities		
Net loans and advances to customers	(891,547,082)	(1,487,018,409)
Loans and deposits from banks and other customers	(266,048,186)	(611,132,130)
Cash generated from operating assets and liabilities	(1,157,595,268)	(2,098,150,539)
Net cash generated from operating activities	15,067,883	80,264,651
B) INVESTMENT ACTIVITIES		
Acquisition of property, plant and equipment	(11,347,715)	(9,605,257)
Disposal of fixed assets	40,000	-
Advance for purchase of vehicles	-	-
Sale of securities	1,153,221,949	1,470,854,894
Investment in securities	(1,323,867,438)	(1,368,269,361)
Investment in Prime Finance 1 st Mutual Fund	-	-
Investment in Prime Finance AMCL	-	(22,050,000)
Investment in PFI Securities Ltd.	-	(120,000,480)
Investment in Prime Finance Capital Management Ltd.	18,000,000	(600,000,000)
Investment in Prime Properties Ltd.	-	-
Investment in Prime Prudential Fund Ltd.	-	-
Net cash used in investing activities	(163,953,204)	(649,070,204)
C) FINANCING ACTIVITIES		
Dividend paid	-	-
Issuance of shares	-	1,000,000,000
Net cash used in financing activities	-	1,000,000,000
D) Net (decrease)/increase in cash and cash equivalents (A+B+C)	(148,885,321)	431,194,447
E) Effects of exchange rate changes on cash and cash equivalents	-	-
F) Cash and cash equivalents at beginning of the year	753,171,408	321,976,961
G) Cash and cash equivalents at end of the year (D+E+F)	604,286,087	753,171,408
Cash and cash equivalents at end of the year represents		
Cash in hand (including foreign currencies)	45,000	15,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	59,523,740	37,200,011
Balance with other banks and financial institutions	544,717,347	715,956,397
Total	604,286,087	753,171,408
Supplemental schedule for non-cash financing activities:		
Bonus share issued	722,001,280	257,857,600

Consolidated Statement of Changes in Equity

for the year ended 31 December

(Figures in BDT)

Particulars	Paid up capital	Statutory reserve	Other reserve	Retained earnings	Minority interest	Total
Balance as at 1 January 2011	902,501,600	651,297,442	221,943,750	1,715,745,762	402,095,895	3,893,584,449
Net profit for the year 2011	-	-	-	672,516,582	100,295,961	772,812,543
Transfer to statutory reserve	-	104,414,528	-	(104,414,528)	-	-
Issue of bonus share (2010)	722,001,280	-	-	(722,001,280)	-	-
Balance as at 31 December 2011	1,624,502,880	755,711,970	221,943,750	1,561,846,535	502,391,856	4,666,396,992
Balance as at 1 January 2010	644,644,000	306,013,615	221,943,750	653,788,612	400,000,000	2,226,389,977
Net profit for the year 2010	-	-	-	1,729,562,977	2,095,895	1,731,658,872
Transfer to statutory reserve	-	345,283,827	-	(345,283,827)	-	-
Issuance of bonus share (year 2009)	257,857,600	-	-	(257,857,600)	-	-
Payment of cash dividend (year 2009)	-	-	-	(64,464,400)	-	(64,464,400)
Revaluation of PFI Securities Ltd.	-	-	-	-	-	-
Balance as at 31 December 2010	902,501,600	651,297,442	221,943,750	1,715,745,762	402,095,895	3,893,584,449

Balance Sheet

as at 31 December

(Figures in BDT)	2011	2010	Notes
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)	40,000	15,000	
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	59,523,740	37,200,011	
Total cash	59,563,740	37,215,011	4 Page 145
Balance with other banks and financial institutions			
In Bangladesh	523,511,653	405,768,755	
Outside Bangladesh	-	-	
Total balance with other banks and financial institutions	523,511,653	405,768,755	5 Page 147
Money at call and on short notice	-	-	
Investments			
Government	-	-	
Others	1,007,221,310	1,257,130,031	
Total investments	1,007,221,310	1,257,130,031	6 Page 148
Loans, advances and leases			
Loans, advances and leases	8,705,279,178	8,720,700,063	
Bills purchased and discounted	-	-	
Total loans, advances and leases	8,705,279,178	8,720,700,063	7 Page 149
Fixed assets including premises, furniture and fixtures	323,776,965	323,617,525	8 Page 156
Other assets	3,336,698,993	2,456,394,681	9 Page 156
Non - business assets	-	-	
Total assets	13,956,051,839	13,200,826,066	
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	4,019,152,724	3,645,457,340	10 Page 158
Deposits and other accounts			
Current and other accounts	-	-	
Bills payable	-	-	
Savings accounts	-	-	
Term Deposits	4,315,609,590	3,760,306,212	11 Page 160
Bearer certificates of deposit	-	-	
Other deposits	-	-	
Total deposits and other accounts	4,315,609,590	3,760,306,212	
Other liabilities	1,610,872,174	2,306,717,803	12 Page 161
Total liabilities	9,945,634,488	9,712,481,355	

Balance Sheet - continued

(Figures in BDT)	2011	2010	Notes
Capital/shareholders' equity			
Paid up capital	1,624,502,880	902,501,600	13 Page 164
Statutory reserve	755,711,969	651,297,442	14 Page 166
Other reserve	-	-	
Retained earnings	1,408,258,752	1,712,601,919	15 Page 166
Revaluation reserve	221,943,750	221,943,750	
Total shareholders' equity	4,010,417,352	3,488,344,711	
Total liabilities and shareholders' equity	13,956,051,839	13,200,826,066	

OFF-BALANCE SHEET ITEMS

Contingent liabilities

Acceptances and endorsements	-	-	
Letters of guarantee	-	150,000,000	34 Page 173
Irrevocable letters of credit	-	-	
Bills for collection	-	-	
Other contingent liabilities	-	-	
Total contingent liabilities	-	150,000,000	

Other commitments

Documentary credits and short term trade-related transactions	-	-	
Forward assets purchased and forward deposits placed	-	-	
Undrawn note issuance and revolving underwriting facilities	-	-	
Undrawn formal standby facilities, credit lines and other commitments	-	-	
Total other commitments	-	-	
Total off-balance sheet items including contingent liabilities	-	150,000,000	

Notes:

The annexed notes 1 to 56 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 26 February 2012 and were signed on its behalf by:



Managing Director



Director



Chairman

Signed in terms of our separate report of even date annexed

Dhaka,
26 February 2012



A. Qasem & Co.
Chartered Accountants

Profit and Loss Account

for the year ended 31 December

(Figures in BDT)	2011	2010	Notes
Interest income	1,091,970,361	1,183,739,208	17 Page 167
Interest paid on deposits and borrowings etc.	(1,012,721,767)	(809,412,618)	18 Page 167
Net interest income	79,248,594	374,326,590	
Investment income	491,119,530	1,239,660,058	19 Page 168
Fees, commission, exchange and brokerage	1,521,398	296,330,559	20 Page 168
Other operating income	231,970,807	349,470,891	21 Page 169
	724,611,735	1,885,461,508	
Total operating income (A)	803,860,330	2,259,788,098	
Salaries and other employee benefits	103,690,944	86,317,698	22 Page 169
Rent, taxes, insurance, electricity etc.	7,472,711	6,747,441	23 Page 169
Legal expenses	343,372	830,208	
Postage, stamp, telecommunication etc.	13,243,679	28,209,889	24 Page 170
Stationery, printing, advertisements etc.	9,161,160	6,196,180	25 Page 170
Managing Director's salary and fees	3,922,621	7,023,779	
Directors' fees	820,000	513,000	26 Page 170
Auditors' fees	209,000	201,250	27 Page 171
Depreciation and repair of assets	6,335,343	9,097,637	28 Page 171
Other expenses	16,032,584	18,817,519	29 Page 171
Total operating expenses (B)	161,231,414	163,954,601	
Profit before provision (C=A-B)	642,628,916	2,095,833,497	
Provision for loans, advances and leases			
General provision	(61,100,149)	70,756,724	12.1 Page 161
Specific provision	121,385,203	44,298,586	12.1 Page 161
Provision for diminution in value of investment	28,271,220	(5,055,310)	12.2.1 Page 162
Total provision (D)	88,556,274	110,000,000	
Total profit before tax (C-D)	554,072,642	1,985,833,497	
Provision for tax			
Current	32,000,000	278,914,363	12.4 Page 162
Deferred	-	(19,500,000)	
	32,000,000	259,414,363	
Net profit after tax	522,072,642	1,726,419,134	

Profit and Loss Account - *continued*

(Figures in BDT)	2011	2010	Notes
Appropriations			
Statutory reserve	104,414,528	345,283,827	14 Page 166
General reserve	-	-	
Proposed cash dividend	-	-	
Proposed stock dividend	649,801,152	722,001,280	
Retained surplus	(232,143,039)	659,134,027	
Weighted average no. of outstanding share	162,450,288	90,250,160	
Earnings per share (restated)	3.21	10.63	33 Page 172

Notes:

The annexed notes 1 to 56 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 26 February 2012 and were signed on its behalf by:



Managing Director



Director



Chairman

Signed in terms of our separate report of even date annexed

Dhaka,
26 February 2012



A. Qasem & Co.
Chartered Accountants

Profit and Loss Account

(Merchant Banking Operation)

for the year ended 31 December

(Figures in BDT)	2011	2010	Notes
Fees, commission, exchange and brokerage	-	295,729,411	20 Page 168
Income from margin loan	-	459,900,048	17 Page 167
Other operating income	-	396,000	21 Page 169
Total operating income (A)	-	756,025,459	
Interest paid on borrowings	-	338,255,224	18 Page 167
Management expenses	-	40,257,035	30 Page 172
Provision for margin loan	-	7,557,092	
Total operating expenses (B)	-	386,069,351	
Profit from Merchant Banking operation (A-B)	-	369,956,108	

Notes:

The annexed notes 1 to 56 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 26 February 2012 and were signed on its behalf by:



Managing Director



Director



Chairman

Signed in terms of our separate report of even date annexed

Dhaka,
26 February 2012



A. Qasem & Co.
Chartered Accountants

Cash Flow Statement

for the year ended 31 December

(Figures in BDT)

	Notes	2011	2010
A. OPERATING ACTIVITIES			
Interest receipts		1,271,141,041	869,287,887
Interest payments		(936,884,051)	(775,522,197)
Fee and commission receipts		1,521,398	296,330,559
Dividend receipts		10,967,208	15,435,717
Capital gains from sale of listed shares		480,152,322	1,224,224,341
Cash payments to employees		(73,434,787)	(75,893,680)
Cash payments to suppliers and management expenses		(68,183,531)	(69,972,742)
Income taxes paid		(124,542,780)	(20,887,928)
Receipts from other operating activities	31	152,218,583	708,768,765
Payments for other operating activities	32	(10,668,442)	(1,743,174)
Cash generated before changes in operating assets and liabilities		702,286,961	2,170,027,548
Increase/(decrease) in operating assets and liabilities			
Net loans and advances to customers		(1,035,332,820)	(1,487,018,409)
Loans and deposits from banks and other customers		589,752,566	87,067,870
Cash generated from operating assets and liabilities		(445,580,254)	(1,399,950,539)
Net cash generated from operating activities		256,706,707	770,077,009
B) INVESTMENT ACTIVITIES			
Acquisition of property, plant and equipment		(6,563,801)	(9,605,257)
Disposal of fixed assets		40,000	-
Advance for purchase of Vehicles		-	-
Sale of securities		1,293,221,949	1,470,854,894
Investment in securities		(1,043,313,228)	(1,368,269,361)
Investment in Prime Finance 1 st Mutual Fund		-	-
Investment in Prime Finance AMCL		-	(22,050,000)
Investment in PFI Securities Ltd.		-	(120,000,480)
Investment in Prime Finance Capital Management Ltd.		(360,000,000)	(600,000,000)
Investment in Prime Properties Ltd.		-	-
Investment in Prime Prudential Fund Ltd.		-	-
Net cash used in investing activities		(116,615,080)	(649,070,204)
C) FINANCING ACTIVITIES			
Dividend paid		-	-
Issuance of shares		-	-
Net cash used in financing activities		-	-
D) Net (decrease)/increase in cash and cash equivalents (A+B+C)		140,091,627	121,006,805
E) Effects of exchange rate changes on cash and cash equivalents		-	-
F) Cash and cash equivalents at beginning of the year		442,983,766	321,976,961
G) Cash and cash equivalents at end of the year (D+E+F)		583,075,393	442,983,766
Cash and cash equivalents at end of the year represents			
Cash in hand (including foreign currencies)		40,000	15,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		59,523,740	37,200,011
Balance with other banks and financial institutions		523,511,653	405,768,755
Total		583,075,393	442,983,766
Supplemental schedule for non-cash financing activities:			
Bonus share issued		722,001,280	257,857,600

Statement of Changes in Equity

for the year ended 31 December

(Figures in BDT)

Particulars	Paid up capital	Statutory reserve	Other reserve	Retained earnings	Total
Balance as at 1 January 2011	902,501,600	651,297,442	221,943,750	1,712,601,919	3,488,344,711
Net profit for the year 2011	-	-	-	522,072,642	522,072,642
Transfer to statutory reserve	-	104,414,528	-	(104,414,528)	-
Issue of bonus share (2010)	722,001,280	-	-	(722,001,280)	-
Balance as at 31 December 2011	1,624,502,880	755,711,970	221,943,750	1,408,258,752	4,010,417,353
Balance as at 1 January 2010	644,644,000	306,013,615	221,943,750	653,788,612	1,826,389,977
Net profit for the year 2010	-	-	-	1,726,419,134	1,726,419,134
Transfer to statutory reserve	-	345,283,827	-	(345,283,827)	-
Issuance of bonus share (year 2009)	257,857,600	-	-	(257,857,600)	-
Payment of cash dividend (year 2009)	-	-	-	(64,464,400)	(64,464,400)
Balance as at 31 December 2010	902,501,600	651,297,442	221,943,750	1,712,601,919	3,488,344,711

Liquidity Statement (Assets and Liabilities maturity analysis)

as at 31 December 2011

(Figures in BDT)

Particulars	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total
Assets						
Cash	59,568,741	-	-	-	-	59,568,741
Balance with other banks and financial institutions	105,613,654	295,335,249	134,243,295	9,525,148	-	544,717,346
Money at call and on short notice	-	-	-	-	-	-
Investments	130,016,419	260,032,839	299,037,764	260,032,839	351,044,332	1,300,164,193
Loans, advances and leases	311,897,970	1,143,625,890	2,703,115,740	5,718,129,449	519,829,950	10,396,598,999
Fixed assets including premises, furniture and fixtures	9,830,226	19,660,452	85,195,290	196,604,515	163,837,100	327,674,193
Other assets	248,751,829	298,502,194	99,500,731	-	1,840,763,532	2,487,518,286
Total assets (A)	865,678,839	2,017,156,624	3,321,092,820	6,184,291,951	2,728,021,524	15,116,241,758
Liabilities						
Borrowings from other banks financial institutions and agents	40,191,527	80,383,055	803,830,545	1,929,193,308	1,165,554,291	4,019,152,726
Deposits	345,248,767	1,424,151,165	1,942,024,316	388,404,863	215,780,480	4,315,609,591
Provision and other liabilities	272,620,718	461,358,139	545,241,437	775,920,506	41,941,649	2,097,082,449
Total liabilities (B)	658,061,012	1,965,892,359	3,291,096,298	3,093,518,677	1,423,276,420	10,431,844,766
Net liquidity gap (A - B)	207,617,827	51,264,265	29,996,522	3,090,773,274	1,304,745,104	4,684,396,992

Notes to the Financial Statements

for the year ended 31 December 2011

1. GENERAL INFORMATION

1.1 Domicile, legal form and country of incorporation

Prime Finance & Investment Limited (Prime Finance) is a non-banking financial institution domiciled in Bangladesh. The Company was incorporated in Bangladesh in March 1996, as a public limited Company under the Companies Act 1994. Prime Finance started commercial operation in the year 1996, obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. Prime Finance also obtained license from the Securities and Exchange Commission 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 three branches located in Dhaka, Chittagong and Rajshahi.

1.2 Principal activities

The activities of the Company encompass a wide range of services, broadly classified as fund based services, depository custody, investment etc. The company also offers different deposit schemes as well.

Fund based services

Fund based services include lease finance, term finance, real estate finance, SME finance, hire purchase, bridge finance, bill discounting, factoring and margin loan etc.

Depository Custody Participant

Prime Finance & Investment Limited registered with the Securities and Exchange Commission to act as Custody Participant of Central Depository of Bangladesh Limited (CDBL). Under this license, Prime Finance is eligible to provide its clients the following services by maintaining and operating custody accounts:

- ❖ Safe keeping of securities of its clients;
- ❖ Collecting dividends, bonus shares etc. on behalf of its clients and depositing the same to their accounts;
- ❖ Collecting information of corporate declarations like rights issue, conversion of bond etc. and updating the account holders;

- ❖ Maintaining ledger and other documents of securities and fund of the account holders.
- ❖ Prime Finance can operate Clearing Accounts of stockbrokers or stock dealers also.

Deposit schemes

The company offers various deposit schemes to cater the deposit from the valued customers. Deposit schemes include Housing Deposit, Fortune Deposit, Double Income Deposit, Triple Money Program, Earn Ahead and Periodical Income Deposit.

1.3 Information regarding subsidiary & associated companies

As on 31 December 2011 Prime Finance has only one subsidiary to include for preparation of consolidated financial statements as per Bangladesh Accounting Standard: 27 'Consolidated and Separate Financial Statements'. However, as on 31 December 2011 Prime Finance has 4 (four) associated companies. The results of operations of the associates have been included in these financial statements following the equity method as per Bangladesh Accounting Standard: 28 'Investment in associates'. A brief description of the companies is described below:

1.3.1 Prime Finance Capital Management Limited

Prime Finance Capital Management Limited is a public limited company incorporated on 18 March 2010 in Bangladesh under the Companies Act 1994. The main objectives of the company are to carry on business of merchant banking. Prime Finance holds 60 percent shares in the company. Out of 9 (nine) directors, 3(three) directors have been nominated from Prime Finance.

1.3.2 PFI Securities Limited

Prime Finance provides share trading services through its 50% owned associated brokerage company - PFI Securities Limited. PFI Securities Limited is engaged in buying and selling of securities for its customers. It also extends margin loan to its customers against their margin for investment in the listed securities. The required margin level is monitored daily and pursuant to established

guidelines, customers are required to deposit additional margin to reduce the position, where necessary. As Prime Finance owns 50% of the voting shares of PFI Securities Limited and does not otherwise have the control, it is not a subsidiary.

Out of 12 (twelve) directors, 03 (three) directors have been nominated by Prime Finance to represent in the Board of the company.

1.3.3 Prime Finance Asset Management Company Limited

Prime Finance Asset Management Company Limited was incorporated in Bangladesh on 9 June 2008 as a public limited company incorporated under the Companies Act 1994. The objective of the company is to manage the assets of any Trust or Fund of any type and/or character and hold, acquire, sell or deal in such asset or any trust funds, take part in the management of any mutual fund operation. Operate, conduct, accomplish and establish services for industrial trading and commercial activities, invest funds in shares and securities, carry on business, and act as financial and monetary agent and merchandise shares and other securities. The company has received license from the Securities & Exchange Commission on 18 March 2009.

Prime Finance owns 49% shares in the company. Out of 09 (nine) directors, 01 (one) director has been nominated by Prime Finance to represent in the Board of the company.

1.3.4 Prime Prudential Fund Limited

Prime Prudential Fund Limited is a public limited company incorporated on 16 July 2009 in Bangladesh under the Companies Act 1994. The main objectives of the company are to manage funds of the company and its investors and provide other financial services including corporate advisory services, merger & acquisition, equity investment, joint venture sourcing and consummation, corporate restructuring, financial and socio-economic consultancy, corporate research and project studies, privatization and other related services in home and abroad. Prime Finance owns 40 percent shares in the company. Out of 07 (seven) directors, 01 (one) director has been nominated by Prime Finance to represent in the Board of the company.

1.3.5 PFI Properties Limited

PFI Properties Limited is a public limited company incorporated on 28 June 2009 in Bangladesh under the Companies Act 1994. The main objectives of the company are to acquire by purchase, lease, settlement or otherwise any land either from government, semi-government, autonomous body, any corporate body or from any private individual, firms, companies and corporations and to develop the same for the residential, industrial, commercial or housing purpose. Prime Finance owns 40 percent shares in the company. Out of 10 (ten) directors, 03 (three) directors have been nominated by Prime Finance to represent in the Board.

2. BASIS OF PREPARATION

The financial statements are prepared on the historical cost basis and therefore, did not take into consideration the effect of inflation. The financial statements have been prepared and the disclosures of information have been made in accordance with the DFIM circular no. 11 dated 23 December 2009 and requirement of the Financial Institutions Act, 1993, the Companies Act, 1994, the Securities and Exchange Rules, 1987, the Listing Rules of Dhaka Stock Exchange and Chittagong Stock Exchange, Guidelines from Bangladesh Bank, Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) and other applicable laws and regulations.

In the year 2009, Bangladesh Bank promulgated DFIM circular no. 11 dated 23 December 2009 suggesting uniform presentation and disclosure requirement within the industry. As a result, we compromised with the usual presentation of the financial statements.

There are some areas where application of BAS and BFRS differs from the application suggested by the Bangladesh Bank through DFIM circulars. As Bangladesh Bank is our primary regulator; we are required to follow the guidelines of Bangladesh Bank. At the same time we are also required to follow the guidelines issued by the Securities and Exchange Commission (SEC). For mitigating presentation and disclosure conflict we prepared the financial statements following DFIM circulars and present separate disclosure where deviations exists.

2.1 Accounting estimates

Preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual result could differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of the accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of Management estimates in these financial statements relate to the useful life of depreciable assets and provisions for loans/leases. However, assumptions and judgments made by Management in the application of accounting policies that have significant effect on the financial statements are not expected the result in material adjustment to the carrying amounts of assets and liabilities in the next year.

2.2 Risk and uncertainty for use of estimates

The preparation of financial statements in conformity with Bangladesh Accounting Standards 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 BAS 37: Provisions, Contingent Liabilities and Contingent Assets, provisions are recognized in the following situations:

- ❖ When the company has an obligation as a result of past events;
- ❖ When it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

- ❖ Reliable estimate can be made of the amount of the obligation.

