2016 Annual Report



Prime Finance
& Investment Limited



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Our Vision & Mission

Our Vision is to be a market leader providing integrated Financial solutions with special focus on creating value

For our clients	*Working closely with our clients*
For our shareholders	*Maximizing shareholders' wealth achieving superior performance;*
For our employees	*Providing a workplace in which employees are rewarded and respected properly;*
For our communities	*Supporting community initiatives in health, education arts and economic & social development.*

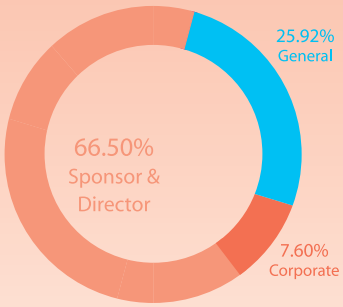
Our Mission is to-

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

Overview of the Company

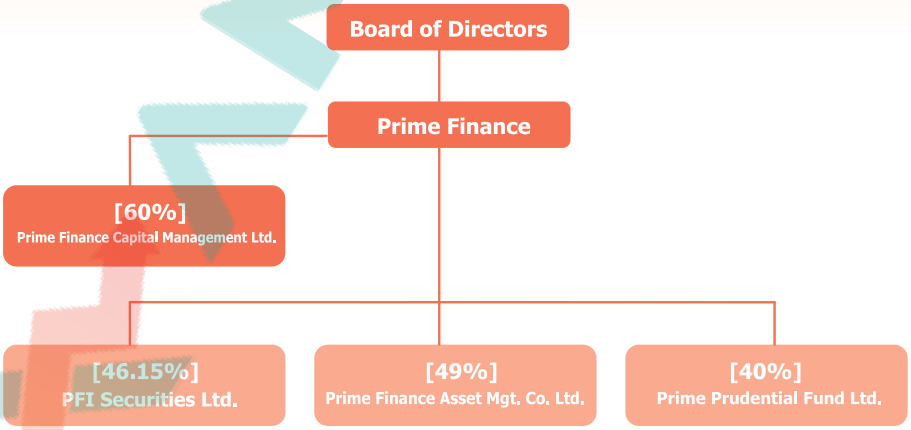
Prime Finance
& Investment Limited

Prime Finance & Investment Limited was incorporated in Bangladesh in March 1996, as a public limited company under the Companies Act 1994. Prime Finance started its operation in the year 1996, obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. Prime Finance also obtained license from the Bangladesh Securities & Exchange Commission (BSEC) in July 1999, to operate in the capital market as a full-fledged Merchant Bank.



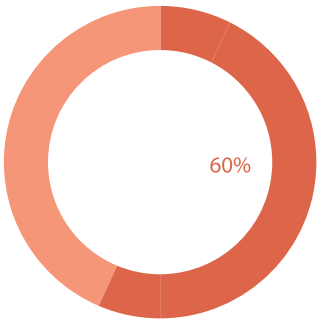
Shareholding Structure
as on December 31, 2016

The Company is listed with the Dhaka and Chittagong Stock Exchanges. The registered office of the Company is located at 63, Dilkusha C.A., Dhaka-1000. The operations of the company are being carried out through its five branches located in Motijheel, Gulshan, Uttara, Chittagong and Rajshahi. The Company is a nonbanking financial institution, principal activities of which is to render financial services like lease finance, term finance, SME finance, real estate finance, car finance, consumer finance, factoring of receivables, etc. Prime Finance is the parent of Prime Finance Capital Management Limited, 60% owned subsidiary of the Company. Besides, the Company is currently holding 46.15% of equity of PFI Securities Limited, 49% of equity of Prime Finance Asset Management Company Limited, and 40% of equity of Prime Prudential Fund Limited.



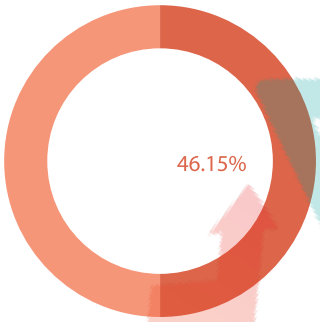
Prime Finance Capital Management Limited

Prime Finance Capital Management Limited is a public limited company incorporated on 18 March 2010 in Bangladesh under the Companies Act 1994. The Company has obtained Merchant Banking license (registration certificate no. MB-50/2010) from Bangladesh Securities and Exchange Commission (BSEC) on 29 November 2010. The main objectives of the Company are to carry on business of merchant banking in all its respect, including acting as manager to issues and offers, whether by way of public offer or otherwise, of securities, underwriting and/or management of issues, managing portfolio of investors whether discretionary or nondiscretionary, advising clients on merger and amalgamation, capital restructuring etc. The registered office of the Company is situated in Bangladesh.



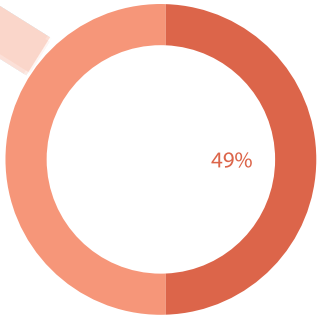
PFI Securities Limited

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



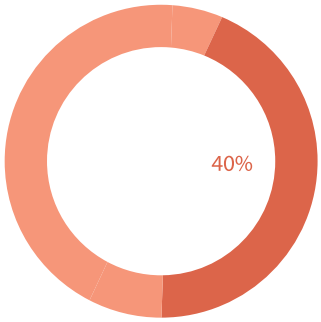
Prime Finance Asset Management Company Limited

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



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. Prime Finance owns 40% shares in this company.



Five - years financial summary

		2016	2015	2014	2013	2012
Results of operations						
Operating revenue	BDT mn	670.03	1,562.72	2,102.61	2,149.61	1,969.11
Operating expenses	BDT mn	1,610.37	1,982.38	1,606.18	1,680.42	1,556.03
Profit before tax	BDT mn	(940.34)	(419.66)	496.42	469.19	413.08
Net profit	BDT mn	(949.67)	(427.49)	469.73	370.68	300.19
Balance sheet and cash flow data						
Total investments	BDT mn	16,460.57	16,435.57	15,919.10	15,078.94	13,836.13
Total deposits	BDT mn	9,016.19	9,544.21	7,763.33	6,770.96	5,614.80
Total liabilities	BDT mn	15,322.11	15,232.08	13,156.43	12,089.98	10,913.06
Paid up capital	BDT mn	2,729.16	2,729.16	2,729.16	2,729.16	2,274.30
Shareholders' equity	BDT mn	3,591.89	4,541.55	5,310.19	5,249.84	5,106.59
Property, Plant and Equipment	BDT mn	360.15	360.31	361.52	325.24	327.62
Net operating cashflow	BDT mn	(911.23)	986.74	725.80	221.85	181.48
Business ratios and other financial ratios						
Statutory Liquidity Reserve (Ratio)(%)	%	6.69	17.92	10.15	10.11	17.27
Return on average assets (%)	%	(4.97)	(2.19)	2.77	2.81	2.65
Net Asset Value per share (times)	times	10.21	13.69	16.47	16.38	19.34
Capital Adequacy ratio (%)	%	17.77	19.99	23.77	24.80	22.54
Cash Reserve Ratio (%)	%	2.57	2.54	2.58	2.59	4.00
Dividend covers ratio (times)	times	-	-	1.27	0.73	0.35
Non performing assets to loans/leases (%)	%	12.04	10.20	5.86	7.63	9.89
Return on average investment (%)	%	(5.72)	(2.59)	3.20	3.13	3.10
Price earning ratio (times)	times	(2.81)	(7.46)	13.50	24.37	31.69
Deposit investment ratio (%)	%	54.77	58.07	48.77	44.90	39.83
Ordinary shares information						
EPS	BDT	(3.48)	(1.53)	1.59	1.10	1.04
EPS (restated)	BDT	(3.48)	(1.53)	1.59	1.10	0.86
Dividend	%	0.00	0.00	12.50	15.00	10, 20B
Book value per share of Tk. 10	BDT	13.16	16.64	19.46	19.24	22.45
Ordinary shares outstanding of Tk. 10	BDT mn	272.92	272.92	272.92	272.92	227.43
Year end market price per share of Tk. 10	BDT	9.80	11.40	21.40	26.70	32.80
Market capitalisation	BDT mn	2,674.58	3,111.25	5,840.41	7,286.87	7,459.72
Others (at year-end)						
No. of branches	No.	05	05	05	04	03

Board of Directors

"The Board of Directors is responsible for the stewardship and oversight of the management of Prime Finance. The Board ensures that strategies are formulated and implemented."



Md. Aminul Haque, Chairman Representing Acorn Ltd., Age: 76 years

- He was first appointed to the Board as Director on 10 March 1996 and last re-appointed on 30 March 2015.

Mr. Md. Aminul Haque is the Chairman of the Board of Directors of the Company since June 2014.After completion of graduation in B.SC Engineering from Bangladesh University of Engineering & Technology, Mr. Haque started his career in 1962 as Assistant Engineer in East Pakistan Water and Power Development Authority. In 1975 he left the organization as Executive Engineer. In the same year, he stepped into the business sector through formation of Greenland Engineers & Tractors Co. Ltd. (GETCO)as one of its Sponsor Directors. A diversified and successful business personality, Mr. Haque is actively associated with a number of companies in the areas of banking, insurance, telecommunication, manufacturing etc.

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



Mrs. Sabiha Khaleque, Director, Representing Maksons (Bangladesh) Limited, Age: 56 years

- She was first appointed to the Board as Director on 10 March 1996 and last re-appointed on October 27, 2016.
- She is a member of the Audit Committee and Executive Committee of the Company.

Mrs. Sabiha Khaleque is the nominated director from Maksons (Bangladesh) Limited. Mrs. Khaleque is amongst the founders and first directors of the Company. She has also set up a good number of business entities most of them have positioned themselves as leading institutions in their respective fields. She is actively engaged in socio-cultural and philanthropic activities. She has also set up a good number of educational institutes where the underprivileged children's and meritorious students of deprived part of the society are studied. She is one of the members of the Board of Trustees of Primeasia University.

Mrs. Sabiha Khaleque is also associated with other organizations namely Maksons Associates Limited, Maksons (Bangladesh) Limited, Maksons Bay Limited, Prime Property Holdings Limited, Prime Financial Securities Ltd., Prime Insurance Company Limited, Prime Islami Life Insurance Limited.

She did Bachelor of Science from Eden Mohila College in the year 1979.

K. M. Mobarak Hossain, Director, Representing Khaled Textile Mills Ltd. Age: 29 years

- He was appointed to the Board on 01 June 2014 and last reappointed on March 31, 2016
- He is a member of the Audit Committee and Executive Committee of the Company.

Mr. Hossain is the nominated director from Khaled Textile Mills Limited. Mr. Hossain is a young entrepreneur with visionary thinking, commitment and dedication. He has an excellent academic record. He within a short span of time has proven his entrepreneurship skills in IT and Capital Market sector.

Mr. Hossain is also the Director of GETCO Digital Ltd. and Prime Islami Securities Ltd.

He is an MBA graduate of Australian Institute of Business, Adelaide, Australia.



Waheed Mahmud Khaled, Director, Representing Mawsons Limited, Age: 36 years

- He was first appointed to the Board on 01 June 2014 and last re-appointed on 30 March 2015.
- He is a member of the Audit Committee and Executive Committee of the Company.

Mr. Khaled is the nominated director from Mawsons Limited. He is a young entrepreneur with visionary thinking, commitment and dedication. He has an excellent academic record. He within a short span of time has proven his entrepreneurship skills in trading business and Merchant Banking sector.

Mr. Khaled is the Chairman of Everest Homes Ltd. and Polaris Power Engineering Limited and Director of Prime Finance Capital Management Ltd. and Mawsons Ltd. He is the Managing Director of Everest Trading Ltd.

He did BBA from Independent University, Bangladesh in 2003 and Masters in International Banking and Finance from University of Greenwich, London, UK in 2006.



Mohammad Masudur Rahim, Director, Representing East Coast Shipping Lines Limited, Age: 46 years

- He was first appointed to the Board on 9 January 2008 and last re-appointed on 31 March 2016.
- He is a member of the Executive Committee of the Company.

Mr. Rahim is the nominated Director from East Coast Shipping Lines Limited. He is a highly experienced professional with successful track record in International Trading, Marketing of FMCG, Plastic Manufacturing and Lubricating Oil industry. He held different positions with different capacities in his more than 18 years of career. Presently, he serves as the Chief Executive Officer (CEO) of EC Distribution Limited, a subsidiary of East Coast Group of Companies.

Mr. Rahim associated with Radiant Alliance Ltd. (a renewable energy company) and Bangladesh Trade Syndicate Limited (TNT Global Express) as Director.

He did Masters in Economics from the University of Dhaka and received an MBA from East West University, Dhaka.





Qazi Saleemul Huq, Director, Representing GQ Enterprise Limited, Age: 66 years

- He was first appointed to the Board on 10 March 1996 and last re-appointed on 30 March 2015.

Mr. Huq is the nominated Director from GQ Enterprise Limited, one of the sponsors of Prime Finance & Investment Limited. He was one of the Sponsor Directors and former Chairman of Prime Bank Ltd. He is a Director of GQ Group, which is engaged in manufacturing pen, plastic furniture, disposable plastic wares, pp woven sacks, mosquito coils and snack foods. GQ Group is also one of the sponsors of Prime Insurance Company Ltd., Prime Bank Ltd., PFI Securities Ltd. and Prime Finance Capital Management Ltd.

Mr. Huq is actively engaged in philanthropic activities mainly providing scholarship to needy students and providing free medicine and arranging treatment to poor patients. He is one of the founders of Qazi Saleema Huq Women's College and Qazi Saleema Huq Girls' High School.

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



Manzur Ahmed, Director, Representing Agami Apparels Limited
Age: 52 years

- He was appointed to the Board on 1 August 2016.
- He is a member of the Audit Committee of the Company.

Mr. Ahmed is the nominated Director from Agami Apparels Limited. He is a highly experienced professional with successful track record in Garments industry. He held different positions with different capacities in his more than 20 years of career. Presently, he serves as the Director-Administration of Agami Apparels Limited and Globus Garments Limited, sister concerns of Dekko Group of Companies.

Mr. Ahmed is also the Director of PFI Securities Limited.

He did graduation in Commerce.



Tauseef Iqbal Ali, Director, Age: 44 years

- Mr. Ali was first appointed to the Board on 7 September 1997 and last re-appointed on 30 March 2015.
- He is Chairman of the Executive Committee of the Company.

Mr. Ali is one of the sponsor shareholders of the Company; he is also associated with Prime Finance Capital Management Limited as a sponsor shareholder. He has vast exposure in Financial Institution and Capital Market Sector of Bangladesh. Having worked as a consultant in A. Quasem & Associates Ltd., in Grameen Phones' Sarbanes Oxley (SOA) project in 2005, he is a certified CRM professional. He is the member of Army Golf Club & Gulshan Club Ltd.

Mr. Ali is the Chief Executive Officer of Nouvelle Securities Ltd., (NSL) since 2008; a Stock Broker & Dealer of Dhaka Stock Exchange Limited; Trading Right Entitlement Certificate (TREC) holding register number 112. NSL is member of DSE Brokers Association of Bangladesh. (DBA). At present NSL is operating from Motijheel & its branches located in Gulshan & Barisal.

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

Prof. Dr. Parimal Chandra Datta, Independent Director, Age: 69 years



- He was first appointed to the Board on 26 February 2012 and last re-appointed on 28 March 2015.
- He is Chairman of the Audit Committee of the Company.

Mr. Datta is the Independent Director of the Company. He started his career in teaching profession in the year 1974. During these 43 years of teaching experience he has held the position of Chairman, Department of Accounting, Jagannath University the then Jagannath College, Registrar of IBAIS University, Dhaka. Presently, he is the Professor of Accounting and Head of the Department of Business Administration under School of Business, Notre Dame University Bangladesh.

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

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

Kazi Md. Mortuza Ali, Independent Director, Age: 68 years



- He was first appointed to the Board on 31 December 2012 and last re-appointed on 31 December2015.

Mr. Ali is the Independent Director of the Company. He is the Chief Consultant to the Board of Prime Islami Life Insurance Limited (PILIL). He was the Chief Executive Officer of PILIL and Bangladesh Insurance Academy (BIA) and also served as Editor of "Insurance Journal". He is one of the pioneers in Islami Insurance sector having more than forty years of experience in Banking, Shipping, Training & Insurance. He attended several international seminars and Conferences as speaker. He is author of several books and fifty articles.

Mr. Ali is also an Independent Director with other organizations namely Prime Finance Capital Management Limited and Usmania Glass Sheet Factory Ltd. He has been appointed as the member of Governance and Ethics Committee of the Board of Accounting and Auditing Organization For Islamic Financial Institutions (AAOIFI) based in Manama, Bahrain.

He is also a member of Development Committee of the International Cooperative and Mutual Insurance Federation (ICMIF) based in London.

Mr. Ali did Masters in Commerce and Bachelor of Law. He is an associate of the Chartered Insurance Institute (London) and fellow of Norwegian Shipping Academy, Oslo.

Currently he is holding the charge of Bangladesh Institute for Professional Development (BIPD) as Director General.

Management Committee



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

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

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



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

Mr. Md. Ahsan Kabir Khan, an emerged leader in the financial institutions industry has in his credit more than 19 years of experience. Utilizing his professional experience and expertise Mr. Khan contributes towards the achievement of the organizational goal and business. He is supervising the functional areas of the institution beside his leadership involvement in strategic decision making as well as in navigating the company's business towards its success.

Mr. Khan has been successfully performing different responsibilities at different times and achieved all functional knowledge. With his visionary leadership capability, functional experience and professional expertise Mr. Khan lead this institution successfully as Managing Director (Current Charge) in 2011 in a transition period of 6 months.

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

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

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



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

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

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

Mr. Islam obtained BBA and MBA from University of Dhaka having major in Accounting with an excellent academic record. He is a faculty member of ICAB. He is a member of various committee of ICAB as well. Currently he is an Independent Director of Fareast Finance & Investment Ltd.

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



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

Ms. Gulshan Ara Hafiz is playing role as a Member of Management Committee for the Company. She is presently heading the department of Credit Risk Management with her professional expertise. In addition to her regular responsibility she is also playing vital role in different committees of the Company.

After completion of her post graduation majoring bank management from Bangladesh Institute of Bank Management, in the year 2002, she joined in the core marketing team of the company. She steps forward her career with interest in business development and mitigation of risk associated with new business formation as well as existing operational activities of the company. She is also playing pivotal role in branch co-ordination and core operational activities. As one of the experienced members in the professional team of Prime Finance she has progressed with immense opportunity of contributing through her entire working career in operations, Marketing and Business activities of the company. She has also attended numbers of training courses in the country and abroad as well, on core risk management, product diversification, effective supervisory management and team building and other related fields of concentration area.



Syed Moniruzzaman, FCS
VP & Company Secretary
With Prime Finance: Since 2012

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

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



Chairman's Message

"We remain committed to better financial reporting, compliance and risk management practices.

Dear fellow Shareowners,

The year 2016 has had with intensified challenges for Prime Finance & Investment Limited. The values that this Company was built on have helped steer us through challenging times, embrace change and propel us to explore new strategies and opportunities to ultimately realize the benefits of careful planning and tenacious execution. It has been our solid commitment that has been the backbone of this company which has seen it through its illustrious history of more than two decades.

During the year under review, the Company has recorded a net loss of Tk. 952 million. Despite supreme efforts of turning around the company, the situation worsened as the impact of interest block on the loans to associate and subsidiary had a major negative impact. In addition, sharing of loss of the associates contributed to the negative bottom line. Uneven competition with banks has resulted in major erosion of income generating capacity of the company. Negative net interest margin on account of interest block, carryover of provision on loans and advances as well as own investment in the capital market have made a telling impact on the profitability of the company.

Private sector credit growth of the country was almost stagnant to 15% in 2016 as a result demand for money was anemic. Disregarding all challenges, the company's total investment in SME Financing significantly increased by 27.92% over the previous year and total investment of the company increased by 4.8%. On the other hand NPL of the company has enhanced by 18 percentage point. We have emphasized on cautious monitoring and recovery so that the provisioning for bad debt can be maintained to a minimum.

Again, we have placed our highest efforts for recovery from delinquent clients. Alongside the recovery team we enlisted recovery agent to speed up recovery from stuck up clients. Our core capital ratio and the total risk weighted Capital Ratio was 16.74% and 17.77% respectively during the year and continue to remain well above the statutory levels. Despite enhanced competitive market, deposit is mobilized convincingly at comparatively lower rate from the previous year. We ended the year with total shareholder's equity of BDT 3591.89 million.

We remain committed to better financial reporting, compliance and risk management practices. We have in place a robust company-wide Risk Management architecture. Inherent risks associated with the business are accurately assessed and monitored on a continuous basis. We consistently adhere to the principles of corporate governance and continually promote the effective application of CG principles that shall underpin Company operational activities. We would build up a low cost funding base and to look at new avenues of increasing its lending portfolio to the SME Sector. We have a clear strategy and are committed to its execution.

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

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



Md. Aminul Haque
Chairman



Managing Director's Message

The financial sector continues to face multifaceted challenges. Slowdown in investment persists aggravating the lack of demand in the money market. Presence of large number of banks and financial institutions has squeezed the spread to a historical low. Support services and infrastructure facilities conducive to a positive investment climate is hardly evident. Now add to this intensified competition among the financial institutions, the woes of the financial sector becomes clear.

Cost of fund of NBFIs is generally higher and they have to lend at a higher rate. Intensive competition has eroded a fair rate of return for NBFIs resulting in an unhealthy situation. However, due to inexplicable reasons, demand for money is yet to pick up. As a result, NBFIs are losing out in the short term with hope of silver lining in the long run.

Declining rates of interest should have been a boon for the industrial and business sector. Ordinarily, business should have taken the cue and moved for capacity expansion. Except for feeble attempts to increase production capacity in the garment sector, investment in the real sector is nonexistent.

Excess liquidity in the system has increased cut throat competition to an extent where banks, on account of their lower cost of funds, have been refinancing at the cost of the hapless NBFIs. In a situation where almost 25 to 30% of the loan portfolio is paid off annually, the NBFI sector has become vulnerable.

Strategic shift

Around 4 years back, Prime Finance could visualize the shift in the money market and take effective measures to ensure adequate liquidity. In 2012, our Liability and Fund Management Department was initiated and took the lead for mobilizing funds from the public. Today, Prime Finance is meeting around 33.72% of the funding needs through the liability management department.

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

Capital Market

The boon in the capital market has over the years turned into a bane. Prime has investments in Subsidiary & Associate companies in the form of equity to the tune of Tk. 1,726.84 mn as at December 31, 2016. The loans and advances to Subsidiary and Associates, amounted to Tk 4,345 mn as at December 31, 2016.

In the years 2010 and 2011, Subsidiary and Associates contributed a respectable amount of profits to the overall profitability of Prime Finance. Unfortunately, down turn in the Capital Market resulted had a telling effect on the company. In 2015, interest block on the loans to Subsidiary and Associates resulted in a massive loss of Tk. 427.49 mn for Prime Finance. Now add to this the proportionate losses of the Associate companies, and the bottom line ended up in loss of Tk. 949 mn.

Subsidiary and Associates

Interest block by the board on Subsidiary and Associates were imposed to help them in making timely repayments to the parent company. Both PFI Securities Ltd. and Prime Finance Capital Management Ltd. largely managed to pay their loans. However, the repayments without payment of interest had a negative impact on the profitability of Prime Finance. Prime Finance did not receive revenue income from the associates but continued to service the debt to the creditors with interest.

Measures adopted to stem the rot

Recent buoyancy in the capital market has resulted in renewed optimism. The interest block was a short term mechanism to enable the Subsidiary and Associates to stay afloat. Now the Board has been advised by the management to reimpose the interest albeit on the basis of cost of fund. This measure is likely to be adopted by the Board in early 2017. This should help the company in turning around the moribund state. At least two of the sister organizations in 2017 would be in a position to contribute to the profitability of the company thereby giving positive outlook for the company.

Prime Finance in 2016 revamped the branches and has taken steps to convert them into profit centres. The branches have been advised to target largely SME and Agricultural clients in the districts with proper due diligence. In addition, they are encouraged to become self reliant in mobilizing and mopping up deposits in their command areas. The results are encouraging.

Human Resources

Despite a high employee turnover in 2016, we managed to disburse Tk. 4,245 mn as against Tk. 2,850 mn in 2015. This was possible through in depth training, greater penetration in the market, increasing the depth and the width of the market reach and above all through greater motivation. We continued to fill in the void on account of skilled employees leaving the organization. The net result is, there is a fine crop of executives ready to reach out and fill the gaps and take greater responsibilities in future. Succession plan has been fine tuned and the company can move ahead with optimism in future.

Financials

In 2016, the company had a growth of 4.84% in loans and leases despite an adverse loan and lease environment. In 2017, the outlook appears to be better. The company has been able to decrease its cost of funds from a high of 10.44% to 8.38%. We have continued to source funds with competitive rates and taking steps to further reduce the cost of funds.

Outlook

It is a tough uphill task for Prime Finance in its quest for a turnaround situation. The fortunes of the company are largely dependent on the Subsidiary and Associates, where severe negative financials obliterate the small gains that the company is making. Prime Finance shall continue its market penetration strategy through its SME and Agricultural financing arm and at the same time continue to build through cost cutting measures. The road ahead is challenging but we continue to remain optimistic.



Asad Khan
Managing Director



Report of the Audit Committe

The Audit Committee is a sub-committee of the Board of Directors of the Company and its role is to assist the Board in fulfilling their oversight responsibilities regarding the integrity of Prime Finance's financial statements, risk management, internal control & compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence and the performance of the internal audit function.

Composition and Qualification of the Audit Committee Member's:

The Audit Committee is comprised of only Non-Executive Directors including one Independent Director. The Independent Director is the Chairman of the Committee. During the year 2016, the Committee was comprised of Professor Parimal Chandra Datta, PhD (Chairman), Mrs. Sabiha Khaleque, Mr. K. M. Mobarak Hossain, Mr. Waheed Mahmud Khaled and Mr. Manzur Ahmed. In compliance with Bangladesh Bank circular dated October 26, 2011 and BSEC's Corporate Governance Notification, Syed Moniruzzaman, Company Secretary of the Company is acting as the Secretary of the Audit Committee.

For the purposes of the Corporate Governance Notification, all the members of Committee are financially literate and Professor Dr. Parimal Chandra Datta, Chairman of the Committee is a financial expert. Detailed qualifications of the existing members of the Committee are set out on pages 06 to 09 of this Annual Report.

Meeting:

According to the circular issued by Bangladesh Bank dated October 26, 2011, the Audit Committee must meet at least four times a year which is also supported by the charter of the Committee. During the year 2016, the Audit Committee of the Company met 4 (four) times on the following dates:

(i) 18 February 2016
(ii) 14 May 2016
(iii) 28 July 2016
(iv) 27 October 2016

Activities of the Committee:

During the year, principal activities of the Committee were as follows:

- considered the adequacy and effectiveness of the Company's internal controls over financial reporting.
- reviewed along with the Management quarterly, half yearly and annual financial statements, including relevant disclosures prior to their publication;
- reviewed reports of the internal auditor;
- monitored the performance of the Internal Audit function;
- reviewed the Internal Audit Plan;
- reviewed appropriate systems and controls so that these are in place for effectiveness of internal audit function;
- reviewed report on compliance status with internal policy;
- reviewed effectiveness and independence of the statutory auditors;
- recommended appointment, remuneration of the statutory auditor;
- reviewed the annual audit activities and audit report;
- reviewed financials of subsidiary and associate Companies.

