Annual Report 2017



Prime Finance
& Investment Limited

In search of new light

Letter of Transmittal

To
All Shareholders of Prime Finance & Investment Limited
Bangladesh Bank (BB)
Bangladesh Securities and Exchange Commission (BSEC)
Registrar of Joint Stock Companies & Firms of Bangladesh (RJSC)
Dhaka Stock Exchange Limited (DSE)
Chittagong Stock Exchange Limited (CSE)

Dear Sir,

Annual Report of Prime Finance & Investment Limited for the year 2017

We are pleased to present before you the Company's Annual Report 2017 along with the Audited Financial Statements (Consolidated and Separate) for the year ended on 31 December 2017 for your kind information and record. The Financial Statements of 'The Company' comprise with consolidated Financial Statements of 'The Company' and its subsidiary and associates [Prime Finance Capital Management Limited, and PFI Securities Limited, Prime Finance Asset Management Company Limited, and Prime Prudential Fund Limited] presented separately.

Yours Sincerely,

Md. Mohsin Reza Khan ACS
Company Secretary

AMARSTOCK

Prime Finance
& Investment Limited

Notice of the 22nd Annual General Meeting

Notice is hereby given to all Hon'ble Shareholders of Prime Finance & Investment Limited that the 22nd Annual General Meeting (AGM) of the Company will be held on Thursday, 28 June 2018 at 10:30am at PSC Convention Hall, Police Staff College Bangladesh, Mirpur-14, Dhaka to transact the following businesses:

AGM 18-22-01 : To receive, consider and adopt the audited Financial Statements for the year ended on 31 December, 2017 together with the Reports of the Directors' and Auditors' thereon;

AGM 18-22-02 : To declare Dividend for the year ended on 31 December, 2017 as recommended by the Board of Directors;

AGM 18-22-03 : To appoint or re-appoint of the Directors;

AGM 18-22-04 : To appoint Auditors and fix their remuneration.

Dated: Dhaka, 11 June 2018

By Order of the Board of Directors

Md. Mohsin Reza Khan ACS
Company Secretary

Notes :

i. 25 April 2018 was the RECORD DATE for determining rights of Shareholders to attend and vote at the meeting;

ii. Pursuant to the Section no. 85 of the Companies Act. 1994, the Company gives notice that only the Shareholders whose names were entered in the Depository Register on RECORD DATE will be entitled to attend and vote at the meeting and at any adjournment thereof;

iii. As per Article no. 47 of the Articles of Associations of the Company, a shareholder may appoint Proxy to attend and on a Poll, to vote instead of him/her. The instrument appointing a Proxy and the Power of Attorney, where applicable, must be received at the Company Secretariat Department of the Company at 63, Dilkusha, C.A., Dhaka-1000 at least 72 (seventy two) hours before the time for holding the meeting. Completion of the Proxy Form will not preclude a Shareholder from attending and voting in person instead of his/her Proxy;

iv. For convenience, the Shareholders/Proxies are requested to record their entry at AGM on 28 June 2018 in between 9:00 a.m. to 10:15 a.m.

As per BSEC circular no. SEC/CMRRCD/2009-193/154 dated 24.10.2013 "No Gift, Gift Coupon, or Food Box shall be distributed to the Members at the 22nd AGM."

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Our Vision & Mission

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

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

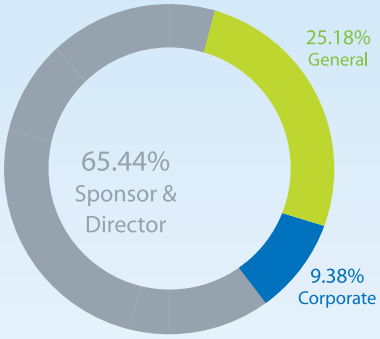
Our Mission is to-

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

Overview of the Company

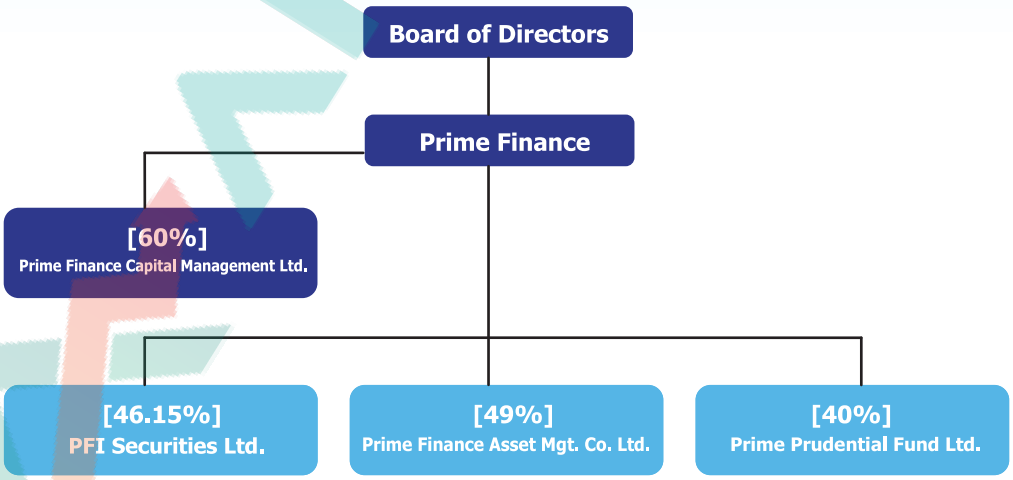
Prime Finance
& Investment Limited

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 Bangladesh Securities & Exchange Commission (BSEC) in July 1999, to operate in the capital market as a full-fledged Merchant Bank.



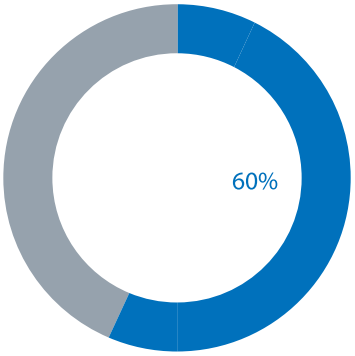
Shareholding Structure
as on December 31, 2017

The Company is listed with the Dhaka and the Chittagong Stock Exchange Limited. The registered office of the Company is located at 63, Dilkusha C.A., Dhaka-1000. The operations of the company are being carried out through its five branches located in Dilkusha, Gulshan, Uttara, Chittagong and Rajshahi. The Company is a nonbanking financial institution, principal activities of which 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.



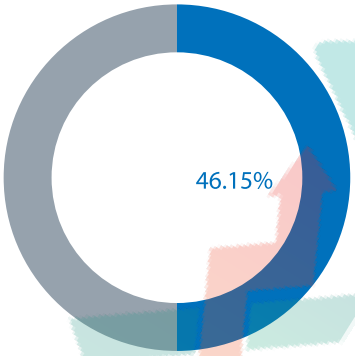
Prime Finance Capital Management Limited

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.



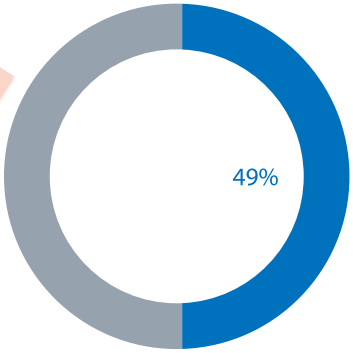
PFI Securities Limited

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 Bangladesh Securities & Exchange Commission. The company has been operating in the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited as stock broker since 01 December 2002 and stock dealer from 18 June 2008. The company is engaged primarily to provide the service to the institutions and individual investors for trading of securities with both the stock exchanges and to extend margin loan facilities to the investors.



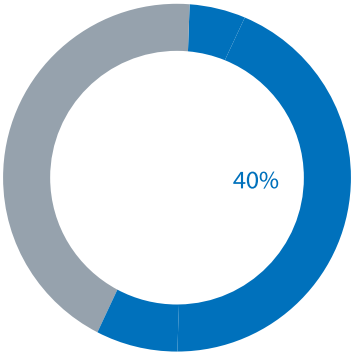
Prime Finance Asset Management Company Limited

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 BSEC. The main objective of the company is to manage the assets or any trust fund of any type and/or character and hold, acquire, sell or deal in such asset or any trust fund, take part in the management of any mutual fund operation. Prime Finance owns 49% shares in this company.



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

		2017	2016	2015	2014	2013
Results of operations						
Operating revenue	BDT mn	895.30	670.03	1,562.72	2,102.61	2,149.61
Operating expenses	BDT mn	1,344.19	1,610.37	1,982.38	1,606.18	1,680.42
Profit before tax	BDT mn	(448.90)	(940.34)	(419.66)	496.42	469.19
Net profit	BDT mn	(457.12)	(949.67)	(427.49)	469.73	370.68
Balance sheet and cash flow data						
Total investments	BDT mn	14,072.77	16,460.57	16,435.57	15,919.10	15,078.94
Total deposits	BDT mn	8,938.85	9,016.19	9,544.21	7,763.33	6,770.96
Total liabilities	BDT mn	14,038.33	15,322.11	15,232.08	13,156.43	12,089.98
Paid up capital	BDT mn	2,729.16	2,729.16	2,729.16	2,729.16	2,729.16
Shareholders' equity	BDT mn	3,134.76	3,591.89	4,541.55	5,310.19	5,249.84
Property, Plant and Equipment	BDT mn	350.42	360.15	360.31	361.52	325.24
Net operating cashflow	BDT mn	891.50	(911.23)	986.74	725.80	221.85
Business ratios and other financial ratios						
Statutory Liquidity Reserve (Ratio)(%)	%	14.35	6.69	17.92	10.15	10.11
Return on average assets (%)	%	(2.49)	(4.97)	(2.19)	2.77	2.81
Net Asset Value per share (times)	Times	8.52	10.21	13.69	16.47	16.38
Capital Adequacy ratio (%)	%	17.92	17.77	19.99	23.77	24.80
Cash Reserve Ratio (%)	%	3.34	2.57	2.54	2.58	2.59
Dividend covers ratio (times)	Times	-	-	-	1.27	0.73
Non performing assets to loans/leases (%)	%	12.44	12.04	10.20	5.86	7.63
Return on average investment (%)	%	(2.94)	(5.72)	(2.59)	3.20	3.13
Price earning ratio (times)	Times	(7.25)	(2.81)	(7.46)	13.50	24.37
Deposit investment ratio (%)	%	63.52	54.77	58.07	48.77	44.90
Ordinary shares information						
EPS	BDT	(1.68)	(3.48)	(1.53)	1.59	1.10
EPS (restated)	BDT	(1.68)	(3.48)	(1.53)	1.59	1.10
Dividend	%	0.00	0.00	0.00	12.50	15.00
Book value per share of Tk. 10	BDT	11.49	13.16	16.64	19.46	19.24
Ordinary shares outstanding of Tk. 10	BDT	272.92	272.92	272.92	272.92	272.92
Year end market price per share of Tk. 10	BDT	12.20	9.80	11.40	21.40	26.70
Market capitalisation	BDT mn	3,329.58	2,674.58	3,111.25	5,840.41	7,286.87
Others (at year-end)						
No. of branches	No.	05	05	05	05	04

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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: 77 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, Asian Gate Ltd., B-Trac Engineering Ltd., Bangla Trac Oil & Gas Ltd., Bangla Trac Power Unit -1 Ltd., Bangla Trac Power Unit -2 Ltd. and THANE Technology.