2.3 Statement of compliance

The financial statements of Prime Finance include the Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Liquidity Statement and Notes to the Financial Statements. These financial statements are required to be prepared and presented within a framework of rules and guidelines - some mandatory and some recommendatory. The Companies Act, 1994 requires the production of the following as a part of the annual report:

- ❖ Board of Directors' report
- ❖ Auditors' report
- ❖ Balance sheet and
- ❖ Profit and loss account

In addition to the above, the Securities and Exchange Rules, 1987 (as amended in 1997) requires the production of a Cash Flow Statement and Statement of Changes in Shareholders' Equity as a part of the Annual Report. The Companies Act, 1994 provides basic requirements for accounting and reporting applicable to all companies incorporated in Bangladesh. The Securities and Exchange Commission (SEC) of Bangladesh regulates financial reporting practices of listed companies. Listed companies are required to comply with SEC's accounting and disclosure requirements. The Rules 1987 as amended in 1997, requires listed companies to follow Bangladesh Accounting Standards (BAS)/Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

These financial statements have been prepared and presented in accordance with the approved accounting and reporting standards as applicable in Bangladesh. Approved accounting standards comprise of International Accounting standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh. As of 31 December 2011 status and applicability of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) in the case of Prime Finance are as under:

Notes to the Financial Statements - *continued*

SL No.	BAS/BFRS	Applicability	Remarks
	Framework	Applied	
BAS 1	Presentation of Financial Statements (2008)	Applied	See note 54 <i>Page 178</i>
BAS 2	Inventories	N/A	
BAS 7	Cash Flow Statement	Applied	
BAS 8	Accounting Policies, Changes in accounting Estimates & Errors	Applied	
BAS 10	Events after the Reporting period	Applied	
BAS 11	Construction Contracts	N/A	
BAS 12	Income Taxes	Applied	
BAS 14	Segment Reporting	Applied	
BAS 16	Property, Plant and Equipment	Applied	
BAS 17	Leases	Applied	
BAS 18	Revenue	Applied	
BAS 19	Employee Benefits	Applied	
BAS 20	Accounting for Government Grants and Disclosure of Government Assistance	N/A	
BAS 21	The Effects of changes in Foreign Exchange Rates	Applied	
BAS 23	Borrowing costs (2008)	Applied	
BAS 24	Related Party Disclosures	Applied	
BAS 26	Accounting and Reporting by Retirement Benefit Plans	Applied	
BAS 27	Consolidated and Separate Financial Statements	Applied	
BAS 28	Investments in Associates	Applied	
BAS 31	Interests in Joint Venture	N/A	
BAS 32	Financial Instruments: Presentation	Applied	See note 55 <i>Page 178</i>
BAS 33	Earnings Per Share	Applied	
BAS 34	Interim Financial Reporting	Applied	
BAS 36	Impairment of Assets	Applied	
BAS 37	Provisions, Contingent Liabilities and Contingent Assets	Applied	
BAS 38	Intangible Assets	Applied	
BAS 39	Financial Instruments: Recognition and Measurement	Applied	See note 55 <i>Page 178</i>
BAS 40	Investment Property	N/A	
BAS 41	Agriculture	N/A	
BFRS 1	First time adoption of BFRS	N/A	
BFRS 2	Share Based Payment	N/A	
BFRS 3	Business Combinations	N/A	
BFRS 4	Insurance Contracts	N/A	
BFRS 5	Non-current Assets Held for Sale & Discontinued Operations	N/A	
BFRS 6	Exploration for and Evaluation of Mineral Resources	N/A	
BFRS 7	Financial Instruments: Disclosures	Applied	See note 55 <i>Page 178</i>
BFRS 8	Operating Segments	N/A	

2.4 Consistency

In accordance with the BFRS framework for the presentation of financial statements together with BAS 1 and BAS 8, Prime Finance applies the accounting disclosure principles consistently from one period to the next. Where selecting and applying new accounting policies, changes in accounting policies applied, correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS-8. We however have applied the same accounting and valuation principles in 2011 as in financial statements for 2010.

2.5 Segments

A segment is a distinguishable component of the company that engaged in providing different types of products and services, which is subject to requirement by local regulatory authority. The Securities & Exchange Commission of Bangladesh has directed to all banks and financial Institutions to separate Merchant Banking Unit by forming a new company. Accordingly Prime Finance has separated its Merchant Banking operation effective from 1 January 2011.

The Company provides different nature of services through its subsidiary and associate companies. Prime Finance Capital Management Limited as subsidiary company provides Merchant Banking services where Prime Finance itself provides financing services. Merchant banking operations include managing IPOs, underwriting of securities, management of investors' portfolio and other financial advisory services. Operating results of merchant banking operation have been presented separately as well as consolidated with that of the results of income from financing operations.

2.6 Basis of consolidation of operations of subsidiaries

The financial statements of the company and its subsidiaries have been consolidated in accordance with Bangladesh Accounting Standard 27 "Consolidated and Separate Financial Statements". The consolidation of the financial statement has been made after eliminating all material intra group balances, income and expenses arising from intra-group transactions.

The total profits of the company and its subsidiaries are shown in the consolidated profit and loss account with the proportion of

profit after taxation pertaining to minority shareholders being deducted as 'Minority Interest'. All assets and liabilities of the company and of its subsidiaries are shown in the consolidated balance sheet. The interest of minority shareholders of the subsidiaries are shown separately in the consolidated balance sheet under the heading 'Minority Interest'.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Lease Operations

Under BAS 17, lease operations are divided into finance leases and operating leases. Unlike operating lease, a finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Prime Finance as a Lessor

Under finance leases, Prime Finance recognizes the leased assets in the balance sheet as investment in lease assets at an amount equal to the net investment in the lease. The lease payments are broken down into the finance charge and the redemption payment. The redemption payment reduces the amount of the outstanding liability (net investment); the finance charge is treated as interest income. Interest and similar income is recognized on the basis of a constant, periodic rate of return relating to the net investment outstanding.

In contrast, assets held under operating leases are recognized and valued using the same principles as, property, plant and equipment. Prime Finance does not hold any property under operating lease.

Prime Finance as a Lessee

Under finance lease, the asset is recognized as property, plant and equipment, and the obligation as a liability. Each asset is stated at the lower of the following two values: either the fair value of the lease asset at the inception of the lease or, the present value of the minimum lease payments which ever is lower. In calculating the present value of the minimum lease payments, the interest rate implicit in the lease is applied.

Lease payments relating to finance leases are broken down into two components: the finance charge and the redemption payment. The redemption payment reduces the residual liability and the finance charges are shown as interest expenses.

3.2 Term Finance and other finance

Such investments are stated at un-amortized amount. The recovery of principal amount is amortized and the carrying amount is adjusted with the principal recovery and stated at un amortized principal amount.

Investments are classified as non-accrual when there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Whenever a payment is 3 months past due, investments are classified as non accrual even if they are fully secured and collection efforts are reasonably expected to result in repayment within 6 months.

When loans/leases are identified as non accrual, the recognition of accrued interest is discontinued and credited to interest suspense account. Interest received on non-accrual investments are credited to profit & loss account on cash basis. Non-accrual investments are returned to performing status when required amounts including interest need to classify as regular has been collected.

3.3 Margin loan

Prime Finance extends margin loan through its subsidiary to the portfolio investors at an agreed ratio (between investors deposit and loan amount) of purchased securities against the respective investor account. The investors are to maintain the margin as per set rules and regulations. The margin is monitored on daily basis as it changes due to change in market price of shares. If the margin falls below the minimum requirement, the investors are required to deposit additional fund to maintain the margin as per rules otherwise the securities are sold to bring the margin to the required level.

3.4 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 subsidiary investment as per Bangladesh Accounting Standards: 27 'Consolidated and Separate Financial Statements'. Interest of the minority shown as minority interest as separate line item of the shareholders equity which includes share capital of minority 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 BAS 28: 'Accounting for investment in associates'. Such investments are classified as other assets in the balance sheet and the share of profit/loss of such investment is classified under other operating income in the profit and loss account.

Recognition of income on the basis of distributions received from associate may not be an adequate measure of the income earned by the Company on an investment in an associate because the distributions received may bear little relation to the performance of the associate. Because of the Company has significant influence over the associates; the Company has an interest in the associate's performance and, as a result the return of investment. The Company's accounts for this interest by extending the scope of its Financial Statements to include its share of profit/loss of such an associate. As a result, application of the equity methods provides more informative reporting of the net assets and profit or loss of the investor.

3.5 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 each individual investment (where market price is less than cost) as guided by Bangladesh Bank. Unrealized gain or losses are not recognized in the profit and loss account.

Investment in unlisted securities:

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

3.6 Receivables

Accounts receivables

The main item included 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

Others receivables includes mainly receivable from accrued 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.

3.7 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.

3.8 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following bases-

- a) Balance with other banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term.
- b) Investments are on the basis of their respective maturity.
- c) Loans, advances and leases are on the basis of their repayment schedule.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their realization/amortization.
- f) Borrowings from other banks, financial institutions and agents are as per their maturity/repayment terms.
- g) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.
- h) Provisions and other liabilities are on the basis of their payment / adjustments schedule.

3.9 Fixed assets including premises, furniture and fixtures

Freehold assets

The cost of an item of property, plant and equipment is recognized as an asset if, and only

if, it is probable that the future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Property, plant and equipments are stated at cost less accumulated depreciation in compliance with the Bangladesh Accounting Standards (BAS)-16: Property, Plant and Equipment. The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes if any.

Pre-operating expenses and borrowing costs

In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalized. Expenses capitalized also include applicable borrowing cost considering the requirement of BAS 23: Borrowing Costs.

Subsequent expenditure

The company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable, that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the fixed assets, the expenditure is capitalized as an additional cost of the assets. All other costs are recognized to the profit and loss account as expenses. All up-gradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

Disposal of fixed assets including premises, furniture and fixtures

On disposal of fixed assets, the cost and accumulated depreciation are eliminated and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sales proceeds.

Depreciation on fixed assets including premises, furniture and fixtures

Depreciation of an asset begins when the asset is available for use. Depreciation is provided for the period in use of the assets. Full month's depreciation has been charged on additions irrespective of date when the related assets are put into use and no depreciation is charged for the month of disposal. Depreciation is provided at the following rates on straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets:

Motor vehicles	20% per annum
Electric equipment	20% per annum
Furniture & fixtures	15% -20% per annum
Office decoration	20% per annum

3.10 Intangible asset

Components

The main item included in intangible asset is software.

Basis of recognition

An Intangible Asset shall only be recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with

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

Subsequent expenditure

Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization

Intangible asset is valued at amortized cost and written down within 5 to 10 years.

3.11 Merchant Bank operation

As stipulated in the Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules, 1996, the services of issue management, portfolio management, underwriting of shares and securities and advisory services fall under the purview of Merchant Banking operation. Accordingly, profit and loss account of Merchant Banking operation includes income under the heads

stated above. Prime Finance & Investment Limited has established separate company named Prime Finance Capital Management Limited for its Merchant Banking Operation as required by the Securities and Exchange Commission.

3.12 Bank loans

Interest bearing bank loans are recorded at the proceeds received. Interest on bank loans is accounted for on an accrued basis to profit and loss account under the head of financial expense at the implicit rate of interest. The accrued expenses are not added to carrying amounts of the loans.

3.13 Borrowing costs

All borrowing costs are recognized in the profit or loss account in the period in which they are incurred.

3.14 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.

3.15 Provisions

Provisions are recognized when Prime Finance has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

3.16 Provision for doubtful losses

The provision for doubtful losses is maintained at a level that management considers adequate to absorb identified credit related losses in the portfolio as well as losses that have been incurred but are not yet identifiable.

The provision is increased by the provision for doubtful losses, which is charged to profit and loss account, and decreased by the amount of write-offs, net of reverses.

The provision is determined based on management's identification and evaluation of problem accounts, estimated probable losses that exist on the remaining portfolio and on other factors including the composition and quality of the portfolio and changes in economic condition.

The provision is estimated based on two principles: 1. Bangladesh Accounting Standards (BAS) 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 updation by Bangladesh Bank in this regard is the basis for calculating the provision for doubtful losses.

3.17 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years or are never taxable or deductible. Company's liability for current tax is calculated using tax rates that have been enacted the balance sheet date.

b. Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilized.

Deferred tax is calculated at the tax rates, which are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit and loss account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and Prime Finance intends to settle its current tax assets and liabilities on a net basis.

3.18 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.

a. Contributory provident fund

The Company operates a contributory provident fund for its permanent employees. The fund is approved by the National Board of Revenue (NBR), administered separately by a Board of Trustees and is funded by equal contribution from the Company and the employees. This fund is invested separately from the Company's assets.

b. Gratuity scheme

Prime Finance has a funded gratuity for all eligible employees who completed minimum 5 (five) years of continuous service with the Company. This scheme was approved by the National Board of Revenue (NBR) and is administered by an independent Board of Trustee. This fund is invested separately from the Company's assets. Required amount of gratuity is calculated on the basis, of last basic depending on the length of service for every completed year as well as proportionate to the fraction period of service as of the end of the respective financial year.

c. Funded pension scheme

Prime Finance has a funded pension scheme for employees who complete 10 years of service length. Obligation for contribution is recognized as expenses in the profit and loss account as incurred.

d. Hospitalization and other benefit plans

In addition to the above core benefit schemes Prime Finance also offers hospitalization benefit, annual health check up benefit and death & disability benefit. Prime Finance as part of its key strategy offers attractive bonus considering the pre tax profits, earnings per share and the return on average shareholders equity.

Prime Finance contributes funds to the plans and cost is accounted for in the period to which it relates. An Actuarial valuation has been performed to determine the present value of the accrued benefits. Actuarial report support that provision made against above-mentioned funds is adequate.

e. Employee home loan

To secure long-term commitment of deserving employees Prime Finance introduced 'PFI Employees Home Loan Policy 2008'. An employee served the company for continuous period of at least five years (3 years for the employees started from the position of AVP and above) is entitled to avail loan to purchase residential apartment, purchase of land and construction of house thereon etc. Interest rate of the loan is bank rate plus 1.5 percent.

f. Employee transport assistance scheme

Prime Finance provides car as well as car loan facility to the employee as per Transport Assistance Policy. Company provides full time car to the employees from the position of Senior Vice President. Employees in the position of Assistance Vice President and Vice President are entitled to avail interest free car loan facility. In addition to above facility the company provides pick and drop facility to the other employees.

g. Employee furniture and household assistance scheme

Prime Finance provides all confirmed employees ranking from Assistant Vice President up to Managing Director furnitures and household items. The facility is interest free and will be for a period of five years. An executive must serve for three years after availing this facility or he/she must surrender the un-amortized amount to the company.

h. Management of funds

The Board of Trustees administers the funds. Annual contribution to the gratuity and pension fund is based on expected cost to the company.

3.19 Interest suspense account

Accrued interest on lease, term finance, real estate finance, hire purchase agreement classified as Special Mentioned Account, Sub-Standard, Doubtful and Bad loan are not recognized as income rather transferred to interest suspense accounts as complied with Bangladesh Bank guidelines. Recovery of overdue credited to interest suspense account is recognized as income on cash basis.

3.20 Revenue recognition

Revenue is recognized in accordance with Bangladesh Accounting Standard (BAS) 18: Revenue Recognition unless otherwise

mentioned or otherwise guided by the separate BAS/BFRS.

a. Lease income

The excess of gross lease rentals receivable over the cost of the leased assets constitutes the total unearned income at the commencement of the execution of lease. This income is allocated over the period of lease that reflects a constant periodic return on the net investment. The pattern of the periodic return is, however, differs in case of structured lease finance depending on the structure of the particular lease contract. Income is recognized when it is earned, i.e. income on due installments on unclassified leases irrespective of whether received or not. Income is not taken into profit and loss account when a lease is classified as SMA and above and kept in interest suspense account. Interest on classified lease is accounted for on cash basis.

b. Income from term finance

Interest income on term finance is recognized on accrual basis. Installment comprises both interest and principal. Interest part of the installments that become receivable is recognized as income in the financial statements. Interest on term finance ceases to be taken into income when such term finance are classified as SMA and above and kept in interest suspense account. Interest on classified term finances is accounted for on cash basis.

c. Income from stock on hire

This consists of interest accrued on investment made under stock on hire scheme (hire purchase investment). Income is recognized when the income is earned, i.e. interest on due installments on unclassified advances irrespective of whether received or not. Interest ceases to be taken into income when such investments are classified as SMA and above, and kept in interest suspense account. Interest on classified investment is accounted for on cash basis.

d. Income from real estate finance

Interest income from real estate finance is recognized on accrual basis. Interest portion of the installments that become receivable is recognized as income in the financial statements. Interest on such finance ceases to be taken into income when such finance is classified as SMA and above and kept in interest suspense account. Interest on classified finance is accounted for on cash basis.

e. Income from margin loan

Income from margin loan is recognized on accrual basis. Such income is calculated considering daily margin loan balance of the respective parties. Income is recognized on quarterly rest.

f. Income from secured term finance

Income from secured term finance is recognized on accrual basis.

g. Dividend income

Dividend on ordinary shares

Dividend income from ordinary shares is recognized when the shareholders' legal rights to receive payments have been established i.e. during the period in which dividend is declared in the Annual General Meeting. Dividend declared but not received is recognized as deemed dividend.

Dividend on preference shares

Dividend from preference shares is recognized on cash basis.

h. Share of Income from associates & subsidiary

As per BAS 28, equity method has been followed to recognize share of income from associates and is presented as a separate item in the Profit & Loss Account of the Company. Any distribution received from the associate reduces the carrying amount of investment. However, consolidated financial statements has been prepared for the subsidiary.

i. Fee based income

Fee based income is recognized on cash basis.

j. Gain on sale of securities

Capital gain on disposal of securities listed in the stock exchanges is recorded on realized basis. i.e. only when the securities are sold in the market. Unrealized capital gains are not accounted for in the profit and loss account.

3.21 Payment of dividend

Interim dividends are recognized when they are paid to shareholders. Final dividend is recognized when it is approved by the shareholders.

The proposed cash dividend not recognize as a liability in the balance sheet in accordance with the BAS 10: Events After the Balance Sheet date. 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.

BAS 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.

3.22 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. If any such indication exists, the assets recoverable amount is estimated.

Any impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

3.23 Related party transactions

All transactions involving related parties arising in normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation models.

3.24 Statutory reserve

Financial Institutions Regulations 1994 requires NBFIs to transfer 20% of its current year's profit to reserve fund until such reserve equals to its paid up share capital. In conformity with the above requirement, Prime Finance & Investment Limited transfers 20% of net profit to statutory reserve before declaration of dividend.

3.25 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

Notes to the Financial Statements - continued

be suffered by the counter party as a consequence of the transaction. The terms of these indemnifications clause vary based upon the contract.

3.26 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 BAS 37.

3.27 Earnings per share

The Company calculates Earnings Per Share (EPS) in accordance with BAS 33: Earnings Per Share, which has been shown on the face of Profit and Loss account, and the computation of EPS is stated in the notes to the financial statements.

a. Basic earnings per share

This represents earnings for the year attributable to ordinary shareholders. As there was no preference dividend or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

b. Diluted earnings per share

Diluted earnings per share reflects the potential dilution that could occur if additional ordinary shares are assumed to be issued under securities or contracts that entitle their holders to obtain ordinary shares in future, to the extent such entitlement is not subject to unresolved contingencies.

Effect of dilution to weighted average number of ordinary shares is given for potential ordinary shares. At 31 December 2011, there was no scope for dilution and hence no diluted EPS is required to be calculated.

c. Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the numbers of days the specific shares were outstanding as a proportion of the total number of days in the year.

3.28 Uniform accounting policies

The financial statements of Prime Finance & Investment Limited, PFI Securities Limited and Prime Finance Asset Management Company Limited, PFI Properties Limited, Prime Prudential Fund Limited and Prime Finance Capital Management Limited have been prepared in accordance with the uniform principles of accounting.

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

Bangladesh Bank is the prime regulatory body for all non-banking financial institutions in Bangladesh. Some requirements of Bangladesh Bank contradict with those of BAS/BFRS. As such the company has departed from those contradictory requirements of BAS/BFRS in order to comply with the rules and regulations of Bangladesh Bank, which are disclosed in note no. 54 and 55 of these financial statements.

4. CASH

This is made up as under:

Cash in hand:

(Figures in BDT)	2011	2010
Local currency	40,000	15,000
Foreign currencies	-	-
Total	40,000	15,000

Balance with Bangladesh Bank:

Local currency	59,523,740	37,200,011
Foreign currencies	-	-
Total	59,523,740	37,200,011
Total	59,563,740	37,215,011

Notes to the Financial Statements - *continued*

4.a CASH:

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	40,000	15,000
Prime Finance Capital Management Limited	5,000	-
Total	45,000	15,000

Balance with Bangladesh Bank & its Agent Banks:

Prime Finance & Investment Limited	59,523,740	37,200,011
Prime Finance Capital Management Limited	-	-
Total	59,568,740	37,215,011

4.1 Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)

Cash Reserve Requirement and Statutory Liquidity Reserve have been calculated and maintained in accordance with FID circular no.6 dated 6 November 2003.

4.1.1 Cash Reserve Requirement (CRR):

(Figures in BDT)	2011	2010
2.5% of average balance of term deposit		
Required reserve	60,267,000	36,084,000
Actual reserve held	71,490,000	37,200,011
Surplus/(deficit)	11,223,000	1,116,011

4.1.2 Statutory Liquidity Ratio (SLR):

5% of average liabilities excluding fund from Banks / FIs		
Required reserve	184,136,000	208,139,000
Actual reserve held (4.1.4)	583,075,393	442,983,766
Surplus/(deficit)	398,939,393	234,844,766

4.1.3 Held for Cash Reserve Requirement (CRR):

Balance with Bangladesh Bank and its agent bank(s) as per statement	59,523,740	37,200,011
Total	59,523,740	37,200,011

4.1.4 Held for Statutory Liquidity Ratio (SLR) :

Cash in hand	40,000	15,000
Balance with Bangladesh Bank and its agent bank(s) as per statement	59,523,740	37,200,011
Balance with other banks and financial institutions (note-5)	523,511,653	405,768,755
Total	583,075,393	442,983,766

4.1.5 Cash in hand

Cash in hand represents the amount under imprest system of petty cash to meet petty cash expenses both for head office and branch offices. Under this system the Company along with its subsidiary, maintains imprest of Tk. 45,000. As per Bangladesh Bank guidelines, NBFIs 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 required by 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. On 31 December 2011 CRR have been maintained properly.

5. BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

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

(Figures in BDT)

	2011	2010
Fixed Deposit Account		
First Security Islami Bank Limited	10,000,000	100,000,000
Social Islami Bank Limited	10,000,000	100,000,000
LankaBangla Finance Limited	90,000,000	90,000,000
Phoenix Finance & Investment Limited	7,095,437	7,095,437
Dhaka Bank Limited	20,000,000	10,000,000
Southeast Bank Limited	-	20,000,000
Total	137,095,437	327,095,437
Current Account		
Dhaka Bank Limited	901	901
First Security Islami Bank Limited	620	620
Islami Bank Bangladesh Limited	153	2,428
Total	1,674	3,949
Short Term Deposit		
BRAC Bank Limited	27,905	27,593
Dhaka Bank Limited	6,073	6,925
Dutch Bangla Bank Limited	3,141,028	938,432
EXIM Bank Limited	5,734	6,559
ICB Islami Bank Limited	29,649	29,769
Jamuna Bank Limited	(86,951)	(2,088,496)
Mercantile Bank Limited	143,042	137,057
Mutual Trust Bank Limited	459,742	433,694
National Credit & Commerce Bank Limited	692	1,548,270
One Bank Limited	20,725	21,848
Premier Bank Limited	143,752	140,238
Prime Bank Limited	27,291,997	9,044,898
Shahajalal Islami Bank Limited	43,499,062	59,608,726
Social Islami Bank Limited	3,956	3,956
Southeast Bank Limited	741,816	8,727,449
Standard Bank Limited	1,064,381	11,132
The City Bank Limited	300,253,335	55,133
Trust Bank Limited	15,614	16,186
Al Arafa Islami Bank Limited	23,205	-
IFIC Bank Limited	9,629,785	-
Total	386,414,542	78,669,369
Total	523,511,653	405,768,755

Fixed deposits are maintained with commercial banks and Non-bank financial institutions for maintaining Statutory Liquidity Ratio as required by Bangladesh Bank. Bangladesh Bank regulations require to maintain Statutory

Liquidity Ratio (SLR) @ 5% including the CRR of 2.5% on total liabilities, excluding loans from banks and financial institutions. Prime Finance maintains this reserve mostly in the form of deposits.