External Auditors:

Syful Shamsul Alam & Co., Chartered Accountants, 65/2/1, Paramount Heights (level-6), Box Culvert Road, Purana Paltan, Dhaka-1000 was appointed as statutory auditors of the company at the 20th Annual General Meeting held on 31 March 2016. Accordingly, Syful Shamsul Alam & Co., Chartered Accountants audited the financial statements as of 31 December 2016. The Audit Committee conducted a formal evaluation of the effectiveness of the external audit process.

Under Financial Institutions Act, 1993 and BSEC's order dated 27 July 2011 a statutory auditor of a Financial Institution can be re-appointed for a maximum period of three consecutive years. Syful Shamsul Alam & Co., Chartered Accountants expressed their willingness to continue as the statutory auditor of the company. The Committee considered the tenure, quality and fees of the auditors and recommended to Board for re-appointment of Syful Shamsul Alam & Co., Chartered Accountants as statutory auditor of the Company for the FY-2017. On such recommendation of the Audit Committee, the Board of Directors will be proposing the re-appointment of Syful Shamsul Alam & Co., Chartered Accountants as the statutory auditor to the shareholders at the 21st AGM in 30 March 2017.

Prof. Dr. Parimal Chandra Datta
Chairman
Audit Committee

Certificate on Compliance of Corporate Governance

S. Abdur Rashid FCS
BCom (Hons), MBS (Finance & Banking), MBA (Finance), PGDHRM, LLB, **AIPM**
Chartered Secretary in Practice
Private Practice Certificate No.: 003
Phone # +880 2 9558796, +88 01726533655
E-mail : sarashid12000@yahoo.com

SARashid & Associates
(Chartered Secretaries)
Noakhali Tower (12th Floor, 13-D)
55/B Purana Paltan, Dhaka-1000, Bangladesh
E-mail : sarashidnasso@gmail.com

Certificate on Compliance of Corporate Governance Guidelines

[Issued under Condition # 7(i) of Corporate Governance Guidelines of BSEC vide Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012]

I have reviewed the Compliance of Conditions of the Corporate Governance Guidelines by **Prime Finance and Investment Ltd.** ("the Company") for the year ended 31 December 2016. Such Compliance is the responsibility of the Company as stipulated in the above mentioned notification issued by Bangladesh Securities and Exchange Commission (BSEC).

I have conducted my review in a manner that has provided me a reasonable basis for evaluating the compliances and expressing my opinion thereon.This review has been limited to the measures adopted by the Company in ensuring such compliances and this has not been for expression of opinion on the financial statements or future viability of the Company.

According to the information and explanations provided to me by the Company, I hereby certify that all the conditions of the Corporate Governance Guidelines have been complied with by the Company.

S. Abdur Rashid FCS

Dhaka, 12 March 2017

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

We have reviewed the financial statements of Prime Finance & Investment Limited "the Company", which have been prepared in accordance with the Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs), the Financial Institutions Act 1993, the Bangladesh Securities and Exchange Rules 1987, the Companies Act 1994, the rules and regulations issued by the Bangladesh Bank and other regulatory authorities.

The financial statements of the Company contain line items that reflect the best estimates and judgments of the expected effects of current events and transactions with appropriate consideration to materiality. All financial information appearing throughout the report is consistent with the financial statements.

Based on our review, we hereby certify that to the best of our knowledge and belief:

1. Financial statements of the company do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
2. Financial statements of the company together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws & regulations.

We also certify that to the best of our knowledge and belief, no transactions entered into by the Company during the year 2016, which are fraudulent, illegal, or violation of the Company's code of conduct.



Mohammad Shahidul Islam, ACS, FCA
Chief Financial Officer



Asad Khan
Managing Director

AMARSTOCK



Directors Report

On behalf of the Board of Directors and Management, it is indeed a great privilege for me to welcome you to the 21st Annual General Meeting of the Company. We are pleased to place herewith the Directors' Report and the Auditors' Report together with the Audited Financial Statements of the Company for the year ended December 31, 2016 for your valued consideration, adoption and approval.

The Directors' Report has been prepared in compliance with the Section 184 of the Companies Act 1994, BSEC's Notification of 2012, the Listing Regulations of Dhaka and Chittagong Stock Exchanges, guidelines of Bangladesh Bank and other applicable rules and regulations. Relevant disclosures and explanations relating to certain issues have been given by the Directors, which they consider important to ensure transparency and good governance practices.

Industry Analysis

The financial world is now a day's abuzz with a new trend of banking businesses that are shifting from conventional banks to alternative sources, the sources that in the western world are known as hubs of 'shadow banking, which hit $36 trillion assets last year globally, is growing fast in Bangladesh driven by impressive growth of non-banking financial institutions. NBFIs are working as a catalyst to economic growth and provide necessary support and guidance for their development within a longer term framework, which would improve financial intermediation and enable the NBFIs to play more roles in overall development of the country.

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

NBFIs are increasingly coming forward to provide credit facilities for meeting the diversified demand for investment fund in the country's expanding economy. In 2016, NBFIs recorded notable growth in total assets, borrowings, deposits, and capital. The asset of NBFIs increased substantially by 17.5 percent to Taka 611 billion in 2015 from Taka 520.1 billion in 2014. At the end of June 2016, assets of NBFIs increased to Taka 672.8 billion. SME loan disbursement by banks and non-bank financial institutions increased by 22.49 per cent to Taka 1,41,935.38 crore in 2016 compared with that in the same period a year ago, which was 125 per cent higher than the previously-fixed target of Taka 1,135.03 billion. In 2016, the SME loan disbursement by banks and the NBFIs to the trade sector increased by 23.11 per cent to Tk 90,547.57 crore against Tk 73,551.78 crore in 2015. The manufacturing sector got 24.77 per cent of the total SME loans disbursed in 2016 while the service sector received 11.42 per cent.

Classified loan witnessed around 10.34 percent in the banking sector where in NBFI it was 9%. Despite the fact that NPL enhanced from 7.7% in 2015 to 9% in 2016 is still below the NPL of the banking average.

Industry outlook

The private sector credit growth had decreased in November last year for the third month in a row as businesspeople were less encouraged to expand their business due to the existing sluggish business situation. The private sector credit growth in the country decreased to 15.01 per cent in November year-on-year compared with that of 15.20 per cent in October. It declined to 15.34 per cent in September year-on-year compared with that of 16.21 per cent in August. According to CPD, rising default loans and weak governance in the banking sector, declining trend in remittance inflow and excessive sales of national savings certificates will be major challenges for the Bangladesh's economy for the current fiscal year. On the other hand recovery of the classified loan would play a vital role to achieve the 8 per cent GDP growth targets.

Cost still continues to plague the NBFIs since the perception of the general people still continues to favor the banks against non banks. With high cost of funds non-banks are forced to compete with the banks those have relatively low cost of funds. Though cost of fund is reducing gradually and it is expected that the money market will continue to slide in line with the central banks objective of reduction of interest rate. Excess liquidity of the banks due to poor demand from borrowers will continue on reducing lending rates. The paradox continues to remain - reduction in interest rate should have seen a surge in demand for money. This was clearly not evident. Competition will

intensify and margin of business will continue to erode further as the environment may not be conducive for business growth. However, incremental output from the refinancing and SME financing could be the options to maintain minimum spread in an adverse economic condition.

Capital Market Scenario

The capital market ended 2016 with hope and aspiration, as the index recorded an almost 9 percent gain in the course of the year. A consistent rally, especially in the last two months of the year, enabled the key index of the premier bourse to stay above the 5,000 points level, yielding an 8.8 percent return for this year. DSEX, the key index of the Dhaka Stock Exchange, closed the year with 5,036 points at the last trading of 2016, up from 4,624 points on the first trading day of the year. Active participation of local and foreign investors and the psychological confidence were the main drivers of the market. The foreign investors have higher exposure now than ever before. Investor participation in the last quarter, consolidation of stocks prices, comparably high corporate earnings, low commodity and oil prices in the international market along with low interest rate were the pivotal reasons behind the decent year for the Bangladesh capital market. Especially, in the last quarter, the market became really active with an average daily turnover of BDT 6,965.66 mn in the DSE.

Business activities

The private sector growth was stagnant to 15 percent last year. The Company is continuing strategic shift, focusing from corporate financing to SME financing. Defying all odds, the company's total investment in SME Financing significantly increased by 27.92% over the previous year. However, total investment of the company has increased by 4.8% and stood at Tk. 12,945 mn. The investment activities were driven mainly by term, lease and SME financing. A total of 150 agreements were executed during the year 2016 for Tk. 4,248 million. In 2015, it was 230 agreements.

Prime Finance's strategic objective is to ensure diversification of its total investment portfolio in a balance and prudent manner. This year the Company has also been able to maintain the objective of diversification. Out of total investment Tk. 4,248 million this year, highest allocation was in Industry sector at 47 percent followed by trade & commerce at 29 percent and so on.

In order to meet our funding requirements, we have diversified our funding sources and continued emphasizing on deposit mobilization. At the end of the year, deposits were 63.54% percent of total liabilities. On the other hand we have prudently used call money and other alternative means of finance to bring down our cost of funds.

The country's secondary stock market experienced some signs of stability in the last quarter of this year and we had realized loss of Tk. 8.94 mn against our investment in secondary market which was significantly lesser than the previous year.

Principal Activities

Prime Finance continues its operations by providing leasing and hire purchase financing for customers. During the last 5 years, the company made a strategic shift and made a concerted move into SME and Agricultural loans primarily beyond the metropolitan cities. This helped the company to maintain its spread, diversify its loan portfolio and above all maintain a provision of less than approximately 3% in the SME and Agricultural sector. Investment products in the form of deposits are remaining the mainstream liability side products of the Company. During the year under review there was no change in the nature of the principal business activities.

Financing activities

Due to stiff competition, absorption of proportionate loss of subsidiary and associates, lower lending rates, non performing loans and others, we ended the year with consolidated loss of Tk. 9,49.66 million. The cost of fund of the company was decreasing significantly and at the end of the year it was 8.27. As the corporate lending rate in the market was decreased to single digit, we focused in SME financing to ensure minimum margin of business. During the year total disbursement of loan was Tk. 4,248 million where almost 52.74% was SME Financing. Despite our continued cautionary approach in terms of the quality of finance, we had to make provision of Tk. 266 million against total classified loans of Tk. 1,558 million. NPL, 12.04% was mainly driven by the exposures to the corporate before we started the navigational change. In SME finance NPL was approximately 2.43%. Considering the competitive market edge we were rational in fixing lending rate and sometimes diverged from ensuring three percent spread. In 2016, we had to absorb impact of interest block of the loan to associate and subsidiary. In addition, during the year significant numbers of contracts were rescheduled, restructured with lower rate to accommodate our good clients with competitive market rate. These altogether sketched the bottom line of the Company.

Term finance

We offer short, medium and long term finance to the customers to cater their long-term physical investment needs besides meeting short term cash crunches. Our short term finances are usually for one year where medium and long term finances are for three to five years term. We offered working capital, finance against term deposit, project finance etc. with the view to meet the diversified needs of our customers. Term finance continued to be a leading product for Prime Finance. The strategy of focusing on the profitable, low risk business was continued. Particularly in this area, the market was characterized by fierce competition and hence strong pressure on margins. Despite this difficult market environment, we managed to book new business at a satisfactory rate and our investment in term finance enhanced 7.68 percent compare to 2015. As on 31 December 2016 gross installments receivables were BDT 4,033 million which is significantly enhanced by 60.87 percent.

Lease finance

Lease financing, principal fund based activity of the Company, represents asset based financing. Through lease financing we facilitated small and medium type enterprises to access to the finance. We offer leasing as a modern financial instrument for managing corporate investments in movable equipment. We concentrated only on full payout financial lease transaction for financing a wide range of capital machinery, equipment and vehicles. During the year, total investment under finance lease was BDT 811 million. As on 31 December 2016 gross lease rental receivables were BDT 331 million. Lease income earned during the year increased by 10.22 percent.

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. The real estate sector of the country is stuck in a quagmire. One of the visible indicators marking the difficult time the sector is

passing through is the decline in apartment sales-- a phenomenon that has been lingering for consecutive years. Non-availability of electricity and gas connections, prolonged political turbulence, absence of active secondary market for real estate, high transfer taxes and inadequate policy contributed to the overall slowdown of real estate sector business. Considering the prevailing awkward situation in real estate sector we made very insignificant finance in this sector.

Consumer Finance

We offer affordable and flexible housing finance, car finance at a competitive interest rate to the desired consumers who have dream of owning a home or car into reality. We started housing finance in 2010 with a portfolio of BDT 3.5 million only where we ended 2016 with a portfolio of BDT 12.75 million in housing finance.

Factoring Finance

We offer factoring as a comprehensive financial service that includes credit protection, accounts receivable bookkeeping, collection services and financing to the small businesses that face challenges to access financing to utilize their production cycle. In 2016, we were able to renew few of our proven factoring clients and ended the year with a portfolio of BDT 12.73 million.

Liquidity and funding

The Company maintains sufficient facilities to meet its normal funding requirements. These facilities are primarily in the form of bank facilities arranged on a bilateral basis with a number of commercial banks and term deposits mobilized from individuals and institutions ranging for a period from 3 months to ten years. The Company preferably utilize fund of the call money market to meet its immediate requirement of funds, which subsequently either repay or transform into term loan.

Operating and Financial

Performance of the Company

Loans, advances and leases of the company recorded at Tk. 14,800 mn on 31 December 2016 registering 3% growth against last year. Company's investment in shares reduced significantly by 3.71% as the company is concentrating more on core business and less on capital market investment. Deposit stood at Tk. 9,016 mn resulting 5.53% diminution against last year. Bank borrowing of the company was increased by 6.65% representing dependency on bank fund. Due to current year's loss, equity attributable to shareholders' of the company reduced to Tk. 2,785 mn as compared to Tk. 3,736 mn of last year.

Gross interest income of the company was Tk. 897 mn which was 38% lesser than that of 2015. Other income of the company was also reduced by Tk. 347 mn. Operational expenses in 2016 were decreased by 8.14% and provision for loans, advances, leases and shares increased by Tk. 266 mn.

The financial results of the Company for the year 2016 with a comparison of 2015 are summarized below:

(BDT in million except per share data)	2016	2015
Operating revenue	561 mn	1,313 mn
Operating expenses	226 mn	245 mn
Loss before tax	(946) mn	(396) mn
Provision for tax	6 mn	6 mn
Proft/Loss after tax	(952) mn	(402) mn
Earnings Per Share (EPS)	(3.49)	(1.47)

Significant deviation in operating results

Operating loss of the Company for the year 2016 was Tk. 674 million. During the year negative interest margin, higher provision on loans and advances and overall impact of interest block on loans to subsidiary and associate have sketched the negative bottom line of the company. As because of interest block, Prime Finance had to sacrifice significant interest income on the loan to subsidiary and associates. On contrary we had to repay interest expenses to the lenders. In addition proportionate sharing of losses against equity investment in the subsidiary and associate have been substantial and altogether had a negative impact on the profitability of the company.

Significant variance between quarterly and annual results:

During 2016, there was no significant variance between quarterly and annual results.

Five years data

Key operating and financial data of preceding 5 (five) years of the Company are the part of this report and have been summarized on 05 page of this Annual Report.

Share of loss/income from subsidiary and associate companies

Subsidiary and associate companies of Prime Finance & Investment Limited are engaged truly in capital market. Due to sluggish capital market they were also not able to make profit. During the year our proportionate sharing of loss/income from the subsidiary and associates were as follows:

Name of the Company	Status	Equity%	Loss/income	Proportionate sharing of loss/income
Prime Finance Capital Management Limited	Subsidiary	60%	2 mn	1 mn
PFI Securities Limited	Associate	46.15%	(828) mn	382 mn
Prime Finance Asset Management Company Limited	Associate	49%	6 mn	3 mn
Prime Prudential Fund Limited	Associate	40%	(0.01) mn	(0.05) mn

Among the above Companies, Prime Finance Asset Management Company Limited recommended final cash dividend @ 10%.

Directors report and audited financial statements of the subsidiary are given on pages 86 to101 of this Annual Report.

Related party transaction

Compliant steps have been taken by the Board to avoid any conflict of interests that may arise, in transacting with related parties as per the definition of BAS & IFRS. A statement of related party transactions has been presented in note no. 37 on 79 page of the Annual Report.

Capital Expenditure

The Total Capital Expenditure on acquisition of Property, plant, computer applications, software and equipment, of the Company amounted to BDT 17 million (BDT 17 million in 2015). The detailed note on acquisition of Property, Plant and Equipment is given in the Financial statements on page 84.

Material changes after Balance Sheet date (31st December 2016)

The Board considering the overall situation of the Company and the recent capital market trend enforce interest on loan to subsidiary and associates vide its meeting held on February 06, 2017 and February 20, 2017 respectively.

Dividend

The Company will not be paying any dividend for the year ended 2016. The Board of Directors in its meeting held on 20 February 2017 recommended "No" dividend for the year 2016. As per article-89, Schedule-1 of the Companies Act 1994, dividend shall be declared out of profit i.e. from current year's profit and from previous years' retained profit. During the year ended the company has registered retained loss of Tk. 949.66 mn, therefore the company has recommended "No" dividend for the year 2016.

Directors' Responsibilities for Financial Statements

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

- the Financial Statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- proper books of account as required by the law have been maintained;
- appropriate accounting policies have been consistently applied in preparation of the Financial Statements and that the accounting estimates are based on reasonable and prudent judgements;
- the Financial Statements was prepared in accordance with IAS/BAS/IFRS/BFRS;
- the system of internal control is sound in design and has been effectively implemented and monitored

Going concern

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

Risk and concerns

The Board of Directors are responsible for formulating risk policies, determining methods to measure and manage risk, setting commensurate risk limits and monitoring their performance. Fundamentally, the Company beliefs in managing risk in a forward-looking manner and steering credit, interest rate, liquidity, market and operational risks through establishing strategies, models and parameters.

Report on the compliance of the conditions of BSEC's notification

In accordance with the BSEC's Notification dated 7 August 2012, the Board of Directors are required to report on the compliance of certain conditions. The notification was issued for the purpose of establishing a framework for ensuring good governance practices in the listed companies for the interest of the investors and the capital market. A statement on the compliance with the BSEC's conditions is given on Annexure-III on 25 page of this Annual Report.

Directors' meeting, attendance & remuneration -

During the year ended 31 December 2016 total 10 meetings were held. The attendance in the Board meetings by each Director is given in Annexure-II on page 24 of this Annual Report. Please note that the amount of total remuneration which has paid to the Directors including Independent Directors is given in Note 29 on page 77 of this Annual Report.

Changes in the Board of Directors

During the year 2016, Mr. Manzur Ahmed and Mrs. Sabiha Khaleque were appointed as Directors in the Board in connection with change in nomination by the concern shareholding company.

Directors to retire, re-appointment and biographies of the Directors-

As per Article 67 of the Articles of Association of the Company, one-third of the Directors of the Company are required to retire by rotation at each Annual General Meeting (AGM). The retiring Directors are eligible to stand for re-election. In this connection the following Directors will retire in the 21st Annual General Meeting and being eligible offered themselves for re-election as per Article 69 of the Articles of Association of the Company:

i) Mrs. Sabiha Khaleque, representing Maksons (Bangladesh) Limited;
ii) Mr. Waheed Mahmud Khaled representing Mawsons Limited;
iii) Mr. Tauseef Iqbal Ali

Biographies of the Directors (including retiring Directors) and the names of the Company where they have interest are mentioned in the Annual Report on 06 to 09 page.

Corporate governance

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

Auditors

Syful Shamsul Alam & Co., Chartered Accountants have completed their second year as statutory auditor of the company. As per the Financial Institutions Act, 1993, statutory Auditor of a Financial Institutions can be appointed for three consecutive years. As such Syful Shamsul Alam & Co. are eligible for reappointment and they expressed their willingness to be reappointed. The Audit Committee reviewed their expression of interest and recommended to the Board. The Board in its meeting held on 20 February 2017 recommended to the shareholders regarding appointment of Syful Shamsul Alam & Co., Chartered Accountants at a remuneration of BDT 3,00,000 plus VAT. Now in exercise of the power conferred upon Section 210(10) of the Companies Act, 1994 the shareholders of the company will approve the appointment and to fix the Auditor's remuneration in the ensuing general meeting. In this regard prior approval from Bangladesh Bank to appoint Syful Shamsul Alam & Co., Chartered Accounts will be taken.

Business Outlook

The Company will continue to capitalize on its strengths to generate sustainable revenue from SME and Corporate Financing, while expanding opportunities in Consumer finance, factoring, Treasury and Deposits. We will continue concentrating more on improving asset quality and strict recovery programs. Competition will remain intense among the FI's and banks both in terms of asset and liability. As a

result, interest spreads will continue to be under pressure like the previous year. Overall, we are confident of recording a better financial performance for the current year.

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

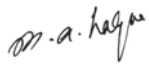
Signing of Report

The Board in its 251st meeting held on 20 February, 2017 authorized the Chairman, Mr. Md. Aminul Haque to sign Directors report and any addendum thereto.

Acknowledgement

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

For and on behalf of the Board,



Md. Aminul Haque
Chairman, Dhaka
20 February 2017

Annexure-I

Pattern of Shareholdings

As at 31 December 2016

Name and Description of Shareholders	No. of shares held	Percentage
A. Parent/Subsidiary/Associate Companies and other related parties	Nil	-
B. Directors and their spouses and minor children :		
Mr. Md. Aminul Haque, Representing Acorn Limited	Nil	-
Mrs. Sabiha Khaleque, Representing Maksons (Bangladesh) Ltd.	Nil	-
Mr. K. M. Mobarak Hossain, Representing Khaled Textile Mills Ltd.	Nil	-
Mr. Waheed Mahmud Khaled, Representing Mawsons Limited	Nil	-
Mr. Mohammad Masudur Rahim, Representing East Coast Shipping Lines Ltd.	Nil	-
Mr. Manzur Ahmed, Representing Agami Apparels Ltd.	Nil	-
Mr. Qazi Saleemul Huq, Representing GQ Enterprise Ltd.	Nil	-
Mr. Tauseef Iqbal Ali	5,458,363	2.00
Prof. Dr. Parimal Chandra Datta	Nil	-
Mr. Kazi Md. Mortuza Ali	Nil	-
C. Executives and their spouses and minor children :		
Mr. Asad Khan, Managing Director	Nil	-
Mr. Mohammad Shahidul Islam, Chief Financial Officer	Nil	-
Mr. Syed Moniruzzaman, Company Secretary	Nil	-
Ms. Farhana Mahejabin, Head of Internal Audit	Nil	-
D. Other top five senior executives :		
Mr. Md. Ahsan Kabir Khan	Nil	-
Ms. Gulshan Ara Hafiz	Nil	-
Mr. R M Nasrullah Zaidi	Nil	-
Mr. Mohammad Zaved Lakiyet	Nil	-
Mr. Mohammed Faruque	Nil	-
E. Shareholders holding ten percent (10%) or more voting interest in the Company	Nil	-

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Annexure-II

Director's Meeting & Attendance during the Year 2016

Name of the Directors	Status	Nominated by	No. of Meetings held during his/her tenure	Meeting Attended	(%)	Change in nomination during 2016		Remarks
						Appointed in the Board with effect from	Withdrawal of nomination has been in effect from	
Mr. Md. Aminul Haque	Non-executive Chairman	Acorn Limited	10	8	80			Continuing
Mr. Shahriar Khaled	Non-executive Director	Maksons (Bangladesh) Ltd.					September 07, 2016	
Mrs. Sabiha Khaleque	Non-executive Director	Maksons (Bangladesh) Ltd.	2	0	0	October 27, 2016		Continuing
Mr. K. M. Mobarak Hossain	Non-executive Director	Khaled Textile Mills Ltd.	10	2	20			Continuing
Mr. Waheed Mahmud Khaled	Non-executive Director	Mawsons Li mited	10	10	100			Continuing
Mr. Mohammad Masudur Rahim	Non-executive Director	East Coast Shipping Lines Ltd.	10	8	80			Continuing
Mr. M. Shahadat Hossain Kiron	Non-executive Director	Agami Apparels Ltd.	7	2	29		July 31, 2016	
Mr. Manzur Ahmed	Non-executive Director	Agami Apparels Ltd.	3	2	67	August 01, 2016		Continuing
Mr. Qazi Saleemul Huq	Non-executive Director	GQ Enterprise Ltd.	10	4	40			Continuing
Mr. Tauseef Iqbal Ali	Non-executive Director	N/A	10	9	90			Continuing
Prof. Dr. Parimal Chandra Datta	Independent Director	N/A	10	10	100			Continuing
Mr. Kazi Md. Mortuza Ali	Independent Director	N/A	10	10	100			Continuing
Mr. Z. M. Kaiser	Alternate Director	Maksons (Bangladesh) Ltd.	8	2	25			The position of Alternate Director to Mr. Shahriar Khaled has been ineffective due to change in nomination of orginal Director

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Annexure-III

Status of compliance with the conditions imposed by the Bangladesh Securities and Exchange Commission's Notification No SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August, 2012 issued under section 2CC of the Securities and Exchange Ordinance, 1969 is presented below:

(Report under Condition No. 7.00)

Condition No.	Title	Compliance Status ("✓"has been put in the appropriate column) Complied	Not Complied	Remarks (If any)
1	**Board of Directors (BoD)**			
1.1	Board's Size (number of Board members - minimum 5 and Maximum 20)	✓		
1.2	**Independent Directors**			
1.2 (i)	At least one fifth (1/5) of the total number of Directors shall be Independent Directors	✓		
1.2 (ii)	**Independent Director means a director**			
1.2 (ii) (a)	who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company	✓		
1.2 (ii) (b)	who is not a sponsor of the company and is not connected with the company's any sponsor or director or shareholder who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship. His/her family members also should not hold above mentioned shares in the company	✓		
1.2 (ii) (c)	who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies	✓		
1.2 (ii) (d)	who is not a member, director or officer of any stock exchange	✓		
1.2 (ii) (e)	who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market	✓		
1.2 (ii) (f)	who is not a partner or executive or was not a partner or an executive during the preceding 3 (three) years of the company's statutory audit firm	✓		
1.2 (ii) (g)	who shall not be an independent director in more than 3 (three) listed companies	✓		
1.2 (ii) (h)	who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI)	✓		
1.2 (ii) (i)	who has not been convicted for a criminal offence involving moral turpitude	✓		
1.2 (iii)	Independent Director(s) shall be appointed by BoD approved by the shareholders in the Annual General Meeting (AGM)	✓		
1.2 (iv)	The post of independent director(s) cannot remain vacant for more than 90 (ninety) days			Not required
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded	✓		
1.2 (vi)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only	✓		