Mohammad Masudur Rahim, Director, Representing East Coast Shipping Lines Limited, Age: 47 years

He was first appointed to the Board on 09 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 obtained an MBA from East West University, Dhaka.

Tauseef Iqbal Ali, Director, Age: 47 years



Mr. Ali was first appointed to the Board on 07 September 1997 and last re-appointed on 30 March 2017.

He is Chairman of the Executive Committee of the Board 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). Prior to joining NSL Mr. Ali was the Manager of Fareast Finance & Investment Ltd, in Portfolio & Operation Management.

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.

Waheed Mahmud Khaled, Director, Representing Mawsons Limited, Age: 37 years



He was first appointed to the Board on 01 June 2014 and last re-appointed on 30 March 2017. 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.

Uzzal Kumar Saha, Director, Representing GQ Enterprise Ltd., Age: 43 years



Mr. Uzzal Kumar Saha one of the members of the Board of Directors of the Company nominated by GQ Enterprise Ltd. He is also the Chief Operating Officer (COO) of the Maladesh International (P) Ltd, In-Charge of GQ Ball Pen Industries Ltd, Head of Finance of GQ Group, Member of the Co-ordination Committee of GQ Group and Director of PFI Securities Ltd. and Prime Finance Capital Management Ltd.

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



Manzur Ahmed, Director, Representing Agami Apparels Limited Age: 53 years

He was appointed to the Board on 01 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.



Mrs. Sabiha Khaleque, Director, Representing Maksons (Bangladesh) Limited, Age: 57 years

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 and 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: 30 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.

Prof. Dr. Parimal Chandra Datta, Independent Director, Age: 70 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: 69 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 more than sixty 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



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

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

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

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

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

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



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

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

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

Mr. Islam obtained BBA and MBA from University of Dhaka having major in Accounting with an excellent academic record. 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 one of the Members of Management Committee of the Company. In her profound committed journey with Prime Finance she headed different departments of the company and now she is the Head of Credit Risk Management department leading the team with prudent competency. In addition to her regular responsibility she is also playing vital role in different committees of the Company.

After completion of her post graduation in majoring bank management from Bangladesh Institute of Bank Management she joined in the core marketing team of the company. She steps forward her career with interest in business development and mitigation of risk associated with new business formation as well as vast operational activities of the company. She is also playing pivotal role in branch co-ordination and loan monitoring activities. As one of the experienced members in the professional team of Prime Finance she has progressed through contributing and demonstrating balance in decision making in the concentrated area of operations, marketing and business activities. She has also attended numbers of training courses inside and outside of the country as well, on core risk management, product diversification, effective supervisory management and team building etc.



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

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

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

Mr. Islam completed his Masters degree and obtained MBA major in Human Resource Management from the University of Information Technology & Sciences (UITS). During his career, he attended different trainings & workshop organized by reputed training Institutions of the Country. Mr. Islam is a member of Management Committee and Ethical Committee of the Company. He is also a member of IBA Alumni Association and Fellow Member of Bangladesh Society for Human Resource Management (BSHRM).

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



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

Mr. Md. Mohsin Reza Khan joined with Prime Finance & Investment Limited in January, 2018 as Senior Manager and Company Secretary. He has more than 8 years of professional experiences in the secretarial arena. He started at first his career with IIDFC Securities Limited, a subsidiary of IIDFC Limited under Company Secretariat since February, 2010 and transferred to IIDFC Limited under same Department on May 2013. Then, he joined with Pragati Life Insurance Limited in 2014 as Deputy Company Secretary. Upon gaining experiences, he joined with FAS Finance and Investment Limited in 2016 as the Company Secretary.

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

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



Message from the Chairman

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

Dear fellow Shareowners,

For Prime Finance & Investment Limited the year 2017 has been a combination of achievement and challenges. Like previous years, this company is still striving to overcome the challenges in its regular operation as well as capitalizing the competitive advantages through ownership, strategies, careful planning, sound cost measure, and acute execution in every corner. Amid the squeezed situation in the Financial Industry, the company proved significant responsibilities over the firm commitment in respect of backbone of the company.

During the last year, Prime Finance has been capable to put a cap over the loss from the couple of years back. The company has improved and recovered its net loss which is BDT 457.12 million in 2017 (BDT 949.67 million in 2016). It was possible for all-out effort of itself and its associates and subsidiary. The uneven competition among banks and other financial institutions was tremendous and leads to unruly in this year. 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 significant impact on the profitability of the company.

Increment of interest rate for lending and high deposit collection, the private sector credit growth stood at 18.13 percent in 2017 as a result demand for money was left feeble. Confronting all challenges, the company's total disbursement in SME financing significantly increased by 32.87% over the previous year. However, total disbursement of the company in 2017 increased by 1.20 % and stood at Tk. 4,299 mn. On the other hand NPL of the company has put on by 0.40 percentage point. We have emphasized on cautious monitoring and recovery so that the provisioning for bad debt can be maintained to a minimum.

We have more intensified our highest efforts for recovery from delinquent clients that of before. 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 16.59% and 17.92% respectively during the year and continues to remain well above the statutory levels. Despite the enhanced competitive market, deposit is mobilized convincingly at comparatively lower rate as maintaining with the previous years. We ended the year with total shareholder's equity of BDT 3,134.76 million.

We remain still 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



Message from the Managing Director

Hon'ble Shareholders,

The financial industry passes a challenge of turbulent period. A sound financial system is key to sustainable economic development and healthy financial market. Presence of large number of Banks and NBFIs creates uneven competition in the field. Today's the highly resilient financial market is required to be committed for incessant endeavors subject to horizontal service within the good governance.

Attaining the investment opportunities, every NBFI has to face the gridlock of unusual competition including Prime Finance. Either intentionally or unintentionally, however, the payment behavior of borrowers becomes slowdown and creates overdue culture and ends with re-scheduling of loan. Whatever it is, if things continues like this, the NPL will be increased simultaneously that must have a prevalence badly on the financial industry as well as total economy.

Increased NPL & lower credit line to the domestic sector have hit the cost of fund and ultimately profitability. In a true sense, the financial institutions still retain confidence for ultimate & secured space of public fund. However, it is being shallow in trust as some drawbacks of financial anomalies recently that raise the question of discipline and accountability.

Strategic shift

Around 5 years back, Prime Finance could visualize the shift in the money market and take effective measures to ensure adequate liquidity. In 2012, our Liability and Fund Management Department was initiated and took the lead for mobilizing funds from the public. Today, Prime Finance is meeting around 36.99% 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. 1,622.74 mn as at December 31, 2017. The loans and advances to Subsidiary and Associates amounted to Tk. 4,292 mn as at December 31, 2017.

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 2016, interest block on the loans to Subsidiary and Associates resulted in a massive loss of Tk. 949 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. 457 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 re-impose the interest though on the basis of cost of fund. This measure is likely to be adopted by the Board in early 2018. This should help the company in turning around the moribund state. At least three of the sister organizations in 2018 would be in a position to contribute to the profitability of the company thereby giving positive outlook for the company.

Prime Finance in 2017 revamped the branches and has taken steps to convert them into profit centers. The branches have been advised to target largely SME and Agricultural clients in the districts with proper due diligence. In addition, they are encouraged to become self reliant in mobilizing and mopping up deposits in their command areas. The results are encouraging.

Human Resources

Despite a high employee turnover in 2017, we managed to disburse Tk. 4,299 mn as against Tk. 4,248 mn in 2016. 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 the late 2017, the money market was dry and unruly that influenced on the last year's growth. Accordingly, the company had to confine its loans and leases by 17.00% against the growth of last year. Confronting the adverse loan and lease environment, we hope the outlook shall appear to be better in 2018. The uneven competition in the financial market, the company faced the inflation of its cost of funds from 8.38% to 8.89%. We have, however continued to source of 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.

We welcome you to be a part of PFIL and join us on our journey. Thank you for your confidence and expect your future support. As we are reaching closer to our 22 years of services, we strongly believe that we will drive our societies to a future of renewed growth and prosperity. My sincere thanks and gratitude are to our valuable lenders, depositors, shareholders, regulators and other stakeholders for their continuous support and co-operation.



Md. Ahsan Kabir Khan
Managing Director



Directors' Report 2017

Bismilliahir Rahmanir Rahim

Dear Shareholders,

Assalamu Alaikum Wa Rahmatullah

On behalf of the Board of Directors and the Management, it is indeed a great privilege for me to welcome you to the 22nd 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, 2017 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 07 August 2012, the Dhaka and the Chittagong Stock Exchange (Listing) Regulations, 2015, guidelines of Bangladesh Bank and other applicable rules and regulations. Relevant disclosures and explanations relating to certain issues have been given by the Directors, which they consider important to ensure transparency and good governance practices.

Industry Analysis

The 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 till today.

NBFIs are increasingly coming forward to provide credit facilities for meeting the diversified demand for investment fund in the country's expanding economy. In 2017, NBFIs recorded notable growth in total assets, borrowings, deposits, and capital. The asset of NBFIs increased substantially by 16.83% to Taka 713.87 billion in 2016 from Taka 611 billion in 2015. At the end of June 2017, assets of NBFIs increased to Taka 755.33 billion. SME loan disbursement by banks and non-bank financial institutions increased by 11.50% to Taka 1439.72 billion in 2017 compared with Tk. 1291.22 billion in 2016. NBFIs' Investment at end of June 2017 was in industry 44.21% real estate 17.53%, margin loan 2.5% and trade and commerce 16.68%, merchant banking 4.17%, agriculture 2.67% and other 12.49%. At the end of June 2017, the outstanding of loan/lease was increased by 16.40% to Tk. 580.40 billion from Tk. 498.60 billion end of June 2016 of which NPL was Tk. 52.10 billion (8.97%) in 2017 and Tk. 45.10 billion in 2016 respectively.

Industry Outlook

In 2017 NBFIs had a roller coaster ride with a greater part of 3 quarters witnessing excess liquidity and in the third quarter, liquidity suddenly drying up. Uncertainty in the money market adversely affects. NBFIs can thrive when the money market is largely stable. Volatility in the money market has a negative effect in the growth momentum of the NBFI sector.

When there is excess liquidity, clients shop around and try to look for lower rate of interest. This results in large scale payoff since in most cases cost of fund of NBFIs is higher than banks. In the reverse situation, when there is contraction in money supply, NBFIs ability to source funds in competition against banks is severely impaired. The net effect is that disbursement slows down and profitability takes a hit.