Notes to the Financial Statements - *continued*

(Figures in BDT)	2011	2010
Maturity wise grouping		
Up to 1 month	436,416,216	78,673,318
1 month to 3 months	40,000,000	220,000,000
3 months to 1 year	47,095,437	100,000,000
1 year to 5 years	-	7,095,437
More than 5 years	-	-
Total	523,511,653	405,768,755

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

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	523,511,653	405,768,755
Prime Finance Capital Management Limited	21,205,694	310,187,642
Total	544,717,347	715,956,397

6. INVESTMENTS

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

(Figures in BDT)	2011	2010
Government securities	-	-
Other investments (note 6.1)	1,007,221,310	1,257,130,031
Total	1,007,221,310	1,257,130,031

6.1 Other investments

(Figures in BDT)			2011	2010
Ordinary share	No of Company	Market Value	Cost	Cost
Listed securities	40	996,473,891	807,804,610	1,200,905,031
Unlisted securities	2	154,416,700	154,416,700	4,416,700
Unit Fund	1	30,000,000	30,000,000	30,000,000
Preference Share	1	15,000,000	15,000,000	21,808,300
Balance at 31 December	44	1,195,890,591	1,007,221,310	1,257,130,031

Listed Securities

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 2011 was 29 December).

Sector wise investments in securities at cost

(Figures in BDT)	2011	2010
Banking companies	71,408,102	221,407,106
Non Banking Financial Institutions	58,131,574	81,232,296
Insurance companies	209,401,954	189,995,483
Investment companies	293,678,031	294,187,504
Fuel & power	110,599,694	206,059,324
Manufacturing companies and others	264,001,955	264,248,3183
Total investments at 31 December	1,007,221,310	1,257,130,031

Notes to the Financial Statements - *continued*

Maturity wise grouping	2011	2010
Up to 1 month	118,470,217	146,901,917
1 month to 3 months	157,960,288	195,869,222
3 months to 1 year	105,627,822	130,977,472
1 year to 5 years	621,601,100	778,964,720
More than 5 years	3,561,883	4,416,700
Total	1,007,221,310	1,257,130,031

Unrealized gain on investments in listed securities

At 31 December 2011, there was Tk. 235.57 million of gross unrealized gain on investment in listed security. This gain was not recognized as income in the financial statements (see note 55).

Unlisted Securities

Investment in unlisted share includes among other investment in ordinary shares of Tk. 4.42

million in Central Depository Bangladesh Limited. The unlisted investments are shown at cost because the fair value cannot be measured reliably.

Preference shares

Investment in Preference shares includes investment in the preference shares of Confidence Salt Limited.

6.a INVESTMENTS (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	1,007,221,310	1,257,130,031
Prime Finance Capital Management Limited	292,942,883	-
Balance as on 31 December	1,300,164,193	1,257,130,031

7. LOANS, ADVANCES AND LEASES

This represents loans, advances and leases financed fully in Bangladesh.

(Figures in BDT)	2011	2010
Lease finance (note 7.1)	1,229,318,741	1,339,525,803
Advance against lease finance (note 7.2)	50,000,000	58,584,203
Term finance (note 7.3)	7,178,981,641	4,198,313,791
Margin loan (note 7.4)	-	2,910,729,240
Real estate finance (note 7.5)	132,800,244	138,807,764
Housing finance (note 7.6)	3,826,264	3,935,852
Loan against deposits (note 7.7)	35,621,684	1,886,078
Hire purchase finance (note 7.8)	11,503,895	11,297,522
Staff loan (note 7.9)	63,226,709	57,619,810
Total	8,705,279,178	8,720,700,063

7.1 Lease finance

(Figures in BDT)	2011	2010
Principal outstanding (note 7.1.1)	1,045,989,679	1,162,562,223
Accounts receivable	183,329,062	176,963,580
Total	1,229,318,741	1,339,525,803

Notes to the Financial Statements - *continued*

7.1.1 Principal outstanding

(Figures in BDT)	2011	2010
Gross rental receivables	1,292,637,939	1,391,262,141
Unearned lease income	(246,648,260)	(228,699,918)
Net investment	1,045,989,679	1,162,562,223
Movement of lease finance:		
Cost of lease assets (A)	2011	2010
Balance at 1 January	2,331,687,175	2,586,598,921
Addition during the year	231,417,938	111,450,571
Disposal during the year	(429,618,262)	(366,362,317)
Balance at 31 December	2,133,486,851	2,331,687,175
Accumulated depreciation (B)		
Balance at 1 January	1,162,562,223	1,087,024,315
Addition during the year	497,660,557	480,224,730
Adjustment due to disposal	(572,725,608)	(398,124,093)
Balance at 31 December	1,087,497,172	1,169,124,952
Written down value of lease assets (A-B) at 31 December	1,045,989,679	1,162,562,223

7.2 Advance against lease finance

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

(Figures in BDT)	2011	2010
Principal outstanding	7,106,405,301	4,131,288,877
Accounts receivable	72,576,340	67,024,914
Total	7,178,981,641	4,198,313,791

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) as on 31 December 2011 and 2010 are as under:

(Figures in BDT)	2011	2010
Balance at 1 January	4,131,288,877	3,010,739,784
Investment during the year	7,247,136,225	1,826,000,000
Recovery during the year	(4,272,019,801)	(705,450,907)
Balance at 31 December	7,106,405,301	4,131,288,877

7.4 Margin loan

This represents net disbursement of margin loan to the portfolio investors for purchasing shares listed in the stock exchange against their

margin. Loans are fully secured by way of lien on shares purchased under margin loan account. This is made up as under:

(Figures in BDT)	2011	2010
Gross margin loan to the investors	-	2,984,970,698
Margin deposit	-	(74,241,458)
Net margin loan	-	2,910,729,240

Notes to the Financial Statements - *continued*

Movements of margin loan as on 31 December 2011 and 2010 are as under:

(Figures in BDT)	2011	2010
Balance at 1 January	2,910,729,240	2,209,370,632
Investment during the year	-	26,236,693,456
Recovery during the year	-	(25,535,334,848)
Transferred to PFCML	(2,910,729,240)	-
Balance at 31 December	-	2,910,729,240

7.5 Real estate finance

This represents outstanding amount of real estate finance as at 31 December. Details are as under:

(Figures in BDT)	2011	2010
Principal outstanding	132,029,039	138,674,110
Accounts receivable	771,205	133,654
Total	132,800,244	138,807,764

Real estate finance includes Tk. 27.50 million as advance to be executed on later date as per terms of agreement.

Movement of real estate finance (principal outstanding) as on 31 December 2011 and 2010 are as under:

(Figures in BDT)	2011	2010
Balance at 1 January	138,674,110	118,328,294
Investment during the year	5,000,000	55,866,346
Recovery/adjustment during the year	(11,645,071)	(35,520,530)
Balance at 31 December	132,029,039	138,674,110

7.6 Housing finance

This represents disbursement made against Bangladesh Bank Housing refinancing scheme. The usual term of the finance is matched with

the facilities provided by the Bangladesh Bank. Details are as under:

(Figures in BDT)	2011	2010
Principal outstanding	3,826,264	3,935,852
Account receivable	-	-
Total	3,826,264	3,935,852

Movement of finance (principal outstanding) are as under:

(Figures in BDT)	2011	2010
Balance at 1 January	3,935,852	-
Investment during the year	-	4,000,000
Recovery/adjustment during the year	(109,588)	(64,148)
Balance at 31 December	3,826,264	3,935,852

7.7 Loan against deposits

This represents outstanding loans given to depositors against term deposits. As per company's policy, Prime Finance finances to depositors as agreement done with the

depositor on TDR value. Generally interest is charged on such loan @ 2% above the interest offered on TDR.

Notes to the Financial Statements - *continued*

Movement of loan against term deposit as on 31 December 2011 and 2010 are as under:

(Figures in BDT)	2011	2010
Balance at 1 January	1,886,078	1,696,006
Investment during the year	34,326,621	10,815,000
Recovery/adjustment during the year	(591,015)	(10,624,928)
Balance at 31 December	35,621,684	1,886,078

7.8 Hire purchase finance

This represents outstanding loan under hire purchase scheme at the balance sheet date. Such loan was provided to the hire purchasers for procurement of motor vehicles, office

equipments, household durables and others consumable items for the period ranging usually from 12 to 72 months. Details are as under:

(Figures in BDT)	2011	2010
Principal outstanding	8,885,995	9,530,122
Account receivable	2,617,900	1,767,400
Balance at 31 December	11,503,895	11,297,522

Movement of hire purchase finance (principal outstanding) are as under:

(Figures in BDT)	2011	2010
Balance at 1 January	9,530,122	10,426,937
Investment during the year	-	-
Adjustment/Recovery during the year	(644,127)	(896,815)
Balance at 31 December	8,885,995	9,530,122

7.9 Staff loan

Staff loan includes loan provided to the eligible employees as per company's approved policy

(Figures in BDT)	2011	2010
Employees home loan	61,491,545	53,780,610
Employees car loan	1,735,164	3,839,200
Balance at 31 December	63,226,709	57,619,810

7.10 Classification wise loans, advances and leases

(Figures in BDT)	2011	2010
Unclassified :		
Standard	7,990,564,595	7,844,592,095
Special Mention Account	150,647,557	332,740,043
	8,141,212,152	8,177,332,138
Classified :		
Sub-standard	62,768,026	27,240,268
Doubtful	35,059,207	88,443,679
Bad/loss	466,239,793	427,683,978
	564,067,026	543,367,925
Total	8,705,279,178	8,720,700,063

7.11 Geographical location wise loans, advances and leases

(Figures in BDT)	2011	2010
Dhaka Division	7,560,619,941	8,085,290,428
Chittagong Division	1,144,659,237	635,409,635
Total	8,705,279,178	8,720,700,063

7.12 Sector wise loans, advances and leases

As per Bangladesh Bank circular, sector wise loans and advances are as follows-

(Figures in BDT)	2011	2010
Sector		
Trade and Commerce	2,523,841,940	1,423,627,540
Industry		
Garments and Knitwear	762,376,230	712,807,230
Textile	469,955,030	487,225,750
Jute and Jute Products	3,677,088	5,684,770
Food Products and Processing Industry	483,222,470	210,075,560
Plastic Industry	-	77,013,850
Leather and Leather-Goods	-	-
Iron, Still and Engineering	646,527,940	172,533,850
Pharmaceuticals and Chemicals	139,390,620	204,719,150
Cement and Allied Industry	-	14,842,250
Telecommunication and Information Technology	-	-
Paper, Printing and Packaging	43,424,880	54,921,780
Glass, Glassware and Ceramic Industry	-	-
Ship Manufacturing Industry	-	320,364,520
Electronics and Electrical Products	5,985,310	432,543
Power, Gas, Water and Sanitary Service	87,723,330	342,369,850
Transport and Aviation	369,893,770	377,450,890
Agriculture	12,658,140	16,307,850
Housing	523,831,510	169,626,520
Others:		
Merchant Banking	1,235,658,540	-
Margin Loan	-	2,984,971,580
Others	1,397,112,380	1,145,724,580
Grand Total	8,705,279,178	8,720,700,063

7.13 Significant concentration wise loans, advances and leases

(Figures in BDT)	2011	2010
Loans, advances and leases to-		
Directors and their concerns	1,849,292,971	356,809,938
Chief executive and other senior executives	63,226,709	57,619,810
Customer groups	6,792,759,498	8,306,270,315
Total	8,705,279,178	8,720,700,063

7.14 Details of large loans, advances and leases

As per Section 14 (1) (ga) of the Financial Institutions Act 1993 a financial institution can not sanction any loan exceeding 30 percent of

its capital (capital plus reserve) without permission from Bangladesh Bank. During the year 2011 Prime Finance has no such loan.

	2011	2010
No. of clients	-	-
Amount of outstanding loans, advances and leases	-	-
Amount of classified loans, advances and leases	-	-
Measures taken for recovery	N/A	N/A

Notes to the Financial Statements - *continued*

7.15 Particulars of loans, advances and leases

(Figures in BDT)

SI No	Particulars	2011	2010
I.	Loans considered good in respect of which the company is fully secured	5,017,884,075	5,556,233,309
II.	Loans considered good against which the company holds no other security than the debtors' personal guarantee	2,293,097,224	2,350,320,933
III.	Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor	1,394,297,879	814,145,821
IV.	Loans/leases adversely classified; provision not maintained there-against	-	-
Total		8,705,279,178	8,720,700,063
V.	Loans due by directors or officers of the company or any of them either severally or jointly with any other persons	1,912,519,680	414,429,748
VI.	Loans due by companies or firms in which the directors or officers of the company are interested as directors, partners or managing agents or, in case of private companies, as members	1,849,292,971	356,809,938
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	1,912,519,680	414,429,748
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	1,849,292,971	356,809,938
IX.	Due from banking companies/financial institutions	-	-
X.	Classified loan for which interest not charged	564,067,026	543,367,924
A.	Increase/decrease of provision (specific)	121,385,203	44,298,586
	Amount of debts written off	121,631,740	-
	Amount realized against the debts previously written off	36,072,461	15,766,738
B.	Provision kept against the debt classified as bad/loss at the date of balance sheet	218,424,760	184,613,216
C.	Amount of interest creditable to the interest suspense account	96,519,166	125,223,141
XI.	Cumulative amount of the written off loans/leases:		
	Opening balance	191,896,891	207,263,639
	Amount written off during the year	121,631,740	-
	Cumulative to date	328,895,370	207,263,630
	The amount of written off loans for which law suit filed	328,895,370	207,263,630

7.16 Particulars of required provision for loans, advances and leases

Required provision has been made on the overdue as per Bangladesh Bank guidelines. As per guidelines, provisions at the following rate

have been made in the accounts depending on the overdue status.

Notes to the Financial Statements - *continued*

Investment up to 5 years term	Classification status	Provision (%)
Up to 2 months	UC	1
3 to 5 months	SMA	5
6 to 11 months	SS	20
12 to 17 months	DF	50
18 months and above	BL	100

Investment exceeding 5 years term	Classification status	Provision (%)
Up to 5 months	UC	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:

(Figures in BDT)			2011	2010
Unclassified - General provision	Base for provision	Rate	Provision	Provision
Standard	7,990,564,719	1%	79,905,647	79,188,336
Special Mention Account (SMA)	150,647,557	5%	7,532,378	16,637,002
Total	8,141,212,276		87,438,025	95,825,338
Classified - Specific provision				
Sub-standard	31,263,658	20%	6,252,732	3,395,670
Doubtful	6,510,656	50%	3,255,328	19,795,005
Bad/loss	218,424,760	100%	218,424,760	184,613,216
Total	256,199,074		227,932,820	207,803,891
Required provision for loans, advances and leases			315,370,845	303,629,229
Total provision maintained for loans, advances and leases			315,394,527	356,365,748
Excess provision for loans, advances and leases			23,682	52,736,519

7.17 Maturity wise grouping

(Figures in BDT)	2011	2010
Repayable on demand	-	-
Not more than 3 months	3,153,733,732	3,159,344,839
3 months to 1 year	2,153,176,427	2,156,981,166
1 year to 5 years	3,350,897,407	3,356,818,562
More than 5 years	47,471,612	47,555,496
Total	8,705,279,178	8,720,700,063

7.a LOANS, ADVANCES AND LEASES (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	8,705,279,176	8,720,700,063
Prime Finance Capital Management Limited	2,926,977,706	-
Adjustment for dealing with subsidiary	(1,235,657,883)	-
Balance as on 31 December	10,396,598,999	8,720,700,063

Notes to the Financial Statements - *continued*

8. FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES

(Figures in BDT)	2011	2010
Cost:		
Land	305,151,022	305,151,022
Furniture and fixtures	9,792,198	9,839,278
Office decoration	7,562,927	8,248,291
Electric equipment	14,933,507	13,329,778
Owned vehicles	9,015,641	9,015,641
Leased vehicles	14,326,385	10,443,614
Intangible assets (software)	1,250,000	1,250,000
Total cost	362,031,680	357,277,624
Less: Accumulated depreciation and amortization	38,254,715	33,660,099
Written down value at the end of the year	323,776,965	323,617,525

Details are shown in Annexure - A.

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

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	323,776,965	323,617,525
Prime Finance Capital Management Limited	3,897,227	-
Balance as on 31 December	327,674,192	323,617,525

Land

Prime Finance acquired 15 kathas land at a cost of Tk.305.15 million at 10 Panthapath, Dhaka for constructing the company's corporate office.

9. OTHER ASSETS

(Figures in BDT)	2011	2010
Income generating other assets:		
Investment in associates and subsidiary (note 9.1)	2,090,293,141	1,643,212,483
Accrued interest	591,845,078	262,308,247
	2,682,138,219	1,905,520,730
Non income generating other assets:		
Advance office rent	535,880	250,000
Advance for office decoration	7,496,077	4,026,057
Advance to employees	-	25,000
Deposits with T & T, Petroleum Corporation etc.	385,500	106,700
Advance corporate tax	201,760,265	77,217,484
Receivable from brokerage houses against sale of Shares	382,374,035	424,065,904
Receivable from provident fund account	2,081,646	20,541,393
Receivable from associates and subsidiary company	10,985,763	6,273,382
Interest during the Construction Period (IDCP) receivable	2,392,595	5,076,214
Transfer price receivable	1,035,073	1,035,073
Advance against purchase of vehicles	1,426,722	-
Advance against advertisement	2,786,865	2,586,865
Others	41,300,353	9,669,879
Total	654,560,774	550,873,951
Total	3,336,698,993	2,456,394,681

Management considers all the other assets as good.

9.1 Investment in associates & subsidiary

Investment in associates are recorded under the Equity Method as per BAS-28 "Investment in Associates". Under the equity method, the investments in the associates are carried in the Balance Sheet at cost plus post-acquisition changes in the Company's share of net assets of the associates. Losses in excess of the cost of the investment in an associate are recognized when the Company has incurred obligations on its behalf. Profit and Loss Account reflects the Company's share of the results of operations of

the associates. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Prime Finance has four associates on the date of reporting. On the other hand Prime Finance has one subsidiary on the date of reporting. Consolidated financial statements has been prepared for subsidiary following the requirements of BAS 27.

Movement of investment in subsidiary & associates

(Figures in BDT)	Balance as on 01 Jan 2011	Investment/ (Adjustment)	Revaluation reserve	Profit- equity method	Balance as on 31 Dec'11
PFI Securities Ltd.	957,554,338	-	-	117,018,341	1,074,572,679
PFAMCL	31,594,107	-	-	81,931	31,676,038
Prime Prudential Fund Ltd.	32,437,444	-	-	(13,369,561)	19,067,883
PFI Properties Ltd.	21,626,594	-	-	(16,650,053)	4,976,541
Prime Finance Cap Mgt	600,000,000	360,000,000	-	-	960,000,000
Total	1,643,212,483	360,000,000	-	87,080,658	2,090,293,141

(Figures in BDT)	Balance on 01 Jan 2010	Investment/ (Adjustment)	Revaluation reserve	Profit- equity method	Balance on 31 Dec'09
PFI Securities Ltd.	533,722,917	120,000,300	-	303,830,941	957,554,338
Prime Finance 1st MF	-	-	-	-	-
PFAMCL	6,216,709	22,050,000	-	3,327,398	31,594,107
Prime Prudential Fund Ltd.	9,909,957	-	-	22,527,487	32,437,444
PFI Properties Ltd.	19,994,635	-	-	1,631,959	21,626,594
Prime Finance Cap Mgt	-	600,000,000	-	-	600,000,000
Total	569,844,218	742,050,300	-	331,317,785	1,643,212,483

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

Name of the companies	Nature of the business	Type of Shares	Share holding %	Face value	Book value per share
PFI Securities Limited	Brokerage House	Ordinary	46.15	10	15.36
Prime Finance AMCL	Asset management	Ordinary	49.00	100	107.83
Prime Prudential Fund Ltd.	Investment in securities, debentures, bonds etc.	Ordinary	40.00	10	11.52
PFI Properties Ltd.	Constructing building, developing townships	Ordinary	40.00	10	2.61
Prime Fin. Cap. Mgt. Ltd.	Merchant banking	Ordinary	60.00	10	16.34

The book value per share is calculated based on audited financial statements of the companies.

Summarized financial information:

Summarized financial information of above

companies, including the aggregated amounts of assets, liabilities, revenues and profit or loss are for the better understanding of the user attached in the Annual Report.

Notes to the Financial Statements - *continued*

9.a. OTHER ASSETS (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	3,336,698,993	2,456,394,681
Prime Finance Capital Management Limited	117,420,470	697,269,439
Adjustment for dealing with subsidiary	(966,601,177)	(1,296,336,275)
Balance as on 31 December	2,487,518,286	1,857,327,845

10. BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS

(Figures in BDT)

In Bangladesh

Secured	-	-
Un secured		
Bank loan (note 10.1)	2,729,674,195	2,580,209,091
Bond (note 10.2)	-	-
IDA fund (note 10.3)	-	798,081
ADB fund (note 10.4)	60,994,787	67,626,339
Fund from Bangladesh Bank (note 10.5)	8,483,742	16,823,829
Short term borrowing (note 10.6)	1,220,000,000	980,000,000
	4,019,152,724	3,645,457,340
Outside Bangladesh	-	-
Total	4,019,152,724	3,645,457,340

10.1 Bank loan

This represents long term loan taken from different commercial banks, and is made up as under:

(Figures in BDT)	2011	2010
Balance at 1 January	2,580,209,091	1,804,390,606
Received during the year	966,388,407	1,502,419,680
Repayment during the year	(816,923,304)	(726,601,195)
Balance at 31 December	2,729,674,195	2,580,209,091

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 three to six years.

totaling Tk. 210 million to banks and financial institutions under private placement. The bonds are bearing interest from 9.50% to 11.50% p.a. (with an incremental rate of 0.50% in each year). The Bond was eligible for IDA fund under one to one credit facility. Details are as under:

10.2 Bond

Five years' redeemable bonds were issued

(Figures in BDT)	2011	2010
Balance at 1 January	-	40,000,000
Received during the year	-	-
Repayment during the year	-	(40,000,000)
Balance at 31 December	-	-

Investment Corporation of Bangladesh (ICB) manages the bonds as trustee for which an agreement was signed accordingly. The bonds

were rated by the Credit Rating Information & Services Ltd. (CRISL) as A- (long term) and ST-3 (short term).

10.3 IDA fund

The fund was received under the joint project named Credit Bridge Standby Facility (CBSF) of the Government of Bangladesh and World

Bank, which has been designed with the objective of enhancing the capacity of the financial institutions. Details are as under:

(Figures in BDT)	2011	2010
Balance at 1 January	798,081	19,531,791
Received during the year	-	-
Repayment during the year	(798,081)	(18,733,710)
Balance at 31 December	-	798,081

Fund is disbursed on reimbursement basis against submission of the projects with requisite papers and documents.

10.4 ADB fund

Fund received from Asian Development Bank (ADB) through Rupantarita Prakritik Gas Company Limited (RPGCL). Details are as under:

(Figures in BDT)	2011	2010
Balance at 1 January	67,626,339	70,742,171
Received during the year	-	-
Repayment during the year	(6,631,552)	(3,115,832)
Balance at 31 December	60,994,787	67,626,339

10.5 Fund from Bangladesh Bank

This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to small & medium enterprises as well as agricultural projects. The period of loan

ranges from one to five years, matching the terms of respective projects. Details are as under:

(Figures in BDT)	2011	2010
Balance at 1 January	16,823,829	29,105,817
Received during the year	-	4,500,000
Repayment during the year	(8,340,087)	(16,781,988)
Balance at 31 December	8,483,742	16,823,829

10.6 Short-term borrowings

This represents money at call and on short notice, short-term borrowings and bank overdraft availed to meet short-term fund requirements.

institution can avail call money facility maximum upto 15% of its net assets. Based on the circular mentioned above, the maximum limit of call money for the company was Tk. 993.44 million (calculated based on the half yearly report of 2011 of the company).