Condition No.	Title	Compliance Status ("✓"has been put in the appropriate column) Complied	Not Complied	Remarks (If any)
1.3	**Qualification of Independent Director**			
1.3 (i)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business	✓		
1.3 (ii)	Independent Director should be a Business Leader/Corporate leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management/professional experiences	✓		
1.3 (iii)	In special cases the above qualifications may be relaxed subject to prior approval of Commission			Not required
1.4	The Chairman of the Board and the Chief Executive Officer (CEO) shall be different individuals. The Chairman shall be elected from among the directors. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the CEO	✓		
1.5	**The Director's Report shall include the following additional statements**			
1.5 (i)	Industry outlook and possible future developments in the industry	✓		
1.5 (ii)	Segment-wise or product-wise performance	✓		
1.5 (iii)	Risks and concerns	✓		
1.5 (iv)	A discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin	✓		
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss			Not applicable
1.5 (vi)	Basis for related party transactions - a statement of all related party transactions should be disclosed in the annual report	✓		
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any others instruments			Not applicable
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO)			Not applicable
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements, the management shall explain about the variance			Not applicable
1.5 (x)	Remuneration to directors including independent directors	✓		
1.5 (xi)	The financial statements present fairly its state of affairs, the result of its operations, cash flows and changes in equity	✓		
1.5 (xii)	Proper books of account have been maintained	✓		
1.5 (xiii)	Adaptation of appropriate accounting policies & estimates	✓		
1.5 (xiv)	IAS/BAS/IFRS/BFRS, as applicable in Bangladesh, have been followed and adequate disclosure for any departure	✓		
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored	✓		
1.5 (xvi)	Going Concern (ability to continue as a going concern)	✓		

Condition No.	Title	Compliance Status ("✓"has been put in the appropriate column) Complied	Not Complied	Remarks (If any)
1.5 (xvii)	Highlight and explain significant deviations from the last year's operating results	✓		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized	✓		
1.5 (xix)	Reason for non declaration of Dividend	✓		
1.5 (xx)	The number of Board meetings held during the year and attendance by each director	✓		
1.5 (xxi)	**Pattern of shareholding and name wise details (disclosing aggregate number of shares)**			
1.5 (xxi) (a)	Parent/Subsidiary/Associate Companies and other related parties	✓		
1.5 (xxi) (b)	Directors, Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO), Head of Internal Audit (HIA) and their spouses and minor children	✓		
1.5 (xxi) (c)	Top five salaried executives other than mentioned above	✓		
1.5 (xxi) (d)	Shareholders holding ten percent (10%) or more voting interest in the company	✓		
1.5 (xxii)	**In case of the appointment/re-appointment of a director, disclose**			
1.5 (xxii) (a)	A brief resume of the director	✓		
1.5 (xxii) (b)	Nature of his/her expertise in specific functional areas	✓		
1.5 (xxii) (c)	Names of companies in which the person also holds the directorship and the membership of committees of the board	✓		
2	**Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary (CS):**			
2.1	Appointment of CFO, HIA and CS and defining their respective roles, responsibilities & duties	✓		
2.2	The CFO and the CS shall attend the meetings of the Board of Directors	✓		
3	**Audit Committee**			
3 (i)	The company shall have an Audit Committee as a sub-committee of the BoD	✓		
3 (ii)	The Audit Committee shall assist the BoD in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business	✓		
3 (iii)	The Audit Committee shall be responsible to the BoD. The duties of the Audit Committee shall be clearly set forth in writing	✓		
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members	✓		
3.1 (ii)	The BoD shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) Independent Director	✓		
3.1 (iii)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience	✓		
3.1 (iv)	Expiration of the term of service of Audit Committee members making the number lower than 3 (three) and fill up the vacancy (ies) by the Board not later than 1 (one) month from the date of vacancy(ies)			Not applicable

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Condition No.	Title	Compliance Status ("✓"has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
3.1 (v)	The Company Secretary shall act as the secretary of the Audit Committee	✓		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director	✓		
3.2	**Chairman of the Audit Committee**			
3.2 (i)	The BoD shall select the Chairman of the Audit Committee, who shall be an Independent Director	✓		
3.2 (ii)	Chairman of the Audit Committee shall remain present in the AGM	✓		
3.3	**Role of Audit Committee**			
3.3 (i)	Oversee the financial reporting process	✓		
3.3 (ii)	Monitor choice of accounting policies and principles	✓		
3.3 (iii)	Monitor Internal Control Risk management process	✓		
3.3 (iv)	Oversee hiring and performance of external auditors	✓		
3.3 (v)	Review the annual financial statements before submission to the board for approval	✓		
3.3 (vi)	Review the quarterly and half yearly financial statements before submission to the board for approval	✓		
3.3 (vii)	Review the adequacy of internal audit function	✓		
3.3 (viii)	Review statement of significant related party transactions submitted by the management	✓		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors	✓		
3.3 (x)	Disclosure to the Audit Committee about the uses/applications of IPO funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, shall prepare a statement of funds utilized for the purposes other than those stated in the prospectus			Not applicable
3.4	**Report of the Audit Committee**			
3.4.1 (i)	Reporting to BoD on the activities of the Audit Committee	✓		
3.4.1 (ii) (a)	Reporting to BoD on conflicts of interests			Not required
3.4.1 (ii) (b)	Reporting to BoD on any fraud or irregularity or material defect in the internal control system			Not required
3.4.1 (ii) (c)	Reporting to BoD on suspected infringement of laws			Not required
3.4.1 (ii) (d)	Reporting to BoD on any other matter			Not required
3.4.2	Reporting to BSEC (if any material impact on the financial condition & results of operation, unreasonably ignored by the management)			Not required
3.5	Reporting to the Shareholders of Audit Committee activities, which shall be signed by the Chairman and disclosed in the Annual Report	✓		
4	**External / Statutory Auditors**			
4 (i)	Non- engagement in appraisal or valuation services or fairness opinions	✓		

Condition No.	Title	Compliance Status ("✓"has been put in the appropriate column)		Remarks (If any)
		Complied	Not Complied	
4 (ii)	Non-engagement in designing and implementation of Financial Information System	✓		
4 (iii)	Non-engagement in Book Keeping or other services related to the accounting records or financial statements	✓		
4 (iv)	Non-engagement in Broker-Dealer services	✓		
4 (v)	Non-engagement in Actuarial services	✓		
4 (vi)	Non-engagement in Internal Audit services	✓		
4 (vii)	Non-engagement in any other services that the Audit Committee determines	✓		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company during the tenure of their assignment	✓		
4 (ix)	Non-engagement in audit/certification services on compliance of corporate governance as required under clause (i) of condition no. 7	✓		
5	**Subsidiary Company**			
5 (i)	Provisions relating to the composition of the BoD of the holding company shall be made applicable to the composition of the BoD of the subsidiary company	✓		
5 (ii)	At least 1 (one) Independent Director on the BoD of the holding company shall be a director on the BoD of the subsidiary company.	✓		
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company	✓		
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also	✓		
5 (v)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company	✓		
6	**The CEO and CFO shall certify to the Board that they have reviewed financial statements for the year and that to the best of their knowledge and belief**			
6 (i) (a)	these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading	✓		
6 (i) (b)	these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws	✓		
6 (ii)	there are, to the best of knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct	✓		
7	**Reporting and Compliance of Corporate Governance**			
7 (i)	Obtaining certificate from a practicing Professional Accountant/Secretary regarding compliance of conditions of Corporate Governance Guidelines of the BSEC and include in the Annual Report	✓		
7 (ii)	Directors statement in the directors' report whether the company has complied with these conditions	✓		

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UHY Syful Shamsul Alam & Co
Chartered Accountants

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Independent Auditors' Report
To the shareholders' of
Prime Finance & Investment Limited and its subsidiary

We have audited the accompanying financial statements of Prime Finance & Investment Limited ("the Company") and its subsidiary (the "Group"), which comprises the consolidated and the separate balance sheet as at 31 December 2016, profit and loss account, statement of changes in equity, 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 consolidated financial statements of the Group and also the separate financial statements of the Company in accordance with Bangladesh Financial Reporting Standards (BFRS) as explained in note 2, the Financial Institution Act 1993, the rules and regulations issued by the Bangladesh Bank, the Securities and Exchange Rules 1987,the Companies Act 1994 and other applicable laws and regulations and for such internal control as management determines is necessaryto 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 (BSA). Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these 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 auditors' judgement, 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 consolidated financial statements of the Group and the separate financial statements of the Company give a true and fair view of the consolidated financial position of the Group and the separate financial position of the Company as at 31 December 2016, and of its consolidated and separate financial performance and cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) 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.

Report on Other Legal and Regulatory Requirements

We also report that:

i) we have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof and found satisfactory;

ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;

iii) the consolidated balance sheet and consolidated profit and loss of the Group and the separate balance sheet and profit and loss statement of the Company together with annexed notes from 1 to 56 dealt with by the report are in agreement with the books of account;

iv) the expenditure incurred was for the purpose of the Group and the Company's business;

v) the consolidated financial statements of the Group and those of the Company have been drawn up in conformity with the Financial Institution Act 1993 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank to the extent applicable to the Company;

vi) the records submitted by the parent company and the subsidiary company have been properly maintained and consolidated in the financial statements;

vii) adequate provisions have been made for loans, leases and advances and other assets which are, in our opinion, doubtful of recovery and Bangladesh Bank's instructions in this regard have been followed properly;

viii) statements sent to Bangladesh Bank has been checked on sample basis and no inaccuracy has come to our attention;

ix) taxes and other duties collected and deposited to Government treasury by the company as per Government instructions found satisfactory;

x) nothing has come to our attention that the company has adopted any unethical means i.e. 'window dressing' to inflate the profit and mismatchbetween the maturity of assets &liabilities;

xi) proper measures have been taken to eliminate the irregularities mentioned in the inspection report of Bangladesh Bank and the instructions issued by Bangladesh Bank & other regulatory authorities have been found complied;

xii) the internal control and compliance of the company is satisfactory, and effective measures have been taken to prevent possible fraud, forgery and internal policies are being followed;

xiii) the Company has complied with relevant laws pertaining to capital, reserve & net worth, cash & liquid assets and procedure for sanctioning & disbursing loans/leases found satisfactory;

xiv) the consolidated financial statements of the Group and the separate financial statement of the Company conform to the prescribed standards set in the accounting regulations issued by Bangladesh Bank after consultation with the professional accounting body of Bangladesh;

xv) We have reviewed over 80% of the risk weighted assets of the Group and the Company during the course of our audit and we havespent over 1,920 person-hours for the audit of books and accounts of the Group and the Company;

xvi) All other matters which are important for the stakeholders of the company have been adequately disclosed in the audit report.

Place : Dhaka
Dated: 20 February 2017

Syful Shamsul Alam & Co.
Chartered Accountants

AUTHORISED TRAINING EMPLOYER ICAEW

Consolidated Balance Sheet

As at 31 December

(Figures in Taka)

	2016	2015	Notes
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)	81,663	70,971	
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	146,370,632	172,482,807	
Total Cash	**146,452,295**	**172,553,778**	**4.a**
Balance with other banks and financial institutions			
In Bangladesh	355,478,290	1,313,109,080	
Outside Bangladesh	-	-	
Total balance with other banks and financial institutions	**355,478,290**	**1,313,109,080**	**5.a**
Money at call and on short notice	-	-	
Investments			
Government	-	-	
Others	893,366,521	927,765,138	
Total Investments	**893,366,521**	**927,765,138**	**6.a**
Loans, advances and leases			
Loans, advances and leases etc.	14,800,363,094	14,362,636,774	
Bills purchased and discounted	-	-	
Total loans, advances and leases	**14,800,363,094**	**14,362,636,774**	**7.a**
Fixed assets including premises, furniture and fixtures	**360,154,552**	**360,314,247**	**8.a**
Other assets	**2,358,186,133**	**2,637,256,558**	**9.a**
Non - business assets	-	-	
Total assets	**18,914,000,885**	**19,773,635,575**	
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	3,299,527,828	3,093,925,014	**10.a**
Deposits and other accounts			
Current and other accounts	-	-	
Bills payable	-	-	
Savings accounts	-	-	
Term deposits	9,016,194,779	9,544,207,157	**11.a**
Bearer certificates of deposit	-	-	
Other deposits	-	-	
Total deposits and other accounts	**9,016,194,779**	**9,544,207,157**	
Other liabilities	**3,006,390,533**	**2,593,949,865**	**12.a**
Total liabilities	**15,322,113,140**	**15,232,082,036**	
Capital/ shareholders' equity			
Paid up capital	2,729,164,830	2,729,164,830	**13.0**
Statutory reserve	927,108,510	927,108,510	
Share money deposit	-	-	
Other reserves	-	-	
Retained earnings	(1,092,766,302)	(142,161,088)	
Revaluation reserve	221,943,750	221,943,750	
Equity attributable to shareholders' of the company	**2,785,450,788**	**3,736,056,002**	
Non-controlling interest	806,436,957	805,497,537	**14.0**
Total shareholders' equity	**3,591,887,745**	**4,541,553,539**	
Total liabilities and shareholders' equity	**18,914,000,885**	**19,773,635,575**	

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(Figures in Taka)

	2016	2015	Notes
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Acceptances and endorsements	-	-	
Letters of guarantee	-	-	
Irrevocable letters of credit	-	-	
Bills for collection	-	-	
Other contingent liabilities	-	-	
Total contingent liabilities	-	-	
Other commitments			
Documentary credits and short term trade-related transactions	-	-	
Forward assets purchased and forward deposits placed	-	-	
Undrawn note issuance and revolving underwriting facilities	-	-	
Undrawn formal standby facilities, credit lines	-	-	
Un-disbursed contracted loans, advances and leases	117,000,000	281,182,425	**41.0**
Total other commitments	**117,000,000**	**281,182,425**	
Total off-balance sheet items including contingent liabilities	**117,000,000**	**281,182,425**	
Net Asset Value per share (NAV)	**10.21**	**13.69**	

Notes:

The annexed notes 01 to 56 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 20 February, 2017 and were signed on its behalf by:

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
20 February, 2017

Syful Shamsul Alam & Co.
Chartered Accountants

AMARSTOCK

Consolidated Profit and Loss Account

for the year ended 31 December

(Figures in Taka)	2016	2015	Notes
Interest income	897,385,356	1,442,666,720	**18.a**
Interest paid on deposits, borrowings etc.	(1,054,430,992)	(1,396,679,672)	**19.a**
Net interest income	**(157,045,636)**	**45,987,048**	
Investment income	34,033,029	(386,130)	**20.a**
Fees, commission, exchange and brokerage	31,692,842	61,441,038	**21.a**
Other operating income	(293,080,742)	58,997,084	**22.a**
	(227,354,871)	120,051,992	
Total operating income (A)	**(384,400,507)**	**166,039,040**	
Salaries and other employee benefits	177,857,652	212,151,371	**23.a**
Rent, taxes, insurance, electricity etc.	43,807,592	33,006,141	**24.a**
Legal expenses	822,077	705,575	**25.a**
Postage, stamp, telecommunication etc.	3,697,252	6,076,318	**26.a**
Stationery, printing, advertisements etc.	5,409,410	7,191,953	**27.a**
Managing director's salary and fees	15,600,000	15,000,000	**28.0**
Directors' fees	1,120,010	996,116	**29.a**
Auditors' fees	402,500	402,500	**30.a**
Charges on loan losses	-	-	
Depreciation and repair of assets	17,552,083	16,619,124	**31.a**
Other expenses	23,207,610	22,995,531	**32.a**
Total operating expenses (B)	**289,476,186**	**315,144,629**	
Profit before provision (C=A-B)	**(673,876,693)**	**(149,105,589)**	
Provision for loans, advances and leases			
General provision	(672,751)	48,657,252	**12.1**
Specific provision	270,789,682	192,703,013	**12.1**
Provision for diminution in value of investment	(32,040,794)	28,155,594	**12.2.a**
Other provision	28,388,000	1,035,000	
Total provision (D)	**266,464,137**	**270,550,859**	
Total profit before tax (C-D)	**(940,340,830)**	**(419,656,448)**	
Provision for taxation			
Current	11,262,164	7,887,337	**12.4.1.a**
Deferred	(1,937,200)	(48,896)	**12.4.2.a**
	9,324,964	7,838,441	
Net profit after tax	**(949,665,794)**	**(427,494,889)**	

(Figures in Taka)	2016	2015	Notes
Attributable to			
Shareholders of the company	(950,605,214)	(417,152,781)	
Non-controlling interest	939,420	(10,342,108)	
Appropriations			
Statutory reserve	-	-	
General reserve	-	-	
Proposed cash dividend	-	-	
Proposed stock dividend	-	-	
Weighted average no. of outstanding shares	**272,916,483**	**272,916,483**	
Earnings per share (EPS)	**-3.48**	**-1.53**	**35.a**

Notes :

The annexed notes 01 to 56 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 20 February, 2017 and were signed on its behalf by:

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
20 February, 2017

Syful Shamsul Alam & Co.
Chartered Accountants

AMARSTOCK

Consolidated Cash Flow Statement

for the year ended 31 December

(Figures in Taka)		2016	2015
A)	**Operating Activities**		
	Interest receipts	1,083,583,202	1,549,800,416
	Interest payments	(878,324,345)	(1,133,031,224)
	Fees and commission receipts	11,099,721	11,081,672
	Dividend receipts	24,624,587	34,387,785
	Capital gains from sale of listed shares	(8,944,134)	(48,978,425)
	Cash payments to employees	(158,496,390)	(194,902,578)
	Cash payments to suppliers and management expenses	(86,396,633)	(90,375,975)
	Income taxes paid	(15,282,352)	(14,447,171)
	Receipts from other operating activities	87,513,841	120,537,008
	Payments for other operating activities	(2,859,866)	(18,429,799)
	Cash generated before changes in operating assets and liabilities	**56,517,631**	**215,641,709**
	Increase/ (decrease) in operating assets and liabilities		
	Net loans and advances to customers	(626,146,631)	(619,670,329)
	Loans and deposits from banks and other customers	(341,601,344)	1,390,765,595
	Cash generated from operating assets and liabilities	**(967,747,975)**	**771,095,266**
	Net cash generated from operating activities	**(911,230,344)**	**986,736,975**
B)	**Investing Activities**		
	Acquisition of fixed assets	(14,672,241)	(53,146,360)
	Disposal of fixed assets	350,000	125,000
	Sale of securities	671,699,826	2,212,777,811
	Investment in securities	(650,239,899)	(1,867,490,969)
	Net cash used in investing activities	**7,137,686**	**292,265,482**
C)	**Financing Activities**		
	Dividend paid	-	(341,145,604)
	Short term loan	(79,639,615)	(151,946,412)
	Net cash used in financing activities	**(79,639,615)**	**(493,092,016)**
D)	**Net increase/ (decrease) in cash and cash equivalents (A+B+C)**	**(983,732,273)**	**785,910,441**
E)	**Effects of exchange rate changes on cash and cash equivalents**	**-**	**-**
F)	**Cash and cash equivalents at beginning of the year**	**1,485,662,858**	**699,752,417**
G)	**Cash and cash equivalents at end of the year (D+E+F)**	**501,930,585**	**1,485,662,858**
	Cash and cash equivalents at end of the year represents		
	Cash in hand (including foreign currencies)	81,663	70,971
	Balance with Bangladesh Bank and its agent bank (including foreign currencies)	146,370,632	172,482,807
	Balance with other banks and financial institutions	355,478,290	1,313,109,080
		501,930,585	**1,485,662,858**

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
20 February, 2017

Consolidated Statement of Changes in Equity

for the year ended 31 December

(Figures in Taka)

Particulars	Attributable to Equity Holder of Prime Finance & Investment Ltd.				Non-controlling Interest	Total
	Paid up capital	Statutory reserve	Revaluation reserves	Retained earnings		
Balance as at 1 January 2016	**2,729,164,830**	**927,108,510**	**221,943,750**	**(142,161,088)**	**805,497,537**	**4,541,553,539**
Net profit for the year 2016	-	-	-	(950,605,214)	939,420	(949,665,794)
Transfer to statutory reserve	-	-	-	-	-	-
Issue of right share	-	-	-	-	-	-
Issue of bonus share	-	-	-	-	-	-
Payment of cash dividend	-	-	-	-	-	-
Balance as at 31 December 2016	**2,729,164,830**	**927,108,510**	**221,943,750**	**(1,092,766,302)**	**806,436,957**	**3,591,887,745**
Balance as at 1 January 2015	**2,729,164,830**	**927,108,510**	**221,943,750**	**616,137,297**	**815,839,645**	**5,310,194,032**
Net profit for the year 2015	-	-	-	(417,152,781)	(10,342,108)	(427,494,889)
Transfer to statutory reserve	-	-	-	-	-	-
Issue of right share	-	-	-	-	-	-
Issue of bonus share	-	-	-	-	-	-
Payment of cash dividend (2014)	-	-	-	(341,145,604)	-	(341,145,604)
Balance as at 31 December 2015	**2,729,164,830**	**927,108,510**	**221,943,750**	**(142,161,088)**	**805,497,537**	**4,541,553,539**

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
20 February, 2017

AMARSTOCK

Balance Sheet

as at 31 December

(Figures in Taka)	2016	2015	Notes
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)	60,000	60,000	
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	146,370,632	172,482,807	
Total cash	**146,430,632**	**172,542,807**	**4.0**
Balance with other banks and financial institutions			
In Bangladesh	330,421,855	1,311,767,788	
Outside Bangladesh	-	-	
Total balance with other banks and financial institutions	**330,421,855**	**1,311,767,788**	**5.0**
Money at call and on short notice	-	-	
Investments			
Government	-	-	
Others	416,230,396	552,630,829	
Total investments	**416,230,396**	**552,630,829**	**6.0**
Loans, advances and leases			
Loans, advances and Leases etc.	12,945,543,003	12,343,396,372	
Bills purchased and discounted	-	-	
Total loans, advances and leases	**12,945,543,003**	**12,343,396,372**	**7.0**
Fixed assets including premises, furniture and fixtures	**342,255,048**	**337,620,832**	**8.0**
Other assets	**2,543,878,546**	**2,864,459,569**	**9.0**
Non - business assets	-	-	
Total assets	**16,724,759,480**	**17,582,418,197**	
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	2,669,090,183	2,482,679,149	**10.0**
Deposits and other accounts			
Current and other accounts	-	-	
Bills payable	-	-	
Savings accounts	-	-	
Term deposits	9,016,194,779	9,544,207,157	**11.0**
Bearer certificates of deposit	-	-	
Other deposits	-	-	
Total deposits and other accounts	**9,016,194,779**	**9,544,207,157**	
Other liabilities	**2,503,679,165**	**2,067,722,194**	**12.0**
Total liabilities	**14,188,964,127**	**14,094,608,500**	

(Figures in Taka)	2016	2015	Notes
Capital/ shareholders' equity			
Paid up capital	2,729,164,830	2,729,164,830	**13.0**
Statutory reserve	927,108,510	927,108,510	**15.0**
Other reserves	-	-	
Retained earnings	(1,342,421,737)	(390,407,393)	**16.0**
Revaluation reserve	221,943,750	221,943,750	
Total shareholders' equity	**2,535,795,353**	**3,487,809,697**	
Total liabilities and shareholders' equity	**16,724,759,480**	**17,582,418,197**	

OFF-BALANCE SHEET ITEMS

Contingent liabilities			
Acceptances and endorsements	-	-	
Letters of guarantee	-	-	
Irrevocable letters of credit	-	-	
Bills for collection	-	-	
Other contingent liabilities	-	-	
Total contingent liabilities	-	-	
Other commitments			
Documentary credits and short term trade-related transactions	-	-	
Forward assets purchased and forward deposits placed	-	-	
Undrawn note issuance and revolving underwriting facilities	-	-	
Undrawn formal standby facilities, credit lines	-	-	
Un-disbursed contracted loans, advances and leases	117,000,000	281,182,425	**41.0**
Total other commitments	**117,000,000**	**281,182,425**	
Total off-balance sheet items including contingent liabilities	**117,000,000**	**281,182,425**	
Net Asset Value per share (NAV)	**9.29**	**12.78**	

Notes :

The annexed notes 01 to 56 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 20 February, 2017 and were signed on its behalf by:

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
20 February, 2017

Syful Shamsul Alam & Co.
Chartered Accountants

Profit and Loss Account

for the year ended 31 December

(Figures in Taka)

	2016	2015	Notes
Interest income	845,400,319	1,271,899,451	**18.0**
Interest paid on deposits, borrowings etc.	(1,016,907,060)	(1,201,932,878)	**19.0**
Net interest income	**(171,506,741)**	**69,966,573**	
Investment income	8,761,377	(19,182,869)	**20.0**
Fees, commission, exchange and brokerage	6,542,357	7,417,931	**21.0**
Other operating income	(300,066,317)	52,742,664	**22.0**
	(284,762,583)	40,977,726	
Total operating income (A)	**(456,269,324)**	**110,944,299**	
Salaries and other employee benefits	148,512,360	173,857,207	**23.0**
Rent, taxes, insurance, electricity etc.	34,162,248	23,270,116	**24.0**
Legal expenses	772,793	485,725	**25.0**
Postage, stamp, telecommunication etc.	3,455,335	5,809,746	**26.0**
Stationery, printing, advertisements etc.	4,857,154	6,643,054	**27.0**
Managing Director's salary and fees	8,400,000	8,400,000	**28.0**
Directors' fees	920,000	750,000	**29.0**
Auditors' fees	345,000	345,000	**30.0**
Charges on loan losses	-	-	
Depreciation and repair of assets	11,954,362	9,972,546	**31.0**
Other expenses	12,903,655	15,238,712	**32.0**
Total operating expenses (B)	**226,282,907**	**244,772,106**	
Profit before provision (C=A-B)	**(682,552,231)**	**(133,827,807)**	
Provision for loans, advances and leases			
General provision	(672,751)	48,657,252	**12.1**
Specific provision	270,789,682	192,703,013	**12.1**
Provision for diminution in value of investment	(35,218,231)	19,601,633	**12.2**
Other provision	28,388,000	1,035,000	
Total provision (D)	**263,286,701**	**261,996,898**	
Total profit before tax (C-D)	**(945,838,932)**	**(395,824,705)**	
Provision for taxation			
Current	7,351,183	5,089,217	**12.4.1**
Deferred	(1,175,771)	725,697	**12.4.2**
	6,175,412	5,814,914	
Net profit after tax	**(952,014,344)**	**(401,639,619)**	

(Figures in Taka)

	2016	2015	Notes
Appropriations			
Statutory reserve	-	-	**15.0**
General reserve	-	-	
Proposed cash dividend	-	-	
Proposed stock dividend	-	-	
Weighted average no. of outstanding share	**272,916,483**	**272,916,483**	
Earnings per share (EPS)	**-3.49**	**-1.47**	**35.0**

Notes :

The annexed notes 01 to 56 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 20 February, 2017 and were signed on its behalf by:

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
20 February, 2017

Syful Shamsul Alam & Co.
Chartered Accountants

AMARSTOCK

Cash Flow Statement

for the year ended 31 December

(Figures in Taka)