Despite major transformations in the NBFI sector, reinventing itself over and over again in changing its mode and manner of doing business as well as sourcing of funds, there are immense challenges that the sector is currently facing.

Source of funds has been one of the major concerns of NBFIs with most banks posturing an independent stance and not willing to lend to NBFIs at a reasonable rate. Again, in an environment where there are 58 banks and 33 NBFIs, the money market is inevitably overheated.

Add to this the loan impairment and non performing loan environment with clients taking utmost liberties in cushioning themselves in legal loopholes, the outlook is disheartening.

Capital Market Scenario

Capital Market of Bangladesh witnessed a good year in 2017, showing signs of bouncing back from a sluggish trend of six years. The market has been largely buoyant with active participation by institutions and general investors. Low rate of interest encouraged investors to move their funds to capital market in view of the positive outlook in the year.

The outgoing year has been encouraging for the country's stock investors, as price index of Dhaka Stock Exchange (DSE) saw a sharp rise by 23.98% to 6244 points. The average turnover value in DSE stood at Tk 874.83 crore, the highest since the stock market witnessed a crash in the late 2010. In 2016, the average daily turnover was Tk 494.43crore. Meanwhile, the market capitalization increased by 23.93% to Tk 422,894 crore, which was Tk 341,244 crore in the previous year.

Capital Market performance for Prime Finance has been highly encouraging during the year. The company ended up with a profit of Tk. 134.03mn resulting Return on Investment of 50%.

Business Activities

The private sector growth was stagnant to18.13 percent last year. The Company is continuing strategic shift, focusing from corporate financing to SME financing. According to the Ministry of Industries, The SMEs sector contribute 25% of total GDP growth rate, 85% of total industrial employment, and 75% of total household income in our country. Defying all odds, the company's total disbursement in SME financing significantly increased by 32.87% over the previous year. However, total disbursement of the company in 2017 increased by 1.20 % and stood at Tk. 4,299 mn. The investment activities were driven mainly by term, lease and SME financing. A total of 200 agreements were executed during the year 2017 for Tk. 3,893 million. In 2016, it was 150 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. 4,299 million this year, highest allocation was in Industry sector at 41 percent followed by trade & commerce at 36 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 68.50% 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 year and we had realized profit of Tk. 134.03 mn against our investment in secondary market which was around 52% of average investment.

Principal Activities

Prime Finance continues its operations by providing leasing and term finance 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 and diversify its loan portfolio. 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

During the year total disbursement of loan was Tk. 4,299 million where almost 69% was SME Financing. Despite our continued cautionary approach in terms of the quality of finance, we had to make provision of Tk. 52 million against total classified loans of Tk. 1,337 million. NPL 12.44% was mainly driven by the exposures to the corporate before we started the navigational change. Considering the competitive market edge we were rational in fixing lending rate and sometimes diverged from ensuring three percent spread. In 2017, we had to absorb impact of interest block of the loan to subsidiary and associates as well. In addition, during the year significant numbers of contracts were rescheduled, restructured with lower rate to accommodate our good clients with competitive market rate. These altogether sketched the bottom line of the Company.

Term Finance

Term finance continued to be a leading product for Prime Finance. The strategy of focusing on the profitable, low risk business was continued. Particularly in this area, the market was characterized by fierce competition and hence strong pressure on margins. Despite this difficult market environment, we managed to book new business at a satisfactory rate and our disbursement in term finance enhanced 2.7% compare to 2016. As on 31 December 2017 gross installments receivables were Tk. 5,275.67 million which is significantly enhanced by 30.81 %.

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 Tk. 51 million. As on 31 December 2017 gross lease rental receivables were Tk. 308.50 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. 12,214 mn on 31 December 2017 registering 17.48% down against last year. Company's investment in shares Increased by 33.94% on 31 December 2017. Deposit stood at Tk. 8,939 mn resulting 0.86% diminution against last year. Under the circumstances, the Bank borrowing of the company was narrowed by 35% representing dependency on bank fund. Due to current year's loss, equity attributable to shareholders' of the company reduced to Tk. 2,326 mn as compared to Tk. 2,785 mn of last year.

Gross interest income of the company was Tk. 710 mn which was 21% lesser than that of 2016. Other income of the company was increased by Tk. 413 mn. Operational expenses in 2017 were slidely increased by 0.27% and provision for loans, advances, leases and shares increased by Tk. 52 mn.

The financial results of the Company for the year 2017 with a comparison of 2016 are summarized below:

(BDT in million except per share data)	2017	2016
Operating revenue	763 mn	561 mn
Operating expenses	206mn	226 mn
Loss before tax	(460) mn	(946) mn
Provision for tax	2 mn	6 mn
Profit/loss after tax	(462) mn	(952) mn
Earnings Per Share (EPS)	(1.69)	(3.49)

Significant Deviation in Operating Results

Operating loss of the Company for the year 2017 was Tk. 397 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:

The Company registered significant improvement during its 4th quarter which was ultimately reduced operating loss of the Company in annual results. The improvement was mainly due to decrease of provision on loans, advances, and leases and reduction of proportionate loss from associate companies. Another reason for such improvement was realization of a good amount of capital gained and dividend from investment in Capital Market.

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 07 no. page of this Annual Report.

Share of loss/income from subsidiary and associate companies

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

Name of the Company	Status	Equity in %	Loss/income	Proportionate sharing of loss/income
Prime Finance Capital Management Limited	Subsidiary	60%	5 mn	3 mn
PFI Securities Limited	Associate	46.15%	(216) mn	(99.66) mn
Prime Finance Asset Management Company Limited	Associate	49%	7 mn	3 mn
Prime Prudential Fund Limited	Associate	40%	(0.61) mn	(0.25) mn

Among the above Companies, Prime Finance Asset Management Company Limited recommended final cash dividend @10% for the year 2017.

Directors report and audited financial statements of the subsidiary are given on pages 84 no. to 96 no. of this Annual Report.

Related Party Transaction

Compliant steps have been taken by the Board to avoid any conflict of interests that may arise, in transacting with related parties as per the definition of BAS & BFRS. A statement of related party transactions has been presented in note no. 38 on 77 no. page of the Annual Report.

Capital Expenditure

The Total Capital Expenditure on acquisition of Property, plant, computer applications, software and equipment, of the Company amounted to BDT 4 million (BDT 17 million in 2016). The detailed note on acquisition of Property, Plant and Equipment is given in the financial statements on page 82 no. of the Annual Report.

Dividend

The Company will not be paying any dividend for the year ended 2017. The Board of Directors in its meeting held on 27 March 2018 recommended "No" dividend for the year 2017. 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. 457.12 mn, therefore the company has recommended "No" dividend for the year 2017.

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 judgments;
- 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 is required to report on the compliance of certain conditions. The notification was issued for the purpose of establishing a framework for ensuring good governance practices in the listed companies

for the interest of the investors and the capital market. A statement on the compliance with the BSEC's conditions is given on 25 no. page of this Annual Report.

Pattern of Shareholding

The pattern of Shareholding of the Company as at end of the year 2017 is shown on 23 no. page of this Annual Report.

Directors' Meeting, Attendance & Remuneration

During the year ended 31 December 2017 total 8 (eight) meetings were held. The attendance in the Board meetings by each Director is given on 23 no. page of this Annual Report. Please note that the amount of total remuneration which has paid to the Directors including Independent Directors is given in Note no. 30 on 75 no. page of this Annual Report.

Directors' Appointment & Re-appointment:

As per Article no. 67 of the Articles of Association of the Company, one-third of the Directors of the Company are required to retire by rotation at 22nd Annual General Meeting (AGM) and being eligible the following members offered themselves for re-election as per Article no. 69 & 72 of the Articles of Association of the Company:

1. Mr. Md. Aminul Haque
2. Mr. K.M. Mobarak Hossain
3. Mr. Mohammad Masudur Rahim

Biographies of the Directors (including retiring Directors) and the names of the Company where they have interest are mentioned in the Annual Report on 08 no. to 11 no. 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.

Appointment of External Auditor

As per DFIM Circular no. 04 dated 30 April, 2015 of Bangladesh Bank, BSEC's order dated 27 July 2011, and Regulation # 15(2) of the Dhaka & the Chittagong Stock Exchange (Listing) Regulations, 2015, a Financial Institution cannot appoint any audit firm as its statutory auditors for a consecutive period exceeding three (3) years. As a result, Syful Shamsul Alam & Co., Chartered Accountants has carried out the audit consecutively their three years as statutory auditor of the company. On the basis of the proposal of the Board's Audit Committee, the Board recommends the appointment of A. Qasem & Co., Chartered Accountants, as the statutory auditors of the Company for the year 2018 and fixes their remuneration of Tk. 300,000/- (Taka three lac) only plus VAT. Now in exercise of the power conferred upon Section 210(10) of the Companies Act, 1994 the shareholders of the company will approve the appointment.

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 year 2018.

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 259th meeting held on 27 March, 2018 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, 27 March 2018



Report from the Audit Committe

For the year 2017

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 Members of the Audit Committee:

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 2017, the Committee was comprised of Professor Dr. 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, 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 in the note no. 41 of Annual Audited Financial Statements.

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 2017, the Audit Committee of the Company met 4 (four) times on the following dates:

(i) 20 February 2017
(ii) 14 May 2017
(iii) 26 July 2017
(iv) 30 October 2017

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 control 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:

M/s. 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 21st Annual General Meeting held on 30 March 2017. Accordingly, Syful Shamsul Alam & Co., Chartered Accountants audited the financial statements as of 31 December 2017. The Audit Committee conducted a formal evaluation of the effectiveness of the external audit process.

As per DFIM Circular no. 04 dated 30 April, 2015 of Bangladesh Bank, BSEC's order dated 27 July 2011, and Regulation # 15(2) of the Dhaka & the Chittagong Stock Exchange (Listing) Regulations, 2015, a Financial Institution cannot appoint any audit firm as its statutory auditors for a consecutive period exceeding three (3) years. As a result, Syful Shamsul Alam& Co., Chartered Accountants has carried out the audit consecutively their three years as statutory auditor of the company. On the basis of the proposal of the Board's Audit Committee, the Board recommends the appointment of A. Qasem & Co., Chartered Accountants, as the statutory auditors of the Company for the year 2018 at an existing and fix the Auditor's remuneration of Tk. 300,000/- (Taka Three Lac) only plus VAT. Now in exercise of the power conferred upon Section 210(10) of the Companies Act, 1994 the shareholders of the company will approve the appointment.