Money at call and on short notice

As on the reporting date Tk. 810,000,000 was received from different banks as money at call and short notice. According to FID circular no. 05, dated June 08, 2005, non-banking financial

Short-term borrowings

This represents Tk. 410,000,000 received as short term borrowing from various commercial banks.

10.7 Maturity wise grouping

(Figures in BDT)	2011	2010
Repayable on demand	-	-
Up to 1 month	974,745,276	747,933,965
1 month to 3 months	758,601,490	441,569,288
3 months to 1 year	778,444,931	580,441,348
1 year to 5 years	1,486,599,554	1,855,746,080
More than 5 years	20,761,473	19,766,659
Total	4,019,152,724	3,645,457,340

Notes to the Financial Statements - *continued*

10.a BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	4,019,152,724	3,645,457,340
Prime Finance Capital Management Limited	1,235,657,883	-
Adjustment for dealing with subsidiary	(1,235,657,881)	-
Balance as on 31 December	4,019,152,726	3,645,457,340

11. DEPOSITS AND OTHER ACCOUNTS

This comprises interest bearing deposits from individuals and organizations for period ranging from 6 months to 10 years.

(Figures in BDT)	2011	2010
Banks and other financial institutions		
Term Deposit	1,565,000,000	2,420,000,000
Other Institutions		
Term Deposit	2,230,496,285	1,082,753,458
Individuals		
Term Deposit	400,342,475	171,139,255
Housing Deposit	10,243,000	8,445,000
Fortune DPS	11,735,500	8,648,499
Monthly Income Deposit	97,792,330	69,320,000
Total	520,113,305	257,552,754
Total	4,315,609,590	3,760,306,212

Movements of deposits as on 31 December 2011 and 2010 are as under:

(Figures in BDT)	2011	2010
Balance at 1 January	3,760,306,212	4,632,592,827
Received/renewed during the year	4,294,556,968	2,514,319,217
Repayment during the year	(3,739,253,590)	(3,386,605,832)
Balance at 31 December	4,315,609,590	3,760,306,212

Maturity wise grouping

(Figures in BDT)	2011	2010
Repayable on demand	-	-
Repayable within 1 month	300,446,100	702,311,578
1 month to 6 months	2,313,674,206	1,136,363,401
6 months to 1 year	1,575,045,630	1,388,888,601
1 year to 5 years	111,167,654	527,258,132
5 years to 10 years	13,958,000	5,484,500
More than 10 years	1,318,000	-
Unclaimed deposits for 10 years or more	-	-
Total	4,315,609,590	3,760,306,212

11.a DEPOSITS AND OTHER ACCOUNTS (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	4,315,609,590	3,760,306,212
Prime Finance Capital Management Limited	-	-
Balance as on 31 December	4,315,609,590	3,760,306,212

12. OTHER LIABILITIES

(Figures in BDT)	2011	2010
Provision for loans, advances and leases (note 12.1)	315,394,527	356,365,748
Provision for diminution in value of investments (note 12.2)	46,905,473	18,634,253
Interest suspense (note 12.3)	96,519,166	123,723,115
Provision for tax (note 12.4)	384,414,363	352,414,363
Financial expenses payable (note 12.5)	258,083,842	191,116,131
Payable to brokerage houses (note 12.6)	252,969,860	1,057,541,663
Obligation under capital lease (note 12.7)	9,117,510	7,637,340
Advance and security deposit (note 12.8)	137,867,419	112,190,397
Excise duty	1,356,941	359,693
Withholding tax payable	26,857	-
VAT payable	1,584	1,580
Accrued expenses and other payable (note 12.9)	108,214,632	86,733,520
Total	1,610,872,174	2,306,717,803

12.1 Provision for loans, advances and leases

Management, on the basis of analysis of portfolio and guidelines issued by Bangladesh Bank has determined provisions for doubtful losses. The provision is considered adequate to cover the possible future losses.

(Figures in BDT)	2011	2010
General provision on unclassified loans, advances and leases	87,461,708	148,561,857
Specific provision on classified loans, advances and leases	227,932,819	207,803,890
Provision as on 31 December	315,394,527	356,365,747

Movement in general provision on unclassified loans/leases:

(Figures in BDT)	2011	2010
Provision as on 1 January	148,561,857	77,805,133
Add: Provision made/(released) during the year	(61,100,149)	70,756,724
Provision as on 31 December	87,461,708	148,561,857

Movement in specific provision on classified loans/leases:

(Figures in BDT)	2011	2010
Provision as on 1 January	207,803,890	163,505,304
Less: Fully provided debts written off during the year	-	-
Add: Recoveries of amounts previously written off	-	-
Add: Specific provision made during the year for other accounts	-	-
Less: Provision no longer required	-	-
Less: Adjustment for write off	(101,256,274)	-
Add: Net charge to profit and loss account	121,385,203	44,298,586
Provision as on 31 December	227,932,819	207,803,890
Total	315,394,527	356,365,748

12.2 Provision for diminution in value of investments

(Figures in BDT)	2011	2010
Provision as on 1 January	18,634,253	23,689,563
Add: Provision made during the year (note 12.2.1)	28,271,220	(5,055,310)
Provision as on 31 December	46,905,473	18,634,253

Notes to the Financial Statements - *continued*

12.2.1 Allocation of provision for diminution in value of investments

(Figures in BDT)	2011	2010
Listed securities	28,271,220	(5,055,310)
Unlisted securities	-	-
Total	28,271,220	(5,055,310)

12.2.a Provision for diminution in value of investments consolidated)

(Figures in BDT)		
Prime Finance & Investment Limited	28,271,220	(5,055,310)
Prime Finance Capital Management Limited	4,454,215	-
Balance as on 31 December	32,725,435	(5,055,310)

12.3 Interest suspense

(Figures in BDT)		
Balance as on 1 January	123,723,115	96,391,725
Add: Transferred during the year	-	27,331,390
Less:		
Amount of interest suspense recovered	(6,828,483)	-
Write off during the year	(20,375,466)	-
Balance as on 31 December	96,519,166	123,723,115

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 account.

Write-off of loans/leases

As per FID Circular no. 03 dated 15 March 2007 of Bangladesh Bank, a financial institution should write-off its loans/leases to clean-up its

financial statements subject to fulfillment of the following criteria:

1. Loans/leases classified as Bad and Losses against which 100% provision has been made;
2. Approval from the Board of Directors is required;
3. Best endeavors shall be made to recover the written-off loans/leases. Legal process should be initiated if not started before.

(Figures in BDT)		2011	2010
	Current	Cumulative	Cumulative
Net outstanding loans/leases written-off	121,631,740	328,895,370	207,263,630
No. of agreements written-off	5	28	23
No. of clients written-off	4	22	18
Interest suspense against written-off loans/leases	(20,375,466)	(60,043,545)	(39,668,079)
Provision adjusted against written-off loans/leases	(101,256,274)	(268,851,825)	(167,595,551)
Recovery against write-off loans/leases	36,072,461	51,839,199	15,766,738
Balance of loans/leases written-off at 31 December		191,496,891	207,263,629

12.4 Provision for tax

Provision for tax comprises provision for current tax and provision for deferred tax as well.

Provision for current tax

The company calculated taxable profit/losses based on Income Tax Ordinance 1984 and

Notes to the Financial Statements - *continued*

determined current tax liability as per applicable rate enacted through Finance Act 2011.

Tax on capital gain

The Government through Finance ACT 2010 imposed tax on capital gain from sale of listed companies shares @10 percent effective from 1 July 2010, which is considered in this report.

Provision for deferred tax

Deferred tax liabilities to the extent of Tk. 19,500,000 has been released in the year 2010 which is made for taxable temporary difference of leased assets on which depreciation allowance has been withdrawn by Finance Act 2007.

(Figures in BDT)	2011			2010		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Balance at 1 January	352,414,363	-	352,414,363	73,500,000	19,500,000	93,000,000
Provision made during the year	32,000,000	-	32,000,000	259,414,363	-	259,414,363
Transferred to/(from)	-	-	-	19,500,000	(19,500,000)	-
Balance at 31 December	384,414,363	-	384,414,363	352,414,363	-	352,414,363

12.4.a. Provision for current tax (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	32,000,000	278,914,363
Prime Finance Capital Management Limited	149,364,264	2,063,843
Balance as on 31 December	181,364,264	280,978,206

12.5 Financial expenses

This comprises interest accrued on bank loans, bonds, term deposits and security deposits.

12.6 Payable to brokerage houses

This represents payable to various brokerage houses against purchase of shares under own portfolio as well as client portfolio. The transactions under this head are recurring in nature and have been paid in the due date.

12.7 Obligation under capital lease

This represents fixed assets acquired under capital lease. Lease rentals are payable on monthly basis which include principal repayment and financial charges as per repayment schedule. The Company has the option to purchase the assets upon completion of lease period and has the intention to exercise it.

(Figures in BDT)	2011			2010	
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Principal outstanding	
More than one year	11,192,075	2,074,565	9,117,510	5,150,584	
Within one year	-	-	-	2,486,756	
Total	11,192,075	2,074,565	9,117,510	7,637,340	

12.8 Advance and security deposit

The amount received from clients as advance against finance and cash security deposit on the stipulation that the amount will be either

adjusted with the outstanding rentals/ installments or repaid at the end of term. This is made up as under:

(Figures in BDT)	2011	2010
Balance at 1 January	112,190,397	118,266,247
Received during the year	94,600,225	13,073,034
Repayment during the year	(68,923,203)	(19,148,884)
Balance at 31 December	137,867,419	112,190,397

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

Notes to the Financial Statements - *continued*

(Figures in BDT)	2011	2010
Lease advance	51,161,164	59,358,442
Term finance advance	31,415,555	10,925,055
Stock on hire advance	513,900	513,900
Cash security	54,776,800	41,393,000
Balance as on 31 December	137,867,419	112,190,397

Advance and security deposit reduce the exposure with the clients and thereby reduce

the risks. No interest is payable on advances while cash security deposits are interest bearing.

12.9 Accrued expenses and other payable

(Figures in BDT)	2011	2010
Portfolio investment fund	-	26,233
Suspense receipts	45,709,702	41,509,509
Management expenses	59,033,341	40,777,187
Others payables	3,471,589	4,420,591
Balance as on 31 December	108,214,632	86,733,520

Portfolio investment fund

This represents fund of portfolio investors deposited with Prime Finance for investment in different listed securities at investors' discretion as per regulation 30 of the Securities and Exchange Commission (Merchant Bankers & Portfolio Manager) Regulations, 1996.

Suspense receipts

This represents amount received from clients for various reasons such as rentals adjustment, transfer price, advance rentals, IDCP, and other advances. When combined cheques are given by the clients that also initially posted into suspense receipts account.

12.a. OTHER LIABILITIES (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	1,610,872,174	2,306,717,803
Prime Finance Capital Management Limited	492,811,457	2,217,343
Adjustment for dealing with subsidiary	(6,601,182)	(696,336,275)
Balance as on 31 December	2,097,082,449	1,612,598,871

13. SHARE CAPITAL

As at 31 December 2011, a total of 162,450,288 (FY 2010: 90,250,160) ordinary shares of Tk.10 each were issued, subscribed and fully paid up. Details are as follows:

Authorized capital

(Figures in BDT)	2011	2010
300,000,000 Ordinary shares of Tk. 10 each in 2011	3,000,000,000	-
100,000,000 Ordinary shares of Tk. 10 each in 2010	-	1,000,000,000

Issued, subscribed and paid up capital

(Figures in BDT)	2011	2010
90,250,160 Ordinary shares of Tk.10 each	902,501,600	644,644,000
72,200,128 Bonus shares	722,001,280	257,857,600
Total	1,624,502,880	902,501,600

Notes to the Financial Statements - continued

Pattern of shareholdings

Shareholders/Directors/Executives	Represented by	No. of shares held	Percentage
Khaled Textile Mills Ltd.	Mr. K. M. Khaled	15,733,584	9.69
Acorn Limited	Mr. Md. Aminul Haque	14,833,584	9.13
Pedrollo Nk. Limited	Mr. Mohammed Kafiluddin	15,933,924	9.81
Mawsons Limited	Ms. Muslima Shirin	4,734,972	2.91
Maksons (Bd) Ltd.	Mr. Z. M. Kaiser	12,720,546	7.83
Agami Apparels Ltd.	Mr. M. Shahadat Hossain Kiron	13,743,234	8.46
East Coast Shipping Lines Limited	Mr. Mohammad Masudur Rahim	14,528,178	8.94
GQ Enterprise Limited	Mrs. Salma Huq	13,822,704	8.51
Abeeco Industries Ltd.	Mr. M. N. H. Bulu	451,568	0.28
Mr. Tauseef Iqbal Ali	Self	2,758,026	1.70
Professor Salma Rahman	Self	1,678,968	1.03
Mr. Md. Aliuzzaman	Self	256,088	0.16
Mr. Asad Khan, Managing Director	N/A	Nil	Nil
Mr. Md. Mizanur Rahman, CFO	N/A	Nil	Nil

Composition of shareholdings

Composition of shareholdings as on 31 December 2011 & 2010 was under:

	No. of Shareholders		No. of Shares		Percentage	
	2011	2010	2011	2010	2011	2010
Sponsors (Institutions)	9	9	106,502,294	59,679,330	65.56	66.13
Sponsors (Individuals)	3	3	4,693,082	2,829,490	2.88	3.13
General Public (Institutions)	463	412	19,580,140	8,262,770	12.06	9.16
General Public (Individuals)	18,487	15,706	31,674,772	19,478,570	19.5	21.58
Total	18,962	16,130	162,450,288	90,250,160	100	100

Range of shareholdings

The distribution schedule of shareholdings as on 31 December 2011 & 2010 was as under:

Shareholding range	No. of shareholders		No. of Shares		Percentage	
	2011	2010	2011	2010	2011	2010
Less than 500 shares	11,598	12,254	2,160,831	2,203,610	1.33	2.43
500 to 5,000 shares	6,601	3,391	9,154,561	4,900,060	5.64	5.43
5,001 to 10,000 shares	357	184	2,598,038	1,378,200	1.6	1.53
10,001 to 20,000 shares	161	131	2,273,190	1,950,080	1.4	2.16
20,001 to 30,000 shares	49	46	1,189,268	1,121,990	0.73	1.24
30,001 to 40,000 shares	37	22	1,265,090	756,000	0.78	0.84
40,001 to 50,000 shares	26	22	1,172,372	988,230	0.72	1.1
50,001 to 100,000 shares	58	29	3,980,438	2,198,280	2.45	2.44
100,001 to 1,000,000 shares	62	40	19,724,042	10,313,960	12.14	11.43
Over 1,000,000 shares	13	11	118,932,458	64,439,750	73.21	71.4
Total	18,962	16,130	162,450,288	90,250,160	100	100

Capital requirement

The Company is subject to the regulatory capital requirement as stipulated in DFIM circular no 05 dated 4 July 2011 and DFIM Circular 5, dated 24 July 2011 of Bangladesh Bank. The Capital requirement for non-

banking financial institutions is neither ratio-based nor risk based. The regulatory authority requires a non-bank financial institutions to have a minimum paid up capital of Tk. 1,000 million.

Notes to the Financial Statements - *continued*

(Figures in BDT)	2011	2010
Paid up capital	1,624,502,880	902,501,600
Required capital	1,000,000,000	500,000,000
Excess capital	624,502,880	402,501,600

14. STATUTORY RESERVE

(Figures in BDT)	2011	2010
Balance as on 1 January	651,297,442	306,013,615
Add: Transferred from profit during the year	104,414,528	345,283,827
Balance as on 31 December	755,711,970	651,297,442

15. RETAINED EARNINGS

(Figures in BDT)	2011	2010
Balance as on 1 January	1,712,601,919	653,788,612
Less: Issuance of bonus shares (2010)	(722,001,280)	(257,857,600)
Less: Payment of cash dividend (Year 20 and Year 2009)	-	(64,464,400)
Add: Profit after tax for the year	522,072,642	1,726,419,134
Less: Transferred to statutory reserve	(104,414,528)	(345,283,827)
Balance as on 31 December	1,408,258,752	1,712,601,919

16. INCOME STATEMENT

	(Figures in BDT)	
Income:	2011	2010
Interest, discount and similar income (note 17)	1,091,970,361	1,183,739,208
Dividend income	10,967,208	15,435,717
Gains less losses arising from dealing in securities	-	-
Fees, commission, exchange and brokerage (note 20)	1,521,398	296,330,559
Gains less losses arising from investment in securities (note 19.1)	480,152,322	1,224,224,341
Gains less losses arising from dealing in foreign currencies	-	-
Income from non-banking assets	-	-
Other operating income (note 21)	231,970,807	349,470,891
Profit less losses on interest rate changes	-	-
Nominal value of bonus share received	-	-
Total	1,816,582,096	3,069,200,716
Expenses:		
Interest paid on deposits, borrowings etc. (Note 18)	1,012,721,767	809,412,618
Losses on loans and advances	-	-
Administrative expenses	154,958,843	136,305,445
Depreciation and impairment on banking assets	6,335,343	9,097,637
Other operating expenses	-	18,551,519
Total	1,174,015,953	973,367,219

Notes to the Financial Statements - *continued*

17. INTEREST INCOME

(Figures in BDT)	2011	2010
Income from lease finance	145,006,267	184,804,342
Income from term finance	923,415,993	523,347,216
Income from margin loan	-	459,900,048
Income from real estate finance	16,820,636	7,251,039
Income form other finance	6,727,465	8,436,563
Total	1,091,970,361	1,183,739,208

17.a INTEREST INCOME

(Figures in BDT)		
Prime Finance & Investment Limited	1,091,970,361	1,183,739,208
Prime Finance Capital Management Limited	473,509,531	-
Adjustment for dealing with subsidiary	(252,242,963)	-
Total	1,313,236,929	1,183,739,208

18. INTEREST PAID ON DEPOSITS, BORROWINGS, etc.

(Figures in BDT)		
Interest on bank loan	323,746,039	312,120,712
Interest on IDA and ADB fund	3,613,528	2,189,494
Interest on bonds	-	839,722
Interest on fund from Bangladesh Bank	786,037	716,378
Interest on term deposits	494,220,041	515,871,605
Interest on money at call & short notice	184,974,536	36,581,403
Interest on cash security deposit	3,952,673	961,750
Interest on obligation under capital leases	1,428,913	871,827
Adjustment for interest on deposit (a)	-	(18,194,774)
Adjustment for interest capitalization (b)	-	(42,545,499)
Total	1,012,721,767	809,412,618

Allocation of the above expenses is as under:

Financing operation	1,012,721,767	471,157,394
Merchant banking operation (c)	-	338,255,224
Total	1,012,721,767	809,412,618

- (a) Adjustment has been given for interest paid on deposits, borrowings etc incurred to earn interest from deposits.
- (b) Adjustment for interest capitalization represents Interest During Construction Period (IDCP), which has been capitalized as per terms of the agreement.
- (c) Interest paid on deposits, borrowings etc have been allocated to Merchant Banking Unit applying the weighted average rate of borrowed fund on the basis of daily usage of fund used for margin loan provided to the portfolio investors.

18.a INTEREST PAID ON DEPOSITS, BORROWINGS, ETC. (CONSOLIDATED)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	1,012,721,767	809,412,618
Prime Finance Capital Management Limited	246,129,330	-
Adjustment for dealing with subsidiary	(252,242,963)	-
Total	1,006,608,135	809,412,618

Notes to the Financial Statements - *continued*

19. INCOME FROM INVESTMENT

(Figures in BDT)	2011	2010
Capital gain on sale of securities (note 19.1)	480,152,322	1,224,224,341
Dividend income	10,967,208	15,435,717
Total	491,119,530	1,239,660,058

19.1 Capital gain on sale of securities

(Figures in BDT)	2011	2010
Gain on sales of shares	491,402,983	1,224,852,599
Loss on sales of shares	(11,250,661)	(628,258)
Net gain from sale of securities	480,152,322	1,224,224,341

19.a. INCOME FROM INVESTMENT (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	491,119,530	1,239,660,058
Prime Finance Capital Management Limited	-	-
Adjustment for dealing with subsidiary	-	-
Total	491,119,530	1,239,660,058

20. FEES, COMMISSIONS, EXCHANGE AND BROKERAGE

(Figures in BDT)	2011	2010
Issue management fee (a)	-	7,963,885
Underwriting commission (b)	-	2,673,748
Portfolio management fee and other charges (c)	-	281,540,431
Advisory service fee and charges	1,521,398	4,152,495
Total	1,521,398	296,330,559

Allocation of the above income is as under:

Financing operation	1,521,398	601,148
Merchant banking operation	-	295,729,411
Total	1,521,398	296,330,559

- a. Issue management fee includes fees received by the Company for managing initial public offerings (IPO), rights issues etc. determined as per rules of Securities & Exchange Commission.
- b. Underwriting commissions includes commission received from Public issues for underwriting of the issued securities. Underwriting commission is
- c. The amount includes fee and charges received from portfolio account holders for managing portfolio accounts by the company.

20.a. FEES, COMMISSIONS, EXCHANGE AND BROKERAGE (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	1,521,398	296,330,559
Prime Finance Capital Management Limited	189,444,685	-
Total	190,966,083	296,330,559

Notes to the Financial Statements - *continued*

21. OTHER OPERATING INCOME

(Figures in BDT)	2011	2010
Income from associates (Note 9.1)	87,080,658	331,317,785
Delinquent interest, IDCP etc.	62,265,481	13,094,435
Renewals and proceeds	1,325,208	2,704,577
Interest on deposits	41,743,887	1,936,899
Gain on sale of fixed assets	40,000	-
Others	39,515,573	417,195
Total	231,970,807	349,470,891
Allocation of the above income is as under:		
Financing operation	231,970,807	349,074,891
Merchant banking operation	-	396,000
Total	231,970,807	349,470,891

21.a. OTHER OPERATING INCOME (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	231,970,807	349,470,891
Prime Finance Capital Management Limited	17,471,764	9,331,639
Balance as on 31 December	249,442,571	358,802,530

22. SALARIES AND OTHER EMPLOYEE BENEFITS

(Figures in BDT)	2011	2010
Salaries & allowances (a)	71,936,744	59,136,240
Medical & employee welfare (b)	31,754,200	27,181,458
Total	103,690,944	86,317,698

(a) Salaries and allowances include contribution to approved Provident Fund, Gratuity Fund and Superannuation Fund amounting to Tk. 2,152,995, Tk. 9,000,000 and Tk. 11,500,000 respectively.

(b) Medical and employee welfare includes among others provision for retirement

benefits, death and disability benefits and hospitalization benefits. The funds are managed separately by a board of trustee and management believes that company's contribution to these funds are adequate.

22.a. SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	103,690,944	86,317,698
Prime Finance Capital Management Limited	13,993,587	142,000
Balance as on 31 December	117,684,531	86,459,698

23. RENT, TAXES, INSURANCE, ELECTRICITY etc.

(Figures in BDT)	2011	2010
Office rent	6,454,964	5,690,411
Electricity bill	1,017,747	1,057,030
Total	7,472,711	6,747,441

Notes to the Financial Statements - *continued*

23.a. RENT, TAXES, INSURANCE, ELECTRICITY etc. (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	7,472,711	6,747,441
Prime Finance Capital Management Limited	3,346,043	-
Adjustment for minority interest	-	-
Balance as on 31 December	10,818,754	6,747,441

24. POSTAGE, STAMP, TELECOMMUNICATION etc.

(Figures in BDT)	2011	2010
Postage, telephone, telex, fax, and e-mail	1,354,833	1,176,819
Charges, levies, stamps and duties (note 24.1)	11,888,846	27,033,070
Total	13,243,679	28,209,889

24.1. Charges, levies, stamps and duties

This comprises CDBL transaction fees and other expenses related to tax, levies, stamps & duties. Previously CDBL charges were charged on the

client's account. From June 2009 the management decided to bear the expenses by the company on behalf of the clients.