		2016	2015	Notes
A)	**Operating Activities**			
	Interest receipts	817,305,710	1,270,829,884	
	Interest payments	(878,324,345)	(1,065,468,957)	
	Fees and commission receipts	6,542,358	7,417,931	
	Dividend receipts	17,705,511	29,795,556	
	Capital gains from sale of listed shares	(8,944,134)	(48,978,425)	
	Cash payments to employees	(124,540,771)	(151,907,455)	
	Cash payments to suppliers and management expenses	(59,129,712)	(75,334,156)	
	Income taxes paid	(13,661,125)	(13,464,651)	
	Receipts from other operating activities	87,513,841	120,484,417	**33.0**
	Payments for other operating activities	(2,795,627)	(18,332,121)	**34.0**
	Cash generated before changes in operating assets and liabilities	**(158,328,294)**	**55,042,023**	
	Increase/ (decrease) in operating assets and liabilities:			
	Net loans and advances to customers	(602,146,631)	(604,632,657)	
	Loans and deposits from banks and other customers	(341,601,344)	1,390,765,595	
	Cash generated from operating assets and liabilities	**(943,747,975)**	**786,132,938**	
	Net cash generated from operating activities	**(1,102,076,269)**	**841,174,961**	
B)	**Investing Activities**			
	Acquisition of fixed assets	(12,132,272)	(16,602,910)	
	Disposal of fixed assets	350,000	125,000	
	Sale of securities	671,699,827	2,192,072,232	
	Investment in securities	(565,299,394)	(1,867,490,969)	
	Net cash used in investing activities	**94,618,161**	**308,103,353**	
C)	**Financing Activities**			
	Cash dividend paid	-	(341,145,604)	
	Issuance of shares	-	-	
	Net cash used in financing activities	**-**	**(341,145,604)**	
D)	**Net increase/ (decrease) in cash and cash equivalents (A+B+C)**	**(1,007,458,108)**	**808,132,710**	
E)	**Effects of exchange rate changes on cash and cash equivalents**	**-**	**-**	
F)	**Cash and cash equivalents at beginning of the year**	**1,484,310,595**	**676,177,885**	
G)	**Cash and cash equivalents at end of the year (D+E+F)**	**476,852,487**	**1,484,310,595**	
	Cash and cash equivalents at end of the year represents			
	Cash in hand (including foreign currencies)	60,000	60,000	
	Balance with Bangladesh Bank and its agent bank (including foreign currencies)	146,370,632	172,482,807	
	Balance with other banks and financial institutions	330,421,855	1,311,767,788	
		476,852,487	**1,484,310,595**	

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
20 February, 2017

Statement of Changes in Equity

for the year ended 31 December

(Figures in Taka)

PARTICULARS	Paid up capital	Statutory reserve	Revaluation reserves	Retained earnings	Total
Balance as at 1 January 2016	**2,729,164,830**	**927,108,510**	**221,943,750**	**(390,407,393)**	**3,487,809,697**
Net profit for the year 2016	-	-	-	(952,014,344)	(952,014,344)
Transfer to statutory reserve	-	-	-	-	-
Issue of bonus share	-	-	-	-	-
Payment of cash dividend	-	-	-	-	-
Balance as at 31 December 2016	**2,729,164,830**	**927,108,510**	**221,943,750**	**(1,342,421,737)**	**2,535,795,353**
Balance as at 1 January 2015	**2,729,164,830**	**927,108,510**	**221,943,750**	**352,377,830**	**4,230,594,920**
Net profit for the year 2015	-	-	-	(401,639,619)	(401,639,619)
Transfer to statutory reserve	-	-	-	-	-
Issue of bonus share	-	-	-	-	-
Payment of cash dividend (2014)	-	-	-	(341,145,604)	(341,145,604)
Balance as at 31 December 2015	**2,729,164,830**	**927,108,510**	**221,943,750**	**(390,407,393)**	**3,487,809,697**

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
20 February, 2017

FAMAR STOCK

Liquidity statement (Assets and Liabilities maturity analysis)

as at 31 December, 2016

(Figures in Taka)

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets						
Cash in hand and Balance with Bangladesh Bank and its agent bank	60,000	146,370,632	-	-	-	146,430,632
Balance with other banks and financial institutions	30,421,855	100,000,000	200,000,000	-	-	330,421,855
Money at call and on short notice	-	-	-	-	-	-
Investments	40,453,424	121,360,272	-	-	254,416,700	416,230,396
Loans, advances and leases	241,755,306	972,178,269	1,799,194,798	6,214,955,989	3,717,458,641	12,945,543,003
Fixed assets including premises, furniture and fixtures	-	-	-	-	342,255,048	342,255,048
Other assets	88,889,189	680,556	500,000	-	2,453,808,801	2,543,878,546
Non banking assets	-	-	-	-	-	-
Total assets (A)	**401,579,774**	**1,340,589,729**	**1,999,694,798**	**6,214,955,989**	**6,767,939,190**	**16,724,759,480**
Liabilities						
Borrowings from other banks, financial institutions and agents	74,466,556	187,864,276	563,849,857	1,842,527,344	382,150	2,669,090,183
Deposits	243,893,041	714,404,248	3,318,102,014	4,718,979,476	20,816,000	9,016,194,779
Provision and other liabilities	60,168,618	61,065,039	194,939,492	905,817,617	1,281,688,399	2,503,679,165
Total liabilities (B)	**378,528,215**	**963,333,563**	**4,076,891,363**	**7,467,324,437**	**1,302,886,549**	**14,188,964,127**
Net liquidity gap (A - B)	**23,051,559**	**377,256,166**	**(2,077,196,565)**	**(1,252,368,448)**	**5,465,052,641**	**2,535,795,353**

AMARSTOCK

Notes to the Financial Statements

as at and for the year ended 31 December, 2016

1.0 REPORTING ENTITY

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

Prime Finance & Investment Limited ("The Company" or "Prime Finance") is a non-banking financial institution domiciled in Bangladesh. The Company was incorporated in Bangladesh in March 1996, as a public limited company under the Companies Act 1994. Prime Finance started commercial operation in the year 1996, obtaining license from Bangladesh Bank under the Financial Institutions Act, 1993. Prime Finance also obtained license from the Bangladesh Securities & Exchange Commission (BSEC) in July 1999, to operate in the capital market as a full-fledged Merchant Bank. The Company was listed with the Stock Exchanges in 2005.

The registered office of the Company is located at 63, Dilkusha C.A., Dhaka-1000. The operations of the company are being carried out through its five offices located in Motijheel, Gulshan, Uttara, Chittagong and Rajshahi.

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

1.2 Principal activities and nature of operations

The activities of the Company encompass a wide range of services, broadly classified as fund based activities, fee based activities, investments etc. The Company offers diversified deposit schemes as well. The activities of the Company encompass a wide range of services, broadly classified as fund based activities, fee based activities, investments etc. The Company offers diversified deposit schemes as well.

Fund based activities

Fund based activities include lease finance, term finance, real estate finance, SME finance, hire purchase, bridge finance, bill discounting, factoring, margin loan etc.

Fee based activities

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

Deposit schemes

Prime Finance offers various deposit schemes to cater the deposit from the valued customers. Deposit schemes include annual Income deposit, double money deposit, triple money deposit, Cumulative income deposit, monthly income deposit, earn ahead deposit, priority fixed deposit, doctor's fixed deposit, professional fixed deposit, housing deposit, fortune deposit etc.

Investments

Prime Finance is also involved in investment in both listed and non-listed securities. Another part of investment includes investment through treasury line both in short and long form.

1.3 Information regarding subsidiary and associate companies

As on 31 December 2016 Prime Finance has 01 (one) subsidiary company to include for preparation of consolidated financial statements as per Bangladesh Financial Reporting Standard (BFRS) 10, 'Consolidated Financial Statements'. Besides, as on 31 December 2016 Prime Finance has 03 (three) associate companies. The results of operations of the associates have been included in these financial statements following the equity method of accounting as per Bangladesh Accounting Standard (BAS) 28, 'Investment in associates'. A brief description of the companies is described below:

1.3.1 Prime Finance Capital Management Limited (Subsidiary Company)

Prime Finance Capital Management Limited is a public limited company incorporated on 18 March 2010 in Bangladesh under the Companies Act 1994. The main objectives of the company are to carry on business of merchant banking. Prime Finance holds 60 percent shares in its subsidiary.

1.3.2 PFI Securities Limited (Associate Company)

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

1.3.3 Prime Finance Asset Management Company Limited (Associate Company)

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

1.3.4 Prime Prudential Fund Limited (Associate Company)

Prime Prudential Fund Limited is a public limited company incorporated on 16 July 2009 in Bangladesh under the Companies Act 1994. The main objectives of the company are to manage funds of the company and its investors and provide other financial services including corporate advisory services, merger & acquisition, equity investment, joint venture sourcing and consummation, corporate restructuring, financial and socio-economic consultancy, corporate research and project studies, privatization and other related services. Prime Finance owns 40% shares in this company.

2.0 BASIS OF PREPARATION

The financial statements are prepared on the historical cost basis and therefore, did not take into consideration the effect of inflation. The financial statements have been prepared and the disclosures of information have been made in accordance with the Bangladesh Accounting Standards (BASs), Bangladesh Financial Reporting Standards (BFRSs), DFIM circular no. 11 dated 23 December 2009 and requirement of the Financial Institutions Act, 1993, the Companies Act, 1994, the Bangladesh Securities and Exchange Rules, 1987, the Listing Rules of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited, Guidelines of Bangladesh Bank and other applicable laws and regulations.

There are some areas where application of Bangladesh Accounting Standard (BAS) and Bangladesh Financial Reporting Standard (BFRS) differs from the application suggested by the Bangladesh Bank through DFIM circulars. As Bangladesh Bank is our primary regulator; we are required to follow the guidelines of Bangladesh Bank. At the same time we are also required to follow the guidelines issued by the Bangladesh Securities & Exchange Commission (BSEC). For mitigating presentation and disclosure conflict, we prepared the financial statements following DFIM circulars and present separate disclosure where deviation exists.

2.1 Responsibility for financial statements

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

"The financial statements of the company includes the following components:"

(i) Balance sheet providing the information on the financial position of the Company at the year end.

(ii) Profit and loss account providing the information on the financial performance of the Company for the year.

(iii) Cash flow statement providing the information on the ability of the Company to generate cash & cash equivalents and the utilization of those.

(iv) Statement of Changes in Equity depicting all changes in shareholders' equity during the year.

(v) Notes to the Financial Statements comprising accounting policies used for preparation of these financial statements and other notes

2.2 Reporting period:

The financial statements of the company covers one year period ranging from 1 January 2016 to 31 December 2016.

2.3 Functional & presentation currency

These financial statements are presented in Bangladeshi Taka (Taka/Tk.), which is the Company's functional currency. All financial information presented in Taka has been rounded off to the nearest integer.

2.4 Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the prevailing circumstances. Actual result could differ from estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of the accounting estimates are recognized in the period in which the estimates are revised. Significant accounting estimate and areas where judgments were made by the management in the application of accounting policies are as follows:

(i) Provision for diminution in value of investment (refer to note 3.18 and 12.2)

(ii) Provision for loans, advances and leases (refer to note 3.18 and 12.1)

(iii) Income taxes (refer to note 3.19 and 12.4)

(iv) Depreciation/amortization of assets (refer to note 3.5 and 31)

(v) Impairment of assets (refer to note 3.7 and 31)

2.5 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by Bangladesh Accounting Standard (BAS) 1, 'Presentation of Financial Statements'.

2.6 Offsetting

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

2.7 Risk and uncertainty for use of estimates

The preparation of financial statements in conformity with Bangladesh Accounting Standards (BASs) requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses, assets and liabilities, and disclosure requirements for contingent assets and liabilities during and the date of the financial statements. These financial statements contained information about the assumptions it made about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets, liabilities, income and expenses within the next financial year.

In accordance with the guidelines as prescribed by Bangladesh Accounting Standard 37: Provisions, Contingent Liabilities and Contingent Assets, provisions are recognized in the following situations:

(i) When the Company has an obligation as a result of past events;

(ii) When it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(iii) Reliable estimate can be made of the amount of the obligation.

2.8 Changes in accounting policies and estimates

In accordance with the 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. Prime Finance however applied the same accounting and valuation principles in 2016 as in financial statements for 2015.

2.9 Segment reporting

In line with Bangladesh Financial Reporting Standard (BFRS) 8, 'Operating Segments', an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decision about resources to be allocated to the segment and assess its performance for which discrete financial information is available.

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

2.10 Basis of consolidation

The financial statements of the company and its subsidiary have been consolidated in accordance with Bangladesh Financial Reporting Standard (BFRS) 10: 'Consolidated Financial Statements'. The consolidation of the financial statements has been prepared by using uniform accounting policies and after eliminating all material intra group balances, income and expenses arising from intra-group transactions.

The total profits of the company and its subsidiary are shown in the consolidated profit and loss account with the proportion of profit after taxation pertaining to minority shareholders being deducted as 'Non-controlling Interest'. All assets and liabilities of the company and of its subsidiary are shown in the consolidated balance sheet. The interest of minority shareholders of the subsidiary are shown separately in the consolidated balance sheet under the heading 'Non-controlling Interest'.

2.11 Statement of compliance

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

In addition to the above, listed companies are required to comply with Bangladesh Securities and Exchange Commission's accounting and disclosure requirements. The Rules 1987 as amended in 1997, requires listed companies to follow Bangladesh Accounting Standards (BASs)/ Bangladesh Financial Reporting Standards (BFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). The Bangladesh Securities and Exchange Rules, 1987 (as amended in 1997) requires the production of a Cash Flow Statement and Statement of Changes in Shareholders' Equity as a part of the Annual Report.

These financial statements have been prepared and presented in accordance with the approved accounting and reporting standards as applicable in Bangladesh. Approved accounting standards comprise of International Accounting standards (IASs) and International Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) as BAS & BFRS. As at 31 December 2016, status and applicability of Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs) in the case of Prime Finance are as under:

BASs	Title of the BASs	Applicability	Remarks
-	Framework	Applied	See note 2.6
BAS 1	Presentation of Financial Statements	Applied	See note 54 & 55
BAS 2	Inventories	Not applicable	
BAS 7	Statements of cash flows	Applied	See note 3.22
BAS 8	Accounting Policies, Changes in Accounting Estimates & Errors	Applied	See note 2.8
BAS 10	Events after the Reporting Period	Applied	See note 3.32 & 48
BAS 11	Construction Contracts	Not applicable	
BAS 12	Income Taxes	Applied	See note 3.19 & 12.4
BAS 16	Property, Plant and Equipment	Applied	See note 3.5 & 8
BAS 17	Leases	Applied	See note 3.4.1 & 7.1
BAS 18	Revenue	Applied	See note 3.16 & 18
BAS 19	Employee Benefits	Applied	See note 3.25 & 12.7
BAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not applicable	
BAS 21	The Effects of changes in Foreign Exchange Rates	Applied	See note 48
BAS 23	Borrowing Costs	Applied	See note 3.17

BAS 24	Related Party Disclosures	Applied	See note 3.27 & 38
BAS 26	Accounting and Reporting by Retirement Benefit Plans	Applied	
BAS 27	Separate Financial Statements	Applied	
BAS 28	Investments in Associates	Applied	See note 3.3 & 9.1
BAS 29	Financial Reporting in Hyperinflationary Economies	Not applicable	
BAS 32	Financial Instruments: Presentation	Applied	See note 3.10 & 55
BAS 33	Earnings Per Share	Applied	See note 3.21 & 35
BAS 34	Interim Financial Reporting	Applied	See note 52
BAS 36	Impairment of Assets	Applied	See note 3.7
BAS 37	Provisions, Contingent Liabilities and Contingent Assets	Applied	See note 3.13 & 41
BAS 38	Intangible Assets	Applied	See note 3.6 & 31
BAS 39	Financial Instruments: Recognition and Measurement	Applied	See note 3.10 & 55
BAS 40	Investment Property	Not applicable	
BAS 41	Agriculture	Not applicable	

BFR Ss	Title of the BFR Ss	Applicability	Remarks
BFRS 1	First time adoption of BFRS	Not applicable	
BFRS 2	Share Based Payment	Not applicable	
BFRS 3	Business Combinations	Not applicable	
BFRS 4	Insurance Contracts	Not applicable	
BFRS 5	Non-current Assets Held for Sale & Discontinued Operations	Not applicable	
BFRS 6	Exploration for and Evaluation of Mineral Resources	Not applicable	
BFRS 7	Financial Instruments: Disclosures	Applied	See note 3.10 & 55
BFRS 8	Operating Segments	Applied	See note 2.9
BFRS 10	Consolidated Financial Statements	Applied	See note 2.10
BFRS 11	Joint Arrangements	Not applicable	
BFRS 12	Disclosure of Interests in Other Entities	Not applicable	
BFRS 13	Fair Value Measurement	Not applicable	

2.12 Departure from BAS/BFRS:

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.

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balance with Bangladesh Bank and its agent bank, and balance with other banks and financial institutions.

3.2 Investment in securities

Investment in securities are classified broadly in two categories and accounted for as under:

Investment in listed securities:

Investments in listed securities are carried at cost. Adequate provision has been made considering total market price and cost price of securities on net basis as guided by Bangladesh Bank. Unrealized gains are not recognized in the profit and loss account. **Investment in unlisted securities:**

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

3.3 Investments in subsidiary and associates

A subsidiary is an entity in which the company has control as per as shareholding (more than 50 percent) or voting right is concerned. As on the reporting date Prime Finance has one subsidiary company named 'Prime Finance Capital Management Limited'. Consolidated financial statements have been prepared for investment in subsidiary as per Bangladesh Financial Reporting Standard (BFRS) 10 "Consolidated Financial Statements". Interest of the minority shown as 'non-controlling interest' as separate line item of the shareholders equity which includes share capital of non-controlling portion as well as profit earned that goes to the minority.

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. The Company's investment in

associates is accounted for in the financial statements using the Equity Method in accordance with Bangladesh Accounting Standard 28: Accounting for investment in associates. Such investments are classified as other assets in the balance sheet and the share of profit/ loss of such investment is classified under other operating income in the profit and loss account as guided by Bangladesh Bank.

3.4 Loans, advances and leases

3.4.1 Lease operations

Under Bangladesh Accounting Standard 17: Leases, lease operations are divided into finance leases and operating leases. Unlike operating lease, a finance lease is a lease that transfers substantially all the risks and rewards to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Prime Finance as a lessor

Under finance leases, Prime Finance recognizes the leased assets in the balance sheet as investment in lease assets at an amount equal to the net investment in the lease. The lease payments are broken down into the finance charge and the redemption payment. The redemption payment reduces the amount of the outstanding liability (net investment); the finance charge is treated as interest income. Interest and similar income is recognized on the basis of a constant, periodic rate of return relating to the net investment outstanding.

In contrast, assets held under operating leases are recognized and valued using the same principles as property, plant and equipment. Prime Finance, currently, does not hold any property under operating lease.

Prime Finance as a lessee

Under finance lease, the asset is recognized as property, plant and equipment, and the obligation as a liability. Each asset is stated at the lower of the following two values: either the fair value of the lease asset at the inception of the lease or the present value of the minimum lease payments whichever is lower. In calculating the present value of the minimum lease payments, the interest rate implicit in the lease is applied.

Lease payments relating to finance leases are broken down into two components: the finance charge and the redemption payment. The redemption payment reduces the residual liability and the finance charges are shown as interest expenses.

3.4.2 Hire purchase receivables

We classify advances granted under agreements that transfer substantially all the risks and rewards associated with ownership other than legal title, as hire purchase receivables. Amount receivable under hire purchases net of unearned interest and provision for impairment is shown as Hire Purchases Receivable.

3.4.3 Term finance and other finance

Term finance are stated at un-amortized amount. The recovery of principal amount is amortized and the carrying amount is adjusted with the principal recovery and stated at un amortized principal amount.

Investments are classified as non-accrual when there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Whenever investments becomes special mention accounts (SMA), those are classified as non accrual even if they are fully secured.

When loans/leases are identified as non-accrual, the recognition of accrued interest is discontinued and creditedtointerestsuspenseaccount.Interestreceived on non-accrual investments are credited to profit & loss account on cash basis. Non-accrual investments are returned to performing status when required amounts including interest has been collected.

3.5 Fixed assets including premises, furniture and fixtures

Recognition and measurement

The cost of an item of property, plant and equipment is recognized as an asset if, and only if, it is probable that the future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Property, plant and equipment are stated at cost less accumulated depreciation in compliance with the Bangladesh Accounting Standard (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.

Subsequent costs

Expenditure incurred after the assets have been put into operation, such as repair and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the fixed assets, the expenditure is capitalized as an additional cost of the assets. All other costs are recognized to the profit and loss account as expenses.

Disposal

On disposal of fixed assets, the cost and accumulated depreciation are eliminated and gain or loss on such disposal is reflected in the income statement, which is determined with reference to the net book value of the assets and net sales proceeds.

Depreciation

Depreciation of an asset begins when the asset is available for use. Depreciation is provided for the period in use of the assets. Full month's depreciation has been charged on additions irrespective of date when the related assets are put into use and no depreciation is charged for the month of disposal. Depreciation is provided at the following rates on straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets:

Motor vehicles	20% per annum
Electric equipment	20% per annum
Furniture & fixtures	15% -20% per annum
Office decoration	20% per annum

3.6 Intangible assets

Components

The main item included in intangible asset is software.

Basis of recognition

An Intangible Asset shall only be recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with BAS 38: Intangible Assets. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortization.

Subsequent costs

Subsequent expenditure on intangible asset is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization

Intangible asset is valued at amortized cost and written down within 5 to 10 years.

3.7 Impairment of assets

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment in line with Bangladesh Accounting Standard 36: Impairment of Assets. If any such indication exists, the recoverable amount of assets is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable impairment losses are recognized in the profit and loss account.

An impairment loss is recognized immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with the other standard. After the recognition of an impairment loss, the depreciation/amortization charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

3.8 Receivables

Accounts receivables

Accounts receivables include mainly rentals/ installments due from the clients but not received. No such receivables are accounted for if the loans are classified as bad and loss. Receivables carry interest for the periods for which the delay continues in payments of the amounts due from the clients continues. Such interest is not recognized as income until it is received in cash. Receivables from clients are stated at their nominal value.

Other receivables

OOther receivables include mainly receivable from IDCP (Interest During Construction Period) and interest receivable. These receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

3.9 Bank loans, deposits etc.

Interest bearing bank loans are recorded at the proceeds received. Interest on bank loans is accounted for on an accrued basis to profit and loss account under the head of financial expense at the implicit rate of interest. The accrued expenses are not added to carrying amounts of the loans.

3.10 Financial instruments:

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

3.11 Employees benefit plans

Prime Finance offers a number of benefit plans which includes contributory provident fund, gratuity plan, pension scheme, death and disability plan, hospitalization benefit including annual health check-up and maternity benefit. The recognition and disclosure for employee benefits are made in accordance with Bangladesh Accounting Standard 19: Employee Benefits.

3.12 Statutory reserve

Financial Institutions Regulations 1994, section 06 (1) requires NBFIs to transfer 20% of its current year's profit to reserve fund until such reserve equals to its paid up share capital.

3.13 Provisions, contingent liabilities and contingent assets

Provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation as per the Bangladesh Accounting Standard (BAS) 37: Provisions, contingent liabilities and contingent assets.

3.14 Guarantee, commitments and contingencies

Corporate guarantee represents irrevocable assurance that the Company will make payments in the event that a client cannot meet its obligation to third parties. The term of this guarantee is for one year and renewable at the expiry of the term.

In the normal course of operations, the Company provides indemnifications, which are often standard contractual terms to counter parties in transactions such as purchase agreements, service agreements, contract with employees and leasing transactions. This indemnification clause may require us to compensate the counter parties for cost incurred as a result of charges in laws and regulations or litigation claims that may be suffered by the counter party as a consequence of the transaction. The terms of these indemnifications clause vary based upon the contract.

3.15 Litigation

The Company is not a party to any lawsuits except those arising in the normal course of business, which were filed against the default clients for non-performance in loans/leases repayment and against

various level of tax authority regarding some disputed tax issues. The Company, however, provides adequate provisions as per guidelines of Bangladesh Accounting Standard (BAS) 37: Provisions, contingent liabilities and contingent assets.

3.16 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.

Lease income

The excess of gross lease rentals receivable over the cost of the leased assets constitutes the total unearned income at the commencement of the execution of lease. This income is allocated over the period of lease that reflects a constant periodic return on the net investment. The pattern of the periodic return, however, differs in case of structured lease finance depending on the structure of the particular lease contract. Income is recognized when it is earned, i.e. income on due installments on unclassified leases irrespective of whether received or not. Income is not taken into profit and loss account when a lease is classified as SMA and above and kept in interest suspense account. Interest on classified lease is accounted for on cash basis.

Income from term finance

Interest income on term finance is recognized on accrual basis. Installment comprises both interest and principal. Interest part of the installments that become receivable is recognized as income in the financial statements. Interest on term finance ceases to be taken into income when such term finance are classified as SMA and above and kept in interest suspense account. Interest on classified term finances is accounted for on cash basis.

Income from stock on hire

This consists of interest accrued on investment made under stock on hire scheme (hire purchase investment). Income is recognized when the income is earned, i.e. interest on due installments on unclassified advances irrespective of whether received or not. Interest ceases to be taken into income when such investments are classified as SMA and above, and kept in interest suspense account. Interest on classified investment is accounted for on cash basis.

Income from real estate finance

Interest income from real estate finance is recognized on accrual basis. Interest portion of the installments that become receivable is recognized as income in the financial statements. Interest on such finance ceases to be taken into income when such finance is classified as SMA and above and kept in interest suspense account. Interest on classified finance is accounted for on cash basis.

Income from margin loan

Income from margin loan is recognized on accrual basis. Such income is calculated considering daily margin loan balance of the respective parties. Income is recognized on quarterly rest.

Income from secured term finance

Income from secured term finance is recognized on accrual basis.

Dividend income

Dividend income from ordinary shares is recognized when the shareholders' legal rights to receive payments have been established i.e. during the period in which dividend is declared in the Annual General Meeting. Dividend declared but not received is recognized as deemed dividend. Dividend from preference shares is recognized on cash basis.

Share of Income from associates and subsidiary

In accordance with Bangladesh Accounting Standard (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.

Fee based income

Fee based income is recognized on cash basis.

Gain on sale of securities

Capital gain on disposal of securities listed in the stock exchanges is recorded on realized basis. i.e. only when the securities are sold in the market. Unrealized capital gains are not accounted for in the profit and loss account.

3.17 Borrowing costs

In line with Bangladesh Accounting Standard (BAS) 23: Borrowing Costs, all borrowing costs are recognized in the profit and loss account in the period in which they are incurred. Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. Prime Finance capitalize borrowing costs that are directly attributable to the acquisition of a qualifying asset as part of the cost of the asset and recognize other borrowing costs as an expense in the period in which it incurs them.

3.18 Provision for doubtful losses

The provision for doubtful losses is maintained at a level that management considers adequate to absorb identified credit related losses in the portfolio as well as losses that have been incurred but are not yet identifiable. The provision is increased by the provision for doubtful losses, which is charged to profit and loss account, and decreased by the amount of write-offs, net of reverses.

The provision is determined based on management's identification and evaluation of problem accounts, estimated probable losses that exist on the remaining portfolio and on other factors including the composition and quality of the portfolio and changes in economic condition.

The provision is estimated based on two principles: (1) Bangladesh Accounting Standard (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 up-datation by Bangladesh Bank in this regard is the basis for calculating the provision for doubtful losses.

3.19 Income tax

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years or are never taxable or deductible. Company's liability for current tax is calculated using, the tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which such differences can be utilized.

Deferred tax is calculated at the tax rates, which are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit and loss account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and Prime Finance intends to settle its current tax assets and liabilities on a net basis.

3.20 Dividend to company's shareholders

Interim dividends are recognized when they are paid to shareholders. Final dividend is recognized when it is approved by the shareholders.

The proposed cash dividend is not recognized as a liability in the balance sheet in accordance with the Bangladesh Accounting Standard (BAS) 10: 'Events After the Reporting Period'. Dividend payable to the Company's shareholders are recognized as a liability and deducted from shareholders equity in the period in which the shareholders right to receive payment is established.

Bangladesh Accounting Standard (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.

3.21 Earnings per share

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

Basic earnings per share

This represents earnings for the year attributable to ordinary shareholders. As there was no preference dividend or extra ordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

Diluted earnings per share

Diluted earnings per share reflects the potential dilution that could occur if additional ordinary shares are assumed to be issued under securities or contracts that entitle their holders to obtain ordinary shares in future, to the extent such entitlement is not subject to unresolved contingencies.