Prof. Dr. Parimal Chandra Datta
Chairman
Audit Committee

Pattern of Shareholdings

As at 31 December 2017

Name and Description of Shareholders	No. of shares held	Percentage
A. Parent/ Subsidiary / Associated 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) Limited	Nil	-
Mr. K. M. Mobarak Hossain, Representing Khaled Textile Mills Limited	Nil	-
Mr. Waheed Mahmud Khaled, Representing Mawsons Limited	Nil	-
Mr. Mohammad Masudur Rahim, Representing East Coast Shipping Lines Limited	Nil	-
Mr. Uzzal Kumar Saha, Representing GQ Enterprise Ltd.	Nil	-
Mr. Manzur Ahmed, Representing Agami Apparels Ltd.	Nil	-
Mr. Tauseef Iqbal Ali	5,458,363	2.00
Prof. Dr. Parimal Chandra Datta	Nil	-
Mr. Kazi Mohammad Mortuza Ali	Nil	-
C Executives and their spouses and minor children		
Mr. Md. Ahsan Kabir Khan, Managing Director	Nil	-
Mr. Mohammad Shahidul Islam, Chief Financial Officer	Nil	-
Ms. Farhana Mahejabin, Head of Internal Control and Compliance	Nil	-
Mr. Md. Mohsin Reza Khan, Company Secretary	Nil	
D Executives (Top five person other than MD, CFO, HICC, CS):		
Ms. Gulshan Ara Hafiz, Senior Vice President	Nil	-
Mr. Mohammad Zaved Lakiyet, Senior Assistant Vice President	Nil	-
Mr. Muhammed Kamrul Islam, Senior Assistant Vice President	Nil	-
Mr. Mohammed Faruque, Senior Assistant Vice President	Nil	-
Mr. Mohammad Yeamin Kabir, Senior Assistant Vice President	Nil	-
E Shareholders holding 10 % (Ten percent) or more voting interest in the Company	Nil	-

Directors' Meeting & Attendance during the year 2017

Name of the Directors	Status	No. of Meetings held during the year	Meeting Attended	(%)	Remarks
Mr. Md. Aminul Haque, Nominated by Acorn Limited	Non-executive Chairman	8	8	100	Continuing
Mrs. Sabiha Khaleque, Nominated by Maksons (Bangladesh) Ltd.	Non-executive Director	8	0	0	Continuing
Mr. K. M. Mobarak Hossain, Nominated by Khaled Textile Mills Ltd.	Non-executive Director	8	4	50	Continuing
Mr. Waheed Mahmud Khaled, Nominated by Mawsons Limited	Non-executive Director	8	8	100	Continuing
Mr. Mohammad Masudur Rahim, Nominated by East Coast Shipping Lines Ltd.	Non-executive Director	8	6	75	Continuing
Mr. Manzur Ahmed, Nominated by Agami Apparels Ltd.	Non-executive Director	8	0	0	Continuing
Mr. Qazi Saleemul Huq, Nominated by GQ Enterprise Ltd.	Non-executive Director	8	1	12.5	Continuing
Mr. Tauseef Iqbal Ali	Non-executive Director	8	8	100	Continuing
Prof. Dr. Parimal Chandra Datta	Independent Director	8	8	100	Continuing
Mr. Kazi Md. Mortuza Ali	Independent Director	8	7	87.5	Continuing

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

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)
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E-mail : sarashidnasso@gmail.com

Certificate on Compliance *of* Corporate Governance Guidelines

[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 2017. 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 not 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 Corporate Governance Guidelines of BSEC have been complied with by the Company.

SARashid & Associates * Chartered Secretaries *

S. Abdur Rashid FCS

Dhaka, 30 May 2018

Status of compliance with the conditions imposed by BSEC's Notification # SEC/CMRRCD/2006-158/134/Admin/44 dated August 07, 2012 issued under section 2CC of Securities and Exchange Ordinance 1969 is presented below:

(Report under Condition # 7.00)

Condition No.	Title	Compliance Status As on December 31, 2017		Remarks (if any)
		Complied	Not Complied	
1.1	Board Size (number of Directors-minimum 5 and maximum 20);	✓		
1.2	**Independent Directors:**			
1.2 (i)	At least one fifth of Directors should be Independent Directors;	✓		
1.2 (ii) a.	An Independent Director does not hold any share or holds less than 1% share of the total paid-up share;	✓		
1.2 (ii) b.	Non connectivity with the company's sponsor or director or shareholder who holds 1% or more shares on the basis of family relationship;	✓		
1.2 (ii) c.	Does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;	✓		
1.2 (ii) d.	Not a member, director or officer of any stock exchange;	✓		
1.2 (ii) e.	Not a shareholder, director or officer of any member of stock exchange or any intermediary of the capital market;	✓		
1.2 (ii) f.	Not is or was a partner or an executive during preceding 3 years of the company's statutory audit firm;	✓		
1.2 (ii) g.	Shall not be an Independent Director in more than 3 listed companies;	✓		
1.2 (ii) h.	Non convicted by court of competent jurisdiction for defaulting any loan payment to a bank/ non bank financial institution;	✓		
1.2 (ii) i.	Non convicted for a criminal offence involving moral turpitude;	✓		
1.2 (iii)	Appointment of Independent Director shall be by board of directors and subsequently approved by shareholders in the AGM.	✓		
1.2 (iv)	The post of Independent Director(s) cannot remain vacant for more than 90 (ninety) days.	✓		
1.2 (v)	Code of conduct for all Board members and compliance matter.	✓		
1.2 (vi)	Tenure of office of an Independent Director (for a period of 3 years, may be extended for 1 term only).	✓		
1.3	**Qualification of Independent Director:**			
1.3 (i)	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)	Should be a Business/Corporate Leader/Bureaucrat/University Teacher with Economics or Business Studies or Law background/ Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. Must have at least 12 (twelve) years of corporate management/professional experiences;	✓		
1.3 (iii)	Relaxation of qualifications of Independent Directors subject to prior approval of the Commission.			N/A
1.4	Chairman to the Board and Chief Executive Office shall be different individual with clearly defined respective roles and responsibilities.	✓		
1.5	**The Director's Report to the Shareholders:**			
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;			N/A
1.5 (vi)	Disclosure on related party transactions;	✓		
1.5 (vii)	Utilization from public issues, rights issues and/or through any others instruments;			N/A
1.5 (viii)	Explanation if the financial results deteriorate after going for IPO, RPO, Rights Offer, Direct Listing, etc.;			N/A
1.5 (ix)	Significant variance between Quarterly Financial performance and Annual Financial Statements and explanation thereon;	✓		
1.5 (x)	Remuneration to directors including independent directors;	✓		
1.5 (xi)	Fairness of financial statements;	✓		

Condition No.	Title	Compliance Status As on December 31, 2017		Remarks (if any)
		Complied	Not Complied	
1.5 (xii)	Maintenance of proper books of account;	✓		
1.5 (xiii)	Application of appropriate accounting policies and estimates;	✓		
1.5 (xiv)	Application of International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS)/Bangladesh Financial Reporting Standards (BFRS);	✓		
1.5 (xv)	Efficiency of Internal control system;	✓		
1.5 (xvi)	Going concerns (ability to continue as going concern);	✓		
1.5 (xvii)	Deviations in Operating Results ((highlighting significant deviations from last year in operating result);	✓		
1.5 (xviii)	Key operating and financial data (summarized financial data of at least preceding five years);	✓		
1.5 (xix)	Reason for non declaration of dividend;	✓		
1.5 (xx)	Number of Board Meetings (no. of Board Meetings held and attendance by each director).	✓		
1.5 (xxi)	**The pattern of shareholding:**			
1.5 (xxi) a.	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	✓		
1.5 (xxi) b.	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	✓		
1.5 (xxi) c.	Top five salaried Executives;	✓		
1.5 (xxi) d.	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	✓		
1.5 (xxii)	**Appointment/Re-appointment:**			
1.5 (xxii) 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 (HIA) and Company Secretary (CS):**			
2.1	Appointment of CFO, HIA & CS and define respective roles, responsibilities and duties of CFO, HIA & CS;	✓		
2.2	Presence of the CFO and CS in the Board meeting;	✓		
3	**Audit Committee :**			
3.(i)	Should have an audit committee as a sub-committee of the Board of Directors;	✓		
3 (ii)	Assisting Board of Directors in ensuring true and fair presentation of financial statements and also in ensuring good monitoring system;	✓		
3 (iii)	Reporting and duties of the Audit Committee	✓		
3.1	**Constitution of the Audit Committee:**			
3.1 (i)	Composition of Audit Committee (should be composed of at least 3 (three) members;	✓		
3.1 (ii)	Audit Committee Members Appointment (members should appointed by the Board with at least one independent Director);	✓		
3.1 (iii)	Financially literacy of committee members (members should be financially literate);	✓		
3.1 (iv)	Terms of Service of Audit Committee (Board to ensure continuity of minimum prescribed number of members);	✓		
3.1 (v)	Secretary of the committee;	✓		
3.1 (vi)	Quorum of the Audit Committee meeting (at least 1 Independent Director must present).	✓		
3.2	**Chairman of the Audit Committee:**			
3.2 (i)	Chairman of Audit Committee (Board to select Chairman from audit committee who shall be an Independent Director);	✓		
3.2 (ii)	Presence of Chairman of the audit committee in the Annual General Meeting.	✓		
3.3	**Role of the 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 of annual financial statements before submission to the board;	✓		
3.3 (vi)	Review of quarterly and half yearly financial statement before submission to the board;	✓		

TRAX STOCK

Condition No.	Title	Compliance Status As on December 31, 2017		Remarks (if any)
		Complied	Not Complied	
3.3 (vii)	Review the adequacy of internal audit function;	✓		
3.3 (viii)	Review statement of significant related party transactions submitted by the management;	✓		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors;	✓		
3.3 (x)	Declaration to Audit Committee by the company regarding utilization of IPO/RPO, Right issue money.			N/A
3.4	**Reporting of the Audit Committee:**			
3.4.1 (i)	Reporting to the Board of Directors;	✓		
3.4.1 (ii)	**The Audit Committee shall immediately report to the Board of Directors on the following -findings, if any:**			
3.4.1 (ii) a.	Report on Conflict of Interest;			N/A
3.4.1 (ii) b.	Report on defect in the Internal Control System to the Board of Directors;			N/A
3.4.1 (ii) c.	Suspected Infringement of Laws to the Board of Directors;			N/A
3.4.1 (ii) d.	Any Other Matter (out of the above, a-c).			N/A
3.4.2	Reporting to the Authorities-BSEC (if any material impact on the financial condition & results of operation, unreasonably ignored by the management).			N/A
3.5	Reporting to the Shareholders (disclosure of activities of the audit committee in the annual report).			N/A
4	**External/Statutory Auditors:**			
4 (i)	Appraisal or Valuation Services (none by the external/statutory auditor);	✓		
4 (ii)	Design and implement the Financial Information System (none by the external/statutory auditor);	✓		
4 (iii)	Book Keeping or Other Services (none by the external/statutory auditor);	✓		
4 (iv)	Broker-dealer Services (none by the external/statutory auditor);	✓		
4 (v)	Actuarial Services (none by the external/statutory auditor);	✓		
4 (vi)	Internal Audit Services (none by the external/statutory auditor);	✓		
4 (vii)	Any other Services (none by the external/statutory auditor);	✓		
4 (viii)	Not to possess any share of the company (none by the external/ statutory auditor).	✓		
5	**Subsidiary Company:**			
5 (i)	Composition of the Board of Directors of the subsidiary company;	✓		
5 (ii)	Presence of Independent Director of holding company in the Board of subsidiary company;	✓		
5 (iii)	Review the Board meeting minutes of subsidiary company in the Board meeting of the holding company;	✓		
5 (iv)	Reflection in the holding company's Board meeting minutes about review of the affairs of subsidiary company;	✓		
5 (v)	Review the financial statements of subsidiary company, in particular the investments made by the subsidiary company.	✓		
6	**Certification of CEO and CFO to the Board:**			
6 (i) a.	Financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	✓		
6 (i) b.	Financial statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;	✓		
6 (ii)	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)	Certification on compliance of condition of Corporate Governance Guideline of BSEC and reporting to the shareholders;	✓		
7 (ii)	Directors' report should state about the compliance with the conditions of the Corporate Governance Guideline of the Commission.	✓		

PRIMEBANK STOCK

Certification by 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 2017, which are fraudulent, illegal, or violation of the Company's code of conduct.