24.a. POSTAGE, STAMP, TELECOMMUNICATION etc. (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	13,243,679	28,209,889
Prime Finance Capital Management Limited	1,917,238	-
Balance as on 31 December	15,160,917	28,209,889

25. STATIONERY, PRINTING, ADVERTISEMENTS etc.

(Figures in BDT)	2011	2010
Printing and stationery	3,675,558	1,866,418
Books and periodicals	103,432	44,739
Advertisement and publicity	5,382,170	4,285,023
Total	9,161,160	6,196,180

25.a. STATIONERY, PRINTING, ADVERTISEMENTS etc.(consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	9,161,160	6,196,180
Prime Finance Capital Management Limited	986,088	-
Balance as on 31 December	10,147,248	6,196,180

26. DIRECTORS' FEES

The Company pays fees to its Directors for attending the Board meetings and its Committee meetings as permitted by the Bangladesh Bank. As per Bangladesh Bank

Circular, a Director may be paid fees for attending Board or its Committee meetings which shall not exceed Tk. 5,000 for attending each meeting. Details are as under:

(Figures in BDT)	2011	2010
Total board meetings (nos.)	12	10
Total board audit committee meetings (nos.)	4	6
Total fees paid	820,000	513,000
Total members of the board (nos.)	10	11
Quorum for board meeting (nos.)	5	5
Average number of Directors present in the board meetings (nos.)	7.4	7.8
Quorum for board audit committee Meeting (nos.)	2	2
Average no. of Directors present in the audit committee meetings (nos.)	2.8	3.83

Notes to the Financial Statements - *continued*

26.a. DIRECTORS' FEES (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	820,000	513,000
Prime Finance Capital Management Limited	495,000	-
Balance as on 31 December	1,315,000	513,000

27. AUDITORS' FEE

(Figures in BDT)	2011	2010
Auditors' fee	200,000	175,000
VAT on audit fee	9,000	26,250
Total	209,000	201,250

27.a. AUDITORS FEE (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	209,000	201,250
Prime Finance Capital Management Limited	26,125	11,500
Balance as on 31 December	235,125	212,750

28. DEPRECIATION AND REPAIR OF ASSETS

(Figures in BDT)	2011	2010
Depreciation of fixed assets-freehold	4,056,907	4,988,414
Depreciation of fixed assets-leasehold vehicle	2,153,436	2,505,390
Amortization of intangible assets	125,000	125,000
Repairs and maintenance	-	1,478,833
Total	6,335,343	9,097,637

28.a. DEPRECIATION AND REPAIR OF ASSETS (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	6,335,343	9,097,637
Prime Finance Capital Management Limited	886,687	-
Balance as on 31 December	7,222,030	9,097,637

29. OTHER EXPENSES

(Figures in BDT)	2011	2010
HR development	913,551	1,154,551
Travelling and conveyance	695,483	1,492,651
Motor vehicle expenses	3,441,053	3,305,732
Subscription and fees	7,576,307	5,620,813
Meeting expenses	67,500	57,450
AGM expenses (note 29.1)	2,432,703	2,526,280
Entertainment and public relation & others	905,987	4,660,042
Total	16,032,584	18,817,519

29.1 AGM expenses

(Figures in BDT)	2011	2010
Rent for venue	400,000	525,000
Printing of annual report and database	125,000	982,500
Publication of notice	246,588	255,269
Entertainment	1,563,000	683,097
Others	98,115	80,414
Total	2,432,703	2,526,280

29.a. OTHER EXPENSES (consolidated)

(Figures in BDT)	2011	2010
Prime Finance & Investment Limited	16,032,584	18,817,519
Prime Finance Capital Management Limited	1,820,277	1,874,558
Balance as on 31 December	17,852,861	20,692,077

30. MANAGEMENT EXPENSES

Management expenses include salaries, other employee benefits and proportionate other management expenses. It is determined on the

basis of proportionate operating revenue of Merchant Banking Unit.

31. RECEIPTS FROM OTHER OPERATING ACTIVITIES

(Figures in BDT)	2011	2010
Net received/(payment) to Brokerage house	-	692,969,753
Net suspense receipts and others	139,697,108	-
Delinquent, transfer price etc.	12,521,475	15,799,012
Total	152,218,583	708,768,765

32. PAYMENTS FOR OTHER OPERATING ACTIVITIES

(Figures in BDT)	2011	2010
Advance against office rent, renovation & decoration	(7,496,077)	(1,743,174)
Deposit to T&T	(385,500)	-
Advance against advertisement	(2,786,865)	-
Advance against home loan	-	-
Total	(10,668,442)	(1,743,174)

33. EARNINGS PER SHARE

Earnings Per Share (EPS) is calculated in accordance with Bangladesh Accounting Standard 33: Earnings Per Share, which has been shown on the face of Profit and Loss Account.

Basic earnings per share

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of Tk. 522,072,642 (2010: Tk. 1,726,419,134) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2011 of 162,450,288 (2010: Tk. 90,250,160)

Profits attributable to ordinary shareholders

(Figures in BDT)	2011	2010
Net profit for the year	522,072,642	1,726,419,134

Weighted average number of ordinary shares	2011	2010
Ordinary shares at 1 January	90,250,160	64,464,400
Bonus shares issued	72,200,128	25,785,760
Weighted average number of ordinary shares at 31 December	162,450,288	90,250,160
Restated weighted average number of ordinary shares	162,450,288	162,450,288
Earnings per share	3.21	19.13
Earnings per share (restated)	3.21	10.63

Notes to the Financial Statements - continued

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 2011 and hence no diluted earnings per share is required to be calculated.

33.a EARNINGS PER SHARE (consolidated)

Profits attributable to ordinary shareholders

(Figures in BDT)	2011	2010
Net profit for the year (consolidated)	672,516,582	1,729,562,977
Weighted average number of ordinary shares		
Ordinary shares at 1 January	90,250,160.00	64,464,400
Bonus shares issued	72,200,128.00	25,785,760
Weighted average number of ordinary shares at 31 December	162,450,288.00	90,250,160
Restated weighted average number of ordinary shares	162,450,288.00	162,450,288
Earnings per share- consolidated	4.14	19.16
Earnings per share- consolidated (restated)	4.14	10.65

34. CONTINGENT LIABILITIES

Contingent liabilities as on the balance sheet date were as under

(Figures in BDT)	2011	2010
Letter of credit	-	-
Corporate guarantee	-	150,000,000
Total	-	150,000,000

35. MARKET CAPITALIZATION 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 2011 was 162,450,288 and the market value per share of last trading day (29 December 2011) was Tk. 98.40 in DSE. Thus market capitalization based on DSE value was Tk. 15,985 million.

Market for Prime Finance's ordinary shares

Prime Finance's ordinary shares are traded on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) under the symbol of 'PRIMEFIN'. The following table indicated the high and low prices for shares of Prime Finance, as reported by DSE and CSE sets forth for each quarter in the year 2011

		DSE		CSE	
		High	Low	High	Low
High low share price	First quarter	478.80	206.20	426.30	207.20
	Second quarter	218.10	134.70	218.70	134.50
	Third quarter	167.90	112.80	168.90	122.30
	Fourth quarter	126.10	88.60	126.10	93.90
No. of Shareholders	There were 18,962 shareholders as per Share Register as on 31 December 2011.				

36. RELATED PARTY TRANSACTIONS

Prime Finance in normal course of business carried out a number of transactions with other entities that fall within the definition of related party contained in Bangladesh Accounting Standard 24: Related Party Disclosures. The

Company extends loans/leases to related parties including its directors and related companies. At 31 December 2011, related party loans/leases was Tk. 931.77 million representing 19.90 percent of shareholders equity. These related party loans/leases were made at the competitive terms including interest rates and

Notes to the Financial Statements - *continued*

collateral requirements, as those offered to other customers of similar credentials. During 2011, there were no loans/leases to related parties that were charged off. Moreover, at 31 December 2011, there were no loans/leases to related parties that were non-performing.

Prime Finance also takes deposits from its related parties. The rates on deposits offered to them also similar to those offered to other depositors. Total on-balance sheet exposure with the related parties as at 31 December 2011 was as under:

Name of the related party	Relationship	Nature of transaction	2011	2010
Prime Insurance Company Limited	Common Directors	Term deposit	-	(16,500,000)
Prime Islami Life Insurance Company Ltd	Common Directors	Term deposit	(182,230,364)	(123,495,875)
Fareast Islami Life Insurance Co. Ltd.	Common Directors	Term deposit	(694,492,000)	(50,000,000)
K.M.Khaled	Common Directors	Term finance	-	80,000,000
East Coast Trading (Pvt.) Limited	Common Directors	Lease finance	114,919	493,480
EC Distribution Limited	Common Directors	Lease finance	165,662	487,958
PFI Properties Limited	Associate company	Lease & Term finance	86,678,062	26,484,101
Prime Finance Asset Mgt Company Ltd	Associate company	Lease & Term finance	(32,987,182)	4,514,881
PFI Securities Limited	Associate company	Lease & Term finance	1,469,405,538	951,332,452
Maksons (Bangladesh) Limited	Common Directors	Term finance	26,680,500	76,048,500
Khaled Textile Mills Limited	Common Directors	Term finance	-	199,780,000
Fareast Stocks & Bonds Limited	Common Directors	Lease & Term finance	258,432,106	-
Total			931,767,241	1,149,145,497

37. PARTICULARS OF THE DIRECTORS

Sl. No.	Name of the Shareholder/ shareholding company	Directors/ Represented by	Designation	Present address	% of shares as at 31/12/2010
1	Khaled Textile Mills Ltd.	Mr. K. M. Khaled	Chairman	GETCO Group 26, Shyamoli, Mirpur Road, Dhaka-1207	9.69
2	Acorn Limited	Mr. Md. Aminul Haque	Director	Acorn Limited, 4, Mohakhali C.A. (1st Floor), Dhaka-1212	9.13
3	East Coast Shipping Lines Ltd.	Mr. Mohammad Masudur Rahim	Director	East Coast Centre, SW(G), 8 Gulshan Avenue, Gulshan-1, Dhaka-1212	8.94
4	Mawsons Limited	Mrs. Muslima Shirin	Director	House # 63, Avenue # 5, Block # A Section # 6, Mirpur, Dhaka-1216.	2.91
5	Maksons (Bd) Ltd.	Mr. Z.M. Kaiser	Director	House # 07, Road # 03 Baridhara R/A, Dhaka-1212	7.83
6	Agami Apparels Ltd.	Mr. M. Shahadat Hossain Kiron	Director	Suvastu Zenim Plaza, House # 37(New) Road # 27 (Old), 16(New) Dhanmondi R/A, Dhaka -1209	8.46
7	Mr. Tauseef Iqbal Ali	Mr. Tauseef Iqbal Ali	Director	House # CEN-C2, Road # 95 Gulshan-2, Dhaka-1212.	1.69
8	Professor Salma Rahman	Professor Salma Rahman	Director	112, Gulshan Avenue Gulshan-2, Dhaka-1212	1.03
9	Abeeco Industries Ltd.	Mr. M. N. H. Bulu	Director	Bulu Ocean Tower (18th Floor), 40 Kamal Ataturk Avenue, Banani, Dhaka.	0.28
10	Mr. Md. Aliuzzaman	Mr. Md. Aliuzzaman	Director	House # 9, Road # 1, Section # 6 Block-B, Mirpur, Dhaka-1216.	0.16
11	Prof. Dr. Parimal Chandra Datta	Prof. Dr. Parimal Chandra Datta	Independent Director	School of Business, Primeasia University 12 Kemal Ataturk Avenue, Banani, Dhaka	----

38. DIRECTORS AND THE ENTITIES IN WHICH THEY HAVE INTEREST

Sl No.	Name of the Directors	Designation	Entities where they have interest
1	Mr. K. M. Khaled	Chairman	1. Greenland Engineers & Tractors Co. Ltd. 2. Machinery & Equipment Trading Co. Ltd. 3. GETCO Ltd. 4. Eurasia Gate Ltd. 5. Acorn Trading Co. Ltd. 6. K. S. Engineering & Technology Ltd. 7. K. S. Consultants Ltd. 8. Prime Bank Ltd. 9. Prime Prudential Fund Limited 10. PFI Properties Ltd. 11. GETCO Power Limited 12. GETCO Jute Mills Limited 13. GETCO Trading Limited 14. GETCO Telecommunications Ltd. 15. GETCO Agro Vision Ltd. 16. Khaled Textile Mills Ltd.
2	Mr. Md. Aminul Haque	Director	1. Prime Bank Ltd. 2. Asia Gate Ltd. 3. Prime Prudential Fund Ltd. 4. Acorn Limited 5. Greenland Engineers & Tractors Co. Ltd. 6. Machinery & Equipment Trading Co. Ltd.
3	Mr. Mohammad Masudur Rahim	Director	1. East Coast Shipping Lines Limited
4	Mrs. Muslima Shirin	Director	1. Mawsons Limited
5	Mr. Z.M. Kaiser	Director	1. Prime Islami Life Insurance Company Limited
6	Mr. M. Shahadat Hossain Kiron	Director	1. Dekko Garments Ltd. 2. Dekko Apparels Ltd. 3. Glubus Garments Ltd. 4. Agami Fashions Ltd. 5. Dekko Fashion Ltd. 6. Dekko Accessories Ltd. 7. Roxy Paints Ltd. 8. Agami Accessories Ltd. 9. Dekko Foods Ltd. 10. Dekko Airnet Ltd. 11. Agami Distribution Ltd. 12. Agami Apparels Ltd. 13. Dekko Designs Ltd. 14. Dekko Washing Ltd. 15. Prime Finance Capital Management Ltd. 16. Agami Apparels Ltd.
7	Mr. Tauseef Iqbal Ali	Director	1. Prime Finance Capital Management Limited
8	Professor Salma Rahman	Director	N/A
9	Mr. M. N. H. Bulu	Director	1. National Chemical Manufacturing Co. Ltd. 2. Rumki Industries Ltd. 3. Shafkat PVC Sole Industries 4. Bulu International 5. Oishee International Company 6. Aleef Enterprise 7. Best Tape Company 8. Dhaka Bank Limited 9. B.N.S. International Co. Ltd. 10. Boss PVC Denil Ind. 11. Nowshin Denial Ind. 12. Abeeco Industries Ltd.

Notes to the Financial Statements - *continued*

10	Mr. Md. Aliuzzaman	Director	1. PFI Properties Ltd. 2. Prime Finance Capital Management Limited
11.	Prof. Dr. Parimal Chandra Datta	Independent Director	N/A

39. DISCLOSURES ON THE BOARD AUDIT COMMITTEE

Composition of Audit Committee

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

Name	Status with the Company	Status with the Committee	Educational Qualification
Mr. Md. Aliuzzaman	Director	Chairman	MBA from University of Karachi, Pakistan
Mr. Z. M. Kaiser	Director	Member	Masters in Science
Mrs. Muslima Shirin	Director	Member	Matriculation Standard
Professor Salma Rahman	Director	Member	M.A. in English from University of Dhaka

Audit Committee meetings held during the year

Sl. No	Meeting no.	Meeting date
1	41 no. Audit Committee meeting	24-Feb-11
2	42 no. Audit Committee meeting	11-May-11
3	43 no. Audit Committee meeting	22-Jun-11
4	44 no. Audit Committee meeting	27-Jul-11

The Committee discussed the following issues during the year

- a) Reviewed the draft financial statements for the year ended 31 December 2010
- b) Reviewed the Credit Risk and Internal Control & Compliance Risk management procedure
- c) Recommendation to the Board for appointment of auditors and fixation of their remuneration
- d) Reviewed the tax status of the Company
- e) Reviewed the monthly financial statements
- f) Reviewed and discussed the inspection report of Bangladesh Bank and management's reply thereon
- g) Reviewed the systems of internal control and its reporting procedure
- h) Reviewed quarterly operation report of the company for the year 2011
- i) Reviewed Departmental Control Function Checklist etc.
- j) Reviewed the credit rating reporting done by Credit Rating and Information Services Limited (CRISL)

40. 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.

41. BOARD MEETINGS AND NUMBER OF DIRECTORS

During the year 2011, 12 (twelve) Board Meetings were held. As on 31 December 2011, there were 11 members in the Board, which include one 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.

42. NUMBER OF EMPLOYEES

A total number of 66 employees, including 17 sub staffs were employed in Prime Finance & Investment Limited as of 31 December 2011. All the employees received salary of Tk. 36,000 and above per annum during the year 2011.

43. REPORTING CURRENCY AND LEVEL OF PRECISION

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

44. IMPACT OF INFLATION AND CHANGING PRICES

Financial Institutions are affected differently by inflation than those of industrial ventures. While industrial and manufacturing companies generally have significant investments in inventories and fixed assets, financial institutions ordinarily do not have such investment. As a result, financial institutions are generally in a better position than industrial ventures to respond to inflationary trends by monitoring the spread between interest cost and interest income yields through adjustments of maturities and interest rates of assets and liabilities.

Financial Statements presented herein have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), which required the measurement of the financial position and operating results in terms of historical costs. However, in some cases, particular BAS/BFRS specifically suggests to measure some assets/liabilities at fair value. Such as, BAS 39 suggests to measure investment in tradable securities at its fair value by crediting shareholders' equity.

45. EVENTS AFTER THE BALANCE SHEET DATE

Dividend

The Board of Directors in its meeting held on 26 February 2012 recommended 40% Stock Dividend for the year 2011.

Under BAS 10 : Events after the Balance Sheet Date, dividend declared after the Balance sheet date should not be classified as a liability at the

balance sheet date as the proposed dividend does not represent a present obligation under BAS 37: Provisions, Contingent Liabilities and Contingent Assets.

46. 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.

47. COMPARATIVE FIGURES

Comparative information has been disclosed in respect of the year 2011 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the year 2010 have been restated and rearranged whenever considered necessary to ensure comparability with the current period.

48. FINANCIAL HIGHLIGHTS

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

49. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS' SPECIAL RESOLUTION

The shareholders consented on the special resolution in the 15th Annual General Meeting (AGM) held on 29 March 2011 to amend clause V of the Memorandum of Association (MOA) and article 3(a) of the Articles of Association regarding change of Authorized Shares Capital of Tk. 1,000,000,000 (Taka one thousand million) divided into 100,000,000 (one hundred million) ordinary shares of Tk. 10 (Taka ten) each to Tk. 3,000,000,000 (three thousand million) divided into 300,000,000 (three hundred million) ordinary shares of Tk. 10 (Taka ten) each.

50. GEOGRAPHICAL AREA OF OPERATION

In addition to its existing branch office at Dhaka and Chittagong, Prime Finance started its operation at Shaheb Bazar, Rajshahi in the year 2009.

51. INTERIM FINANCIAL STATEMENTS

Prime Finance publishes its interim financial statements quarterly as required by the Securities and Exchange Commission.

52. RESTRICTION ON PAYMENT OF CASH DIVIDEND

As per DFIM circular 09 dated 4 November 2009 of Bangladesh Bank a non-banking financial institution cannot declare cash dividend if its capital is below the required level. Prime finance however has met the requirement of Bangladesh Bank. As at 31 December 2011, Prime Finance has a surplus capital of Tk. 624.50 million.

53. CHANGES IN AND DISAGREEMENT WITH AUDITORS

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

54. DEPARTURE FROM BAS 1

According to DFIM Circular no. 11 dated 23 December 2009 there is no scope to use the name or include Statement of Financial Position and Other Comprehensive Income. As such the company does not use the captioned and also not prepare the same.

55. DEPARTURE FROM BAS 39

The requirement of DFIM Circular no. 11 dated 23 December 2009 contradict with the requirement of BAS 39. As per BAS 39 investment in shares falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year end is to be taken to profit and loss account or revaluation reserve respectively. Prime Finance followed the guidelines of Bangladesh Bank Circular under which investment in both quoted and unquoted shares were recognized at cost and required provision has been made for the losses arising from diminution in value of investment. However, at 31 December 2011 had the requirement of BAS 39 was followed the investment as well as shareholders' equity will increase by Tk. 235,560,890 for unrealized surplus/gain against investment in quoted shares.

56. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors of the Company on 26 February 2012.



Managing Director



Director



Chairman

Schedule of fixed assets including premises, furniture and fixtures as at 31 December 2011

Particulars	COST			DEPRECIATION			Written Down Value as at 31-12-2011
	Balance as at 1 January 2011	Additions during the year	Disposal/ adjustment during the year	Balance as at 1 January 2010	Charged during the year	Disposal/ adjustment during the year	
Freehold assets:							
Land	305,151,022	-	-	-	-	-	305,151,022
Furniture and fixtures	9,839,278	60,420	107,500	8,049,183	1,316,126	50,382	9,314,927
Office decoration	8,248,291	999,381	1,684,745	8,146,429	205,832	1,684,745	6,667,516
Electrical equipment	13,329,778	1,621,229	17,500	10,033,420	1,229,001	5,600	11,256,821
Owened vehicles	9,015,641	-	-	3,900,677	1,305,948	-	5,206,625
Intangible assets	1,250,000	-	-	608,333	125,000	-	733,333
Leasehold assets:							
Leased vehicles	10,443,614	3,882,771	-	2,922,057	2,153,436	-	5,075,493
As at 31 December 2011	357,277,624	6,563,801	1,809,745	33,660,099	6,335,343	1,740,727	38,254,715
As at 31 December 2010	347,672,367	9,605,257	-	26,041,295	7,618,804	-	33,660,099
							323,617,525

Highlights

Sl. No	Particulars	2011	2010
1	Paid up capital	1,624,502,880	902,501,600
2	Shareholders' equity	4,684,396,992	3,893,584,449
3	Capital surplus/(shortage)	624,502,880	402,501,600
4	Total assets	15,116,241,757	12,911,946,872
5	Total deposits	4,315,609,591	3,760,306,212
6	Total investments	12,827,056,335	11,621,042,577
7	Loans, advances and leases	10,396,598,999	8,720,700,063
8	Contingent liabilities and commitments	-	150,000,000
9	Loans deposits ratio (%)	240.91	231.91
10	Non performing loans, advances and leases (%)	6.48	6.23
11	Net profit after tax and provision	772,812,543	1,731,658,872
12	Classified loans, advances and leases	564,067,026	543,367,925
13	Provision against classified loans, advances and leases	227,932,820	207,803,891
14	Surplus/(shortage) in provision against loans, advances and leases	23,682	52,736,519
15	Fund cost (%)	13.39	11.15
16	Interest earning assets	14,074,438,050	12,000,240,385
17	Non-interest earning assets	1,041,803,706	911,706,487
18	Return on average investment (PBT/average investment %)	7.81	19.08
19	Return on average assets (PBT/average assets %)	6.81	17.12
20	Income from debentures, bonds etc.	-	-
21	Net income per share	4.14	19.13
22	Earnings per share (restated)	4.14	10.65
23	Price earnings ratio (times)	23.77	24.35



Prime Finance Capital Management Limited

a member of Prime Financial Group

Registered Office
63 Dilkusha Commercial Area, Dhaka-1000

Chairman
Md. Aliuzzaman

Date of Incorporation
18 March 2010

MD & CEO
Dr. M. Mosharraf Hossain FCA

Authorized Share Capital
Tk. 5,000,000,000

Auditors
M. M. Rahman & Co., Chartered Accountants

Paid-up Capital
Tk. 1,000,000,000,

Shareholding of Prime Finance
60 percent

Products & Services

Carry on business of merchant banking in all its respect, including acting as manager to the issues and offers, whether by way of public offer or otherwise, of securities, underwriting and/or management of issues, managing portfolio of investors whether discretionary or non-discretionary, advising clients on merger and amalgamation, capital restructuring etc.