Effect of dilution to weighted average number of ordinary shares is given for potential ordinary shares. At 31 December 2016, there was no scope for dilution and hence no diluted EPS is required to be calculated.

Weighted average number of ordinary shares outstanding during the year

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of ordinary shares issued during the year multiplied by a time-weighting factor. The time-weighting factor is the numbers of days the specific shares were outstanding as a proportion of the total number of days in the year.

3.22 Cash flow statements:

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

3.23 Liquidity statement

The liquidity statement of assets and liabilities as on the reporting date has been prepared on residual maturity term as per the following bases:

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

(ii) Investments are on the basis of their respective maturity.

(iii) Loans, advances and leases are on the basis of their repayment schedule.

(iv) Fixed assets are allocated over five years.

(v) Other assets are on the basis of their realization/amortization.

(vi) Borrowings from other banks, financial institutions and agents are as per their maturity/ repayment terms.

(vii) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.

(viii) Provisions and other liabilities are on the basis of their payment/ adjustments schedule.

3.24 Accrued expenses and other payables

Liabilities are recognized for the goods and services received, whether paid or not for those goods and services. Payables are not interest bearing and are stated at their nominal value.

3.25 Employee benefits

3.25.1 Defined contribution plan

Contributory provident fund

The Company operates a contributory provident fund for its permanent employees. The fund is approved by the National Board of Revenue (NBR), administered separately by a Board of Trustees and is funded by equal contribution from the Company and the employees. This fund is invested separately from the Company's assets.

3.25.2 Defined benefit plan

Gratuity scheme

Prime Finance has a funded gratuity for all eligible employees who completed minimum 5 (five) years of continuous service with the Company. This scheme was approved by the National Board of Revenue (NBR) and is administered by an independent Board of Trustee. This fund is invested separately from the Company's assets. Required amount of gratuity is calculated on the basis of last basic depending on the length of service for every completed year as well as proportionate to the fraction period of service as of the end of the respective financial year.

Superannuation scheme

Prime Finance has a pension scheme for employees who complete 10 years of service length. Obligation for contribution is recognized as expenses in the profit and loss account as incurred.

3.26 Interest suspense account

Accrued interest on lease, term finance, real estate finance, hire purchase agreement classified as Special Mentioned Account, Sub-Standard, Doubtful and Bad loan are not recognized as income rather transferred to interest suspense account as complied with Bangladesh Bank guidelines. Recovery of overdue credited to interest suspense account is recognized as income on cash basis.

3.27 Related party transactions

Related parties are identified and disclosed as per Bangladesh Accounting Standard (BAS) 24: 'Related Party Disclosure'. Related party disclosures have been given in note 37.

3.28 Interim financial reporting

In accordance with Bangladesh Accounting Standard (BAS) 34: 'Interim Financial Reporting', publicly traded entities encourages to provide interim financial reports that conform to the recognition, measurement and disclosure principles set out in this standard. Timely and reliable interim financial reporting improves the ability of investors, creditors, and others to understand an entity's capacity to generate earnings and cash flows and its financial condition and liquidity.

Prime Finance apply the same accounting policies in its interim financial statements as are applied in its annual financial statements.

3.29 Uniform accounting policies

The financial statements of Prime Finance & Investment Limited, PFI Securities Limited, Prime Finance Asset Management Company Limited, Prime Prudential Fund Limited and Prime Finance Capital Management Limited have been prepared in accordance with the uniform accounting principles.

3.30 BASEL-II and its implication

"Risk based capital adequacy (BASEL-II) under the Capital Adequacy and Market Discipline (CAMD) guideline is become applicable for the Company on January 1, 2012. With a view to ensuring proper implementation of Basel Accord in the Company, Basel Implementation Unit (BIU) was formed which is headed by the Managing Director. As per the CAMD guideline of Bangladesh Bank, financial institutions are required to maintain Capital Adequacy Ratio (CAR) of minimum 10%. Details of the risk weighted assets and CAR are given in note 13.1 to this financial statements. "

3.31 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including interest rate risk and equity risk), liquidity risk and operational risk. The overall risk management strategy of the Company seeks to minimize potential adverse effects on the financial performance. Risk Management Forum (RMF) and Risk Analysis Unit (RAU) of the Company take care of the financial risks and the appropriate financial risk governance framework for the Company. The RMF and RAU provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the policies and risk objectives of the Company. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

Credit Risk

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

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

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

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

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

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

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

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

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

(Figures in Taka)	2016	2015
4.0 CASH		
Cash In hand:		
Local currency	60,000	60,000
Foreign currencies	-	-
		60,000
Balance with Bangladesh Bank:		
Local currency	146,370,632	172,482,807
Foreign currencies	-	-
	146,370,632	172,482,807
	146,430,632	**172,542,807**
4.a CASH (consolidated)		
Prime Finance & Investment Limited	60,000	60,000
Prime Finance Capital Management Limited	21,663	10,971
	81,663	**70,971**
Balance with Bangladesh Bank:		
Prime Finance & Investment Limited	146,370,632	172,482,807
Prime Finance Capital Management Limited	-	-
	146,452,295	**172,553,778**

4.1 Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR)

Cash Reserve Requirement and Statutory Liquidity Requirement have been calculated and maintained in accordance with Financial Institutions Act - 1993, Financial Institutions Regulations 1994, FID circular no. 06 dated 6 November 2003 and FID Circular no. 02 dated 10 November, 2004.

Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on total term deposits which is preserved in current account maintained with Bangladesh Bank.

Statutory Liquidity Requirement (SLR) has been calculated at the rate of 5.0% on total liabilities, including CRR of 2.5% on total term deposit. SLR is maintained in liquid assets in the form of cash in hand (notes and coin in BDT), balance with Bangladesh Bank, other banks and financial institutions, investment at call, prize bond, savings certificate and any other assets approved by Bangladesh Bank.

4.1.1 Cash Reserve Requirement (CRR)

2.5% of average balance of term deposits

Required reserve	138,725,158	166,047,157
Actual reserve held	142,554,855	168,994,650
Surplus/ (deficit)	**3,829,697**	**2,947,493**

4.1.2 Statutory Liquidity Requirement (SLR)

5.0% of average liabilities excluding fund from Banks & FIs

Required reserve	356,635,345	414,154,823
Actual reserve held (note 4.1.4)	476,852,487	1,484,310,595
Surplus/ (deficit)	**120,217,142**	**1,070,155,772**

4.1.3 Held for Cash Reserve Requirement (CRR)

Balance with Bangladesh Bank and its agent bank	146,370,632	172,482,807
	146,370,632	**172,482,807**

4.1.4 Held for Statutory Liquidity Requirement (SLR)

Cash in hand	60,000	60,000
Balance with Bangladesh Bank and its agent bank	146,370,632	172,482,807
Balance with other banks and financial institutions (note 5.0)	330,421,855	1,311,767,788
	476,852,487	**1,484,310,595**

4.1.5 Cash in hand

Cash in hand represents the amount under imprest system of petty cash to meet petty cash expenses both for head office and branch offices. As per Bangladesh Bank guidelines, NBFI cannot make any cash transaction except petty cash.

4.1.6 Balance with Bangladesh Bank & its agent bank

Deposit with Bangladesh Bank is non-interest bearing and maintained to meet the Cash Reserve Requirement (CRR). As per Bangladesh Bank, CRR @ 2.5% is required to maintain with Bangladesh Bank current account on all deposits taken from depositors other than Banks and Financial Institutions. As on 31 December 2016, CRR has been maintained according to Bangladesh Bank Guideline.

5.0 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

(Figures in Taka)	2016	2015
This represents balance with various banks and financial institutions in Bangladesh.		
Fixed deposit account		
EXIM Bank Limited	-	100,000,000
Fareast Finance & Investment Ltd.	-	10,000,000
Hajj Finance Company Limited	-	65,000,000
Industrial and Infrastructure Development Finance Company Limited	-	20,000,000
Midland Bank Limited	-	350,000,000
Phoenix Finance & Investment Limited	-	5,000,000
Social Islami Bank Limited	200,000,000	400,000,000
Standard Bank Limited	-	10,000,000
The Farmers Bank Limited	100,000,000	320,000,000
	300,000,000	**1,280,000,000**
Current account		
Bangladesh Development Bank Limited	-	3,105
Uttara Bank Limited	-	49,785
	-	**52,890**
Short term deposit account		
Bank Asia Limited	2	31
BRAC Bank Limited	31,582	31,582
Dutch Bangla Bank Limited	2,058,238	10,067,800
ICB Islami Bank Limited	-	5,576
IFIC Bank Limited	123,495	4,144
Jamuna Bank Limited	-	1,554,198
Mercantile Bank Limited	-	157,768
Midland Bank Limited	-	1,031,662
Mutual Trust Bank Limited	8,499	335,152
National Bank Limited	569,182	554,606
One Bank Limited	5,079,228	2,049,407
Premier Bank Limited	109,473	1,249,558
Prime Bank Limited	6,455,299	10,375,182
Pubali Bank Limited	397,465	-
Shahajalal Islami Bank Limited	7,478,184	3,082,291
Southeast Bank Limited	1,102,585	418,701
Trust Bank Limited	258	258
The Farmers Bank Limited	-	1,796
United Commercial Bank Limited	7,008,365	795,186
	30,421,855	**31,714,898**
	330,421,855	**1,311,767,788**

Fixed deposits are maintained with commercial banks and non-banking financial institutions for maintaining Statutory Liquidity Requirement as required by Bangladesh Bank. Bangladesh Bank regulations require to maintain Statutory Liquidity Requirement (SLR) @ 5% including the CRR of 2.5% on total time and demand liabilities, excluding loans from banks and financial institutions. Prime Finance maintained these reserve mostly in the form of deposits.

(Figures in Taka)	2016	2015
Maturity wise grouping	30,421,855	476,767,788
Up to 1 month	100,000,000	635,000,000
1 month to 3 months	200,000,000	200,000,000
3 months to 1 year	-	-
1 year to 5 years	-	-
More than 5 years	-	-
	330,421,855	**1,311,767,788**

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

Prime Finance & Investment Limited	330,421,855	1,311,767,788
Prime Finance Capital Management Limited	25,056,435	1,341,292
	355,478,290	**1,313,109,080**

6.0 INVESTMENTS

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

Government securities		
Other investments (note 6.1)	416,230,396	552,630,829
	416,230,396	**552,630,829**

6.1 Other investments

	As at 31 December 2016			
Ordinary share	**No. of Company**	**Market Value**	**Cost**	
			2016	**2015**
Listed securities (note 6.1.1)	21	165,727,578	161,813,696	298,214,129
Unlisted securities (note 6.1.2)	4	224,416,700	224,416,700	224,416,700
Unit fund (note 6.1.3)	1	30,000,000	30,000,000	30,000,000
	26	**420,144,278**	**416,230,396**	**552,630,829**

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

	As at 31 December 2016		
Name of sector	**No. of shares**	**Cost price**	**Market price**
Banking companies	1,179,222	31,386,825	32,420,213
Non Banking Financial Institutions sector	687,926	14,176,481	15,753,505
Insurance sector	537,898	13,758,834	9,951,113
Investment companies	5,406,982	41,541,315	44,801,227
Manufacturing sector and others	395,191	60,950,241	62,801,520
		161,813,696	**165,727,578**

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 2016 was 29 December).

6.1.2 Unlisted securities

Details of unlisted securities:	**Cost price**	
Central Depository Bangladesh Limited	4,416,700	4,416,700
LankaBangla Securities Limited	5,000,000	5,000,000
PFI 2nd Mutual Fund	200,000,000	200,000,000
Ananda Shipyard and Slipways Limited	15,000,000	15,000,000
	224,416,700	**224,416,700**

The unlisted investments are shown at cost.

6.1.3 Unit fund

	Cost price	
Prime Finance 1st Unit Fund	30,000,000	30,000,000
	30,000,000	**30,000,000**

	(Figures in Taka)	2016	2015
6.1.4	**Sector wise investments (at cost price)**		
	Banking sector	31,386,825	-
	Non Banking Financial Institutions sector	14,176,481	48,466,249
	Insurance sector	13,758,834	58,306,482
	Investment companies	271,541,315	354,190,737
	Fuel & power sector	-	-
	Manufacturing sector and others	85,366,941	91,667,361
		416,230,396	**552,630,829**
	Maturity wise grouping		
	Up to 1 month	40,453,424	74,553,532
	1 month to 3 months	121,360,272	223,660,597
	3 months to 1 year	-	-
	1 year to 5 years	-	-
	More than 5 years	254,416,700	254,416,700
		416,230,396	**552,630,829**
6.a	**INVESTMENTS (consolidated)**		
	Prime Finance & Investment Limited	416,230,396	552,630,829
	Prime Finance Capital Management Limited	477,136,125	375,134,309
		893,366,521	**927,765,138**
7.0	**LOANS, ADVANCES AND LEASES**		
	Inside Bangladesh:		
	Lease finance (note 7.1)	760,765,599	917,048,052
	Advance against lease finance (note 7.2)	49,999,999	49,999,999
	Term finance (note 7.3)	11,818,836,005	10,975,371,895
	Real estate finance (note 7.4)	229,865,935	261,711,349
	Housing finance (note 7.5)	12,745,004	20,338,256
	Loan against deposits (note 7.6)	13,769,545	23,001,609
	Hire purchase finance (note 7.7)	7,048,843	7,048,843
	Staff loan (note 7.8)	39,607,889	56,108,291
	Factoring Finance (note 7.9)	12,731,270	31,472,618
	Car Finance (7.10)	172,914	538,966
	Personal Loan (7.11)	-	756,494
		12,945,543,003	**12,343,396,372**
	Outside Bangladesh	-	-
		12,945,543,003	**12,343,396,372**
7. 1	**Lease finance**		
	Principal outstanding (note 7.1.1)	695,002,217	831,564,858
	Accounts receivable	65,763,382	85,483,194
		760,765,599	**917,048,052**
7. 1.1	**Principal outstanding**		
	Gross rental receivables	786,947,778	948,187,104
	Unearned lease income	(91,945,561)	(116,622,246)
	Net investment	**695,002,217**	**831,564,858**
	Movement of lease finance:		
	Cost of lease assets (A)		
	Balance at 1 January	1,754,841,493	1,777,816,538
	Addition during the year	228,590,000	454,516,177
	Disposal during the year	(474,108,641)	(477,491,222)
	Balance at 31 December	**1,509,322,852**	**1,754,841,493**

(Figures in Taka)	2016	2015
Accumulated depreciation (B)		
Balance at 1 January	923,276,635	1,084,314,959
Addition during the year	91,625,410	309,243,150
Adjustment due to disposal	(200,581,410)	(470,281,474)
Balance at 31 December	**814,320,635**	**923,276,635**
Written down value of lease assets (A-B)	**695,002,217**	**831,564,858**

7. 1.2 Aging analysis of lease receivable

Up to one year	222,697,133	221,709,487
Above one year to three years	329,205,205	400,684,022
Above three years to five years	200,330,852	290,133,512
More than five years	8,532,409	4,521,031
	760,765,599	**917,048,052**

7. 2 Advance against lease finance

Advance against lease finance	49,999,999	49,999,999
	49,999,999	**49,999,999**

These represent amount paid for procurement of lease assets, which are yet to be executed. On execution of lease, advances will be transferred to lease finance.

7. 3 Term finance

Principal outstanding	10,758,287,674	10,254,253,982
Accounts receivable	1,060,548,331	721,117,913
	11,818,836,005	**10,975,371,895**

Term finance includes finance already executed and advance to be executed on later date as per terms of agreement. Such advances carry interest at an agreed rate until the advances are executed.

Movement of term finance (Principal outstanding):

Balance at 1 January	10,254,253,982	9,541,787,394
Investment during the year	3,992,408,841	3,171,990,185
Recovery/ adjustment during the year	(3,488,375,149)	(2,459,523,597)
Balance at 31 December	**10,758,287,674**	**10,254,253,982**

7. 3.1 Aging analysis of term finance

Up to one year	2,718,068,701	1,919,776,210
Above one year to three years	3,026,025,418	2,627,237,982
Above three years to five years	2,399,797,316	2,310,094,138
More than five years	3,674,944,570	4,118,263,565
	11,818,836,005	**10,975,371,895**

7. 4 Real estate finance

This represents disbursement made to the real estate developers usually for a period not exceeding 60 (sixty) months. Details are as under:

Principal outstanding	179,604,450	232,158,258
Accounts receivable	50,261,485	29,553,091
	229,865,935	**261,711,349**

Real estate finance includes finance already executed and advance to be executed on later date as per terms of agreement. Such advances carry interest at an agreed rate until the advances are executed.

Movement of real estate finance (Principal outstanding):

Balance at 1 January	232,158,258	294,274,780
Investment during the year	20,000,000	7,255,802
Recovery/ adjustment during the year	(72,553,808)	(69,372,324)
Balance at 31 December	**179,604,450**	**232,158,258**

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(Figures in Taka)	2016	2015

7. 4.1 Aging analysis of real estate finance

Up to one year	70,857,920	126,273,591
Above one year to three years	62,141,375	92,601,487
Above three years to five years	69,860,231	42,836,271
More than five years	27,006,409	-
	229,865,935	**261,711,349**

7. 5 Housing finance

This includes disbursement made against Bangladesh Bank Housing refinancing scheme and also includes housing finance to individuals. The usual term of the finance is matched with the facilities provided by the Bangladesh Bank. Details are as under:

Principal outstanding	12,745,004	20,338,256
Accounts receivable	-	-
	12,745,004	**20,338,256**

Housing finance includes finance already executed and advance to be executed on later date as per terms of agreement. Such advances carry interest at an agreed rate until the advances are executed.

Movement of housing finance (Principal outstanding):

Balance at 1 January	20,338,256	40,167,497
Investment during the year	-	-
Recovery/ adjustment during the year	(7,593,252)	(19,829,241)
Balance at 31 December	**12,745,004**	**20,338,256**

7. 5.1 Aging analysis of Housing Finance

Up to one year	1,331,704	1,355,937
Above one year to three years	2,813,528	3,441,254
Above three years to five years	1,624,519	6,783,781
More than five years	6,975,253	8,757,284
	12,745,004	**20,338,256**

7. 6 Loan against deposits

This represents outstanding loans given to depositors against term deposits. As per company's policy, Prime Finance provides finance facilities to depositors based on the agreement done with the depositors on TDR value.

Principal outstanding	13,769,544	23,001,609
	13,769,544	**23,001,609**

7.6.1 Movement of loan against term deposit:

Balance at 1 January	23,001,609	48,295,494
Investment during the year	49,233,599	47,256,510
Recovery/adjustment during the year	(58,465,664)	(72,550,395)
Balance at 31 December	**13,769,544**	**23,001,609**

7. 7 Hire purchase finance

This represents outstanding loan under hire purchase scheme at the balance sheet date. Such loan was provided to the hire purchasers for procurement of motor vehicles, office equipment, household durables and others consumable items for a period ranging usually from 12 to 72 months. Details are as under:

Principal outstanding	-	-
Accounts receivable	7,048,843	7,048,843
	7,048,843	**7,048,843**

(Figures in Taka)	2016	2015
7.7.1 Movement of hire purchase finance (Principal outstanding):		
Balance at 1 January	7,048,843	7,048,843
Investment during the year	-	-
Recovery/adjustment during the year	-	-
Balance at 31 December	**7,048,843**	**7,048,843**

7. 8 Staff loan

Staff loan includes loan provided to the eligible employees as per company's approved policy.

Employee's home loan	32,657,334	47,026,932
Employee's car loan	6,950,555	9,081,359
	39,607,889	**56,108,291**

7.9 Factoring finance

This represents disbursement made to borrowers usually for a period not exceeding 90 days. Details are as under:

Principal outstanding	12,212,464	31,472,618
Accounts receivable	518,806	-
	12,731,270	**31,472,618**

7.9.1 Movement of factoring finance (Principal outstanding):		
Balance at 1 January	31,472,618	24,967,453
Investment during the year	39,655,000	88,098,443
Recovery/adjustment during the year	(58,396,348)	(81,593,278)
Balance at 31 December	**12,731,270**	**31,472,618**

7. 9.2 Aging analysis of factoring finance		
Up to one year	12,731,270	18,524,820
Above one year to three years	-	12,947,798
Above three years to five years	-	-
More than five years	-	-
	12,731,270	**31,472,618**

7.10 Car finance

This represents disbursement made to individuals usually for a period not exceeding 60 months. Details are as under:

Principal outstanding	172,914	538,966
Accounts receivable	-	-
	172,914	**538,966**

7.10.1 Movement of car finance (Principal outstanding):		
Balance at 1 January	538,966	2,210,812
Investment during the year	-	-
Recovery/adjustment during the year	(366,052)	(1,671,846)
Balance at 31 December	**172,914**	**538,966**

7. 10.2 Aging analysis of Car Finance		
Up to one year	172,914	366,052
Above one year to three years	-	172,914
Above three years to five years	-	-
More than five years	-	-
	172,914	**538,966**

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(Figures in Taka)	2016	2015

7. 11 Personal loan

This represents disbursement made to individuals usually for a period not exceeding 24 months. Details are as under:

Principal outstanding	-	756,494
Accounts receivable	-	-
	-	**756,494**

7.11.1 Movement of personal loan (Principal outstanding):

Balance at 1 January	756,494	1,719,242
Investment during the year	-	-
Recovery/adjustment during the year	(756,494)	(962,748)
Balance at 31 December	**-**	**756,494**

7. 11.2 Aging analysis of personal loan

Up to one year	-	756,494
Above one year to three years	-	-
Above three years to five years	-	-
More than five years	-	-
	-	**756,494**

7. 12 Classification wise loans, advances and leases

Unclassified:		
Standard (SME)	3,610,293,833	2,426,424,628
Standard (other than SME)	7,561,301,298	8,298,640,526
Special Mention Account (SMA)	215,923,301	359,010,841
	11,387,518,432	11,084,075,995
Classified:		
Sub-standard	130,193,960	85,720,396
Doubtful	384,892,101	777,488,316
Bad/loss	1,042,938,510	396,111,665
	1,558,024,571	1,259,320,377
	12,945,543,003	**12,343,396,372**

7. 13 Geographical location wise loans, advances and leases

Dhaka Division	9,143,906,654	9,576,554,702
Chittagong Division	2,459,689,182	2,240,588,685
Rajshahi Division	598,524,813	353,113,657
Khulna Division	441,517,620	90,691,859
Rangpur Division	276,904,734	82,447,469
Mymensingh Division	25,000,000	-
	12,945,543,003	**12,343,396,372**

7. 14 Sector wise loans, advances and leases

As per Bangladesh Bank circular, sector wise loans and advances are as follows:

Sectors		
Trade and Commerce	**3,763,113,414**	**3,793,820,858**
Industry		
Garments and knitwear	461,833,650	517,318,238
Textile	24,664,916	55,831,298
Jute and jute products	255,669,683	167,821,945
Food products and processing industry	631,544,632	554,064,154
Plastic industry	224,816,535	302,152,918
Leather and leather-goods	87,320,469	-

(Figures in Taka)	2016	2015
Iron, still and engineering	1,012,889,583	1,061,590,157
Pharmaceuticals and chemicals	131,484,648	137,387,811
Cement and allied industry	207,232,837	274,871,810
Telecommunication and information technology	3,456,663	4,485,943
Paper, printing and packaging	623,281,697	416,292,598
Glass, glassware and ceramic industry	-	-
Ship manufacturing industry	363,825,667	351,505,549
Electronics and electrical products	118,131,851	100,678,927
Power, gas, water and sanitary service	21,655,404	124,396,354
Transport and aviation	495,285,899	414,294,914
Agriculture	**1,422,098,639**	**738,537,780**
Housing	**233,834,755**	**346,944,635**
Others:		
Merchant banking	1,573,011,440	1,597,011,440
Margin loan	-	-
Others	1,290,390,622	1,384,389,043
Grand Total	**12,945,543,003**	**12,343,396,372**

7.15 Significant concentration wise loans, advances and leases

Loans, advances and leases to-		
Directors and their concerns	73,356,626	79,380,449
Chief executive and other senior executives	39,607,889	56,108,291
Customer groups	12,832,578,488	12,207,907,632
	12,945,543,003	**12,343,396,372**

7.16 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 2016 Prime Finance has not disbursed large loans, advances and leases.

No. of clients	-	-
Amount of outstanding loans, advances and leases	-	-
Amount of classified loans, advances and leases	-	-
Measures taken for recovery	Not applicable	Not applicable
	-	-

(Figures in Taka)

7.17 Particulars of loans, advances and leases

SL	Particulars	2016	2015
I.	Loans considered good in respect of which the Company is fully secured	12,360,388,610	11,689,561,810
II.	Loans considered good against which the Company holds no other security than the debtors' personal guarantee	186,025,590	435,880,947
III.	Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor	399,128,803	217,953,615
IV.	Loans/leases adversely classified; provision not maintained there against	-	-
	Total	**12,945,543,003**	**12,343,396,372**
V.	Loans due by directors or officers of the Company or any of them either severally or jointly with any other persons	39,607,889	65,825,020
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	73,356,626	69,663,720
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	-	13,050,000
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	18,700,000	2,799,000
IX.	Due from banking companies/financial institutions	-	-
X.	Classified loan for which interest not charged	1,558,024,571	1,259,320,377
A.	Increase/decrease of provision (specific)	270,789,682	192,703,012
	Amount of debts written off	-	23,888,231
	Amount realized against the debts previously written off	39,480,742	20,289,690
B.	Provision kept against the debt classified as bad/loss at the date of balance sheet	423,952,315	21,525,102
C.	Amount of interest creditable to the interest suspense account	292,845,707	222,642,691
XI.	Cumulative amount of the written off loans/leases:		
	Opening balance	812,543,573	788,655,342
	Amount written off during the year	-	23,888,231
	Cumulative to date	812,543,573	812,543,573
	The amount of written off loans for which law suit filed	812,543,573	812,543,573

7.18 Write-off of loans, advances and 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:

(i) Loans/ leases classified as Bad and Losses against which 100% provision has been made;
(ii) Approval from the Board of Directors is required;
(iii) Best endeavors shall be made to recover the written-off loans/ leases and legal process should be initiated if not started before.