Mohammad Shahidul Islam FCA, ACS
Chief Financial Officer

Md. Ahsan Kabir Khan
Managing Director

AMARSTOCK

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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 2017, 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (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 2017, and of its consolidated and separate financial performance and cash flows for the year then ended in accordance with BangladeshFinancial 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; and proper returns adequate for the purposes of our audit have been received from branches not visited by us;

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

vii) Prevailing laws, rules, regulation and policies are complied with while sanctioning and disbursing loans/leases; so far as it appeared from the review related documents on test basis.

viii) statements submitted to Bangladesh Bank were checked on sample basis and no material inaccuracy has come to our attention;

ix) financial statements of subsidiary namely Prime Finance Capital Management Limited has been audited by M.M. Rahman & Co. Chartered Accountants. These accounts have been properly reflected in the consolidated financial statements of the company;

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

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

xii) 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;

xiii) the internal control and compliance of the company is found satisfactory, and effective measures have been taken to prevent possible fraud, forgery and internal policies;

xiv) 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;

xv) the consolidated financial statements of the Group and the separate financial statement of the Company conform to the prescribed standards set in the 'First Schedule' of Bank Company Act, 1991 (revised up to 2013) accounting regulations issued by Bangladesh Bank after consultation with the professional accounting body of Bangladesh;

xvi) We have reviewed over 80% of the risk weighted assets of the Group and the Company during the course of our audit and we have spent over 1,750 person-hours for the audit of books and accounts of the Group and the Company;

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

Place : Dhaka
Dated: 27 March 2018

Syful Shamsul Alam & Co.
Chartered Accountants

AUTHORISED TRAINING EMPLOYER ICAEW

Consolidated Balance Sheet

As at 31 December

(Figures in Taka)

	2017	2016	Notes
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)	67,219	81,663	
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	165,517,864	146,370,632	
Total Cash	**165,585,083**	**146,452,295**	**4.a**
Balance with other banks and financial institutions			
In Bangladesh	972,746,274	355,478,290	
Outside Bangladesh	-	-	
Total balance with other banks and financial institutions	**972,746,274**	**355,478,290**	**5.a**
Money at call and on short notice	-	-	
Investments			
Government	-	-	
Others	1,196,532,642	893,366,521	
Total Investments	**1,196,532,642**	**893,366,521**	**6.a**
Loans, advances and leases			
Loans, advances and leases etc.	12,213,504,923	14,800,363,094	
Bills purchased and discounted	-	-	
Total loans, advances and leases	**12,213,504,923**	**14,800,363,094**	**7.a**
Fixed assets including premises, furniture and fixtures	350,419,373	360,154,552	**8.a**
Other assets	2,098,206,115	2,358,186,133	**9.a**
Non - banking assets	176,097,907	-	**10.0**
Total assets	**17,173,092,317**	**18,914,000,885**	
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	2,142,490,132	3,299,527,828	**11.a**
Deposits and other accounts			
Current and other accounts	-	-	
Bills payable	-	-	
Savings accounts	-	-	
Term deposits	8,938,854,327	9,016,194,779	**12.a**
Bearer certificates of deposit	-	-	
Other deposits	-	-	
Total deposits and other accounts	**8,938,854,327**	**9,016,194,779**	
Other liabilities	**2,956,984,196**	**3,006,390,533**	**13.a**
Total liabilities	**14,038,328,655**	**15,322,113,140**	
Capital/ shareholders' equity			
Paid up capital	2,729,164,830	2,729,164,830	**14.0**
Statutory reserve	927,108,510	927,108,510	
Share money deposit	-	-	
Other reserves	-	-	
Retained earnings	(1,551,843,270)	(1,092,766,302)	
Revaluation reserve	221,943,750	221,943,750	
Equity attributable to shareholders' of the company	**2,326,373,820**	**2,785,450,788**	
Non-controlling interest	808,389,842	806,436,957	**15.0**
Total shareholders' equity	**3,134,763,662**	**3,591,887,745**	
Total liabilities and shareholders' equity	**17,173,092,317**	**18,914,000,885**	

DHAKA STOCK

(Figures in Taka)

	2017	2016	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	10,000,000	117,000,000	**42.0**
Total other commitments	**10,000,000**	**117,000,000**	
Total off-balance sheet items including contingent liabilities	**10,000,000**	**117,000,000**	
Net Asset Value per share (NAV)	**8.52**	**10.21**	

Notes:

The annexed notes 01 to 57 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 27 March, 2018 and were signed on its behalf by:

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
27 March 2018

Syful Shamsul Alam & Co.
Chartered Accountants

Consolidated Profit and Loss Account

for the year ended 31 December

(Figures in Taka)	2017	2016	Notes
Interest income	709,658,457	897,385,356	**19.a**
Interest paid on deposits, borrowings etc.	(1,002,004,740)	(1,054,430,992)	**20.a**
Net interest income	**(292,346,283)**	**(157,045,636)**	
Investment income	198,191,727	34,033,029	**21.a**
Fees, commission, exchange and brokerage	32,335,706	31,692,842	**22.a**
Other operating income	(44,886,123)	(293,080,742)	**23.a**
	185,641,310	(227,354,871)	
Total operating income (A)	**(106,704,973)**	**(384,400,507)**	
Salaries and other employee benefits	163,800,670	177,857,652	**24.a**
Rent, taxes, insurance, electricity etc.	40,865,185	43,807,592	**25.a**
Legal expenses	10,198,584	822,077	**26.a**
Postage, stamp, telecommunication etc.	3,700,504	3,697,252	**27.a**
Stationery, printing, advertisements etc.	4,390,042	5,409,410	**28.a**
Managing director's salary and fees	15,500,000	15,600,000	**29.0**
Directors' fees	1,294,228	1,120,010	**30.a**
Auditors' fees	1,443,250	402,500	**31.a**
Charges on loan losses	-	-	
Depreciation and repair of assets	17,992,517	17,552,083	**32.a**
Other expenses	31,066,667	23,207,610	**33.a**
Total operating expenses (B)	**290,251,647**	**289,476,186**	
Profit before provision (C=A-B)	**(396,956,620)**	**(673,876,693)**	
Provision for loans, advances and leases			
General provision	(89,670,138)	(672,751)	**13.1**
Specific provision	117,540,571	270,789,682	**13.1**
Provision for diminution in value of investment	18,080,021	(32,040,794)	**13.2.a**
Other provision	5,988,000	28,388,000	
Total provision (D)	**51,938,454**	**266,464,137**	
Total profit before tax (C-D)	**(448,895,074)**	**(940,340,830)**	
Provision for taxation			
Current	11,725,300	11,262,164	**13.4.1.a**
Deferred	(3,496,291)	(1,937,200)	**13.4.2.a**
	8,229,009	9,324,964	
Net profit after tax	**(457,124,083)**	**(949,665,794)**	

(Figures in Taka)	2017	2016	Notes
Attributable to			
Shareholders of the company	(459,076,968)	(950,605,214)	
Non-controlling interest	1,952,885	939,420	
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)	**-1.68**	**-3.48**	**36.a**

Notes :

The annexed notes 01 to 57 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 27 March, 2018 and were signed on its behalf by:

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
27 March 2018

Syful Shamsul Alam & Co.
Chartered Accountants

AMAR STOCK

Consolidated Cash Flow Statement

for the year ended 31 December

(Figures in Taka)		2017	2016
A)	**Operating Activities**		
	Interest receipts	575,587,819	1,083,583,202
	Interest payments	(897,550,786)	(878,324,345)
	Fees and commission receipts	6,434,027	11,099,721
	Dividend receipts	17,269,321	24,624,587
	Cash payments to employees	(159,342,723)	(158,496,390)
	Cash payments to suppliers and management expenses	(70,216,986)	(86,396,633)
	Income taxes paid	(8,869,362)	(15,282,352)
	Receipts from other operating activities	46,799,830	87,513,841
	Payments for other operating activities	9,846,959	(2,859,866)
	Cash generated before changes in operating assets and liabilities	**(480,041,901)**	**65,461,765**
	Increase/ (decrease) in operating assets and liabilities		
	Net loans and advances to customers	2,446,762,575	(626,146,631)
	Loans and deposits from banks and other customers	(1,075,217,541)	(341,601,344)
	Cash generated from operating assets and liabilities	**1,371,545,034**	**(967,747,975)**
	Net cash generated from operating activities	**891,503,133**	**(902,286,210)**
B)	**Investing Activities**		
	Acquisition of fixed assets	(8,653,263)	(14,672,241)
	Disposal of fixed assets	-	350,000
	Sale of securities	909,028,336	662,755,692
	Investment in securities	(1,008,905,452)	(650,239,899)
	Net cash used in investing activities	**(108,530,379)**	**(1,806,448)**
C)	**Financing Activities**		
	Dividend paid	-	-
	Short term loan	(146,571,982)	(79,639,615)
	Net cash used in financing activities	**(146,571,982)**	**(79,639,615)**
D)	**Net increase/ (decrease) in cash and cash equivalents (A+B+C)**	**636,400,772**	**(983,732,273)**
E)	**Effects of exchange rate changes on cash and cash equivalents**	-	-
F)	**Cash and cash equivalents at beginning of the year**	**501,930,585**	**1,485,662,858**
G)	**Cash and cash equivalents at end of the year (D+E+F)**	**1,138,331,357**	**501,930,585**
	Cash and cash equivalents at end of the year represents		
	Cash in hand (including foreign currencies)	67,219	81,663
	Balance with Bangladesh Bank and its agent bank (including foreign currencies)	165,517,864	146,370,632
	Balance with other banks and financial institutions	972,746,274	355,478,290
		1,138,331,357	**501,930,585**

Note:
Previous years figures have been rearranged whenever necessary to conform to the current year's presentation.