Auditors' Report to the Shareholders

of Prime Finance Capital Management Limited

We have audited the accompanying financial statements of Prime Finance Capital Management Limited (the Company), which comprise the statement of financial position as at December 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Prime Finance Capital Management Limited as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standard (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by the law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred was for the purposes of the company's business.



M.M. Rahman & Co.
Chartered Accountants

Dhaka
26 February 2012

Prime Finance Capital Management Limited

Statement of financial position

as at 31 December

(Figures in BDT)	2011	2010	Notes
Non-current assets			
Property, plant and equipment	3,897,227	-	4 Page 189
Margin loan net of margin deposit	2,926,977,706	-	5 Page 189
Investment in shares	292,942,883	-	6 Page 189
Total non-current assets	3,223,817,816	-	
Current assets:			
Advance, deposit and prepayment	11,674,478	933,164	7 Page 189
Current account with Parent Company	-	696,336,275	8 Page 190
Accounts receivable	105,745,992	-	9 Page 190
Cash and cash equivalents	21,210,694	310,187,642	10 Page 190
Total current assets	138,631,164	1,007,457,081	
Total assets	3,362,448,980	1,007,457,081	
Shareholders' equity:			
Share capital	1,000,000,000	1,000,000,000	11 Page 191
Share money deposit	378,000,000	-	
Retained earnings	255,979,640	5,239,738	12 Page 191
Total shareholders' equity	1,633,979,640	1,005,239,738	
Non-current liabilities			
Obligation under finance lease	2,803,365	-	13 Page 191
Deferred tax liability	24,066	-	23 Page 193
Total non-current liabilities	2,827,431	-	
Current liabilities:			
Current account with Parent Company	1,235,657,883	-	8 Page 190
Corporate tax liability	148,689,264	2,063,843	14 Page 191
Accounts payable	67,074,208	-	15 Page 191
Other payable	274,220,554	153,500	16 Page 192
Total current liabilities	1,725,641,909	2,217,343	
Total shareholders' equity and liabilities	3,362,448,980	1,007,457,081	

The annexed notes 1 to 29 form an integral part of these financial statements.

sd/-
Company Secretary

sd/-
Managing Director & CEO

sd/-
Director

sd/-
Chairman

As per our report of same date.

Dhaka
26 February 2012

sd/-
M.M. Rahman & Co.
Chartered Accountants

Prime Finance Capital Management Limited
Statement of Comprehensive Income
for the year ended 31 December

(Figures in BDT)	2011	2010	Notes
Operating income:			
Fees and commission	189,444,685	-	17 Page 192
Interest on margin loan	473,509,531	-	
Other income	17,471,764	9,331,639	18 Page 192
Total operating income	680,425,980	9,331,639	
Operating expenses:			
Preliminary expenses	-	1,224,725	19 Page 192
Financial expenses	246,129,330	-	20 Page 192
Management expenses	29,714,203	803,333	21 Page 193
Total operating expenses	275,843,533	2,028,058	
Profit before provision and tax	404,582,447	7,303,581	
Provision for doubtful loss	4,454,215	-	22 Page 193
Profit after provision and tax	400,128,232	7,303,581	
Income tax expenses:			
Current tax	149,364,264	2,063,843	23 Page 193
Deferred tax	24,066	-	23 Page 193
Total	149,388,330	2,063,843	
Profit after tax	250,739,902	5,239,738	

The annexed notes 1 to 29 form an integral part of these financial statements.

sd/-
Company Secretary

sd/-
Managing Director & CEO

sd/-
Director

sd/-
Chairman

As per our report of same date.

Dhaka
26 February 2012

sd/-
M.M. Rahman & Co.
Chartered Accountants

Prime Finance Capital Management Limited
Statement of Changes in Shareholders' Equity
for the year ended 31 December

(Figures in BDT) Particulars	Share Capital	Share Money Deposit	Retained Earnings	Total
Balance as at 18 March 2010	-	-	-	-
Initial capital introduced	1,000,000,000	-	-	1,000,000,000
Profit after tax for the period	-	-	5,239,738	5,239,738
Balance as at 31 December 2010	1,000,000,000	-	5,239,738	1,005,239,738
Share money deposit receipts	-	378,000,000	-	378,000,000
Profit after tax for the period	-	-	250,739,902	250,739,902
Balance as at 31 December 2011	1,000,000,000	378,000,000	255,979,640	1,633,979,640

Prime Finance Capital Management Limited

Statement of cash flows

for the year ended 31 December

(Figures in BDT)	2011	2010
A. Cash flows from operating activities:		
Receipts from portfolio customers	443,783,840	-
Payment to portfolio customers	(926,263,422)	-
Receipts from brokers	3,186,400,655	-
Payment to brokers	(2,250,685,474)	-
Issue management fee receipts	28,872,788	-
Underwriting commission receipts	8,422,597	-
Advisory fees receipts	100,000	-
Management expenses	(21,451,433)	-
Financial expenses paid	(460,757)	-
Dividend income	2,700	-
Bank interest received	1,939,659	9,331,639
Reimbursement of transfer fee	-	1,800,000
Bank charge paid	(250,622)	(10,833)
Income tax paid	(34,341)	(933,164)
Net cash generated from operating activities	470,376,190	10,187,642
B. Cash flows from investing activities		
Acquisition of fixed assets	(4,783,914)	-
Investment in shares	(280,554,210)	-
Payment to Parent Company	-	(700,000,000)
Net cash used in investing activities	(285,338,124)	(700,000,000)
C. Cash flows from financing activities:		
Introduction of fresh capital	-	1,000,000,000
Share money deposit receipts	378,000,000	-
Lease finance from Parent Company	3,785,738	-
Net loan re-payment to Parent Company	(855,800,752)	-
Net cash provided by financing activities	(474,015,014)	1,000,000,000
D. Net increase/(decrease) in cash and cash equivalents (A+B+C)	(288,976,948)	310,187,642
E. Opening cash and cash equivalents	310,187,642	-
F. Ending cash and cash equivalents (D+E)	21,210,694	310,187,642

Prime Finance Capital Management Limited

Notes to the financial statements

as at and for the year ended 31 December 2011

1. REPORTING ENTITY

Prime Finance Capital Management Limited ("the company") is a public limited company incorporated on 18 March 2010 in Bangladesh under the Companies Act 1994. The main objectives of the company are to carry on business of merchant banking in all respect, including acting as manager to issues and offers, whether by way of public offer or otherwise, of securities, underwriting and/or management of issues, managing portfolio of investors whether discretionary or non-discretionary, advising clients on merger and amalgamation, capital restructuring etc. The registered office of the company is situated in Bangladesh.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules 1996, and as per the requirements of the Companies Act 1994 and other applicable laws and regulations.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis under historical cost convention.

2.3 Functional and presentational currency

These financial statements are presented in Bangladesh Taka (BDT/Taka/Tk.), which is the company's functional currency. All financial information presented in Taka has been rounded off to the nearest integer.

2.4 Use of estimates and judgments

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an on going basis.

2.5 Reporting period

The financial statements of the company covers one year period from 1 January 2011 to 31 December 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

3.1.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of property, plant and equipment and bringing to the location and condition necessary for it to be capable of operating in the intended manner. The cost of self constructed asset included the cost of material and direct labour, any other cost directly attributable to bringing the assets to a working condition for their intended use.

3.1.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

3.1.3 Depreciation

Depreciation is charged on all items of property, plant and equipment on straight line method over their estimated useful lives as summarized below:

Motor vehicles	20% p.a.
Electrical equipments	20% p.a.
Furniture and fittings	15% - 20% p.a.

Upon retirement of assets, the cost and related accumulated depreciation are eliminated from the accounts and resulting gain or loss is charged or credited to statement of comprehensive income.

3.2 Investment in shares

Investments are stated at cost or market value whichever is lower. Dividend is accounted for as income when right to receive is established.

3.3 Accounts receivable

Accounts receivable are considered good and realizable.

3.4 Accounts payable

Account payable is determined when payable or possible payable is ensured.

3.5 Employee benefits

The company operates a non-funded gratuity scheme, provision in respect of which is made annually for all eligible employees. Gratuity payable to all eligible employees at the end of each year has been determined on the basis of existing rules and regulations of the company, actuarial valuation is not hence deemed essential.

The company also maintains a contributory provident fund for its permanent employees which is administered by the Board of Trustees.

3.6 Pre-operating expenses

Pre-operating expenses are recognized as an expense in the year in which it is incurred under the provision of BAS- 38: 'Intangible assets'.

3.7 Financial instruments

Financial instrument includes non-derivative financial instruments such as cash and cash equivalents, other payables etc.

3.8 Provisions

Provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation as per the BAS-37 'Provisions, contingent liabilities and contingent assets'.

3.9 Revenue recognition

Revenue is recognized in accordance with Bangladesh Accounting Standards (BAS) 18: Revenue recognition, unless otherwise mentioned or otherwise guided by separate BAS/BFRS.

3.9.1 Income from margin loan

Income from margin loan is recognized on accrual basis. Such income is calculated considering daily margin loan balance of the respective parties. Income is recognized on quarterly rest.

3.9.2 Income from portfolio management fee

Income from management fee is recognized on accrual basis. Such income is calculated considering daily portfolio balance of the respective parties. Income is recognized on quarterly rest.

3.9.3 Income from issue management fee, underwriting commission and corporate advisory fee

Income from issue management fee, underwriting commission and corporate advisory fee are recognized as income when invoices are raised and accepted by the customers.

3.9.4 Capital gain on listed shares

Capital gain is recognized on the basis of realization. Unrealized gain/losses are not recognized in the statement of comprehensive income.

3.10 Taxation

3.10.1 Current tax

Provision for income tax is made on the basis of the company's computation based on best estimate of taxable profit as per requirement of the Finance Act 2011.

3.10.2 Deferred tax

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they revised, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.11 Events after the balance sheet

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

Notes to the Financial Statements - *continued*

4. PROPERTY, PLANT AND EQUIPMENT

(Figures in BDT) Particulars	Furniture and fixtures	Electrical equipments	Motor vehicle	Total
Cost:				
As at 1 January 2011	-	-	-	-
Additions during the year	19,000	979,176	3,785,738	4,783,914
Disposals during the year	-	-	-	-
As at 31 December 2011	19,000	979,176	3,785,738	4,783,914
Depreciation:				
As at 1 January 2011	-	-	-	-
Charges during the year	1,138	128,401	757,148	886,687
Adjustments for disposal	-	-	-	-
As at 31 December 2011	1,138	128,401	757,148	886,687
Written down value:				
As at 31 December 2011	17,862	850,775	3,028,590	3,897,227
As at 31 December 2010	-	-	-	-

4.1 Motor vehicle includes 1 (one) office car under finance lease from Prime Finance & Investment Ltd.

5. MARGIN LOAN NET OF MARGIN DEPOSIT

	2011	2010
Margin loan	3,015,388,083	-
Less: Margin deposit	51,787,947	-
Less: Receivable in transit	36,172,844	-
Less: Cheque collection in transit	449,586	-
Total	2,926,977,706	-

6. INVESTMENT IN SHARES

Quoted shares	169,888,618	-
Un-quoted shares (Note-6.1)	123,054,265	-
Total	292,942,883	-

6.1 Un-quoted shares

Bengal Windsor Limited	10,000,000	-
BD Welding Limited	291,250	-
Northern Power Solution Limited	5,000,000	-
United Airways (BD) Limited	99,497,115	-
Lafarge Surma Cement Limited	3,265,900	-
Bengal Meat Processing Industries Limited	5,000,000	-
Total	123,054,265	-

7. ADVANCE, DEPOSIT AND PREPAYMENT

Advance income tax (Note-7.1)	294,671	933,164
Advance to PFI Securities Limited for purchase of listed company's shares	8,846,967	-
Other advances (Note-7.2)	2,532,840	-
Total	11,674,478	933,164

Notes to the Financial Statements - *continued*

7.1 Advance income tax	2011	2010
Balance as at 1 January	933,164	-
Add:		
Advance income tax paid u/s-64 of Income Tax Ordinance, 1984	1,805,679	-
Tax deducted at source	294,671	933,164
Total	2,100,350	933,164
	3,033,514	933,164
Less:		
Adjustment for completed assessment-Return u/s 82BB (Note-14)	2,738,843	-
Balance as at 31 December	294,671	933,164
7.2 Other advances		
Advance against employee house building finance	1,686,240	-
Advance against employee car finance	791,600	-
Advance against management expenses	55,000	-
Total	2,532,840	-

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.

8. CURRENT ACCOUNT WITH PARENT COMPANY

This amount represents receivable/payable from Prime Finance & Investment Limited, the parent company of Prime Finance Capital Management Limited. The amount has been arisen from expenses paid/short-term loan availed by Prime Finance Capital Management Limited and vice versa.

9. ACCOUNTS RECEIVABLES

(Figures in BDT)	2011	2010
Receivable from PFI Securities Limited	26,017,708	-
Receivable from Vision Capital Management Limited	49,392,376	-
Receivable from Chowdhury Securities Limited	18,093,071	-
Receivable from Sharp Securities Limited	1,112,371	-
Receivable from Prime Islami Securities Limited	1,759,025	-
Accrued fees, commission etc.	6,053,504	-
Suspense receivables	225,600	-
Other receivables	3,092,337	-
Total	105,745,992	-

10. CASH AND CASH EQUIVALENTS

Cash on hand	5,000	-
Balance with banks:		
Mutual Trust Bank Ltd. - Short Term Deposit	638,037	310,187,642
Shahjalal Bank Ltd. - ShortTerm Deposit	19,559,881	-
NCC Bank Ltd.,-Short Term Deposit	337,217	-
First Security Islami Bank Ltd.-Short Term Deposit	29,979	-
Dutch Bangladesh Ltd.-Short Term Deposit	612,262	-
National Bank Ltd.-Short Term Deposit	28,318	-
Total	21,205,694	310,187,642
Total	21,210,694	310,187,642

Notes to the Financial Statements - *continued*

11. SHARE CAPITAL	2011	2010
Authorized:		
500,000,000 ordinary shares of Tk 10 each	5,000,000,000	2,500,000,000
Issued and fully paid up:		
100,000,000 ordinary shares of Tk. 10 each issued for cash 1,000,000,000	1,000,000,000	-

Shareholders of the Company in its 1st Annual General Meeting held on 9 March 2011 has approved increasing of authorized share capital to Tk. 5,000,000,000 (500,000,000 ordinary shares of Tk. 10 each).

11.1 Composition of shareholding

	No. of shares	Taka	Percentage
Prime Finance & Investment Limited	60,000,000	600,000,000	60%
Mr. K. M. Rakib Hasan	6,000,000	60,000,000	6%
Mr. Waheed Mahmud Khaled	6,000,000	60,000,000	6%
Mr. Nazim Asadul Haque	6,000,000	60,000,000	6%
Mr. Rubaiyat Khaled	6,000,000	60,000,000	6%
Mr. Tauseef Iqbal Ali	3,000,000	30,000,000	3%
Mr. Md. Aliuzzaman	2,000,000	20,000,000	2%
Ms. Syeda Tasnuva Khanam	3,000,000	30,000,000	3%
GQ Enterprise Limited	4,000,000	40,000,000	4%
Agami Apparels Limited	4,000,000	40,000,000	4%
Total	100,000,000	1,000,000,000	100%

12. RETAINED EARNINGS

Balance as at 1 January	5,239,738	-
Profit after tax for the year transferred to retained earnings	250,739,902	5,239,738
Balance as at 31 December	255,979,640	5,239,738

13. OBLIGATION UNDER FINANCE LEASE

Motor car has been taken as finance lease from Prime Finance & Investment Limited for 5 years with initial interest rate of 15% p.a.

14. CORPORATE TAX LIABILITIES

Tax provision for the year ended on 31 December 2010	2,063,843	2,063,843
Tax provision for the year ended on 31 December 2011	149,364,264	-
Total tax provision till date	151,428,107	2,063,843
Less: adjustment for completed assessment-Return u/s 82BB (Note-7.1)	2,738,843	-
Total	148,689,264	2,063,843

15. ACCOUNTS PAYABLE

Payable to PFI Securities Limited	22,706,944	-
Payable to Vision Capital Management Limited	40,615,120	-
Payable to Chowdhury Securities Limited	3,752,144	-
Total	67,074,208	-

Notes to the Financial Statements - *continued*

16. OTHER PAYABLE	2011	2010
Office rent payable	169,582	-
Interest payable	245,668,572	-
Payable for unsubscribed shares	6,601,180	-
CDBL charge payable	3,944,948	-
Accrued fuel cost	24,000	-
Accrued mobile bill	16,750	-
Payable for employee training	35,000	-
Audit fee payable	26,125	11,500
Withholding tax payable	35,743	-
Withholding VAT payable	24,733	-
Suspense receipts PIA dividend income	2,026,314	-
Provident fund payable	989,609	-
Accrued expenses	3,663,725	142,000
Provision for expenses	6,363,213	-
Provision for doubtful losses	4,454,215	-
Others	176,845	-
Total	274,220,554	153,500

17. FEES AND COMMISSION		
Issue management fee	30,357,788	-
Underwriting commission	12,295,897	-
Portfolio management fee	146,691,000	-
Corporate advisory fee	100,000	-
Total	189,444,685	-

18. OTHER INCOME		
Income from bank interest of STD accounts	1,983,071	9,331,639
Capital gain on listed shares net of charges	14,727,688	-
Dividend income	719,005	-
Documentation fees	42,000	-
Total	17,471,764	9,331,639

19. PRELIMINARY EXPENSES		
Registration Fees	-	1,139,125
Law charge	-	17,000
Other initial expenses	-	68,600
Total	-	1,224,725

Preliminary expenses has been written-off in full in the year 2010 as per the requirement of Bangladesh Accounting Standards-38 'Intangible assets'.

20. FINANCIAL EXPENSES		
Interest on short term loan from	245,668,572	-
Interest charge on obligation under finance lease	460,758	-
Total	246,129,330	-

Notes to the Financial Statements - *continued*

21. MANAGEMENT EXPENSES	2011	2010
Salaries and allowances	18,697,995	142,000
Legal and professional fees	1,339,825	149,000
Audit fee	26,125	11,500
CDBL charges	1,913,591	-
Office maintenances	2,942,960	-
Recruitment and human resources	134,149	490,000
Bank charges	138,013	10,833
Books and periodicals	10,894	-
Telephone, postage etc.	3,647	-
Printing and stationeries	612,468	-
Directors' fees	495,000	-
Car allowances	339,000	-
Office rent	314,312	-
Motor vehicle expenses	262,523	-
Meeting expenses	175,750	-
HR development expenses	381,021	-
Advertisement and publicity	373,620	-
Entertainment & public relation	168,135	-
Subscription and fees	148,505	-
Medical and employee welfare	198,925	-
Utility expenses	88,771	-
Brokerage commission and charges	62,287	-
Depreciation	886,687	-
Total	29,714,203	803,333

22. PROVISION FOR DOUBTFUL LOSS

Provision has been made on doubtful losses on the basis of management's best estimate.

23. INCOME TAX EXPENSES

Current tax:

Provision for tax has been made as per the requirement of Finance Act 2011.

Deferred tax:

Deferred tax liability is arrived at as follows:	Carrying amount on balance sheet date	Tax base	Taxable/(deductible) temporary difference
Year: 2011 (A)			
Property, plant and equipment	3,897,227	3,833,052	64,175
Applicable tax rate			37.5%
Deferred tax - liability			24,066
Year: 2010 (B)			
Deferred tax liability (A-B)			-
			24,066

Related deferred tax expense has been charged in the statement of comprehensive income.

Notes to the Financial Statements - *continued*

24. CONTINGENT LIABILITIES

None at 31 December 2011

25. CAPITAL EXPENDITURE COMMITMENT

None at 31 December 2011

**26. CLAIMS AGAINST THE COMPANY NOT
ACKNOWLEDGED AS DEBT**

None at 31 December 2011

27. 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 18.

28. EVENTS AFTER THE BALANCE SHEET

Board of Directors in its 20th meeting held on 26 February 2012 recommended 25% cash dividend for the year 2011 subject to approval from shareholders of the Company in its forthcoming Annual General Meeting.

29. GENERAL

Previous year's figures have been re-arranged, wherever necessary, to conform the current year's presentation.

sd/-
Company Secretary

sd/-
Managing Director & CEO

sd/-
Director

sd/-
Chairman



PFI Securities Limited

a member of Prime Financial Group

About the Company

PFI Securities Limited is one of the leading brokerage houses in Bangladesh which was incorporated on 06 August 1997 as a Private Limited Company. The company converted to public limited company on 6 April 2010. It is operating with a group of highly trained & skilled manpower. The Company has refined its business model to constantly maintain a cutting-edge approach in the areas in which it operates. PFI Securities is a Security Broking company registered as member with both the bourses in Bangladesh; Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE).

Nature of Business

The Company is engaged primarily to cater the service to the institutions and individual investors for trading of securities with both the bourses under Securities & Exchange Commission (Stock-Dealer, Stock-Broker & Authorized Representative) Rules 2000 and to extend margin loan facilities to the investors under Margin Rules 1999.

Chairman

Mr. M. A. Wahhab

CEO/MD/In-Charge

Kazi Fariduddin Ahmed FCA

Authorized Capital

Tk. 5,000,000,000

Paid-up Capital

Tk. 1,456,000,000

Operating Profit for 2011

Tk. 385,106,436

Net Profit for 2011

Tk. 253,539,993

Earnings Per shares (EPS) for 2011

1.74

Shareholdings of Prime Finance

46.15 percent



Auditors' Report to the Shareholders of PFI Securities Limited

We have audited the accompanying financial statements of PFI Securities Limited, which comprise the statement of financial position as at December 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of PFI Securities Limited as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by the law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's financial position and statements of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred was for the purposes of the company's business.



M.M. Rahman & Co.
Chartered Accountants

Dhaka
26 February, 2012.

PFI Securities Limited
Statement of Financial Position
as at 31 December

(Figures in BDT) 2011 2010

SOURCES OF FUND

SHAREHOLDERS' EQUITY	2,238,647,108	1,985,107,115
Share Capital	1,456,000,000	910,000,000
General Reserve	50,000,000	-
Revaluation Reserve	443,887,500	443,887,500
Retained earnings	35,219,615	23,557,733
Current year's profit	253,539,993	607,661,882

APPLICATION OF FUND

INVESTMENT AND ADVANCES	534,588,109	526,479,214
Membership of stock exchanges	456,500,000	456,500,000
Employees Loan	5,551,661	4,031,665
Investment in shares	72,536,448	65,947,549

CURRENT ASSETS	6,935,508,842	8,769,352,066
Advance, deposits and prepayments	99,509,714	57,560,747
Margin loan to clients	6,054,658,934	4,767,027,674
Account receivables	412,772,077	3,570,710,511
Advance corporate tax	307,839,486	219,642,039
Cash & Cash equivalents	60,728,632	154,411,095

CURRENT LIABILITIES	5,590,257,771	7,665,001,818
Accounts payables	884,342,486	3,595,583,137
Short term borrowing	4,302,940,453	3,798,010,293
Provision for current tax	402,974,832	271,408,388

NET CURRENT ASSETS	1,345,251,071	1,104,350,248
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Property, plant & equipments	358,807,928	354,277,654
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TOTAL ASSETS AND INVESTMENTS	2,238,647,108	1,985,107,115
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sd/-
Company Secretary

sd/-
CEO & Managing Director

sd/-
Chairman

As per our report of same date.