As per Bangladesh Bank guidelines, Prime Finance has written-off its loans/ leases as under:

		Cumulative	
	During 2016	**As on 31-Dec-16**	**As on 31-Dec-15**
Net outstanding loans/ leases written-off	-	812,543,573	812,543,573
No. of agreements written-off	-	63	63
No. of clients written-off	-	48	48
Interest suspense against written-off loans/ leases	-	(141,389,222)	(141,389,222)
Provision adjusted against written-off loans/ leases	-	(651,055,147)	(651,055,147)
Recovery against write-off loans/ leases	39,480,742	214,402,514	174,921,772

7. 19 Particulars of required provision for loans, advances and leases

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

Investment up to 5 years term	**Classification status**	**Provision (%)**
Up to 2 months*	UC (SME)	0.25
Up to 2 months	UC (other than SME)	1
3 to 5 months	SMA	5
6 to 11 months	SS	20
12 to 17 months	DF	50
18 months and above	BL	100

Investment exceeding 5 years term	**Classification status**	**Provision (%)**
Up to 5 months*	UC (SME)	0.25
Up to 5 months	UC (other than SME)	1
6 to 11 months	SMA	5
12 to 17 months	SS	20
18 to 23 months	DF	50
24 months and above	BL	100

Required provision according to classification status is mentioned below:

	Base for provision	**Rate**	**Provision 2016**	**Provision 2015**
Unclassified - General provision				
Standard (SME)*	3,610,293,833	0.25%	57,940,856	6,066,061
Standard (Other than SME)	7,561,301,298	1%	119,881,465	165,208,138
Special Mention Account (SMA)	206,901,147	5%	10,345,057	17,565,930
Provision for other assets	-		29,423,000	1,035,000
	11,378,496,278		217,590,378	189,875,129
Classified - Specific provision				
Sub-standard	22,380,070	20%	4,476,014	11,001,695
Doubtful	134,135,537	50%	67,067,769	192,179,618
Bad/loss	423,952,315	100%	423,952,315	21,525,102
	580,467,922		495,496,097	224,706,415
Required provision for loans, advances and leases			**713,086,476**	**414,581,544**
Total provision maintained for loans, advances and leases			**713,086,476**	**414,581,544**
Excess provision for loans, advances and leases			-	-

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

(Figures in Taka)	2016	2015
7. 20 Maturity wise grouping		
Repayable on demand	-	-
Not more than 3 months	1,213,939,321	484,870,959
3 months to 1 year	1,799,189,052	1,826,893,252
1 year to 5 years	6,214,955,989	5,900,090,282
More than 5 years	3,717,458,641	4,131,541,879
	12,945,543,003	**12,343,396,372**

7.a LOANS, ADVANCES AND LEASES (consolidated)		
Prime Finance & Investment Limited	12,945,543,003	12,343,396,372
Prime Finance Capital Management Limited	3,427,831,531	3,616,251,842
Adjustment for dealing with subsidiary	(1,573,011,440)	(1,597,011,440)
	14,800,363,094	**14,362,636,774**

8.0 FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES		
Cost:		
Land	305,151,022	305,151,022
Furniture and fixtures	18,254,474	18,269,818
Office decoration	35,010,311	25,971,748
Electric equipment	31,850,744	29,637,837
Owned vehicles	16,627,344	12,041,694
Leased vehicles	12,197,061	12,197,061
Intangible assets (software)	2,608,486	2,080,850
Total cost	**421,699,442**	**405,350,030**
Less: Accumulated depreciation / amortization / impairment	79,444,394	67,729,198
Written down value at the end of the year	**342,255,048**	**337,620,832**

Details are shown in Annexure - A.

8.a FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES (consolidated)		
Prime Finance & Investment Limited	342,255,048	337,620,832
Prime Finance Capital Management Limited	17,899,504	22,693,415
	360,154,552	**360,314,247**

Land

Prime Finance acquired 15 kathas of land at a cost of Taka 305.15 million at 10 Panthapath, Dhaka for constructing the Company's corporate office.

9.0 OTHER ASSETS		
Income generating other assets:		
Investment in associates (note 9.1)	766,839,614	1,145,169,945
Investment in subsidiary (note 9.2)	960,000,000	960,000,000
Accrued interest	53,255,097	83,079,927
	1,780,094,711	**2,188,249,872**
Non income generating other assets:		
Advance office rent	10,670,800	14,522,560
Advance for office decoration of head office	883,629	5,450,770
Deposits with T & T, Petroleum Corporation etc.	434,100	394,100
Advance corporate tax	565,195,431	551,534,306

(Figures in Taka)	2016	2015
Deferred tax assets (note 12.4.2)	5,206,353	4,030,582
Receivable from brokerage houses against sale of shares	14,414,362	3,940,004
Receivable from provident fund account	30,140,863	503,682
Interest During the Construction Period (IDCP) receivable	4,584	9,099,070
Transfer price receivable	1,035,073	1,035,073
Advance against advertisement	-	200,000
Others	135,798,640	85,499,550
	763,783,835	**676,209,697**
Total	**2,543,878,546**	**2,864,459,569**

9.1 Investment in associates

Investment in associates are recorded under the equity method as per the Bangladesh Accounting Standard (BAS) 28, 'Investment in Associates'. Under the equity method, the investments in the associates are carried in the Balance sheet at cost plus post-acquisition changes in the company's share of net assets of the associates. Losses in excess of the cost of the investment in an associate are recognized when the company has incurred obligations on its behalf. Profit and loss account reflects the Company's share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Prime Finance has three associate companies on reporting date.

Movement of investment in associates

	Balance as at Jan 01, 2016	Investment/ (Adjustment)	Revaluation reserve	Profit/(loss) under equity method	Balance as at Dec 31, 2016
PFI Securities Limited	1,097,067,424	-	-	(381,598,065)	715,469,359
Prime Finance AMCL	42,263,194	-	-	3,314,632	45,577,826
Prime Prudential Fund Limited	5,839,327	-	-	(46,898)	5,792,429
	1,145,169,945	**-**	**-**	**(378,330,331)**	**766,839,614**

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

Name of the company	Nature of the business	Type of shares held	% of share holding	Face value of shares	Book value per share
PFI Securities Limited	Stock brokerage	Ordinary	46.15	10	7.83
Prime Finance AMCL	Asset management	Ordinary	49.00	100	111.02
Prime Prudential Fund Ltd.	Investment in securities, debentures, bonds etc.	Ordinary	40.00	10	5.89

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

9.2 Investment in subsidiary

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

Prime Finance Capital Management Limited	960,000,000	960,000,000
	960,000,000	**960,000,000**

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

(Figures in Taka)	2016	2015
9.a OTHER ASSETS (consolidated)		
Prime Finance & Investment Limited	2,543,878,546	2,864,459,569
Prime Finance Capital Management Limited	774,307,587	732,796,989
Adjustment for dealing with subsidiary	(960,000,000)	(960,000,000)
	2,358,186,133	**2,637,256,558**
10.0 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS		
In Bangladesh		
Secured	-	-
Un secured		
Bank loan (note 10.1)	663,307,068	1,028,379,878
ADB fund under refinancing scheme (note 10.2)	16,951,070	26,786,183
Fund from Bangladesh Bank under refinancing scheme(note 10.3)	933,507,310	271,139,639
Short term borrowing (note 10.4)	1,055,324,735	1,156,373,449
	2,669,090,183	**2,482,679,149**
Outside Bangladesh	-	-
Total	**2,669,090,183**	**2,482,679,149**

10.1 Bank loan

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

Balance at 1 January	1,028,379,878	981,194,275
Received during the year	860,000,000	1,300,000,000
Repayment during the year	(1,225,072,810)	(1,252,814,397)
Balance at 31 December	**663,307,068**	**1,028,379,878**

Bank Loans are secured by way of first charge on all fixed and floating assets of the Company, ranking pari passu among all the lenders. The period of such loans ranges from one year to five years.

10.2 ADB fund under refinancing scheme

Fund received from Asian Development Bank (ADB) through Rupantarita Prakritik Gas Company Limited (RPGCL) & refinancing scheme. Details are as under:

Balance at 1 January	26,786,183	36,098,462
Received during the year	-	-
Repayment during the year	(9,835,113)	(9,312,279)
Balance at 31 December	**16,951,070**	**26,786,183**

10.3 Fund from Bangladesh Bank under refinancing scheme

This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to small & medium enterprises as well as agricultural projects. The period of loan ranges from one to five years, matching the terms of respective projects. Details are as under:

Balance at 1 January	271,139,639	97,745,180
Received during the year	856,498,901	209,531,900
Repayment during the year	(194,131,230)	(36,137,441)
Balance at 31 December	**933,507,310**	**271,139,639**

10.4 Short-term borrowings

This represents money at call and on short notice and bank overdraft availed to meet short-term fund requirements.

Money at call and on short notice

As on the reporting date Taka 440.00 million was outstanding as money at call and short notice. According to FID circular no. 05, dated June 08, 2005, non-banking financial institution can avail call money facility maximum up to 15% of its net assets. Based on the circular mentioned above, the maximum limit of call money for the company was Taka 1,367.35 million (calculated based on the half yearly report of 2016 of the Company).

(Figures in Taka)	2016	2015

Bank Overdraft

This represents Taka 615,324,734 received as bank overdraft from various commercial banks.

10.5 Maturity wise grouping

Repayable on demand	440,000,000	500,000,000
Up to 1 month	707,121,624	757,328,026
1 month to 3 months	147,610,497	198,474,229
3 months to 1 year	583,794,486	731,779,442
1 year to 5 years	789,549,323	293,738,251
More than 5 years	1,014,253	1,359,201
	2,669,090,183	**2,482,679,149**

10.a BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS (consolidated)

Prime Finance & Investment Limited	2,669,090,183	2,482,679,149
Prime Finance Capital Management Limited	2,203,449,085	2,208,257,305
Adjustment for dealing with subsidiary	(1,573,011,440)	(1,597,011,440)
	3,299,527,828	**3,093,925,014**

11.0 DEPOSITS AND OTHER ACCOUNTS

This comprises interest bearing deposits from individuals and organizations for period ranging from 3 months to 10 years.

Banks and other financial institutions		
Term Deposit	**3,550,000,000**	**3,400,000,000**
Other Institutions		
Term Deposit	3,033,248,457	3,098,238,137
Monthly Income Deposit	8,000,000	13,000,000
	3,041,248,457	**3,111,238,137**
Individuals		
Term Deposit	1,992,597,117	2,488,861,800
Housing Deposit	6,733,000	6,321,000
Fortune DPS	83,697,000	59,014,000
Monthly Income Deposit	341,919,205	478,772,220
	2,424,946,322	**3,032,969,020**
Total	**9,016,194,779**	**9,544,207,157**

11.1 Movements of deposits:

Balance at 1 January	9,544,207,157	7,763,327,204
Received/ renewed during the year	8,913,602,741	8,474,157,810
Repayment during the year	(9,441,615,119)	(6,693,277,857)
Balance at 31 December	**9,016,194,779**	**9,544,207,157**

11.2 Maturity wise grouping

Repayable on demand	-	-
Repayable within 1 month	1,065,520,203	1,057,717,245
1 month to 3 months	2,962,740,241	5,759,696,821
3 months to 1 year	4,301,623,761	1,986,231,367
1 year to 5 years	665,502,574	613,417,887
5 years to 10 years	20,808,000	126,840,837
More than 10 years	-	303,000
	9,016,194,779	**9,544,207,157**

AMARSTOCK

(Figures in Taka)	2016	2015
11.a DEPOSITS AND OTHER ACCOUNTS (consolidated)		
Prime Finance & Investment Limited	9,016,194,779	9,544,207,157
Prime Finance Capital Management Limited	-	-
	9,016,194,779	**9,544,207,157**

12.0 OTHER LIABILITIES

Provision for loans, advances and leases (note 12.1)	683,663,475	413,546,544
Provision for diminution in value of investments (note 12.2)	-	35,218,231
Other provision	29,423,000	1,035,000
Interest suspense (note 12.3)	292,845,707	222,642,692
Provision for tax (note 12.4)	435,485,902	428,134,719
Financial expenses payable (note 12.5)	520,615,163	499,983,073
Advance and security deposit (note 12.6)	288,588,830	297,133,349
Excise duty payable	14,500	5,719,220
Withholding tax payable	3,952	91,087
Accrued expenses and other payables (note 12.7)	253,038,636	164,218,279
	2,503,679,165	**2,067,722,194**

Excise duty payable represents excise duty deducted from deposit and other accounts but not yet deposited to government exchequer within 31 December 2016. The amount was subsequently deposited.

Withholding tax payable represents tax and VAT deducted from various suppliers but not yet deposited to government exchequer within 31 December 2016. The amount was subsequently deposited.

Other provision represents provision made for other assets.

Previous year's figures have been rearranged whenever necessary to conform to current year's presentation.

12.1 Provision for loans, advances and leases

Management, on the basis of guidelines issued by Bangladesh Bank has computed provisions for loans, advances and leases. Adequate provision has been kept as per BB circular to cover possible future losses.

General provision on unclassified loans, advances and leases	188,167,378	188,840,129
Specific provision on classified loans, advances and leases	495,496,097	224,706,415
Provision as on 31 December	**683,663,475**	**413,546,544**
Movement in general provision on unclassified loans/ leases:		
Provision as on 1 January	188,840,129	140,182,877
Add: Provision made/ (released) during the year	(672,751)	48,657,252
Provision as on 31 December	**188,167,378**	**188,840,129**
Movement in specific provision on classified loans/ leases:		
Provision as on 1 January	224,706,415	51,133,555
Less: Adjustment for write off	-	(19,130,153)
Add: Provision made during the year	270,789,682	192,703,013
Provision as on 31 December	**495,496,097**	**224,706,415**
Total	**683,663,475**	**413,546,544**

12.2 Provision for diminution in value of investments

Provision as on 1 January	35,218,231	15,616,598
Add: Provision made/ (adjusted) during the year	(35,218,231)	19,601,633
Provision as on 31 December	**-**	**35,218,231**

12.2.1 Allocation of provision

Listed securities	-	35,218,231
Unlisted securities	-	-
	-	**35,218,231**

(Figures in Taka)	2016	2015
12.2.a Provision made during the year (consolidated)		
Prime Finance & Investment Limited	(35,218,231)	19,601,633
Prime Finance Capital Management Limited	3,177,437	8,553,961
	(32,040,794)	**28,155,594**
12.3 Interest suspense		
Balance as on 1 January	222,642,692	130,453,084
Add: Transferred during the year	90,507,755	129,241,759
Less:		
Amount of interest suspense recovered	(20,304,740)	(33,159,733)
Write off during the year	-	(3,892,418)
Balance as on 31 December	**292,845,707**	**222,642,692**

Bangladesh Bank FID circular no. 3 of 2006 requires that interest on loans/ leases classified as SMA and above will be credited to interest suspense account, instead of crediting the same to income account. In accordance with the above circular interest on various facilities classified as SMA, SS, DF and BL has been set-aside in this interest suspense account.

12.4 Provision for tax

Provision for tax comprises provision for current tax and provision for deferred tax.

12.4.1 Provision for current tax made during the year

The Company calculated taxable profit/ losses based on Income Tax Ordinance 1984 and determined current tax liability as per applicable rate enacted through Finance Act 2016.

	2016	2015
Balance at 1 January	428,134,719	423,045,502
Provision made during the year	7,351,183	5,089,217
Balance at 31 December	**435,485,902**	**428,134,719**
12.4.1.a Provision for current tax (consolidated)		
Prime Finance & Investment Limited	7,351,183	5,089,217
Prime Finance Capital Management Limited	3,910,981	2,798,120
	11,262,164	**7,887,337**

12.4.2 Provision for deferred tax

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

	Carrying amount	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
Year: 2016			
Fixed assets including premises, furniture and fixtures	37,104,022	50,119,904	(13,015,882)
Gratuity	-	-	-
	37,104,022	**50,119,904**	**(13,015,882)**
Applicable tax rate			40.00%
Deferred tax assets (A)			**(5,206,353)**
Year: 2015 (B)			**(4,030,582)**
Deferred tax expense (A-B)			**(1,175,771)**

12.4.2.a Provision for deferred tax (consolidated)		
Prime Finance & Investment Limited	(1,175,771)	725,697
Prime Finance Capital Management Limited	(761,429)	(774,593)
	(1,937,200)	**(48,896)**

(Figures in Taka)	2016	2015

12.5 Financial expenses payable

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

12.6 Advance and cash security deposit

The amount received from clients as advance against finance and cash security deposit on the stipulation that the amount will be either adjusted with the outstanding rentals/ installments or repaid at the end of term. This is made up as under:

Balance at 1 January	297,133,349	193,735,548
Received during the year	170,914,978	296,824,027
Adjusted during the year	(179,459,497)	(193,426,226)
Balance at 31 December	**288,588,830**	**297,133,349**

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

Lease advance	29,516,130	29,687,390
Term finance advance	53,380,700	55,451,159
Stock on hire advance	8,000	8,000
Cash security deposit	205,684,000	211,986,800
	288,588,830	**297,133,349**

Advance and cash security deposit reduce the exposure with the clients and thereby reduce the risks. No interest is payable on advances while cash security deposits are interest bearing.

12.7 Accrued expenses and other payables

Suspense receipts	112,659,269	61,130,711
Accrued management expenses	38,291,142	23,863,972
Other payables	102,088,225	79,223,596
	253,038,636	**164,218,279**

Suspense receipts represent amount received from clients for various reasons such as rentals adjustment, transfer price, advance rentals, IDCP and other advances. When combined cheques are given by the clients that also initially posted into suspense receipts account.

12.a OTHER LIABILITIES (consolidated)

Prime Finance & Investment Limited	2,503,679,165	2,067,722,194
Prime Finance Capital Management Limited	502,711,368	526,227,671
Adjustment for dealing with subsidiary	-	-
	3,006,390,533	**2,593,949,865**

13.0 SHARE CAPITAL

As at 31 December 2016, a total of 272,916,483 (FY 2015: 272,916,483) ordinary shares of Taka 10 each were issued, subscribed and fully paid up. Details are as follows:

Authorized capital		
300,000,000 Ordinary shares of Taka 10 each	3,000,000,000	3,000,000,000
Issued, subscribed, called up and paid up capital:		
Total ordinary shares 272,916,483 of Taka 10 each	2,729,164,830	2,729,164,830
Total bonus shares of Taka 10 each	-	-
	2,729,164,830	**2,729,164,830**

Details of sponsors shareholding

Sponsor Shareholders	No. of shares held	Percentage
Acorn Limited	24,920,420	9.13
Khaled Textile Mills Limited	22,882,420	8.38
Pedrollo Nk. Limited	26,768,991	9.80
Maksons (Bangladesh) Ltd.	21,370,516	7.83
East Coast Shipping Lines Limited	24,407,338	8.94
GQ Enterprise Limited	23,222,142	8.50
Mawsons Limited	5,654,752	2.07
Abeeco Industries Ltd.	758,634	0.28
Mr. Md. Aliuzzaman	42,427	0.02

Composition of shareholdings

Composition of shareholdings as on 31 December 2016 and 2015 was as under:

Group	No. of Shareholders		No. of Shares		Percentage	
	2016	2015	2016	2015	2016	2015
Sponsors (Institutions)	9	9	173,073,845	173,073,845	63.42	63.42
Sponsors (Individuals)	2	3	5,500,790	8,421,456	2.02	3.08
General Public (Institutions)	315	274	23,639,436	20,725,390	8.66	7.59
General Public (Individuals)	17,117	20,217	70,702,412	70,695,792	25.90	25.91
	17,443	**20,503**	**272,916,483**	**272,916,483**	**100.00**	**100.00**

13.1 Capital Adequacy Ratio (CAR)

As per section 4(Gha) of the Financial Institutions Regulations 1994, the minimum paid up capital of the Financial Institution shall be Taka 100 crore. Provided that the sum of paid up capital and reserves shall not be less than the minimum capital determined under the Risk Based Assets of the Company. The surplus eligible capital of the Company as on December 31, 2016, on consolidation basis, were Taka 1,563.96 million and capital adequate ratio was 17.77%.

(Figures in Taka)	2016	2015
Details of Capital Adequacy Ratio (CAR):		
Tier-1 (Core capital)		
Fully paid-up capital	2,729,164,830	2,729,164,830
Statutory reserve	927,108,510	927,108,510
General reserve	-	-
Retained earnings	(1,092,766,302)	(142,161,087)
Non-controlling interests	806,436,957	805,497,538
Total eligible Tier-1 capital	**3,369,943,995**	**4,319,609,791**
Tier-2 (Supplementary capital)		
General provision (Unclassified loans up to specified limit + SMA+ off Balance Sheet exposure+ provision for diminution in value of investments)	96,049,583	204,589,129
Assets revaluation reserves up to 50%	110,971,875	110,971,875
Total eligible Tier-2 capital	**207,021,458**	**315,561,004**
(i) Total eligible capital	**3,576,965,453**	**4,635,170,795**
(ii) Total Risk Weighted Assets (RWA)	**20,130,013,281**	**23,185,018,082**
(iii) Minimum Capital Requirement (MCR) (10% of RWA)	**2,013,001,328**	**2,318,501,808**
(iv) Excess {(i) - (iii)}	**1,563,964,125**	**2,316,668,987**
Capital Adequacy Ratio (CAR) {(i) / (ii)} [%]	**17.77%**	**19.99%**

(Figures in Taka)	2016	2015

14.0 NON-CONTROLLING INTEREST

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

Balance as on 1 January	805,497,537	815,839,645
Profit/(loss) after tax for the year	939,420	(10,342,108)
Balance as on 31 December	**806,436,957**	**805,497,537**

15.0 STATUTORY RESERVE

Balance as on 1 January	927,108,510	927,108,510
Add: Transferred during the year	-	-
Balance as on 31 December	**927,108,510**	**927,108,510**

16.0 RETAINED EARNINGS

Balance as on 1 January	(390,407,393)	352,377,830
Payment of cash dividend	-	(341,145,604)
Profit/(loss) after tax for the year	(952,014,344)	(401,639,619)
Transferred to statutory reserve	-	-
Balance as on 31 December	**(1,342,421,737)**	**(390,407,393)**

17.0 INCOME STATEMENT

Income:		
Interest, discount and similar income (note 18)	845,400,319	1,271,899,451
Dividend income (note 20)	17,705,511	29,795,556
Gains less losses arising from dealing in securities	-	-
Fees, commission, exchange and brokerage (note 21)	6,542,357	7,417,931
Gains less losses arising from investment in securities (note 20)	(8,944,134)	(48,978,425)
Gains less losses arising from dealing in foreign currencies	-	-
Income from non-banking assets	-	-
Other operating income (note 22)	(300,066,317)	52,742,664
Profit less losses on interest rate changes	-	-
Nominal value of bonus share received	-	-
Total income (A)	**560,637,736**	**1,312,877,177**
Expenses:		
Interest paid on deposits, borrowings etc. (Note 19)	1,016,907,060	1,201,932,878
Administrative expenses	201,424,890	219,560,848
Depreciation and impairment on banking assets	11,954,362	9,972,546
Other operating expenses	12,903,655	15,238,712
Total expenses (B)	**1,243,189,967**	**1,446,704,984**
Operating surplus (A-B)	**(682,552,231)**	**(133,827,807)**

18.0 INTEREST INCOME

Income from lease finance	112,339,872	101,927,707
Income from term finance	656,422,407	938,034,340
Income from real estate finance	19,920,512	25,578,171
Income from other finance	56,717,528	206,359,233
	845,400,319	**1,271,899,451**

To reduce single borrower exposure limit with subsidiary and associate company, as was prescribed by Bangladesh Bank vide the DFIM circular letter no. 14 dated 31 December 2013 and their subsequent letter no. DFIM(S)1055/49/2015-921 dated 11 May 2015, the Board of Directors in its meeting held on 29 July 2015 decided to restructure the loan for 15 years with structured repayment schedule and block the interest with effect from 1 July 2015.

(Figures in Taka)	2016	2015
18.a INTEREST INCOME (consolidated)		
Prime Finance & Investment Limited	845,400,319	1,271,899,451
Prime Finance Capital Management Limited	51,985,037	286,270,000
Adjustment for dealing with subsidiary	-	(115,502,731)
	897,385,356	**1,442,666,720**
19.0 INTEREST PAID ON DEPOSITS, BORROWINGS etc.		
Interest on bank loan	72,457,208	122,655,314
Interest on IDA and ADB fund under re-financing scheme of Bangladesh Bank	1,466,742	2,081,704
Interest on fund from Bangladesh Bank under re-financing schemes	35,099,865	8,066,724
Interest on term deposits	816,503,840	933,505,840
Interest on money at call and on short notice	39,734,056	62,399,181
Interest on cash security deposit	18,486,926	13,973,528
Interest on overdraft facility	33,158,423	59,250,587
	1,016,907,060	**1,201,932,878**
19.a INTEREST PAID ON DEPOSITS, BORROWINGS etc. (consolidated)		
Prime Finance & Investment Limited	1,016,907,060	1,201,932,878
Prime Finance Capital Management Limited	37,523,932	310,249,525
Adjustment for dealing with subsidiary	-	(115,502,731)
	1,054,430,992	**1,396,679,672**
20.0 INVESTMENT INCOME		
Capital gain on sale of securities (note 20.1)	(8,944,134)	(48,978,425)
Dividend income	17,705,511	29,795,556
	8,761,377	**(19,182,869)**
20.1. Capital gain on sale of securities		
Gain on sales of securities	28,975,108	17,409,937
Loss on sales of securities	(37,919,242)	(66,388,362)
Net gain from sale of securities	**(8,944,134)**	**(48,978,425)**
20.a INVESTMENT INCOME (consolidated)		
Prime Finance & Investment Limited	8,761,377	(19,182,869)
Prime Finance Capital Management Limited	25,271,652	18,796,739
	34,033,029	**(386,130)**
21.0 FEES, COMMISSION, EXCHANGE AND BROKERAGE		
Service charge, factoring charge etc.	6,542,357	7,417,931
	6,542,357	**7,417,931**
21.a FEES, COMMISSION, EXCHANGE AND BROKERAGE (consolidated)		
Prime Finance & Investment Limited	6,542,357	7,417,931
Prime Finance Capital Management Limited	25,150,485	54,023,107
	31,692,842	**61,441,038**

(Figures in Taka)	2016	2015

22.0 OTHER OPERATING INCOME

Income from associates (note 9.1)	(378,330,331)	(70,712,647)
Delinquent interest, IDCP etc.	33,633,724	99,225,904
Renewals and proceeds	1,534,460	476,495
Write-off & others	43,095,830	23,752,912
	(300,066,317)	**52,742,664**

22.a OTHER OPERATING INCOME (consolidated)

Prime Finance & Investment Limited	(300,066,317)	52,742,664
Prime Finance Capital Management Limited	6,985,575	6,254,420
	(293,080,742)	**58,997,084**

23.0 SALARIES AND OTHER EMPLOYEE BENEFITS

Salaries & allowances	116,668,363	127,185,613
Medical & employee welfare	31,843,997	46,671,594
	148,512,360	**173,857,207**

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.

23.a SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)

Prime Finance & Investment Limited	148,512,360	173,857,207
Prime Finance Capital Management Limited	29,345,292	38,294,164
	177,857,652	**212,151,371**

24.0 RENT, TAXES, INSURANCE, ELECTRICITY ETC.

Office rent	32,376,854	22,503,340
Electricity bill	1,785,394	766,776
	34,162,248	**23,270,116**

24.a RENT, TAXES, INSURANCE, ELECTRICITY ETC. (consolidated)

Prime Finance & Investment Limited	34,162,248	23,270,116
Prime Finance Capital Management Limited	9,645,344	9,736,025
	43,807,592	**33,006,141**

25.0 LEGAL EXPENSES

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

25.a LEGAL EXPENSES (consolidated)

Prime Finance & Investment Limited	772,793	485,725
Prime Finance Capital Management Limited	49,284	219,850
	822,077	**705,575**

26.0 POSTAGE, STAMP, TELECOMMUNICATION ETC.

Postage, telephone, telex, fax, and e-mail	2,110,952	2,265,731
Charges, levies, stamps and duties	1,344,383	3,544,015
	3,455,335	**5,809,746**

(Figures in Taka)	2016	2015

26.a POSTAGE, STAMP, TELECOMMUNICATION ETC. (consolidated)

Prime Finance & Investment Limited	3,455,335	5,809,746
Prime Finance Capital Management Limited	241,917	266,572
	3,697,252	**6,076,318**

27.0 STATIONERY, PRINTING, ADVERTISEMENTS ETC.

Printing and stationery	3,851,575	5,466,484
Books and periodicals	55,129	64,919
Advertisement and publicity	950,450	1,111,651
	4,857,154	**6,643,054**

27.a STATIONERY, PRINTING, ADVERTISEMENTS ETC. (consolidated)

Prime Finance & Investment Limited	4,857,154	6,643,054
Prime Finance Capital Management Limited	552,256	548,899
	5,409,410	**7,191,953**

28.0 MANAGING DIRECTOR'S SALARY AND FEES

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

29.0 DIRECTORS' FEES

During the year, a Director, in accordance with the Bangladesh Bank, DFIM Circular No. 13 dated 30 November 2015, was entitled to receive a fee of Tk. 8,000 for attending each meeting of the Board and it's Committee. Detail

Total board meetings (nos.)	10	11
Total board audit committee meetings (nos.)	4	5
Total board executive committee meetings (nos.)	12	13
Total fees paid	**920,000**	**750,000**
No. of members in the Board	10	10
No. of members in the Audit Committee	5	5
No. of members in the Executive Committee	5	5

29.a DIRECTORS' FEES (consolidated)

Prime Finance & Investment Limited	920,000	750,000
Prime Finance Capital Management Limited	200,010	246,116
	1,120,010	**996,116**

30.0 AUDITORS' FEES

Auditors' fees	300,000	300,000
VAT on audit fees	45,000	45,000
	345,000	**345,000**

30.a AUDITORS' FEES (consolidated)

Prime Finance & Investment Limited	345,000	345,000
Prime Finance Capital Management Limited	57,500	57,500
	402,500	**402,500**

31.0 DEPRECIATION AND REPAIR OF ASSETS

Depreciation of fixed assets - freehold	11,109,176	8,984,812
Depreciation of fixed assets - leasehold vehicle	711,837	776,557
Amortization of intangible assets	133,349	211,177
	11,954,362	**9,972,546**

As on 31 December 2016, the company assesses the indication of impairment of assets and as per the assessment no such indication of an impairment loss present.