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
27 March 2018

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

(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 2017	**2,729,164,830**	**927,108,510**	**221,943,750**	**(1,092,766,302)**	**806,436,957**	**3,591,887,745**
Net profit for the year 2017	-	-	-	(459,076,968)	1,952,885	(457,124,083)
Transfer to statutory reserve	-	-	-	-	-	-
Issue of right share	-	-	-	-	-	-
Issue of bonus share	-	-	-	-	-	-
Payment of cash dividend	-	-	-	-	-	-
Balance as at 31 December 2017	**2,729,164,830**	**927,108,510**	**221,943,750**	**(1,551,843,270)**	**808,389,842**	**3,134,763,662**
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**

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
27 March 2018

AMARSTOCK

Balance Sheet

as at 31 December

(Figures in Taka)	2017	2016	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)	165,517,864	146,370,632	
Total cash	**165,577,864**	**146,430,632**	**4.0**
Balance with other banks and financial institutions			
In Bangladesh	936,184,346	330,421,855	
Outside Bangladesh	-	-	
Total balance with other banks and financial institutions	**936,184,346**	**330,421,855**	**5.0**
Money at call and on short notice	-	-	
Investments			
Government	-	-	
Others	419,456,320	416,230,396	
Total investments	**419,456,320**	**416,230,396**	**6.0**
Loans, advances and leases			
Loans, advances and Leases etc.	10,744,017,271	12,945,543,003	
Bills purchased and discounted	-	-	
Total loans, advances and leases	**10,744,017,271**	**12,945,543,003**	**7.0**
Fixed assets including premises, furniture and fixtures	334,410,421	342,255,048	**8.0**
Other assets	2,347,275,372	2,543,878,546	**9.0**
Non - banking assets	176,097,907	-	**10.0**
Total assets	**15,123,019,501**	**16,724,759,480**	
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	1,644,162,863	2,669,090,183	**11.0**
Deposits and other accounts			
Current and other accounts	-	-	
Bills payable	-	-	
Savings accounts	-	-	
Term deposits	8,938,854,327	9,016,194,779	**12.0**
Bearer certificates of deposit	-	-	
Other deposits	-	-	
Total deposits and other accounts	**8,938,854,327**	**9,016,194,779**	
Other liabilities	**2,466,213,255**	**2,503,679,165**	**13.0**
Total liabilities	**13,049,230,445**	**14,188,964,127**	

AMARSTOCK

(Figures in Taka)	2017	2016	Notes
Capital/ shareholders' equity			
Paid up capital	2,729,164,830	2,729,164,830	**14.0**
Statutory reserve	927,108,510	927,108,510	**16.0**
Other reserves	-	-	
Retained earnings	(1,804,428,034)	(1,342,421,737)	**17.0**
Revaluation reserve	221,943,750	221,943,750	
Total shareholders' equity	**2,073,789,056**	**2,535,795,353**	
Total liabilities and shareholders' equity	**15,123,019,501**	**16,724,759,480**	

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	10,000,000	117,000,000	**42.0**
Total other commitments	**10,000,000**	117,000,000	
Total off-balance sheet items including contingent liabilities	**10,000,000**	**117,000,000**	
Net Asset Value per share (NAV)	**7.60**	**9.29**	

Notes :

The annexed notes 01 to 57 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 27 March, 2018 and were signed on its behalf by:

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
27 March 2018

Syful Shamsul Alam & Co.
Chartered Accountants

Profit and Loss Account

for the year ended 31 December

(Figures in Taka)

	2017	2016	Notes
Interest income	673,706,400	845,400,319	**19.0**
Interest paid on deposits, borrowings etc.	(978,608,902)	(1,016,907,060)	**20.0**
Net interest income	**(304,902,502)**	**(171,506,741)**	
Investment income	134,034,688	8,761,377	**21.0**
Fees, commission, exchange and brokerage	5,278,471	6,542,357	**22.0**
Other operating income	(49,797,260)	(300,066,317)	**23.0**
	89,515,899	(284,762,583)	
Total operating income (A)	**(215,386,603)**	**(456,269,324)**	
Salaries and other employee benefits	123,830,046	148,512,360	**24.0**
Rent, taxes, insurance, electricity etc.	30,896,234	34,162,248	**25.0**
Legal expenses	10,172,684	772,793	**26.0**
Postage, stamp, telecommunication etc.	3,481,468	3,455,335	**27.0**
Stationery, printing, advertisements etc.	4,051,601	4,857,154	**28.0**
Managing Director's salary and fees	7,700,000	8,400,000	**29.0**
Directors' fees	832,000	920,000	**30.0**
Auditors' fees	345,000	345,000	**31.0**
Charges on loan losses	-	-	
Depreciation and repair of assets	11,788,100	11,954,362	**32.0**
Other expenses	12,447,464	12,903,655	**33.0**
Total operating expenses (B)	**205,544,597**	**226,282,907**	
Profit before provision (C=A-B)	**(420,931,200)**	**(682,552,231)**	
Provision for loans, advances and leases			
General provision	(89,670,138)	(672,751)	**13.1**
Specific provision	117,540,571	270,789,682	**13.1**
Provision for diminution in value of investment	5,501,000	(35,218,231)	**13.2**
Other provision	5,988,000	28,388,000	
Total provision (D)	**39,359,433**	**263,286,701**	
Total profit before tax (C-D)	**(460,290,633)**	**(945,838,932)**	
Provision for taxation			
Current	4,346,919	7,351,183	**13.4.1**
Deferred	(2,631,255)	(1,175,771)	**13.4.2**
	1,715,664	6,175,412	
Net profit after tax	**(462,006,297)**	**(952,014,344)**	

(Figures in Taka)

	2017	2016	Notes
Appropriations			
Statutory reserve	-	-	**16.0**
General reserve	-	-	
Proposed cash dividend	-	-	
Proposed stock dividend	-	-	
Weighted average no. of outstanding share	**272,916,483**	**272,916,483**	
Earnings per share (EPS)	**-1.69**	**-3.49**	**36.0**

Notes :

The annexed notes 01 to 57 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 27 March, 2018 and were signed on its behalf by:

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
27 March 2018

Syful Shamsul Alam & Co.
Chartered Accountants

AMARSTOCK

Cash Flow Statement

for the year ended 31 December

(Figures in Taka)

		2017	2016	Notes
A)	**Operating Activities**			
	Interest receipts	575,508,071	817,305,710	
	Interest payments	(897,550,786)	(878,324,345)	
	Fees and commission receipts	5,278,471	6,542,358	
	Dividend receipts	12,455,937	17,705,511	
	Cash payments to employees	(130,742,142)	(124,540,771)	
	Cash payments to suppliers and management expenses	(53,338,929)	(59,129,712)	
	Income taxes paid	(6,704,467)	(13,661,125)	
	Receipts from other operating activities	46,799,830	87,513,841	**34.0**
	Payments for other operating activities	9,967,124	(2,795,627)	**35.0**
	Cash generated before changes in operating assets and liabilities	**(438,326,891)**	**(149,384,160)**	
	Increase/ (decrease) in operating assets and liabilities:			
	Net loans and advances to customers	2,025,472,827	(602,146,631)	
	Loans and deposits from banks and other customers	(1,075,217,541)	(341,601,344)	
	Cash generated from operating assets and liabilities	**950,255,286**	**(943,747,975)**	
	Net cash generated from operating activities	**511,928,395**	**(1,093,132,135)**	
B)	**Investing Activities**			
	Acquisition of fixed assets	(3,943,473)	(12,132,272)	
	Disposal of fixed assets	-	350,000	
	Sale of securities	909,028,336	662,755,693	
	Investment in securities	(792,103,535)	(565,299,394)	
	Net cash used in investing activities	**112,981,328**	**85,674,027**	
C)	**Financing Activities**			
	Cash dividend paid	-	-	
	Issuance of shares	-	-	
	Net cash used in financing activities	**-**	**-**	
D)	**Net increase/ (decrease) in cash and cash equivalents (A+B+C)**	**624,909,723**	**(1,007,458,108)**	
E)	**Effects of exchange rate changes on cash and cash equivalents**	-	-	
F)	**Cash and cash equivalents at beginning of the year**	**476,852,487**	**1,484,310,595**	
G)	**Cash and cash equivalents at end of the year (D+E+F)**	**1,101,762,210**	**476,852,487**	
	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)	165,517,864	146,370,632	
	Balance with other banks and financial institutions	936,184,346	330,421,855	
		1,101,762,210	**476,852,487**	

Note:
Previous years figures have been rearranged whenever necessary to conform to the current year's presentation.

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
27 March 2018

Statement of Changes in Equity

for the year ended 31 December 2017

(Figures in Taka)

PARTICULARS	Paid up capital	Statutory reserve	Revaluation reserves	Retained earnings	Total
Balance as at 1 January 2017	**2,729,164,830**	**927,108,510**	**221,943,750**	**(1,342,421,737)**	**2,535,795,353**
Net profit for the year 2017	-	-	-	(462,006,297)	(462,006,297)
Transfer to statutory reserve	-	-	-	-	-
Issue of bonus share	-	-	-	-	-
Payment of cash dividend	-	-	-	-	-
Balance as at 31 December 2017	**2,729,164,830**	**927,108,510**	**221,943,750**	**(1,804,428,034)**	**2,073,789,056**
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**

Company Secretary | Managing Director | Director | Chairman

Dated: Dhaka
27 March 2018

AMARSTOCK

Liquidity statement (Assets and Liabilities maturity analysis)

as at 31 December, 2017

(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	165,517,864	-	-	-	165,577,864
Balance with other banks and financial institutions	236,184,346	-	200,000,000	500,000,000	-	936,184,346
Money at call and on short notice	-	-	-	-	-	-
Investments	82,519,813	82,519,807	-	-	254,416,700	419,456,320
Loans, advances and leases	341,359,038	988,198,624	2,157,845,955	3,606,040,078	3,650,573,576	10,744,017,271
Fixed assets including premises, furniture and fixtures	-	-	-	-	334,410,421	334,410,421
Other assets	46,480,374	2,277,778	700,000	-	2,297,817,220	2,347,275,372
Non banking assets	-	-	-	-	176,097,907	176,097,907
Total assets (A)	**706,603,571**	**1,238,514,073**	**2,358,545,955**	**4,106,040,078**	**6,713,315,824**	**15,123,019,501**
Liabilities						
Borrowings from other banks, financial institutions and agents	54,776,644	105,242,666	415,549,293	1,068,594,260	-	1,644,162,863
Deposits	281,243,528	582,317,916	2,998,390,821	4,997,191,162	79,710,900	8,938,854,327
Provision and other liabilities	58,782,300	55,856,964	231,806,552	872,783,482	1,246,983,957	2,466,213,255
Total liabilities (B)	**394,802,472**	**743,417,546**	**3,645,746,666**	**6,938,568,904**	**1,326,694,857**	**13,049,230,445**
Net liquidity gap (A - B)	**311,801,099**	**495,096,527**	**(1,287,200,711)**	**(2,832,528,826)**	**5,386,620,967**	**2,073,789,056**

AMARSTOCK

Notes to the Financial Statements

as at and for the year ended 31 December, 2017

1.0 REPORTING ENTITY

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

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

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

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

1.2 Principal activities and nature of operations

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

Fund based activities

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

Fee based activities

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

Deposit schemes

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

1.3 Information regarding subsidiary and associate companies

As on 31 December 2017 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 2017 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.