Dhaka
26 February, 2012

sd/-
M.M. Rahman & Co.
Chartered Accountants

PFI Securities Limited
Statement of Comprehensive Income

For the year ended 31 December

(Figures in BDT)

	2011			2010
	U/Sec-82(c)	Other than U/Sec-82(c)	Total	Total
OPERATING INCOME	384,443,026	131,293,952	515,736,978	936,414,280
Commission on securities trading	384,443,026	-	384,443,026	781,312,925
Interest on margin loan	-	125,268,821	125,268,821	107,896,360
Gain/Loss on sale of shares	-	-	-	9,514,316
Dividend income	-	575,410	575,410	216,291
Other operating income	-	5,449,721	5,449,721	37,474,388
OPERATING EXPENSES	101,381,286	29,249,256	130,630,542	151,176,640
Laga and howla charges	15,736,272	-	15,736,272	70,262,548
Management expenses	85,645,014	29,249,256	114,894,270	80,914,092
Profit before tax	283,061,740	102,044,696	385,106,436	785,237,640
Provision for income tax	88,197,447	43,368,996	131,566,443	177,575,758
Net profit after income tax	194,864,293	58,675,700	253,539,993	607,661,882
Earning per share (EPS)			1.74	6.68
Restated Earning per share (EPS)			1.74	4.17

sd/-
Company Secretary

sd/-
CEO & Managing Director

sd/-
Chairman

As per our report of same date.

Dhaka
 26 February, 2012

sd/-
M.M. Rahman & Co.
 Chartered Accountants

PFI Securities Limited

Statement of Cash Flow

For the year ended 31 December

(Figures in BDT)

	2011	2010
Cash flows from operating activities		
Collection from commission, interest on trading on securities & Others	4,187,703,404	(2,868,775)
Payment of Laga, howla & management expenses	(2,841,561,816)	713,911,012
Income Tax Paid	(88,197,447)	(160,839,584)
Net cash generated from operating activities	1,257,944,141	550,202,653
Cash flows from Investing activities		
Purchase of property, plant & equipment	(46,788,617)	(180,651,993)
Investment in Share	(6,588,899)	(33,919,766)
Gain on sale of share	-	9,514,316
Net cash used by investing activities	(53,377,516)	(205,057,443)
Cash flows from Financing activities		
Collection of Issue of share capital	-	310,000,000
Loan given to Employee	(1,519,996)	(711,665)
Loan given to clients	(1,287,631,260)	(1,608,608,486)
Short term loan receive	504,930,160	1,514,471,749
Dividend Income	575,410	216,291
Financial Expenses	(514,603,402)	(445,614,837)
Net cash provided by financing activities	(1,298,249,088)	(230,246,948)
Net increase in cash	(93,682,463)	114,898,262
Opening cash & bank balance	154,411,095	39,512,833
Closing cash & bank balance	60,728,632	154,411,095

PFI Securities Limited

Statement of Changes in Shareholders' Equity

For the year ended 31 December

(Figures in BDT) Particulars	Share Capital	Share Issued	Right Share	Retained Earnings	Proposed Stock Dividend	General Reserve	Revaluation Reserve	Total
Balance as on 31 December 2010	910,000,000	-	-	631,219,615	-	-	443,887,500	1,985,107,115
Changes during the year 2011								
Net profit for the year 2011	-	-	-	253,539,993	-	-	-	253,539,993
Share Issued During the year 2011	-	-	-	-	-	-	-	-
Stock dividend for the year 2010	546,000,000	-	-	(546,000,000)	-	-	-	-
General Reserve	-	-	-	(50,000,000)	-	50,000,000	-	-
Right Share Issued during the year 2011	-	-	-	-	-	-	-	-
Total change in 2011	546,000,000	-	-	(342,460,007)	-	50,000,000	-	253,539,993
Balance as on 31 December 2011	1,456,000,000	-	-	288,759,608	-	50,000,000	443,887,500	2,238,647,108
Balance as on 31 December 2009	300,000,000	-	-	323,557,733	-	-	443,887,500	1,067,445,233
Changes during the year 2010								
Net profit for the year 2010	-	-	-	607,661,882	-	-	-	607,661,882
Stock dividend for the year 2009	300,000,000	-	-	(300,000,000)	-	-	-	-
Share Issued During the year 2010	50,000,000	(50,000,000)	-	-	-	-	-	-
Revaluation during the year 2010	-	-	-	-	-	-	-	-
Right Share Issued during the year 2010	260,000,000	-	(26,000,000)	-	-	-	-	-
Total change in 2010	610,000,000	-	307,661,882	631,219,615	-	-	-	917,661,882
Balance as on 31 December 2010	910,000,000	-	-	631,219,615	-	-	443,887,500	1,985,107,115



PFI PROPERTIES LIMITED

a member of Prime Financial Group

Head Office

Z.N.Tower (Gr. & 1st Floor), Gulshan Avenue,
Road-8, Plot-2, Gulshan-1, Dhaka-1212

Date of Incorporation

28 June 2009

Authorized Share Capital

Tk. 1,000,000,000

Paid-up Capital

Tk. 50,000,000

Nature of Business

Acquire by purchase, lease, settlement or otherwise any land either from government, semi-government, autonomous body, any corporate body or from any private individual, firms, companies and corporations and to develop the same for the residential, industrial, commercial or housing purposes.

Chairman

Mr. M. A. Khaleque

Chief Operating Officer

Asad R. Khan

No. of Employees

12

Net loss for 2011

Tk. 40,991,605

Auditors

M. M. Rahman & Co.

Chartered Accountants

Shareholding of Prime Finance

40 Percent



Auditors' Report to the Shareholders of PFI Properties Limited

We have audited the accompanying financial statements of PFI Properties Limited (the Company), which comprise the statement of financial position as at December 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financials statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BAS). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of PFI Properties Limited as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standard (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by the law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred was for the purposes of the company's business.



M.M. Rahman & Co.
Chartered Accountants
Dhaka
26 February 2012

PFI Properties Limited
Statement of Financial Position
as at 31 December

(Figures in BDT)	2011	2010
ASSETS		
Property, plant and equipment	24,367,447	11,139,950
Investment in shares	16,193,115	32,051,236
Total non-current assets	40,560,562	43,191,186
Advances, deposits and prepayments	68,123,539	50,464,280
Advance income tax	615,753	129,532
Construction work in progress	1,884,407	-
Accounts receivables	3,068,405	2,765,082
Cash and cash equivalents	3,472,969	8,018,016
Total current assets	77,165,073	61,376,910
Total assets	117,725,635	104,568,096
Equity		
Share capital	50,000,000	50,000,000
Retained earnings/(Loss)	(36,925,119)	4,066,486
Revaluation reserve	(11,636,254)	472,375
Total equity	1,438,627	54,538,861
LIABILITIES		
Long-term finance	67,590,239	17,564,032
Obligation under finance lease	221,276	1,730,869
Deferred tax liability	340,831	340,831
Total non-current liabilities	68,152,346	19,635,732
Short term portion of long term finance	17,786,890	4,484,203
Short term portion of lease obligation	1,509,593	1,528,859
Accrued expenses	84,319	1,229,735
Provision for taxation	15,785	964,478
Other liability	28,738,075	22,186,228
Total current liabilities and provisions	48,134,662	30,393,503
Total liabilities	116,287,008	50,029,235
Total equity and liabilities	117,725,635	104,568,096

sd/-
Managing Director

sd/-
Director

sd/-
Chairman

As per our report of same date.

Dhaka
26 February 2012

sd/-
M.M. Rahman & Co.
Chartered Accountants

PFI Properties Limited
Statement of comprehensive income
for the year ended 31 December

(Figures in BDT)	2011	2010
Operating income	-	-
Non-operating income:		
Capital gain/(loss) on sale of shares	(1,781,892)	37,990,102
Income from sale of Garbage and others	-	60,000
Total income / (loss)	(1,781,892)	38,050,102
Operating expenses	(34,739,027)	(31,194,284)
Profit/(loss) before finance expense	(36,520,919)	6,855,818
Finance expense	(7,611,839)	(1,825,591)
Finance income	3,156,938	349,980
Net finance expense	(4,454,901)	(1,475,611)
Profit/(loss) before income tax	(40,975,820)	5,380,207
Income tax:		
Current tax	(15,785)	(959,478)
Deferred tax	-	(340,831)
Total	(15,785)	(1,300,309)
Profit/(loss) after tax	(40,991,605)	4,079,898

sd/-
Managing Director

sd/-
Director

sd/-
Chairman

As per our report of same date.

Dhaka
26 February 2012

sd/-
M.M. Rahman & Co.
Chartered Accountants

PFI Properties Limited
Statement of Cash Flow
for the year ended 31 December

(Figures in BDT)	2011	2010
A. Cash flows from operating activities		
Bank interest received	156,336	250,930
Bank charge and excise duty paid	(6,150)	(9,678)
Interest paid	-	(649,453)
Rental Paid	(7,295,149)	-
Office rent paid	(16,740,000)	(11,282,263)
Payment against advance	(36,477,780)	(48,132,158)
Salaries paid	(5,011,023)	(3,907,229)
Receipt from scrap sale	-	60,000
Income tax and VAT paid	(4,874,778)	25,093
Payment for other operating activities	(4,010,442)	(6,479,626)
Net cash generated from operating activities	(74,258,986)	(70,124,384)
B. Cash flows from investing activities		
Net receipt from investment in shares	-	12,500,000
Acquisition of property, plant and equipment	(5,652,818)	(6,450,016)
Net cash used in investing activities	(5,652,818)	6,049,984
C. Cash flows from financing activities		
Introduction of capital	-	-
Net receipt from long term finance	58,396,000	22,048,235
Accounts payable with Prime Finance & Investment Ltd.	8,100,000	-
Received against bills from PFI Securities Ltd.	8,870,757	-
Net change in obligation under finance lease	-	(750,557)
Net cash outflows from financing activities	75,366,757	21,297,678
D. Net cash inflows/(outflows) for the year (A+B+C)	(4,545,047)	(42,776,722)
E. Opening cash and cash equivalents	8,018,016	50,794,738
F. Closing cash and cash equivalents (D+E)	3,472,969	8,018,016

PFI Properties Limited
Statement of changes in Shareholders' Equity
 for the year ended 31 December

(Figures in BDT) Particulars	Share Capital	Share money Deposit	Retained Earnings	Total
Balance as at 1 January 2011	50,000,000	472,375	4,066,486	54,538,861
Profit/(loss) after tax for the period	-	-	(40,991,605)	(40,991,605)
Reserve on net changes in fair value of listed securities	-	(12,108,629)	-	(12,108,629)
Balance as at 31 December 2011	50,000,000	(11,636,254)	(36,925,119)	1,438,627
Balance as at 1 January 2010	50,000,000	-	(13,412)	49,986,588
Profit after tax for the period	-	-	4,079,898	4,079,898
Reserve on net changes in fair value of listed securities	-	472,375	-	472,375
Balance as at 31 December 2010	50,000,000	472,375	4,066,486	54,538,861



Prime Prudential Fund Limited

a member of Prime Financial Group

Registered Office
63 Dilkusha Commercial Area, Dhaka-1000

Chairman
Mr. M. A. Khaleque

Date of Incorporation
23 July 2009

AVP & In-Charge
Md. Abdul Muktedir

Authorized Share Capital
Tk. 500,000,000

No. of Employees
03

Paid-up Capital
Tk. 24,600,000

Net loss for 2011
Tk. 33,423,903

Nature of Business

Manage funds of the company and its investors and provide other financial services including corporate advisory services, merger & acquisition, equity investment, joint venture sourcing and consummation, corporate restructuring, financial and socio-economic consultancy, corporate research and project studies, privatization and other related services in Bangladesh and overseas.

Auditors
M. M. Rahman & Co.
Chartered Accountants

Shareholding of Prime Finance
40 Percent



Auditors' Report to the Shareholders

of Prime Prudential Fund Limited

We have audited the accompanying financial statements of Prime Prudential Fund Limited (the Company), which comprise the statement of financial position as at December 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Prime Prudential Fund Limited as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by the law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred was for the purposes of the company's business



M.M. Rahman & Co.
Chartered Accountants

Dhaka
26 February 2012

Prime Prudential Fund Limited
Statement of Financial Position
as at 31 December

(Figures in BDT)	2011	2010
Non-current assets	81,896	-
Current assets:		
Cash and cash equivalents	998,683	428,164
Investment in shares	63,221,760	117,472,965
Advance corporate tax	156,787	31,393
Total current assets	64,377,230	117,932,522
Total assets	64,459,126	117,932,522
Shareholders' Equity:		
Share capital	24,600,000	24,600,000
Retained earnings	23,069,707	56,493,610
Revaluation reserve	(19,329,944)	(6,080,626)
Total Shareholders' equity	28,339,763	75,012,984
Non-current liabilities	-	-
Current liabilities:		
Payable to Prime Finance & Investment Limited	309,075	309,075
Margin loan	32,909,153	39,330,366
Provision for audit fee	11,500	11,500
Liability to employees	60,000	438,665
Corporate tax liability	2,826,099	2,826,099
Tax payable	3,535	3,833
Total current liabilities	36,119,362	42,919,538
Total shareholders' equity and liabilities	64,459,126	117,932,522

sd/-
Chairman & Managing Director

sd/-
Director

sd/-
Director

As per our report of same date.

Dhaka
26 February, 2012

sd/-
M.M. Rahman & Co.
Chartered Accountants

Prime Prudential Fund Limited

Statement of Comprehensive Income

for the period from 1 January to 31 December

(Figures in BDT)	2011	2010
Capital gain/(loss) from sale of shares	(26,363,172)	70,389,698
Cash dividend income	882,795	79,726
Bank interest income	38,040	13,821
Total operating income / (loss)	(25,442,337)	70,483,245
Salaries and allowances	1,239,800	918,050
Medical and employee welfare	127,083	3,210
Interest on BO account	5,932,224	8,476,886
Telephone and postage	5,505	-
Printing and stationery	10,127	14,050
License renewal fee	-	6,505
Internet Expenses	1,948	-
Entertainment and public relations	405,141	41,787
Audit fee	11,500	11,500
Books and periodicals	2,500	2,199
Fees and commission	1,946	-
Portfolio account opening fee	-	1,000
Travel and conveyance	14,829	8,246
Fees and charges for sale of shares	223,989	1,852,616
Depreciation	2,824	-
Bank charge and excise duty	2,150	7,380
Total operating expenses	7,981,566	11,343,429
Profit/(loss) before tax	(33,423,903)	59,139,816
Provision for tax	-	2,821,099
Profit/(loss) after tax	(33,423,903)	56,318,717

sd/-
Chairman & Managing Director

sd/-
Director

sd/-
Director

As per our report of same date.

Dhaka
26 February, 2012

sd/-
M.M. Rahman & Co.
Chartered Accountants

Prime Prudential Fund Limited
Statement of Cash Flow
for the period from 1 January to 31 December

(Figures in BDT)	2011	2010
A. Cash flows from operating activities		
Cash dividend income	761,205	63,866
Bank interest received	34,226	12,439
Salaries and allowances paid	(1,141,400)	(475,385)
Arrear salary paid	(438,665)	-
Medical and employee welfare paid	(127,083)	(3,210)
Telephone and postage	(5,505)	-
Printing and stationery paid	(10,127)	(13,667)
License renewal fee paid	-	(7,005)
Internet expenses	(1,948)	-
Entertainment and Public Relation paid	(405,141)	(16,337)
Audit fee	(10,500)	(9,000)
Books and periodicals paid	(2,500)	(2,199)
Fees and commission	(1,946)	-
Portfolio account opening fee paid	-	(1,000)
Travel and conveyance paid	(14,829)	(8,246)
Bank charge and Excise duty paid	(2,150)	(7,380)
Tax deducted at source on salaries paid	(36,865)	(2,000)
VAT deducted amount paid	(4,201)	-
Net cash generated from operating activities	(1,407,429)	(469,124)
B. Cash flows from investing activities		
Payment for investment in share	(38,700)	(2,202,500)
Payment for purchases of computer	(83,352)	-
Withdrawal from portfolio account	2,100,000	3,000,000
Net cash used in investing activities	1,977,948	797,500
C. Cash flows from financing activities		
Introduction of capital	-	-
Net cash provided by financing activities	-	-
D. Net increase/(decrease) in cash and cash equivalents (A+B+C)	570,519	328,376
E. Opening cash and cash equivalents	428,164	99,788
F. Ending cash and cash equivalents (D+E)	998,683	428,164

Prime Prudential Fund Limited
Statement of changes in Shareholders Equity
for the period from 1 January to 31 December

(Figures in BDT) Particulars	Share capital	Revaluation reserve	Retained earnings	Total
Balance as at 1 January 2011	24,600,000	(6,080,626)	56,493,610	75,012,984
Profit/(loss) after tax for the period	-	-	(33,423,903)	(33,423,903)
Reserve on net changes in fair value of listed securities	-	(13,249,318)	-	(13,249,318)
Balance as at 31 December 2011	24,600,000	(19,329,944)	23,069,707	28,339,763
Balance as at 1 January 2010	20,000,000	-	4,774,893	24,774,893
Stock dividend for the year 2009	4,600,000	-	(4,600,000)	-
Profit after tax for the period	-	-	56,318,717	56,318,717
Reserve on net changes in fair value of listed securities	-	(6,080,626)	-	(6,080,626)
Balance as at 31 December 2010	24,600,000	(6,080,626)	56,493,610	75,012,984



Prime Finance Asset Management Company Limited

a member of Prime Financial Group

About the Company

Prime Finance Asset Management Company Limited was incorporated in Bangladesh on 9 June 2008 as a public limited company under the Companies Act 1994.

Nature of Business

Manage the assets of any Trust of Fund of any type and/or character and hold, acquire, sell or deal in such asset or any trust funds, take part in the management of any mutual fund operation, operate, conduct, accomplish and establish services for industrial trading and commercial activities, invest funds in shares and securities, carry on business, and act as financial and monetary agent and merchandise shares and other securities.

Chairman

Mr. Sayed Tarek Kamal

CEO/MD/In-Charge

Moin Al Kashem MBA

Authorized Capital

Tk. 250,000,000

Paid-up Capital

Tk. 60,000,000

Operating Income for 2011

Tk. 12,129,946

Net Profit for 2011

Tk. 221,743

Shareholding of Prime Finance

49 Percent



Auditors' Report to the Shareholders of Prime Finance Asset Management Company Limited

We have audited the accompanying financial statements of Prime Finance Asset Management Company Limited (the Company), which comprise the statement of financial position as at December 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness

of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Prime Finance Asset Management Company Limited as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by the law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred was for the purposes of the company's business



M.M. Rahman & Co.
Chartered Accountants
Dhaka
26 February 2012

Prime Finance Asset Management Company Limited

Statement of Financial Position

as at 31 December

(Figures in BDT)	2011	2010
ASSETS		
Non-current assets:		
Property, plant and equipment:		
Cost	6,162,998	6,120,698
Accumulated depreciation	(2,830,460)	(1,600,681)
WDV of property, plant and equipments	3,332,538	4,520,017
Deferred tax asset	326,854	143,909
Total non-current assets	3,659,392	4,663,926
Current assets :		
Advance tax	3,412,317	329,264
Other receivable	600,000	-
Advance, deposits and prepayments	8,381,467	8,281,471
Investment	2,000,000	2,000,000
Receivable	12,956,486	29,411,095
Other asset	1,340,054	122,222
Short term investment	35,000,000	-
Cash and cash equivalents	7,184,039	29,541,361
Total current assets	70,874,363	69,685,413
Total assets	74,533,755	74,349,339
EQUITY & LIABILITIES		
Shareholders' equity		
Share capital	60,000,000	60,000,000
Retained earnings	4,699,514	4,477,771
Total shareholders' equity	64,699,514	64,477,771
Non-current liabilities		
Liability for gratuity	992,549	524,221
Liability for provident fund	1,593,528	763,980
Loan from Prime Finance & Investment Ltd. (Non-current portion)	-	1,557,233
Obligation under finance lease (Non-current portion)	-	455,586
Total non-current liabilities	2,586,077	3,301,020
Current liabilities		
Loan from Prime Finance & Investment Ltd. (Current maturity)	1,557,234	1,472,851
Obligation under finance lease (Current portion)	455,586	977,953
Withholding tax and VAT	130,513	6,286
Provision for income tax	3,352,181	3,006,538
Payables and accruals	273,534	267,219
Other liabilities	1,479,116	839,701
Total current liabilities	7,248,164	6,570,548
Total liabilities	9,834,241	9,871,568
Total equity and liabilities	74,533,755	74,349,339

sd/-
Moin Al Kashem
Managing Director & CEO

sd/-
Md. Mizanur Rahman
Director

sd/-
Sayed Tarek Kamal
Chairman

As per our report of same date.