(Figures in Taka)	2016	2015
31.a DEPRECIATION AND REPAIR OF ASSETS (consolidated)		
Prime Finance & Investment Limited	11,954,362	9,972,546
Prime Finance Capital Management Limited	5,597,721	6,646,578
	17,552,083	**16,619,124**
32.0 OTHER EXPENSES		
HR development	319,298	1,739,923
Travelling and conveyance	2,063,030	2,629,874
Motor vehicle expenses	2,067,175	1,816,684
Subscription and fees	3,146,605	2,252,629
Meeting expenses	80,400	66,000
AGM expenses (note 32.1)	290,861	533,582
Entertainment, public relation etc.	474,286	834,259
Others	4,462,000	5,365,761
	12,903,655	**15,238,712**
32.1 AGM expenses		
Rent for AGM venue	132,825	310,000
Printing, database management etc.	8,000	7,000
Publication of notice	94,786	107,000
Entertainment	15,000	63,277
Others	40,250	46,305
	290,861	**533,582**
32.a OTHER EXPENSES (consolidated)		
Prime Finance & Investment Limited	12,903,655	15,238,712
Prime Finance Capital Management Limited	10,303,955	7,756,819
	23,207,610	**22,995,531**
33.0 RECEIPTS FROM OTHER OPERATING ACTIVITIES		
Delinquent interest, IDCP etc.	42,883,550	106,729,285
Renewals and proceeds	1,534,461	476,495
Write-off & others	43,095,830	13,278,637
	87,513,841	**120,484,417**
34.0 PAYMENTS FOR OTHER OPERATING ACTIVITIES		
Advance against office rent, renovation & decoration	(2,795,627)	(18,132,121)
Advance against advertisement	-	(200,000)
	(2,795,627)	**(18,332,121)**

35.0 EARNINGS PER SHARE

Earnings per share (EPS) is calculated in accordance with Bangladesh Accounting Standard (BAS) 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 2016 was based on the profit/(loss) attributable to ordinary shareholders of Tk. (952,014,344) (2015: Tk. 401,639,619) and a weighted average number of ordinary shares outstanding as at 31 December 2016 of 272,916,483 (2015: 272,916,483).

Profits attributable to ordinary shareholders		
Net profit for the year	**(952,014,344)**	**(401,639,619)**
Weighted average number of ordinary shares		
Ordinary shares at 1 January	272,916,483	272,916,483
Weighted average number of ordinary shares at 31 December	272,916,483	272,916,483
Earnings per share (EPS)	**(3.49)**	**(1.47)**

(Figures in Taka)	2016	2015

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 2016 and hence no diluted earnings per share is required to be calculated.

35.a EARNINGS PER SHARE (consolidated)

Profits attributable to ordinary shareholders of the Company		
Net profit for the year	(950,605,214)	(417,152,781)
Weighted average number of ordinary shares		
Ordinary shares at 1 January	272,916,483	272,916,483
Weighted average number of ordinary shares at 31 December	272,916,483	272,916,483
Earnings per share (consolidated)	**(3.48)**	**(1.53)**

36.0 MARKET CAPITALISATION AND SHARE PRICE

Market Capitalization of the Company, which is the number of ordinary shares in issued, multiplied by the market value of a share. Total number of ordinary shares outstanding as at 31 December 2016 was 272,916,483 and the market value per share of last trading day (29 December 2016) was Tk. 9.80 in DSE. Thus market capitalization based on DSE value was Tk.2,674.58 million.

Market for Prime Finance's ordinary shares

Prime Finance's ordinary shares are traded on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) under the symbol of 'PRIMEFIN' and 'PFIL' respectively. The following table indicated the high and low prices for shares of Prime Finance, as reported by DSE and CSE sets forth for each quarter in the year 2016.

	Quarters	DSE		CSE	
		High	Low	High	Low
High low share price	First quarter	12.70	8.10	12.80	8.00
	Second quarter	8.90	7.90	8.90	7.70
	Third quarter	8.20	7.00	8.20	7.00
	Fourth quarter	9.80	7.70	9.70	7.90

No. of shareholders — There were 17,443 shareholders as per Share Register as on 31 December 2016.

37.0 RELATED PARTY TRANSACTIONS

Prime Finance in normal course of business carried out a number of transactions with other entities that fall within the definition of related party mentioned in Bangladesh Accounting Standard 24: Related Party Disclosures. At 31 December 2016, there were no loans/leases to related parties that were non-performing.

Total on-balance sheet exposure with the related parties as at 31 December 2016 was as under:

Name of the related party	Relationship	Nature of transaction	2016 Ourstanding receivable/ (payable)
Prime Islami Life Insurance Company Limited	Common Directors	Term deposit	(8,046,615)
PFI Properties Limited	Common Directors	Term finance	55,882,008
Prime Finance Asset Mgt Company Limited	Associate Company	Term deposit	(25,000,000)
PFI Securities Limited	Associate Company	Term finance	2,779,467,881
Prime Finance Capital Management Limited	Subsidiary Company	Term finance	1,573,011,440
Total			**4,375,314,714**

	2016	2015
Key management personnel		
Managing Director's salary and allowance	8,400,000	8,400,000
	8,400,000	**8,400,000**

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

As on 31 December 2016 no such contract exists.

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

As on 31 December 2016 no share issue exists.

37.3 Lending policy to related parties

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

37.4 Investment in the securities of directors and their related concern

As on 31 December 2016 no such investments exists.

38.0 PARTICULARS OF THE DIRECTORS

Sl. No.	Directors	Nominated by	Designation	Address	% of shares as at 31 December 2016
1.	Mr. Md. Aminul Haque	Acorn Limited	Chairman	Acorn Limited, Plot-68, Block-H, Road-11, Level-5, Banani, Dhaka.	9.13
2.	Mrs. Sabiha Khaleque	Maksons (Bangladesh) Ltd.	Director	SW(A)-25, Gulshan Avenue Gulshan-1, Dhaka	7.83
3.	Mr. K. M. Mobarak Hossain	Khaled Textile Mills Ltd.	Director	GETCO Group, 26, Shyamoli, Mirpur Road, Dhaka-1207	8.38
4.	Mr. Waheed Mahmud Khaled	Mawsons Limited	Director	House # 63, Avenue # 5, Block # A, Section # 6, Mirpur, Dhaka-1216.	2.07
5.	Mr. Mohammad Masudur Rahim	East Coast Shipping Lines Ltd.	Director	East Coast Centre, SW(G), 8 Gulshan Avenue, Gulshan-1, Dhaka-1212.	8.94
6.	Mr. Manzur Ahmed	Agami Apparels Ltd.	Director	Flat# 1/D, House # 28, Road # 9/A Dhanmondi R/A Dhaka –1209	8.47
7.	Mr. Qazi Saleemul Huq	GQ Enterprise Ltd.	Director	331/2 Tajuddin Ahmed Swaroni, Bara Maghbazar, Dhaka-1217	8.50
8.	Mr. Tauseef Iqbal Ali	N/A	Director	House # CEN-C2, Road # 95, Gulshan-2, Dhaka-1212.	2.00
9.	Prof. Dr. Parimal Chandra Datta	N/A	Independent Director	Flat # G-15, Z.A. Tower, 115 Shantinagar, Dhaka-1217	NIL
10.	Mr. Kazi Md. Mortuza Ali	N/A	Independent Director	6/1, Eskaton Garden, Triumph Tower, Flat No. B-8, Dhaka - 1217.	NIL

39.0 DIRECTORS AND THEIR ENTITIES IN WHICH THEY HAVE INTEREST

Sl. No	Name of the Directors	Designation	Entities where they have interest
1	Mr. Md. Aminul Haque	Chairman	1 Acorn Limited 2 Asia Gate Ltd. 3 Fareast Stocks & Bonds Ltd. 4 B-Trac Engineering Ltd. 5 Prime Prudential Fund Ltd. 6 THANE Technology 7 Bangla Trac Oil & Gas Ltd. 8 Anirban Enterprise Ltd. 9 Bangla Trac Power Ltd.

2	Mrs. Sabiha Khaleque	Director	1 2 3	Prime Insurance Company Limited Maksons Associates Limited Maksons (Bangladesh) Limited
3	Mr. K. M. Mobarak Hossain	Director	1 2	GETCO Digital Prime Islami Securities Ltd.
4	Mr. Waheed Mahmud Khaled	Director	1 2 3 4	Mawsons Limited Prime Finance Capital Management Limited Everest Homes Ltd Everest Trading Ltd.
5	Mr. Mohammad Masudur Rahim	Director	1 2	Radiant Alliance Ltd. Bangladesh Trade Syndicate Ltd.
6	Mr. Manzur Ahmed	Director	1	PFI Securities Limited
7	Mr. Qazi Saleemul Huq	Director	1 2 3 4 5	GQ Industries Ltd. Maladesh International (Pvt) Ltd. GQ Foods Limited GQ Enterprise Ltd. GQ Ball Pen.
8	Mr. Tauseef Iqbal Ali	Director	1	Nouvelle Securities Limited
9	Prof. Dr. Parimal Chandra Datta	Independent Director	1	Prime Finance Capital Management Limited
10	Mr. Kazi Md. Mortuza Ali	Independent Director	1 2	Prime Finance Capital Management Limited Usmania Glass Sheet Factory Limited

40.0 DISCLOSURES ON THE BOARD AUDIT COMMITTEE

Composition and qualification:

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

Name	Status with the Company	Status with the Committee	Educational Qualification
Prof. Dr. Parimal Chandra Datta	Independent Director	Chairman	M. Com, Ph. D in Accounting & Finance from Preston University, USA
Mrs. Sabiha Khaleque	Director	Member	Bachelor of Science
Mr. K. M. Mobarak Hossain	Director	Member	Graduate of Australian Institute of Business Adelaide, Australia
Mr. Waheed Mahmud Khaled	Director	Member	Masters in International Banking and Finance from University of Greenwich, London, UK
Mr. Manzur Ahmed	Director	Member	Bachelor of Commerce

Audit Committee meetings held during the year:

SL	Meeting no.	Meeting date
1	67 no. Audit Committee Meeting	18-Feb-2016
2	68 no. Audit Committee Meeting	14-May-2016
3	69 no. Audit Committee Meeting	28-Jul-2016
4	70 no. Audit Committee Meeting	27-Oct-2016

The Committee discussed the following issues during the year:

a) Reviewed the draft financial statements of the Company and its Subsidiary.
b) Recommended the Board for appointment of statutory auditors and fixation of their remuneration.
c) Reviewed the effectiveness of external audit process.
d) Reviewed the Internal Audit Plan.
e) Reviewed and approved the 'Audit Committee Report'.
f) Reviewed the quarterly financial statements.
g) Reviewed the quarterly report on compliance of internal policy and operations report.

41.0 CONTINGENT LIABILITIES & OTHER COMMITMENTS

	Amount in Taka	
	2016	**2015**
Contingent liabilities:	-	-
Other commitments:		
Un-disbursed contracted loans, advances and leases	117,000,000	281,182,425
	117,000,000	**281,182,425**

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

42.0 LEGAL PROCEEDINGS

The Company is not currently a defendant or a plaintiff in any material lawsuits or arbitration. From time to time, however, the Company is involved as a plaintiff in some actions taken against the default clients in the ordinary course of business for non-payment of rentals/installments. We believe that the ultimate dispositions of those matters will be favorable and will have no material adverse effect on business, financial conditions or results of operations.

43.0 BOARD MEETINGS AND NUMBER OF DIRECTORS

During the year 2016, 10 (Ten) Board Meetings were held. As on 31 December 2016, there were 10 members in the Board, which include two Independent Director. As per FID circular no. 09 dated 11 September 2002, a non-banking financial institution shall have maximum 11 (eleven) Directors in the Board. The Managing Director is an ex-officio Director having no voting right.

44.0 NUMBER OF EMPLOYEES

A total number of 113 employees, including 18 sub staffs were employed in Company as at 31 December 2016. All the employees received salary of Taka 36,000 and above per annum during the year 2016.

45.0 REPORTING CURRENCY AND LEVEL OF PRECISION

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

46.0 IMPACT OF INFLATION AND CHANGING PRICES

Financial Institutions are affected differently by inflation than those of industrial ventures. While industrial and manufacturing companies generally have significant investments in inventories and fixed assets, financial institutions ordinarily do not have such investment. As a result, financial institutions are generally in a better position than industrial ventures to respond to inflationary trends by monitoring the spread between interest cost and interest income yields through adjustments of maturities and interest rates of assets and liabilities. Financial statements presented herein have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), which required the measurement of the financial position and operating results in terms of historical costs.

47.0 EVENTS AFTER THE REPORTING PERIOD

None as on 31 December, 2016

48.0 FOREIGN CURRENCY EXPOSURE PROFILE

There were no foreign currency monetary assets or liabilities that would give rise to gains or losses in the profit and loss account.

49.0 COMPARATIVE FIGURES

Comparative information in respect of the preceding period as specified in BAS 1, para 38 has been disclosed in respect of the year 2016 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Previous years figures have been rearranged whenever considered necessary to ensure comparability with the current period.

50.0 FINANCIAL HIGHLIGHTS

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

51.0 GEOGRAPHICAL AREA OF OPERATION

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

52.0 INTERIM FINANCIAL REPORTING

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

53.0 DISAGREEMENT WITH AUDITORS

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

54.0 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.

55.0 DEPARTURE FROM BAS 39

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

56.0 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors of the Company on 20 February, 2017.

Company Secretary | Managing Director | Director | Chairman

Schedule of fixed assets Including premises, furniture and fixtures

as at 31 December, 2016

Annexure-A

(Figures in Taka)

Particulars	Cost				Depreciation/Amortization/Impairment					
	Balance as at Jan' 01, 2016	Addition during the year	Disposal/ adjustment during the year	Balance as at Dec' 31, 2016	Rate of depreciation/ amortization	Balance as at Jan' 01, 2016	Charged during the year	Disposal/ adjustment during the year	Balance as at Dec' 31, 2016	Written down Value as at Dec' 31, 2016
Freehold assets:										
Land	305,151,022	-	-	305,151,022	-	-	-	-	-	305,151,022
Furniture and fixtures	18,269,818	241,342	256,686	18,254,474	15% -20%	11,858,139	1,360,849	145,852	13,073,136	5,181,338
Office decoration	25,971,748	9,038,563	-	35,010,311	20%	15,247,120	4,767,652	-	20,014,772	14,995,539
Electrical equipment	29,637,837	2,306,221	93,314	31,850,744	20%	18,998,374	3,566,054	93,314	22,471,114	9,379,630
Owned vehicles	12,041,694	4,585,650	-	16,627,344	20%	8,772,160	1,414,621	-	10,186,781	6,440,563
Intangible assets:										
Software	2,080,850	527,636	-	2,608,486	10%	1,368,186	133,349	-	1,501,535	1,106,951
Leasehold assets:										
Leased vehicles	12,197,061	-	-	12,197,061	20%	11,485,219	711,837	-	12,197,056	5
As at 31 December 2016	**405,350,030**	**16,699,412**	**350,000**	**421,699,442**		**67,729,198**	**11,954,362**	**239,166**	**79,444,394**	**342,255,048**
As at 31 December 2015	**388,872,118**	**16,602,912**	**125,000**	**405,350,030**		**57,791,698**	**9,972,546**	**35,046**	**67,729,198**	**337,620,832**

TAMARSTOCK

HIGHLIGHTS

Annexure - B

Sl. No	Particulars	Financial Year 2016	2015
1	Paid-up capital	2,729,164,830	2,729,164,830
2	Total capital	3,576,965,453	4,635,170,795
3	Capital surplus/ (shortage)	1,563,964,125	2,316,668,987
4	Total assets	18,914,000,885	19,773,635,575
5	Total deposits	9,016,194,779	9,544,207,157
6	Total loans, advances and leases	14,800,363,094	14,362,636,774
7	Total Contingent liabilities and commitments	117,000,000	281,182,425
8	Loans deposits ratio (%)	164.15	150.49
9	Percentage of classified loans against total loans, advances and leases	12.04	10.20
10	Net profit after tax and provision	(949,665,794)	(427,494,889)
11	Classified loans, advances and leases during the year	1,558,024,571	1,259,320,377
12	Provision against classified loans, advances and leases	495,496,097	224,706,415
13	Surplus/ (shortage) in provision against loans, advances and leases	-	-
14	Fund cost (%)	8.38	10.44
15	Interest earning assets	18,003,764,755	18,924,872,100
16	Non-interest earning assets	910,236,130	848,763,475
17	Return on average investment (ROI) (%)	(5.72)	(2.59)
18	Return on average assets (ROA) (%)	(4.86)	(2.19)
19	Income from debentures, bonds etc.	-	-
20	Net income per share	(3.48)	(1.53)
21	Earnings per share	(3.48)	(1.53)
22	Price earnings ratio (times)	(2.82)	(7.46)

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

AMAR STOCK



Prime Finance Capital Management Ltd.
Directors' Report

for the financial year 2016

Dear Shareholders,
The Directors have the pleasure in presenting their Report with the audited financial statements of the Company for the year ended on 31 December 2016 together with the Auditors' Report thereon for consideration and approval of our valued Shareholders. These Reports were approved by the Board of Directors of the Company on 20 February 2017.

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

Capital market scenario

Despite the various initiatives undertaken following the 'boom and bust' of December 2010, the capital market has yet to regain its lost momentum. Major indicators related to primary and secondary markets reveal a rather depressed scenario. The Dhaka Stock Exchange (DSE) index (DSEX and DGEN) has been hovering around 4,000-5,500 over the last two years, with a decelerating trend being observed in the associated indices since early June 2015. Declining confidence among investors has adversely impacted the daily market turnover. In July-May FY2015-16, daily turnover came down to less than Tk. 3,000 million. But in January 2017, the daily turnover came up to around Tk. 22,000 million.

Since the beginning of FY 2015-16, the DSEX index fell by 283.94 points, with it currently standing at 5621.27 (as of 25 January 2017). In January 2017, the DSEX reached a peak of 5708.24, but continued to ups and downs, with the index rising above 5,500 points by January 2017. Market capitalization has also gone up during this period, having experienced an accelerating trend since December 2016. As on 24 January 2017, market capitalization stood at Tk. 3,771.72 billion, approximately 24.91% of the estimated GDP of the country for FY2014-15 (at market price). The number of Beneficiary Owners (BO) accounts operating in the capital market fell significantly after the market collapse, from 3.4 million in March 2011 to 2.79 million in December 2013, although since 2015 it has experienced a gradual rise.

Industry outlook

It is very difficult to say that the merchant banks are performing well in 2016. Actually most of the merchant banks are concentrating on portfolio management, issue management and underwriting, the very primary jobs of a merchant bank. The job of corporate adviser, which may have a broader explanation, is almost untouched by any of the merchant banks. The merchant bank, which is the unit of any sort of a financial institution, has an edge over other merchant banks. It may be mentioned here that out of total 55 merchant banks only 9 companies floated IPOs were found active during the period 2016. In underwriting income commercial banks can take a share by acting as underwriters of the IPOs along with the licensed merchant banks and hence income from underwriting business for a merchant bank reduces further.

Company outlook

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

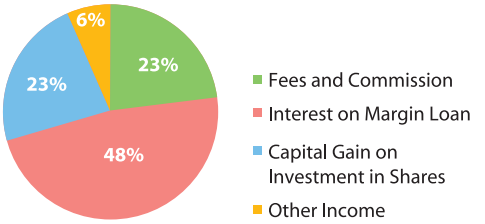
Principal activities

The main objectives of the company are to carry out business of merchant banking in all respect, including acting as manager to the issues and offers, whether by way of public offer or otherwise, of securities, underwriting and/or management of issues, managing portfolio of investors whether discretionary or nondiscretionary, advising clients on merger and amalgamation, capital restructuring etc.

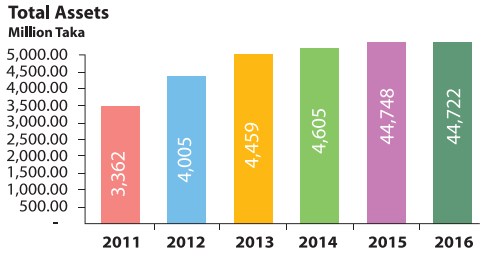
Operational performance

The Company reported net profit after tax attributable to equity holders of the Company of Tk. 2,348,550 for the year 2016 against Tk. (25,855,270) for the year 2015. The Company has made a provision of Tk. 3,910,980 as income tax. Total investment of the Company as margin loan was Tk.3,427,831,533 and investment in shares including unquoted shares was Tk. 477,136,125 in the year 2016.

Revenue Composition 2016



Total Assets



Fixed assets addition

During the year 2016 total fixed assets stood at Tk. 17,899,504 compared to Tk. 22,693,415 in 2015. In the current year, addition of fixed assets was for Tk. 839,211 and disposal of fixed assets was Tk. 118,000.

Reserve & surplus

The reserve & surplus of the Company includes retained earnings only. As on 31 December 2016 balance of retained earnings stood at Tk.(16,707,606) which was Tk. (19,056,156) on 31 December 2015.

Dividend

The Company's Profitability Status is not in a position to pay out dividend. The Board in its meeting held on February 20, 2017 recommended "No" dividend for the year 2016.

Book closure

According to Section 42 of the Companies Act 1994, a Company may on giving seven day's previous notice by advertisement in some newspaper circulating in the district in which the registered office of the company is situated close the register of members for any time or times not exceeding on the whole forty-five days in each year but not exceeding thirty days at a time. Accordingly, Register of Members and Share Transfer Book of the Company will remain closed on 12 March 2017.

Annual General Meeting

The 7th Annual General Meeting of the Company will be held on 28 March 2017 to transact the following ordinary businesses:

- To receive, consider and adopt the audited financial statements of the Company for the year ended on 31 December 2016 including the reports of the Directors and the Auditors;
- To declare dividend for the year ended 2016 as recommended by the Board of Directors;
- To elect/ re-elect Directors in terms of the relevant provision of the Articles of Association of the Company;
- To appoint the statutory auditors for the year 2017 and fixation of their remuneration.

Auditors

M. M. Rahman & Co., Chartered Accountants of 17-18 Hossain Housing Society, Shyamoli, Dhaka-1207, was appointed as the Auditors of the Company for the year 2016 in the 6th Annual General Meeting. The Auditors will retire in the 7th Annual General Meeting. Being eligible under Section 212 of the Companies Act 1994, the Auditors have consented to continue their office for the year 2017. The Board recommended to the Shareholders to re-appoint the existing Auditors for the year 2017 at a remuneration of Tk. 55,000/- plus VAT.

Retirement and appointment of Directors Retirement by rotation:

As per Article-126 of the Articles of Association of the Company, one-third of the total number of Directors for the time being, shall retire from the office in every Annual General Meeting. As per Article-128 of the Articles of Association of the Company, the retiring Directors are eligible for re-election.

Accordingly, following Directors as per Article 126 of the Article of Association of the Company shall retire by rotation from the Board in the 7th Annual General Meeting:

a) Mr. Waheed Mahmud Khaled
b) Mr. Rubaiyat Khaled
c) Mr. Ahsan Kabir Khan
d) Mr. Uzzal Kumar Saha

As per Article 128 of the Article of Association of the Company the retiring directors are eligible for re-election. Hence, the Board recommended for re-appointment of the retiring directors in the 7th Annual General Meeting of the Company.

Compliance of corporate governance

The Company has complied with condition no. 5 of the Corporate Governance Guideline imposed by Bangladesh Securities and Exchange Commission vide their notification no.SEC/CMRRCD/2006/134/Admin/44dated7August2012.

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 2016 that has significantly affected or may significantly affect the operations of the Company.

Conclusion

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

Finally, we are thankful to you for having confidence on us. Your continued support is the driving force behind the growth and development of our business. Thanks to the commitment, dedication and hard work of the Company's employees who are core to our success. I also take this opportunity to recall with appreciations the support and cooperation we have received from our shareholders, clients, government agencies, regulatory bodies and everyone with whom the Company is connected to in conducting its affairs and business.

On behalf of the Board,

Rubaiyat

Rubaiyat Khaled
Chairman
Board of Directors
Prime Finance Capital Management Limited

M. M. RAHMAN & CO.
SINCE 1958
CHARTERED ACCOUNTANTS
M. Obaidur Rahman, FCA
Rafiqul Islam Khan, FCA
Md. Shah Alam Mridha, FCA

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Independent Auditors' report
To the Shareholders
Of
Prime Finance Capital Management Limited

We have audited the accompanying financial statements of Prime Finance Capital Management Limited (the Company), which comprise the statement of financial position as at 31 December 2016, the statement of comprehensive income and statement of cash flows for the year then ended, 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 misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstance.

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 misstatements.

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 financial statements, whether due to fraud or error. In making those risks 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 preparation 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 financial position of Prime Finance Capital Management Limited as of 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh financial reporting Standards (BFRS) and comply with 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 the belief were necessary for the purposes of our audit and made due verification thereof;

b) In our opinion, proper books of accounts 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 financial position and statements of comprehensive income dealt with the report are in agreement with the books of accounts and returns; and

d) The expenditure incurred was for the purpose of the company's business.

Dated: 20 February 2017

M. M. RAHMAN & CO.
Chartered Accountants

Prime Finance Capital Management Limited

Statement of financial position

as at 31 December

(Figures in Taka)	2016	2015	Notes
Non-current assets			
Property, plant and equipment	17,899,504	22,693,415	4
Investment in shares	477,136,125	375,134,309	5
Deferred tax assets	2,085,741	1,324,312	
Total non-current assets	**497,121,370**	**399,152,036**	
Current assets			
Margin loan	3,427,831,533	3,616,251,842	6
Advance, deposit and prepayment	387,361,393	371,166,209	7
Accounts receivable	384,860,453	360,306,469	8
Cash and cash equivalents	25,078,097	1,352,263	9
Total current assets	**4,225,131,477**	**4,349,076,782**	
Total assets	**4,722,252,847**	**4,748,228,818**	
Shareholders' equity			
Share capital	2,032,800,000	2,032,800,000	10
Retained earnings	(16,707,606)	(19,056,156)	11
	2,016,092,394	**2,013,743,844**	
Non-current liabilities			
Term loan-long term maturity	64,714,210	36,749,609	12
Total non-current liabilities	**64,714,210**	**36,749,609**	
Current liabilities			
Margin deposit	26,358,146	21,149,950	13
Current account with Parent Company	1,573,011,440	1,597,011,440	14
Term loan-short term maturity	77,243,053	139,814,036	12
Short term loan	339,907,616	298,026,713	15
Overdraft facility	148,572,766	136,655,507	16
Corporate tax liability	307,421,058	303,510,078	17
Accounts payable	18,618,575	32,479,320	18
Other payables and accruals	150,313,588	169,088,321	19
Total current liabilities	**2,641,446,242**	**2,697,735,365**	
Total shareholders' equity and liabilities	**4,722,252,847**	**4,748,228,818**	

The annexed notes 1 to 34 form an integral part of these financial statements

Chairman | Director | Director | Managing Director & CEO

Dhaka, 20 February 2017

As per our annexed report of same date.