The Financial statements has been prepared on the going corncern basis

- The company is incurring losses, but these are not operating losses. The main reasons for loss are (a) effect of interest block against loan with subsidiary and associate companies (b) proportionate loss taken from the accounts of associate company and (c) no return on investment in subsidiary and associate companies. This year the amount of loss is reduced against the previous year, which is the indication of turnaround situation.
- However, the Management has taken various initiatives to overcome the situation some of which are as follows:
- In 2017 we disbursed approx. 69% of our investment in SME. In 2018, we targeted 70% of our investment in SME. Spread in SME lending is high in comparison to corporate lending. By lending more in SME we would be able to reduce negative gap in the net interest income (NII) arising out of interest block.
- The funds we are getting back due to early settlement of corporate clients are being reinvested in SME Financing. Hence we are diversifying the fund from less profitable sector to more profitable sector.
- Despite of tremendous crisis in the money market we are managing our fund prudently. We haven't delayed a single payment to banks.
- We have been able to recover our fund from Stuck up loan.
- During the year 2017 our subsidiary, associate company (Prime Finance Capital Management Limited, Prime Finance Asset Management Company Limited and Prime Prudential Fund Ltd.) have performed better than last year. They have been able to make profit. Consequently our proportionate loss has declined. We are hopeful that their position will be better in 2018.
- We have invested Tk. 200 mn in Prime Finance 2nd Mutual Fund through Prime Finance Asset Management Company. The fund has declared 17.50% cash dividend for the year 2017. As a shareholder Prime Finance will get a significant amount of dividend in 2018.
- Year 2017 was a good year for share market. The share market was in upbeat mood. From share investment we were able make capital gain of Tk. 120.15 mn and we expect that this trend will be continued in 2018 also.
- Net interest income of the company for the last 12 months is in increasing trend. This reflects positive improvement.
- The decision of interest block of subsidiary/associate was made with the condition that assessment of repayment capability will be made time to time and based on that interest block may be withdrawn.
- We are doing business in rural areas around the country without having branch offices in those areas. We are doing business at Bogra, Rangpur, Noakhali, Feni, Savar, Manikganj areas where we have no branches. By this way we are reducing our branch administration cost.
- Prime Finance has a strong liability fund management team comprising of permanent and contractual employees. As of date we have been able to build over Tk. 500 crore deposit baskets. For this reason, Prime Finance did not delay FDR encashment for a single instance.
- We are maintaining a loan portfolio of Tk. 1,074 crore by employing only 114 employees. Cost per million loans is comparatively low against our competitors.

In addition, Management of the company intended to place an agenda before the Board of Directors of the company for re-assessment of repayment capability of PFI Securities Limited and Prime Finance Capital Management Limited for imposition of interest against the loan, outstanding balance of which is Tk. 4,291,534,321 on December 31, 2017. We are hopeful that, by imposing the interest we would be able improve our interest income substantially.

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 2017 to 31 December 2017.

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 13.2)

(ii) Provision for loans, advances and leases. (refer to note 3.18 and 13.1)

(iii) Income taxes. (refer to note 3.19 and 13.4)

(iv) Depreciation/amortization of assets. (refer to note 3.5 and 32)

(v) Impairment of assets. (refer to note 3.7 and 32)

2.5 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by 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 2017 as in financial statements for 2016.

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

2017, 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 55 & 56
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 & 13.4
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 & 19
BAS 19	Employee Benefits	Applied	See note 3.25
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 49
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 & 56
BAS 33	Earnings Per Share	Applied	See note 3.21 & 36
BAS 34	Interim Financial Reporting	Applied	See note 53
BAS 36	Impairment of Assets	Applied	See note 3.7
BAS 37	Provisions, Contingent Liabilities and Contingent Assets	Applied	See note 3.13 & 42
BAS 38	Intangible Assets	Applied	See note 3.6 & 32
BAS 39	Financial Instruments: Recognition and Measurement	Applied	See note 3.10 & 57
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 & 56
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	

AMAR STOCK

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. 55 and 56 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

Prime Finance is involved investment in both listed and non-listed securities 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 credited to interest suspense account. Interest received on non-accrual investments are credited to profit & loss account on cash basis. Non-accrual investments are returned to performing status when required amounts including interest has been collected.

3.5 Fixed assets including premises, furniture and fixtures

Recognition and measurement

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

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

3.9 Bank loans, deposits etc.

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

3.10 Financial instruments:

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

3.11 Employees benefit plans

Prime Finance offers a number of benefit plans which includes contributory provident fund, gratuity plan, pension scheme, death and disability plan, hospitalization benefit including annual health check-up and maternity benefit. The recognition and disclosure for employee benefits are made in accordance with 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 2017, 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 38.

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 14.1 to this financial statements. "

3.31 Financial risk management
The Company's activities expose it to a variety of financial risks: credit risk, market risk (including interest rate risk and equity risk), liquidity risk and operational risk. The overall risk management strategy of the Company 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)	2017	2016
4.0 CASH		
Cash In hand:		
Local currency	60,000	60,000
Foreign currencies	-	-
	60,000	60,000
Balance with Bangladesh Bank:		
Local currency	165,517,864	146,370,632
Foreign currencies	-	-
	165,517,864	146,370,632
	165,577,864	**146,430,632**

4.a CASH (consolidated)		
Prime Finance & Investment Limited	60,000	60,000
Prime Finance Capital Management Limited	7,219	21,663
	67,219	**81,663**
Balance with Bangladesh Bank:		
Prime Finance & Investment Limited	165,517,864	146,370,632
Prime Finance Capital Management Limited	-	-
	165,585,083	**146,452,295**

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	148,332,961	138,725,158
Actual reserve held	198,056,234	142,554,855
Surplus/ (deficit)	**49,723,273**	**3,829,697**

4.1.2 Statutory Liquidity Requirement (SLR)

5.0% of average liabilities excluding fund from Paid up capital and reserve, loan from Banks & FIs, call money and net profit/loss

Required reserve	384,004,804	356,635,345
Actual reserve held (note 4.1.4)	1,101,762,210	476,852,487
Surplus/ (deficit)	**717,757,406**	**120,217,142**

4.1.3 Held for Cash Reserve Requirement (CRR)

Balance with Bangladesh Bank and its agent bank	165,517,864	146,370,632
	165,517,864	**146,370,632**

4.1.4 Held for Statutory Liquidity Requirement (SLR)

Cash in hand	60,000	60,000
Balance with Bangladesh Bank and its agent bank	165,517,864	146,370,632
Balance with other banks and financial institutions (note 5.0)	936,184,346	330,421,855
	1,101,762,210	**476,852,487**

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 2017, CRR has been maintained according to Bangladesh Bank Guideline.

5.0 BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

(Figures in Taka)	2017	2016
This represents balance with various banks and financial institutions in Bangladesh.		
Fixed deposit account		
Social Islami Bank Limited	200,000,000	200,000,000
Jamuna Bank Limited	600,000,000	-
The Farmers Bank Limited	100,000,000	100,000,000
	900,000,000	**300,000,000**
Current account		
	-	-
Short term deposit account		
Bank Asia Limited	1,352	2
BRAC Bank Limited	31,582	31,582
Dutch Bangla Bank Limited	1,419,369	2,058,238
IFIC Bank Limited	-	123,495
Mutual Trust Bank Limited	195,193	8,499
National Bank Limited	-	569,182
One Bank Limited	12,925	5,079,228
Premier Bank Limited	3,158	109,473
Prime Bank Limited	12,033,247	6,455,299
Pubali Bank Limited	388,892	397,465
Shahajalal Islami Bank Limited	11,055,342	7,478,184
Southeast Bank Limited	491,282	1,102,585
Trust Bank Limited	-	258
Standard Bank Ltd.	5,000,000	-
United Commercial Bank Limited	5,552,004	7,008,365
	36,184,346	**30,421,855**
	936,184,346	**330,421,855**

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)	2017	2016
Maturity wise grouping		
Up to 1 month	236,184,346	30,421,855
1 month to 3 months	-	100,000,000
3 months to 1 year	200,000,000	200,000,000
1 year to 5 years	500,000,000	-
More than 5 years	-	-
	936,184,346	**330,421,855**

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

Prime Finance & Investment Limited	936,184,346	330,421,855
Prime Finance Capital Management Limited	36,561,928	25,056,435
	972,746,274	**355,478,290**

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)	419,456,320	416,230,396
	419,456,320	**416,230,396**

6.1 Other investments

	As at 31 December 2017			
Ordinary share	**No. of Company**	**Market Value**	**Cost**	
			2017	**2016**
Listed securities (note 6.1.1)	14	174,905,225	165,039,620	161,813,696
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
	19	**429,321,925**	**419,456,320**	**416,230,396**

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

		As at 31 December 2017	
Name of sector	**No. of shares**	**Cost price**	**Market price**
Banking companies	-	-	-
Non Banking Financial Institutions sector	-	-	-
Insurance sector	-	-	-
Investment companies	11,888,549	114,843,743	119,613,210
Manufacturing sector and others	245,788	50,195,877	55,292,015
		165,039,620	**174,905,225**

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 2017 was 28 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)	2017	2016
6.1.4	**Sector wise investments (at cost price)**		
	Banking sector	-	31,386,825
	Non Banking Financial Institutions sector	-	14,176,481
	Insurance sector	-	13,758,834
	Investment companies	344,843,743	271,541,315
	Fuel & power sector	-	-
	Manufacturing sector and others	74,612,577	85,366,941
		419,456,320	**416,230,396**
	Maturity wise grouping		
	Up to 1 month	82,519,813	40,453,424
	1 month to 3 months	82,519,807	121,360,272
	3 months to 1 year	-	-
	1 year to 5 years	-	-
	More than 5 years	254,416,700	254,416,700
		419,456,320	**416,230,396**
6.a	**INVESTMENTS (consolidated)**		
	Prime Finance & Investment Limited	419,456,320	416,230,396
	Prime Finance Capital Management Limited	777,076,322	477,136,125
		1,196,532,642	**893,366,521**
7.0	**LOANS, ADVANCES AND LEASES**		
	Inside Bangladesh:		
	Lease finance (note 7.1)	603,667,734	760,765,599
	Advance against lease finance (note 7.2)	3,258,928	49,999,999
	Term finance (note 7.3)	9,841,522,136	11,818,836,005
	Real estate finance (note 7.4)	157,676,177	229,865,935
	Housing finance (note 7.5)	74,042,357	12,745,004
	Loan against deposits (note 7.6)	29,134,637	13,769,545
	Hire purchase finance (note 7.7)	-	7,048,843
	Staff loan (note 7.8)	32,393,642	39,607,889
	Factoring Finance (note 7.9)	2,321,660	12,731,270
	Car Finance (7.10)	-	172,914
	Personal Loan (7.11)	-	-
		10,744,017,271	**12,945,543,003**
	Outside Bangladesh	-	-
		10,744,017,271	**12,945,543,003**