Dhaka
26 February 2012

sd/-
M.M. Rahman & Co.
Chartered Accountants

Prime Finance Asset Management Company Limited

Statement of Comprehensive Income

for the year ended 31 December

(Figures in BDT)	2011	2010
OPERATING INCOME		
Income from fees	11,529,946	22,781,497
Capital gain	-	1,221,668
Income from consultancy	600,000	-
Dividend income	-	100,000
Total Operating Income	12,129,946	24,103,165
OPERATING EXPENSES		
Administrative expenses	(16,105,435)	(14,748,782)
Financial expenses	(528,794)	(864,319)
Total Operating Expenses	(16,634,229)	(15,613,101)
Profit/(Loss) from operating activities	(4,504,283)	8,490,064
Bank interest income	5,045,684	1,060,432
Miscellaneous income	-	4,129
Profit/(loss) before income tax	541,401	9,554,625
Income tax expense		
Current tax	(502,603)	(2,909,721)
Deferred tax income	182,945	145,705
Total Income tax expense	(319,658)	(2,764,016)
Net profit after tax for the year	221,743	6,790,609

sd/-
Moin Al Kashem
 Managing Director & CEO

sd/-
Md. Mizanur Rahman
 Director

sd/-
Sayed Tarek Kamal
 Chairman

Dhaka
 26 February 2012

As per our report of same date.

sd/-
M.M. Rahman & Co.
 Chartered Accountants

Prime Finance Asset Management Company Limited

Statement of Cash Flow

for the year ended 31 December

(Figures in BDT)	2011	2010
A. Cash flows from operating activities		
Cash received on account of Mutual Fund	23,686,755	1,950,070
Dividend received	-	80,000
Paid to suppliers and employees	(11,628,940)	(14,934,248)
Paid for other operating expenses	(900,513)	(1,588,960)
Directors fees paid	(370,566)	(344,693)
Received from Prime Capital Management Company Limited	3,990,000	-
Received from/(paid to) PFI Securities Ltd.	300,000	(307,800)
Interest received	3,827,852	938,210
Income tax paid	(3,240,013)	(148,821)
Financial expenses	(528,794)	(864,319)
Net cash flows from operating activities	15,135,781	(15,220,561)
B. Cash flows from Investing activities		
Paid to purchase property, plant and equipments	(42,300)	(1,083,700)
Investment in FDR	(35,000,000)	-
Net cash used in investing activities	(35,042,300)	(1,083,700)
C. Cash flows from financing activities		
Subscribed by shareholder to Share Capital	-	36,500,000
Paid to Prime Finance & Investment Ltd.	(2,450,803)	(2,103,096)
Net cash generated from financing activities	(2,450,803)	34,396,904
D. Net increase/(decrease) in cash and cash equivalents (A+B+C)	(22,357,322)	18,092,643
E. Opening cash and cash equivalents	29,541,361	11,448,718
F. Closing cash and cash equivalents (D+E):	7,184,039	29,541,361

Prime Finance Asset Management Company Limited
Statement of Changes in Shareholders Equity
for the year ended 31 December

(Figures in BDT) Particulars	Share Capital	Share money Deposit	Retained Earnings	Total
Balance as at 1 January 2011	60,000,000	-	4,477,771	64,477,771
Net profit for the year	-	-	221,743	221,743
Balance as at 31 December 2011	60,000,000	-	4,699,514	64,699,514
Balance as at 1 January 2010	15,000,000	8,500,000	(2,312,838)	21,187,162
Transferred to share capital	-	(8,500,000)	-	(8,500,000)
Share capital introduced	45,000,000	-	-	45,000,000
Net profit for the year	-	-	6,790,609	6,790,609
Balance as at 31 December 2010	60,000,000	-	4,477,771	64,477,771

Notice of the Sixteenth Annual General Meeting

Prime Finance & Investment Limited

[Incorporated in Bangladesh]

[Registration number: C-30384(1600) / 96 dated 10 March, 1996]

[Share code: DSE-PRIMEFIN, CSE-PRIMEFIN]

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of Prime Finance & Investment Limited will be held on Wednesday, 28 March 2012 at 11:00 a.m. at the Bashundhara Convention Centre-02, Block-C, Umme Kulsum Road, Bashundhara R.A., Baridhara, Dhaka-1229 to deal with the following matters and if approved, to pass the following resolutions with or without modification:

- AGM 12-16-01** : To receive, consider and adopt the audited financial statements of the Company for the year ended 31 December 2011 including the reports of the Directors and Auditors;
- AGM 12-16-02** : To declare dividend for the year 2011 as recommended by the Board;
- AGM 12-16-03** : To elect/re-elect Directors in terms of the relevant provision of the Articles of Association of the Company;
- AGM 12-16-04** : To re-appoint the existing Auditors of the Company and fixation of their remuneration for the year 2012;

By order of the Board,

sd/-

Asad Khan
Managing Director
13 March 2012

Notes :

- i. 07 March 2012 shall be the 'RECORD DATE' to determine the rights of Shareholders to current dividend and to attend and vote at the meeting.
- ii. Pursuant to Section 85 of the Companies Act, 1994, the Company gives notice that only the Shareholders whose names entered on the Depository Register of Shareholders on record date will be entitled to attend and vote at the meeting and at any adjournment thereof. Changes to entries on the register after the record date shall be disregarded in determining the rights of any person to attend and vote at the meeting and to current dividend.
- iii. As per Article 47 of the Articles of Association of the Company, a shareholder may appoint Proxy to attend and on a Poll, to vote instead of him/her. The instrument appointing a Proxy and the Power of Attorney, where applicable, must be received at the Corporate Affairs Department of the Company at 63 Dilkusha Commercial Area, Dhaka-1000 at least 72 hours before the time for holding the meeting. Completion of the Proxy Card will not preclude a shareholder from attending and voting in person instead of his/her proxy.
- iv. Members are requested to notify change of address, if any, through their respective Depository Participants well in time.
- v. For convenience, the Shareholders/Proxy are requested to record their entry at the entrance of AGM on 28 March 2012 in between from 9:00 a.m to 11:00 a.m.

Explanatory notes to the notice of AGM

Item 1: Adoption of Directors' Report, Auditors Report and Audited Financial Statements

The Directors must present to the shareholders at each Annual General Meeting, the Financial Statements of the Company and report of the Directors' and Auditors thereon. The Directors' Report, the Financial Statements and the report of the Auditors on the Financial Statements for the year ended 31 December 2011 are contained in this Annual Report.

Item 2: Declaration of dividend

The Board in its meeting held on 26 February 2012 recommended forty percent stock dividend for the year 2011 subject to the approval of shareholders in the Annual General Meeting. The dividend will be paid to the shareholders whose name will appear in the Depository Register of Shareholders at the close of business on 07 March 2012 being the Record Date. Bonus shares will be transferred to the respective BO Account of the shareholders within April 2012.

Item 3: Retirement & Re-appointment of the retiring Directors

Article 67 of the Company's Articles of Association requires one-third of the Directors are subject to retirement by rotation at each Annual General Meeting. Accordingly, Mr. K. M. Khaled, Mr. M. Shahadat Hossain Kiron, Mr. Md. Aliuzzaman and Mr. M. N. H. Bulu will retire by rotation and being eligible offer themselves for re-appointment.

Any new Director appointed during the year by the Board, must in accordance with the Articles of

Association, seek re-appointment at the next Annual General Meeting and also shall not be taken into account in determining the Directors or members of the Directors who are retiring by rotation. Accordingly, Mr. Mohammad Masudur Rahim & Prof. Dr. Parimal Chandra Datta who were appointed by the Board shall retire in the 16th Annual General Meeting and being eligible offer themselves for re-appointment.

Item 4: Re-appointment of the existing Auditors

The Financial Institutions Act, 1993 stipulated that an auditor of a Financial Institution cannot be appointed for more than three consecutive years. M/S A. Qasem & Co., Chartered Accountants has completed their first year of audit and hence eligible for re-appointment.

Agendum 4 proposes the re-appointment of the Company's existing Auditors for the year 2012 and they will hold office until the close of Seventeenth Annual General Meeting. Section 210(10) of the Companies Act, 1994 also gives authority to shareholders of the company to fix the Auditor's remuneration. The Board in its meeting held on 26 February 2012 recommended to re-appointment the existing Auditors at a remuneration of Tk. 200,000 plus VAT.

Proxy Card

(This Proxy Card is for use at the Annual General Meeting of Prime Finance & Investment Limited to be held on 28 March 2012)

.....
having BO ID # | | | | | | | | | | | | | | | | | | | | | |

of

being a shareholder of the Company do hereby appoint Mr./Ms.

of to be my/our proxy to attend and vote on my/our behalf at the Sixteenth Annual General Meeting of the Company to be held on 28 March 2012 at 11:00 am at the Bashundhara Convention Centre-02, Block-C, Umme Kulsum Road, Bashundhara R.A., Baridhara, Dhaka-1229 and at any adjournment thereof. The Proxy will vote as indicated below in respect of the agenda set out in the notice of the meeting.

Please indicate, by inserting a cross (x) in the appropriate box, how you wish your votes to be cast on the agenda listed below. Unless so indicated, your Proxy will vote or abstain at his/her direction. This proxy will be used only in the event of a poll being demanded.

		For	Against	Withheld
AGM 12-16-01	: To receive, consider and adopt the audited financial statements of the Company for the year ended 31 December 2011 including the reports of the Directors' and Auditors;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 12-16-02	: To declare dividend for the year 2011 as recommended by the Board;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 12-16-03	: To elect/re-elect Directors in terms of the relevant provision of the Articles of Association of the Company;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM 12-16-04	: To re-appoint the existing Auditors of the Company and fixation of their remuneration for the year 2012;	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

.....
Signature of shareholder

.....
Signature of Proxy

Date : March 2012

Notes

- i. 07 March 2012 shall be the 'RECORD DATE' to determine the rights of Shareholders to current dividend and to attend and vote at the meeting.
- ii. Pursuant to Section 85 of the Companies Act, 1994, the Company gives notice that only the Shareholders whose names entered on the Depository Register of Shareholders on record date will be entitled to attend and vote at the meeting and at any adjournment thereof. Changes to entries on the register after the record date shall be disregarded in determining the rights of any person to attend and vote at the meeting and to current dividend.
- iii. As per Article 47 of the Articles of Association of the Company, a shareholder may appoint Proxy to attend and on a Poll, to vote instead of him/her. The instrument appointing a Proxy and the Power of Attorney, where applicable, must be received at the Corporate Affairs Department of the Company at 63 Dilkusha Commercial Area, Dhaka-1000 at least 72 hours before the time for holding the meeting. Completion of the Proxy Card will not preclude a shareholder from attending and voting in person instead of his/her proxy.
- iv. Members are requested to notify change of address, if any, through their respective Depository Participants well in time.
- v. Signature of the Shareholder should agree with the Specimen registered with the Company and Depository Register.
- vi. For convenience, the Shareholders/Proxy are requested to record their entry at the entrance of AGM on 28 March 2012 in between from 9:00 a.m to 11:00 a.m.



Useful Information for Shareholders

Raising of share capital

The history of raising of share capital of Prime Finance is given below:

Date	Particulars	No of shares	Value per share (Taka)	Value in Taka	Cumulative paid-up capital Value in Taka
19 February 1996	As per MOA & AOA	2,500	100	250,000	250,000
22 March 1996	Additional subscription	247,500	100	24,750,000	25,000,000
09 November 1997	Right shares 1:1	250,000	100	25,000,000	50,000,000
21 June 2001	Right shares 1:1	500,000	100	50,000,000	100,000,000
29 May 2003	Right shares 2:1	500,000	100	50,000,000	150,000,000
30 March 2004	20% Bonus share	300,000	100	30,000,000	180,000,000
05 September 2005	Initial Public Offer	500,000	100	50,000,000	230,000,000
12 April 2006	30% Bonus share	690,000	100	69,000,000	299,000,000
29 April 2007	10% Bonus share	299,000	100	29,900,000	328,900,000
30 April 2008	40% Bonus share	1,315,600	100	131,560,000	460,460,000
29 April 2009	40% Bonus share	1,841,840	100	184,184,000	644,644,000
22 April 2010	40% Bonus share	2,578,576	100	257,857,600	902,501,600
29 March 2011	80% Bonus share	72,200,128	10	722,001,280	1,624,502,880
28 March 2012	40% Bonus share*	64,980,115	10	649,801,150	2,274,304,032

* Subject to the approval of shareholders in the 16th AGM to be held on 28 March 2012

Key share information

(As on 31 December)	2011	2010	2009
Total no. of shareholders	18,962	16,130	2,578
Share price (Taka)	98.40	466	186
No. of outstanding shares*	162,450,288	90,250,160	64,464,400
Market Capitalization (in million)	15,985	42,056	11,990

* Considering Tk 10 per share

Financial Calendar

2011

Announcement of 2010 final results	24 February 2011
Record date	7 March 2011
Annual report 2010 dispatched	13 March 2011
Fifteenth Annual General Meeting	29 March 2011
Transfer/payment of 2010 dividends	by 29 April 2011
Announcement of first quarterly results	by 15 May 2011

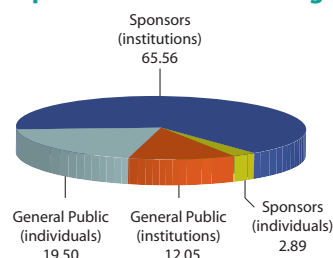
2012

Announcement of 2011 final results	26 February 2012
Record date	7 March 2012
Annual report 2011 dispatched	13 March 2012
Sixteen Annual General Meeting	28 March 2012
Transfer/payment of 2011 dividends	by 27 April 2012
Announcement of first quarterly results	by 15 May 2012

Shareholders

At the end of 2011, there were 18,962 shareholders in Prime Finance as against 16,130 shareholders at the end of 2010. The Sponsor Shareholders hold 111,195,376 shares of Tk. 10 each which represent 68.45 percent of the total paid up shares of the Company.

Composition of shareholdings



Composition of shareholdings

Useful Information for Shareholders - *continued*

Registered number

C-30384 (1600)/96 dated 10 March, 1996

Registered Office & Dhaka Branch

63 Dilkusha Commercial Area
Dhaka-1000
Phone: 88-02- 9563883
Fax: 88-02-9653692
E-mail: info@primefinancebd.com

Chittagong Branch

C&F Tower (2nd floor)
1712 (New), Sk. Mujib Road
Agrabad C.A., Chittagong 4100
Phone: +88 031 2522663
Fax: +88 031 2522664
E-mail: ctg@primefinancebd.com

Rajshahi Branch

Zodiac Palace
88 Shaheb Bazar, Rajshahi
Phone: 88-0721-774801
Fax: 88-0721-774803
E-mail: raj@primefinancebd.com

Auditors

A Qasem & Co.
Chartered Accountants
Gulshan Pink City
Suites - 1-3, Level -7, Plot -15
Road 103, Gulshan Avenue, Dhaka-1212
67 Dilkusha C.A., Dhaka

Legal House

A Hossain & Associates
3/B Outer circular Road
Moghbazer, Dhaka.

Hasan & Associates
65-66 Motijheel C/A
Dhaka-1000.

Stock Brokers

PFI Securities Ltd.
Vision Capital Management Ltd.
Chowdhury Securities Ltd.
Sharp Securities Ltd.

Tax Consultant

A. Hossain & Co.
Chartered Accountants
Paramount Heights (Level-7)
65/2/1 Box Culvert Road
Purana Paltan, Dhaka-1000

Stock Listing

<i>Bourse</i>	<i>Symbol</i>	<i>Date of listing</i>
DSE	PRIMEFIN	4 October 2005
CSE	PRIMEFIN	2 October 2005

Principal Bankers

Shahjalal Islami Bank Limited
Mercantile Bank Limited
Dutch Bangla Bank Ltd.
Mutual Trust Bank Ltd.

Corporate website & e-mail

www.primefinancebd.com
info@primefinancebd.com

Investors inquiries

Department of Corporate Affairs
Phone: 02-9563883
E mail: corporateaffairs@primefinancebd.com

Glossary

Associate Company

An enterprise in which an investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.

Bank Rate

The rate at which Bangladesh Bank discounts approved securities, treasury bills etc. Bank rate is used by Bangladesh Bank as a means of regulating the money on demand and checking the growth of inflation in the country.

Business risk

Business risk arises from the specific business activities of a company and the effects these could have on its earnings.

Book Value per share

Book value of shareholders equity divided by the number of ordinary shares outstanding.

CAMEL Rating

It is a measure for examining a financial institution or bank - the five things to examine are:

- Capital adequacy
- Asset quality
- Management quality
- Earnings
- Liquidity

Cash Reserve Requirement (CRR)

CRR is a statutory requirement of maintaining cash balance with Bangladesh Bank applicable for banks and financial institutions. An NBFIs is required to maintain @ 2.5% of its average balance of term deposits with Bangladesh Bank current account. Deposits taken from banks and financial institutions are not considered in determining CRR.

Credit and counterparty risk

Credit and counterparty risk is the potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honor another predetermined financial obligation.

Collateral

Assets pledged as security for a loan or other obligation. Collateral is generally cash or a highly rated security.

Contingent liabilities

A situation existing at reporting date, where past events have led to a possible obligation the outcome of which depends on uncertain future events, but the outcome is not sufficiently probable or reliably measurable to warrant recognising the liability at this reporting date

Default risk

The risk that a client may be unable to make payments of rentals/installments on time.

Diversification

Distribution of investments among various sectors and geographic region to minimize risk.

Earning Assets

Those assets of a bank or financial institution which earn an income for the institution i.e. loans and leases, advances and money at call & short notice to banks etc.

Efficiency ratio

Non-interest expenses (management expenses) expressed as a percentage of total operating revenue net of financial expenses. Used as a measure of productivity and for comparison with peers.

Equity method

Accounting method, under which the value of an investment in a company is recorded at the acquisition price and adjusted annually to reflect the proportionate share of net assets; the prorated share of annual profit or loss in the relevant company is recognized to the income statement.

Equity ratio/Capital ratio

Indicator showing the relation of equity to total assets.

Fair value

The amount of consideration that would be exchanged in an arm's length transaction between knowledgeable and willing parties, under no compulsion to act.

Failing to properly manage regulatory risk

Failing to properly manage regulatory risk may result in regulatory sanctions being imposed, and could harm our reputation.

Fiscal Year (FY)

FY means the fiscal year commencing from 1 July ending on 30 June.

Free Float Shares

The ordinary shares of the company which are free for trading in the stock exchanges. Shares on which there is no restriction or lock-in condition for transfer or sale imposed by the regulatory authorities are considered as free float shares. Sponsors shares of a listed company are locked-in for 3 years from the date of publication of prospectus.

Going Concern

The ability of a concern to continue its operation for a foreseeable future.

Gearing

Ratio of net debt to equity.

IDA

International Development Association set up in 1960 under the umbrella of World Bank. It takes money from rich countries of the world to lend interest free or at a very low rate long-term loan to the poor or developing countries.

Liquidity and Funding risk

Liquidity and funding risk is the potential for loss if Company is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to depositors and suppliers, and lending, investment and pledging commitments.

Market capitalization

Number of ordinary shares in issue multiplied by the market value of a share on a particular date.

Market risk

Market risk is the potential for a negative impact on the balance sheet and/or income statement resulting from adverse changes in the value of financial instruments as a

Glossary - continued

result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default.

Net interest income

The difference between interest earned on assets (such as loans and securities) and interest incurred on liabilities (such as deposits and subordinated indebtedness).

Net interest margin

Net interest income as a percentage of average assets.

Non-performing assets

Consists of total sum of non-accrual loans/leases, experiencing 6 months or more delinquent. A loan/lease is considered non-performing when the total or a part thereof is past due for 6 months or more even if the finance is well secured and in the process of collection.

Non-accrual loans/leases

A loan/lease is automatically classified as a non-accrual when it is past due for 3 months or more and no matter the Management is confident about its collectibility of the entire amount at the time when a loan/lease is placed on non-accrual status. A loan/lease is generally returned to accrual status when the loan/lease is less than 3 months past due and the Company has reasonable assurance that the loan will be fully collectible and is in the process of collection.

Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes or systems, human interactions or external events, but excludes business risk.

Past due

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Proxy

A proxy is a written document authorizing the person named therein to attend and vote at a meeting for and in place of the Original Shareholder.

Provision for doubtful debts

The amount of revenue charged to profit and loss account to absorb losses inherent in the investment portfolio. The provision is increased by the allowances for loans/leases which is charged against current year's operating results.

Record date

The date fixed by the Board at least 14 days before the date of Annual General Meeting to determine the eligibility of shareholders to attend and vote at the meeting and the right to current dividend.

Related parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Repo rate

The rate at which Bangladesh Bank lends money to banks.

Return on average assets

An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing profit before tax by its total average assets.

Return on average equity

Return on equity measures a corporation's profitability by revealing how much profit a company generates with the outstanding shareholders money. Calculated by dividing net profit after tax by average shareholders equity.

Return on average investment

A performance measure used to evaluate the efficiency of investment or to compare the efficiency of a number of different investments. To calculate ROI, profit before tax is divided by the cost of the average investment.

Reverse repo rate

The rate at which banks park surplus liquidity with Bangladesh bank.

Regulatory risk

Regulatory risk is the risk of not complying with regulatory requirements, regulatory changes or regulators' expectations.

Return on equity (ROE)

Net income, less preferred share dividends and premium on redemptions, expressed as a percentage of average common shareholders' equity.

Risk management

The process of identifying the level of risk an entity wants, measuring the level of risk the entity has, taking actions that bring the actual level of risk to the desired level of risk and monitoring the actual level of risk so that it continues to be aligned with the desired level of risk.

Statutory Liquidity Ratio (SLR)

Bangladesh Bank requires a non-bank financial institution to maintain liquid reserve @ 5% with banks/financial institutions on its total liabilities excluding funds from banks/financial institutions. This includes 2.5% of CRR.

Subsidiary company

A Company is a subsidiary of another company, if the parent company holds more than 50% of the nominal shares and controls the composition of its Board of Directors.

Thin market

The stock market where there are very few bids to buy and few offers to sell any shares, so the price is distorted.

Unrealized capital gains

Capital gains that reflect the price appreciation of currently held unsold shares; such gains are not accounted for until realized.

Company Chronicle

1996	10 Mar	Incorporation of the Company
	21 Apr	Commencement of Merchant Banking operation
	25 Apr	Licensed from Bangladesh Bank
1998	08 Feb	Commencement of financing operation
1999	25 Jan	Licensed as Merchant Bank by SEC
2002	01 Dec	Commencement of operation of PFI Securities Ltd.
2003	17 May	Opening of Chittagong Branch
2004	17 Sep	Best Merchant Bank Award 2003
2005	02 Oct	Listing with CSE
	04 Oct	Listing with DSE
2006	22 Dec	ICAB National Award 2005 (1st Position)
2007	16 Jan	SAFA Merit Award 2005
	08 Dec	ICAB National Award 2006 (1st Position)
2008	12 Jan	SAFA Award 2006 (Runner Up)
	21 Apr	Depository Custody Participant license
	15 Nov	SAFA Award 2007 (Runner Up)
	04 Dec	ICAB National Award 2007 (1st Position)
2009	18 Jan	Opening of Rajshahi Branch
	17 Mar	Listing of Prime Finance First Mutual Fund
	18 Mar	License of Prime Finance Asset Management Company Limited
	05 Oct	Acquisition of land for Corporate Office
	22 Oct	ICMAB Best Corporate Performance Award 2008 (2nd Position)
	05 Nov	SAFA Award 2008 (1st Runner Up)
	30 Dec	ICAB National Award 2008 (1st Position)
2010	18 Mar	Formation of Prime Finance Capital Management Limited
	12 Dec	SAFA Award 2009 (2nd Position)
	19 Dec	ICAB National Award 2009 (1st Position)
2011	29 Nov	SAFA Award 2010 (1st Position - Overall)
	29 Nov	SAFA Award 2010 (1st Position - Financial Services Sector)
	04 Oct	ICAB National Award 2010 (2nd Position)

Future-oriented statements

This report contains future-oriented statements in the form of intentions, assumptions, expectations or forecasts. These statements are based on the plans, estimates, and predictions currently available to the management of Prime Finance. Future-oriented statements therefore only apply on the day on which they are made. We do not undertake any obligation to update such statements in light of new information or future events. By their nature, future-oriented statements contain risks and factors of uncertainty. A number of important factors can contribute to actual results deviating considerably from future-oriented statements. Such factors include but not limited to management of credit, market, liquidity & funding and operational risks; the strength of Bangladesh and global economies, the effect of change in monetary policy including change in interest rate policy of Bangladesh Bank; the effects of competition in the market in which we operate; the impact of changes in the laws and regulations regulating financial products and services; our ability to obtain accurate and complete information from and on behalf of our clients. Other factors that may affect future results include changes in our estimates relating to provision; timely development and introduction of new products, changes in tax law, natural disaster, political conditions and the reliability of our principles and procedures and method of risk management as well as other risk associated with our business activity.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our future-oriented statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. We do not undertake to update any future-oriented statements, whether written or oral that may be made from time to time by us or on our behalf. This report contains future-oriented statements in the form of intentions, assumptions, expectations or forecasts. These statements are based on the plans, estimates, and predictions currently available to the management of Prime Finance. Future-oriented statements therefore only apply on the day on which they are made. We do not undertake any obligation to update such statements in light of new information or future events. By their nature, future-oriented statements contain risks and factors of uncertainty. A number of important factors can contribute to actual results deviating considerable from future-oriented statements. Such factors include but not limited to management of credit, market, liquidity & funding and operational risks; the strength of Bangladesh and global economies, the effect of change in monetary policy including change in interest rate policy of Bangladesh Bank; the effects of competition in the market in which we operate; the impact of changes in the laws and regulations regulating financial products and services; our ability to obtain accurate and complete information from and on behalf of our clients. Other factors that may affect future results include changes in our estimates relating to provision; timely development and introduction of new products, changes in tax law, natural disaster, political conditions and the reliability of our principles and procedures and method of risk management as well as other risk associated with our business activity.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our future-oriented statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. We do not undertake to update any future-oriented statements, whether written or oral that may be made from time to time by us or on our behalf.

This annual report is also
available at our official web site
www.primefinancebd.com



Prime Finance
& Investment Limited