M.M. Rahman & Co.
Chartered Accountants

Prime Finance Capital Management Limited

Statement of Comprehensive Income

for the year ended on 31 December

(Figures in Taka)	2016	2015	Notes
Operating income			
Fees and commission	25,150,484	54,023,107	20
Interest on margin loan	51,985,037	286,270,000	21
Capital gain on sale of listed shares	25,271,652	18,796,739	22
Other income	6,985,575	6,254,420	23
Total operating income	**109,392,747**	**365,344,267**	
Operating expenses			
Financial expenses	37,523,931	310,249,525	24
Management expenses	63,193,277	70,372,524	25
Total operating expenses	**100,717,208**	**380,622,048**	
Profit before provision and tax	**8,675,539**	**(15,277,782)**	
Provision for doubtful loss	3,177,437	8,553,961	26
Profit before tax	**5,498,102**	**(23,831,743)**	
Provision for Taxation:			
Current tax	3,910,980	2,798,120	27
Deferred tax	(761,429)	(774,593)	
	3,149,551	2,023,527	
Profit after tax	**2,348,550**	**(25,855,270)**	

The annexed notes 1 to 34 form an integral part of these financial statements

Chairman	Director	Director	Managing Director & CEO

Dhaka, 20 February 2017

As per our annexed report of same date.

M.M. Rahman & Co.
Chartered Accountants

Prime Finance Capital Management Limited

Statement of Changes in Equity

for the year ended on 31 December

(Figures in Taka)	Share capital	Retained earnings	Total
Balance as at 1 January 2016	**2,032,800,000**	**(19,056,156)**	**2,013,743,844**
Profit after tax for the period	-	2,348,550	2,348,550
Balance as at 31 December 2016	**2,032,800,000**	**(16,707,606)**	**2,016,092,394**
Balance as at 1 January 2015	**1,936,000,000**	**103,599,114**	**2,039,599,114**
Bonus dividend for the year 2014	96,800,000	(96,800,000)	-
Profit after tax for the period	-	(25,855,270)	(25,855,270)
Balance as at 31 December 2015	**2,032,800,000**	**(19,056,156)**	**2,013,743,844**

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Prime Finance Capital Management Limited

Statement of Cash flows

for the year ended on 31 December

(Figures in Taka)

		2016	2015
A.	**Cash flows from operating activities**		
	Net received from/(payment to) portfolio customers	58,870,961	(69,740,553)
	Net received from brokers	207,362,008	281,148,818
	Fees and commission receipt	4,557,364	3,663,741
	Payment for management expense	(61,222,542)	(58,036,942)
	Received of dividend income	6,919,076	4,592,229
	Received of interest income	44,524	52,591
	Bank charge paid	(64,238)	(97,678)
	Tax paid	(1,621,227)	(982,520)
	Net Cash flows from/ (used in) operating activities	**214,845,925**	**160,599,686**
B.	**Cash flows from investing activities**		
	Payment against fixed assets	(1,139,970)	(35,143,450)
	Received against/ (payment for) employees car loan/home loan	(1,400,000)	(1,400,000)
	Net received from/(payment for) investment in shares/bond	(84,940,505)	20,705,579
	Net cash flows from/ (used in) investing activities	**(87,480,475)**	**(15,837,871)**
C.	**Cash flows from financing activities**		
	Net payment against term loan	(45,357,645)	(103,653,860)
	Net received from PFI Securities	-	33,843,473
	Payment for financial expenses	(45,954,479)	(46,617,589)
	Net Received against/ (payment for) other loan	(244,750)	(23,830,556)
	Net received from/ (payment for) overdraft facility	11,917,259	(11,687,880)
	Net loan payment to inter company	(24,000,000)	(15,037,673)
	Net cash flows from/ (used in) financing activities	**(103,639,615)**	**(166,984,085)**
D.	**Net cash flows for the period (A+B+C)**	**23,725,835**	**(22,222,270)**
E.	**Opening cash and cash equivalents**	**1,352,262**	**23,574,532**
F.	**Closing cash and cash equivalents (D+E)**	**25,078,097**	**1,352,262**

1. **Reporting entity**

Prime Finance Capital Management Limited ("the Company") is a public limited company incorporated on 18 March 2010 in Bangladesh under the Companies Act 1994. The Company has obtained Merchant Banking license (registration certificate no. MB-50/2010) from Bangladesh Securities and Exchange Commission (BSEC) on 29 November 2010. The main objectives of the Company are to carry on business of merchant banking in all its respect, including acting as manager to issues and offers, whether by way of public offer or otherwise, of securities, underwriting and/or management of issues, managing portfolio of investors whether discretionary or non-discretionary, advising clients on merger and amalgamation, capital restructuring etc. The registered office of the Company is situated in Bangladesh.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), the Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules 1996, and as per the requirements of the Companies Act 1994 and other applicable laws and regulations.

These financial statements were authorised for issue by the Board of Directors on 20 February 2017.

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis under historical cost convention.

2.3 Functional and presentational currency

These financial statements are presented in Bangladesh Taka (Taka/Tk.), which is the company's functional currency. All financial information presented in Taka has been rounded off to the nearest integer.

2.4 Use of estimates and judgments

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis.

2.5 Reporting period

The financial statements of the Company covers one year period from 1 January 2016 to 31 December 2016.

3. Significant accounting policies

The accounting policies set out below have been applied consistently (otherwise as stated) to all periods presented in these financial statements.

3.1 Property, plant and equipment

3.1.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of property, plant and equipment and bringing to the location and condition necessary for it to be capable of operating in the intended manner. The cost of self constructed asset included the cost of material and direct labor, 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.
Office decoration 15% p.a.

For addition, depreciation is charged for full month in the month of purchase. In case of disposal of asset, no depreciation is charged in the month of disposal. Upon retirement of assets, the cost and related accumulated depreciation are eliminated from the accounts and resulting gain or loss is charged or credited to statement of comprehensive income.

3.2 Investment in shares

Investments are stated at cost. Dividend is accounted for as income when right to receive is established.

3.3 Accounts receivable

Accounts receivable are considered good and realizable.

3.4 Employee benefits

The Company operates a non-funded gratuity scheme, provision in respect of which is made annually for all eligible employees. Gratuity payable to all eligible employees at the end of each year has been determined on the basis of existing rules and regulations of the Company, actuarial valuation is not hence deemed essential.

The Company also maintains a contributory provident fund for its permanent employees which is administered by the Board of Trustees.

3.5 Financial instruments

Financial instrument includes non-derivative financial instruments such as cash and cash equivalents, receivables, payables etc.

3.6 Provisions

Provision is recognized in the balance sheet when the Company has a legal or constructive obligation

as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation as per the BAS-37 'Provisions, contingent liabilities and contingent assets'.

3.7 Revenue recognition

Revenue is recognized in accordance with Bangladesh Accounting Standards (BAS) 18: 'Revenue', unless otherwise mentioned or otherwise guided by the separate BAS/BFRS.

3.7.1 Income from margin loan

Income from margin loan is recognized on accrual basis. Such income is calculated considering daily margin loan balance of the respective parties. Income is recognized on quarterly rest.

3.7.2 Income from portfolio management fee

Income from portfolio management fee is recognized on accrual basis. Such income is calculated considering daily portfolio balance of the respective parties. Income is recognized on quarterly rest.

3.7.3 Income from issue management fee, underwriting commission and corporate advisory fee

Income from issue management fee, underwriting commission and corporate advisory fee are recognized as income when invoices are raised and accepted by the customers.

3.7.4 Capital gain on listed shares

Capital gain is recognized on the basis of realization. Unrealized gain/losses are not recognized in the statement of comprehensive income.

3.8 Taxation

3.8.1 Current tax

Provision for income tax is made on the basis of the Company's computation based on best estimate of taxable profit as per requirement of the Finance Act 2015. Applicable tax rate for the Company as a Merchant Bank is 37.5%.

3.8.2 Deferred tax

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they revised, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.9 Events after the balance sheet date

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

(Figures in Taka)

		2016	2015
4	**Property, plant and equipment**		
	A. Cost		
	Opening	38,382,891	40,733,441
	Addition during the year	839,211	143,450
	Disposal during the year	(118,000)	(2,494,000)
	Closing balance	**39,104,102**	**38,382,891**
	B. Accumulated Depreciation		
	Opening	15,689,475	10,289,897
	Addition during the year	5,597,722	6,646,578
	Disposal during the year	(82,600)	(1,247,000)
	Closing balance	**21,204,597**	**15,689,475**
	C. Written Down Value (A-B)	**17,899,504**	**22,693,415**

Details of Property, Plant & Equipment is stated in Schedule - A

5	**Investment in shares**		
	Quoted shares	425,736,125	343,734,309
	Un-quoted shares (Note-5.1)	51,400,000	31,400,000
		477,136,125	**375,134,309**
5.1	**Un-quoted shares**		
	Bengal Meat Processing Industries Limited	5,000,000	5,000,000
	PFI Properties Limited	46,400,000	26,400,000
		51,400,000	**31,400,000**
6	**Margin loan**		
	Margin loan	3,427,831,533	3,616,251,842
		3,427,831,533	**3,616,251,842**

Margin loan represents outstanding loan balance provided to portfolio clients against margin deposit. Margin loan is provided as per the guidelines of Bangladesh Securities and Exchange Commission.

7	**Advance, deposit and prepayment**		
	Advance income tax (Note-7.1)	289,712,549	288,091,322
	Advance for investment in shares	30,530,282	18,316,226
	Other advances (Note-7.2)	67,118,562	64,758,661
		387,361,393	**371,166,209**
7.1	**Advance income tax**		
	Balance as at 1 January	288,091,322	287,108,802
	Add:	-	
	Advance income tax paid u/s-64 of Income Tax Ordinance, 1984	-	-
	Tax deducted at source during the year	1,621,227	982,520
		289,712,549	**288,091,322**
	Less:		
	Adjustment for completed assessment year	-	-
	Balance as at 31 December	**289,712,549**	**288,091,322**

(Figures in Taka)

		2016	2015
7.2	**Other advances**		
	Advance against employee house building finance (Note-7.2.1)	19,016,960	14,746,559
	Advance against employee car finance (Note-7.2.1)	2,411,120	1,263,892
	Other advances	45,690,482	48,748,210
		67,118,562	**64,758,661**

7.2.1 As per Company's service rules and regulations, the Company provides house building finance and car finance facilities to the employees. The house building finance and car finance shall be adjusted in 15 years and 6 years respectively.

8	**Accounts receivable**		
	Receivable from PFI Securities Limited	375,015,740	318,698,082
	Receivable from Vision Capital Management Limited	1	32,696,655
	Receivable from Fareast Stock and Bonds Limited	5,058,598	-
	Other receivables	4,786,114	8,911,732
		384,860,453	**360,306,469**

Receivable from PFI Securities Limited includes interest bearing loan given to PFI Securities Limited, the sister-concern of Prime Finance Capital Management Limited.

9	**Cash and cash equivalents**		
	Cash in hand	21,663	10,971
	Balance with banks:		
	Mutual Trust Bank Ltd., Dilkusha branch-Short term deposit	122,113	123,003
	Shahjalal Islami Bank Ltd., Dhaka main branch-Short term deposit	109,080	93,940
	Shahjalal Islami Bank Ltd., Dhaka main branch-Short term deposit	23,787,894	287,242
	Shahjalal Islami Bank Ltd., Dhaka main branch-Short term deposit	57,993	647,938
	Shahjalal Islami Bank Ltd., Rajshahi Branch-Short term deposit	23,099	23,099
	Shahjalal Islami Bank Ltd., Dhaka main branch-Short term deposit	(1,565)	4,770
	NCC Bank Ltd., Dilkusha branch-Short term deposit	795,688	67,036
	First Security Islami Bank Ltd., Dilkusha branch-Short term deposit	30,608	31,007
	Dutch Bangla Bank Ltd., Local office branch-Short term deposit	110,168	38,907
	National Bank Ltd., Dilkusha Branch-Short term deposit	5,342	6,314
	National Bank Ltd., Motijheel Branch-Short term deposit	4,859	5,855
	Eastern Bank Ltd., Principal Branch-Short term deposit	11,154	12,181
		25,056,434	**1,341,292**
		25,078,097	**1,352,263**

10	**Share capital**		
	Authorized:		
	500,000,000 ordinary shares of Tk 10 each	5,000,000,000	5,000,000,000
	Issued and fully paid up:		
	100,000,000 ordinary shares of Tk. 10 each issued for cash	1,000,000,000	1,000,000,000
	60,000,000 ordinary shares of Tk. 10 each issued for cash as rights issue	600,000,000	600,000,000
	16,000,000 ordinary shares of Tk. 10 each issued as bonus share	160,000,000	160,000,000
	17,600,000 ordinary shares of Tk. 10 each issued as bonus share	176,000,000	176,000,000
	9,680,000 ordinary shares of Tk. 10 each issued as bonus share	96,800,000	96,800,000
		2,032,800,000	**2,032,800,000**

(Figures in Taka)

	2016	2015

10.1 The Company issued rights share @ 6R:10 (i.e. 6 rights for every 10 shares held) in 2012 after getting approval of Bangladesh Securities and Exchange Commission vide its consent letter no. SEC/CI/CPLC-258/2010/1819 dated 27 December 2012 . Allotment was subsequently made on 30 December 2012.

10.2 The Company issued bonus share @ 10% (i.e. 1 bonus for every 10 shares held) for the year 2012. Allotment was made on 27 December 2013 after getting approval of Bangladesh Securities and Exchange Commission vide its consent letter no. SEC/CI/CPLC-258/2010/2898 dated 17 December 2013.

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

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

10.5 Composition of shareholding

	No. of shares	Taka	Percentage
Prime Finance & Investment Limited	121,968,000	1,219,680,000	60.00%
Mr. K. M. Rakib Hasan	12,196,800	121,968,000	6.00%
Mr. Waheed Mahmud Khaled	9,338,175	93,381,750	4.59%
Mr. Nazim Asadul Haque	12,196,800	121,968,000	6.00%
Mr. Rubaiyat Khaled	7,830,900	78,309,000	3.85%
Mr. Tauseef Iqbal Ali	6,098,400	60,984,000	3.00%
Mr. Md. Aliuzzaman	600,600	6,006,000	0.30%
Syeda Tasnuva Khanam	6,098,400	60,984,000	3.00%
GQ Enterprise Limited	8,131,200	81,312,000	4.00%
Agami Apparels Limited	8,131,200	81,312,000	4.00%
Mr. Shahriar Khaled	7,830,900	78,309,000	3.85%
Ms. Sarwat Khaled Simin	2,858,625	28,586,250	1.41%
	203,280,000	**2,032,800,000**	**100%**

11 Retained earnings

Balance as at 1 January	(19,056,156)	103,599,115
Profit after tax transferred to retained earnings	2,348,550	(25,855,270)
Dividend for the year 2014	-	(96,800,000)
Balance as at 31 December	**(16,707,606)**	**(19,056,156)**

12 Term loan

This amount represents outstanding loan balance with International Leasing and Financial Services Limited

Sl.	Agreement	Date	Tenure	Rate	Short-term	Long-term maturity	Total
1	2-2299/13-0-1	7-Jun-16	60	13%	7,501,670	37,112,847	44,614,517
2	201391597-0-1	7-Jun-16	60	13%	5,849,506	27,601,363	33,450,869
	Total				**13,351,176**	**64,714,210**	**78,065,386**

This amount represents outstanding loan balance with Investment Corporation Bangladesh (ICB).

Sl.	Agreement	Date	Tenure	Rate	Short-term maturity	Long-term maturity	Total
1	2014-02-045-546	29-Dec-14	48	7.00%	63,891,877	-	63,891,877
Grand Total					**77,243,053**	**64,714,210**	**141,957,264**

(Figures in Taka)

		2016	2015
13	**Margin deposit**		
	Margin deposit	26,358,146	21,149,950
		26,358,146	**21,149,950**

14 Current account with Parent Company

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

15 Short term loan

This amount represents outstanding loan balance with BD Finance Limited. The tenure of the loan is 12 months which is renewable in nature. Rate of interest is 18.50%.

16 Overdraft facility

This amount represents outstanding overdraft balance with Midland Bank Limited. Tenure of loan is 1 year which is renewable in nature. Rate of interest is 13.50%.

17 Corporate tax liability

Opening Balance	303,510,077	300,711,958
Add: Povision during the year	3,910,980	2,798,120
	307,421,058	**303,510,077**
Less: Adjustment during the year	-	-
	-	-
	307,421,058	**303,510,077**

18 Accounts payable

Payable to Vision Capital Management Limited	-	32,479,320
Payable to PFI Securities Limited	14,046,589	-
Payable to Fareast Stock and Bonds Limited	4,571,986	-
	18,618,575	**32,479,320**

Accounts payable represents balance outstanding with brokerage houses arising from transaction on clients' account. These balances are confirmed by the respective brokerage houses.

19 Other payables and accruals

Interest payable	65,922,829	105,712,483
Audit fee payable	57,500	57,500
Suspense receipts PIA dividend income	5,493,249	3,391,508
Gratuity and super annuation fund payable	14,616,708	4,615,750
Provision for doubtful losses	22,206,281	19,028,844
Others	42,017,020	36,282,236
	150,313,588	**169,088,321**

20 Fees and commission

Issue management fee	2,861,250	1,915,980
Underwriting commission	655,510	497,761
Portfolio management fee	20,604,649	50,350,071
Corporate advisory fee	1,016,000	1,250,000
Service charge from IPO	13,075	9,296
	25,150,484	**54,023,107**

21 Interest on margin loan

Interest on margin loan includes interest earned on margin loan provided to portfolio investors against their margin deposit.

(Figures in Taka)

	2016	2015

22 Capital gain on sale of listed shares

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

23 Other income

Income from bank interest of STD accounts	43,499	52,591
Dividend income	6,919,076	4,592,229
Documentation fee	23,000	7,000
Interest income from investment in bond	-	269,129
Interest on home loan	-	1,333,471
	6,985,575	**6,254,420**

24 Financial expenses

Interest on loan	37,523,931	310,249,525
	37,523,931	**310,249,525**

25 Management expenses

Salaries and allowances	33,955,619	42,995,123
Legal and professional fees	49,284	219,850
Audit fee	57,500	57,500
CDBL charges	921,366	1,228,471
Office maintenances	2,672,799	2,404,828
Recruitment and human resources	89,750	165,000
Bank charges	98,987	97,678
Books and periodicals	37,220	31,461
Telephone, postage etc.	241,916	266,572
Stationeries	552,256	548,899
Directors' fees	200,010	246,116
Car allowances	520,000	297,915
Office rent	5,868,216	5,868,216
Motor vehicle expenses	1,022,663	655,807
Meeting expenses	35,090	45,913
Subscription and fees	182,963	234,510
Medical and employee welfare	2,069,673	1,601,126
Utility expenses	1,710,993	2,750,862
Business development and publicity	3,351,665	3,692,218
Brokerage commission and charges	3,932,187	317,881
Depreciation	5,597,722	6,646,578
Loss on disposal of fixed assets	25,400	-
	63,193,277	**70,372,524**

26 Provision for doubtful loss

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

27 Provision for Taxation

Current tax

Provision for tax has been made as per the requirement of Finance Act 2016.

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(Figures in Taka)

	2016		2015
Deferred tax			
Deferred tax asset is arrived at as follows:	**Carrying amount on balance sheet date Taka**	**Tax base Taka**	**Taxable/ (deductible) temporary difference Taka**
Year: 2016 (A)			
Property, plant and equipment	17,899,503	23,461,479	(5,561,976)
Applicable tax rate			37.5%
Deferred tax - asset			(2,085,741)
Year: 2015 (B)			**(1,324,312)**
Deferred tax income (A-B)			**(761,429)**

Related deferred tax income has been recognized in the statement of comprehensive income.

28 Contingent liabilities

None at 31 December 2016

29 Capital expenditure commitment

None at 31 December 2016

30 Claims against the company not acknowledged as debt

None at 31 December 2016

31 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 25.

32 Related party transaction

All transactions involving related parties arising in normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactios.

33 Events after the reporting period

No events has been occurred after the reporting period.

34 General

Previous year's figures have been re-arranged, wherever necessary, to conform to current year's presentation.

Schedule of Property, plant and equipment

As at 31 December 2016

Annexure A

Amount in Taka

Name of Assets	COST				Rate of	DEPRECIATION				Written Down
	Opening	Addition	Disposal	Total	Dep.	Opening	Addition	Disposal	Total	Value
Furniture & Fixture	17,926,415	485,834		18,412,249	15%-20%	5,542,633	2,771,254		8,313,887	10,098,362
Electrical Equipment	8,135,909	353,377	(118,000)	8,371,286	20%	3,800,656	1,546,244	(82,600)	5,264,300	3,106,986
Motor Vehicle	3,785,738			3,785,738	20%	3,785,737	-		3,785,737	1
Office Decoration	8,534,826			8,534,826	15%	2,560,448	1,280,224	-	3,840,672	4,694,154
As on 31 December 2016	**38,382,888**	**839,211**	**(118,000)**	**39,104,099**		**15,689,473**	**5,597,722**	**(82,600)**	**21,204,595**	**17,899,503**
As on 31 December 2015	**40,733,441**	**143,450**	**(2,494,000)**	**38,382,891**		**10,289,897**	**6,646,578**	**(1,247,000)**	**15,689,475**	**22,693,415**

FINANCIAL STOCK

PRIME FINANCE & INVESTMENT LIMITED

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

Notice of the 21st Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of the Shareholders of Prime Finance & Investment Limited will be held on Thursday, 30 March 2017 at 10:30 a.m. at PSC Convention Hall, Police Staff College Bangladesh, Mirpur-14, Dhaka to transact the following businesses:

AGM 17-21-01 : To receive, consider and adopt the audited financial statements of the Company for the year ended 31 December 2016 together with the reports of the Directors' and Auditors' thereon;

AGM 17-21-02 : To declare dividend for the year ended 2016 as recommended by the Board of Directors;

AGM 17-21-03 : To re-appoint the retiring Directors;

AGM 17-21-04 : To re-appoint Auditors and fixation of their remuneration;

Dated: 15 March 2017

By order of the Board of Directors,

Syed Moniruzzaman FCS
Company Secretary

Notes :

i. 14 March 2017 was the 'RECORD DATE' for determining rights of Shareholders to attend and vote at the meeting.

ii. Pursuant to Section 85 of the Companies Act, 1994, the Company gives notice that only the Shareholders whose names were entered in the Depository Register on record date will be entitled to attend and vote at the meeting and at any adjournment thereof.

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 Company Secretariat Department of the Company at 63 Dilkusha Commercial Area, Dhaka-1000 at least 72 hours before the time for holding the meeting. Completion of the Proxy form will not preclude a shareholder from attending and voting in person instead of his/her proxy.

iv. For convenience, the Shareholders/Proxy are requested to record their entry at AGM on 30 March 2017 in between 9:00 a.m. to 10:15 a.m.

As per BSEC Directive no. SEC/CMRRCD/2009-193/154 dated 24.10.2013 'No Gift, Gift Coupon or Food Box' shall be distributed to the Members at the 21st AGM.

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Prime Finance
& Investment Limited

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

Proxy Form

Proxy no. .....

(This form is for use at the 21st Annual General Meeting of Prime Finance & Investment Limited to be held on 30 March 2017)

I/We.....address:.....

.....of being a member of the Company do hereby appoint Mr./Ms.....address.....

to be my/ our proxy to attend and vote on my/our behalf at the 21st Annual General Meeting of the Company to be held on Thursday, 30 March 2017 at 10:30 a.m. at PSC Convention Hall, Police Staff College Bangladesh, Mirpur-14, Dhaka and at any adjournment thereof.

Signed this..... day of .....2017.

Number of shares held:.....

.....
Signature of the member

Dated:..... 2017

.....
Signature of the Proxy

Affix Revenue Stamp Tk. 20

Signature verified by

Authorized Officer
Prime Finance & Investment Limited

Notes: The proxy form, duly filled and stamped, must be deposited at the Company's registered office at least 72 hours before commencement of the AGM.

Prime Finance
& Investment Limited

Attendance Slip

Proxy no. .....

I/we do hereby record my/our attendance at the 21st Annual General Meeting of the Company to be held on Thursday, 30 March 2017 at 10:30 a.m. at PSC Convention Hall, Police Staff College Bangladesh, Mirpur-14, Dhaka.

Name of the Member/Proxy :

BO ID :

Number of shares held :

Signature of the Member/Proxy :

Date :

Signature verified by

Authorized Officer
Prime Finance & Investment Limited

Note : Members/Proxy/Attorney is requested to present this slip at the registration corner on the AGM date in between 9:00 a.m. to 10:15 a.m. Signature of the member must be in accordance with the specimen recorded with depository register.

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This annual report is also
available at our official web site
www.primefinancebd.com

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Prime Finance
& Investment Limited

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

Since its inception, Prime Finance has been committed to a set of core values that were embodied by the Company's founders and remains the cornerstone of our philosophy. These values shape everything we do-from how we develop and market our products to how we serve our customers, employees and communities.



AMAR STOCK

Future-oriented Statements

This proclamation is subject to the process of developing assumptions based on the ambiance. Postulations and estimates are based upon information available and known to management at the time of development, reflect current business and economic conditions, and assume a continuation of current governmental priorities and consistency in organizational mandate and strategic objectives. Much of the future-oriented financial information is based on these assumptions, best estimates and judgment and gives due consideration to materiality. At the time of preparation of these statements, management believes that the estimates and assumptions to be reasonable. However, as with all such assumptions, there is a measure of uncertainty surrounding them. This uncertainty increases as the forecast horizon extends.

The report also covers future-oriented statements is the form of endeavor, assumptions, expectations or forecasts. These statements are based on the plans, estimates, and predictions currently available to the management of Prime Finance. Future-oriented statements therefore only apply on the day on which they are made. We do not undertake any obligation to update such statements in light with new information or future events. By their nature, future-oriented statements contain risks factors and factors of uncertainty. A number of important factors can contribute to actual results deviating considerably from future-oriented statements. Such factors include but not limited to management of credit, market, liquidity & funding and operational risks; the strength of Bangladesh and global economies the effects of changes in monetary policy including change in interest rate policy of Bangladesh Bank, the effects of competition in the market in which we operate, the impact of changes in the laws and regulations regulating financial products and services; our ability to obtain accurate and complete information from and on behalf of our clients. Other factors that may affect future results include changes in our estimates relating to provision; timely development and introduction of new products, changes in tax law, natural disaster, political conditions and the reliability of our principles and procedures and method of risk managements as well as other risks associated with our business activity. We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relaying on our future-oriented statements to make decisions with respects to the company, investors and other should carefully consider the foreign factors and other uncertainties and potential events in or out of the country including macro and micro economies.