Loans, advances and leases include SME Finance amounting to Tk. 3,159,034,634 as at 31 December 2017 (2016: Tk. 3,967,213,112)

7. 1	**Lease finance**		
	Principal outstanding (note 7.1.1)	511,340,840	695,002,217
	Accounts receivable	92,326,894	65,763,382
		603,667,734	**760,765,599**
7. 1.1	**Principal outstanding**		
	Gross rental receivables	540,206,991	786,947,778
	Unearned lease income	(28,866,151)	(91,945,561)
	Net investment	**511,340,840**	**695,002,217**
	Movement of lease finance:		
	Cost of lease assets (A)		
	Balance at 1 January	1,509,322,852	1,754,841,493
	Addition during the year	50,500,000	228,590,000
	Disposal during the year	(281,139,807)	(474,108,641)
	Balance at 31 December	**1,278,683,045**	**1,509,322,852**

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(Figures in Taka)	2017	2016
Accumulated depreciation (B)		
Balance at 1 January	814,320,635	923,276,635
Addition during the year	261,144,689	91,625,410
Adjustment due to disposal	(308,123,119)	(200,581,410)
Balance at 31 December	**767,342,205**	**814,320,635**
Written down value of lease assets (A-B)	**511,340,840**	**695,002,217**

7. 1.2 Aging analysis of lease receivable

Up to one year	189,843,080	222,697,133
Above one year to three years	230,921,250	329,205,205
Above three years to five years	182,903,404	200,330,852
More than five years	-	8,532,409
	603,667,734	**760,765,599**

7. 2 Advance against lease finance

Advance against lease finance	3,258,928	49,999,999
	3,258,928	**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	8,814,687,429	10,758,287,674
Accounts receivable	1,026,834,707	1,060,548,331
	9,841,522,136	**11,818,836,005**

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	10,758,287,674	10,254,253,982
Investment during the year	4,224,620,000	3,992,408,841
Recovery/ adjustment during the year	(6,168,220,245)	(3,488,375,149)
Balance at 31 December	**8,814,687,429**	**10,758,287,674**

7. 3.1 Aging analysis of term finance

Up to one year	2,134,104,333	2,718,068,701
Above one year to three years	2,175,689,378	3,026,025,418
Above three years to five years	1,940,194,104	2,399,797,316
More than five years	3,591,534,321	3,674,944,570
	9,841,522,136	**11,818,836,005**

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	121,285,598	179,604,450
Accounts receivable	36,390,579	50,261,485
	157,676,177	**229,865,935**

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.

(Figures in Taka)	2017	2016

7. 4.1 Aging analysis of real estate finance

Up to one year	36,281,075	70,857,920
Above one year to three years	39,859,325	62,141,375
Above three years to five years	81,535,777	69,860,231
More than five years	-	27,006,409
	157,676,177	**229,865,935**

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	59,542,953	12,745,004
Accounts receivable	14,499,404	-
	74,042,357	**12,745,004**

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.

7. 5.1 Aging analysis of Housing Finance

Up to one year	5,828,469	1,331,704
Above one year to three years	12,531,307	2,813,528
Above three years to five years	15,616,288	1,624,519
More than five years	40,066,293	6,975,253
	74,042,357	**12,745,004**

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	29,134,637	13,769,544
	29,134,637	**13,769,544**

7.6.1 Movement of loan against term deposit:

Balance at 1 January	13,769,544	23,001,609
Investment during the year	56,225,367	49,233,599
Recovery/adjustment during the year	(40,860,274)	(58,465,664)
Balance at 31 December	**29,134,637**	**13,769,544**

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**

(Figures in Taka)	2017	2016
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	(7,048,843)	-
Balance at 31 December	**-**	**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	27,260,213	32,657,334
Employee's car loan	5,133,429	6,950,555
	32,393,642	**39,607,889**

7.9 Factoring finance

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

Principal outstanding	1,700,252	12,212,464
Accounts receivable	621,408	518,806
	2,321,660	**12,731,270**

7.9.1 Movement of factoring finance (Principal outstanding):		
Balance at 1 January	12,731,270	31,472,618
Investment during the year	59,945,000	39,655,000
Recovery/adjustment during the year	(70,354,610)	(58,396,348)
Balance at 31 December	**2,321,660**	**12,731,270**

7. 9.2 Aging analysis of factoring finance		
Up to one year	2,321,660	12,731,270
Above one year to three years	-	-
Above three years to five years	-	-
More than five years	-	-
	2,321,660	**12,731,270**

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
Accounts receivable	-	-
	-	**172,914**

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

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

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(Figures in Taka)	2017	2016

7. 11 Personal loan

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

Principal outstanding	-	-
Accounts receivable	-	-
	-	-

7.11.1 Movement of personal loan (Principal outstanding):

Balance at 1 January	-	756,494
Investment during the year	-	-
Recovery/adjustment during the year	-	(756,494)
Balance at 31 December	-	-

7. 11.2 Aging analysis of personal loan

Up to one year	-	-
Above one year to three years	-	-
Above three years to five years	-	-
More than five years	-	-
	-	-

7. 12 Classification wise loans, advances and leases

Unclassified:		
Standard (SME)	2,572,762,614	3,610,293,833
Standard (other than SME)	6,065,092,249	7,561,301,298
Special Mention Account (SMA)	769,192,731	215,923,301
	9,407,047,593	11,387,518,432
Classified:		
Sub-standard	167,225,760	130,193,960
Doubtful	51,749,443	384,892,101
Bad/loss	1,117,994,475	1,042,938,510
	1,336,969,678	1,558,024,571
	10,744,017,271	**12,945,543,003**

7. 13 Geographical location wise loans, advances and leases

Dhaka Division	7,427,221,701	9,143,906,654
Chittagong Division	2,213,696,978	2,459,689,182
Rajshahi Division	397,342,645	598,524,813
Khulna Division	317,635,688	441,517,620
Rangpur Division	388,120,259	276,904,734
Mymensingh Division	-	25,000,000
	10,744,017,271	**12,945,543,003**

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	**3,863,002,134**	**3,763,113,414**
Industry		
Garments and knitwear	280,056,488	461,833,650
Textile	28,885,692	24,664,916
Jute and jute products	176,292,911	255,669,683
Food products and processing industry	676,919,766	631,544,632
Plastic industry	119,890,143	224,816,535
Leather and leather-goods	51,896,044	87,320,469

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(Figures in Taka)	2017	2016
Iron, still and engineering	779,931,691	1,012,889,583
Pharmaceuticals and chemicals	104,468,057	131,484,648
Cement and allied industry	-	207,232,837
Telecommunication and information technology	816,823	3,456,663
Paper, printing and packaging	554,625,349	623,281,697
Glass, glassware and ceramic industry	-	-
Ship manufacturing industry	200,000,000	363,825,667
Electronics and electrical products	72,537,301	118,131,851
Power, gas, water and sanitary service	23,122,013	21,655,404
Transport and aviation	393,076,954	495,285,899
Agriculture	**968,287,337**	**1,422,098,639**
Housing	**233,177,189**	**233,834,755**
Others:		
Merchant banking	1,537,011,440	1,573,011,440
Margin loan	-	-
Others	680,019,939	1,290,390,622
Grand Total	**10,744,017,271**	**12,945,543,003**

7. 15 Significant concentration wise loans, advances and leases

Loans, advances and leases to-		
Directors and their concerns	86,583,894	73,356,626
Chief executive and other senior executives	32,393,642	39,607,889
Customer groups	10,625,039,735	12,832,578,488
	10,744,017,271	**12,945,543,003**

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 2017 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	2017	2016
I.	Loans considered good in respect of which the Company is fully secured	9,840,476,522	12,360,388,610
II.	Loans considered good against which the Company holds no other security than the debtors' personal guarantee	516,781,181	186,025,590
III.	Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor	386,759,568	399,128,803
IV.	Loans/leases adversely classified; provision not maintained there against	-	-
	Total	**10,744,017,271**	**12,945,543,003**
V.	Loans due by directors or officers of the Company or any of them either severally or jointly with any other persons	32,393,642	39,607,889
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	86,583,894	73,356,626
VII.	Maximum total amount of advances, including temporary advances made any time during the year to directors or managers or officers of the company or any of them either severally or jointly with any other persons	-	-
VIII.	Maximum total amount of advances, including temporary advances granted during the year to companies or firms in which the directors of the company are interested as directors, partners or managing agents or, in case of private companies, as members	16,200,000	18,700,000
IX.	Due from banking companies/financial institutions	-	-
X.	Classified loan for which interest not charged	1,336,969,678	1,558,024,571
A.	Increase/decrease of provision (specific)	117,540,571	270,789,682
	Amount of debts written off	-	-
	Amount realized against the debts previously written off	5,829,150	39,480,742
B.	Provision kept against the debt classified as bad/loss at the date of balance sheet	541,537,697	423,952,315
C.	Amount of interest creditable to the interest suspense account	270,664,941	292,845,707
XI.	Cumulative amount of the written off loans/leases:		
	Opening balance	812,543,573	812,543,573
	Amount written off during the year	-	-
	Cumulative to date	812,543,573	812,543,573
	The amount of written off loans for which law suit filed	812,543,573	812,543,573

7. 18 Write-off of loans, advances and leases

As per DFIM Circular no. 03 dated 08 April 2015 of Bangladesh Bank, a financial institution should write-off its loans/ leases to clean-up its financial statements subject to fulfillment of the following criteria:

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

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

		Cumulative	
	During 2017	**As on 31-Dec-17**	**As on 31-Dec-16**
Cumulative amount of loans/ leases written-off	-	812,543,573	812,543,573
No. of agreements written-off	-	63	63
No. of clients written-off	-	48	48
Interest suspense against written-off loans/ leases	-	(141,389,222)	(141,389,222)
Provision adjusted against written-off loans/ leases	-	(651,055,147)	(651,055,147)
Recovery against write-off loans/ leases	5,829,150	220,231,664	214,402,514

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 2017**	**Provision 2016**
Unclassified - General provision				
Standard (SME)*	2,572,762,614	0.25%	5,981,967	57,940,856
Standard (Other than SME)	6,065,092,249	1%	55,227,667	119,881,465
Special Mention Account (SMA)	745,752,129	5%	37,287,606	10,345,057
Provision for other assets	-		35,411,000	29,423,000
	9,383,606,992		133,908,240	217,590,378
Classified - Specific provision				
Sub-standard	232,318,041	20%	46,463,608	4,476,014
Doubtful	50,070,727	50%	25,035,364	67,067,769
Bad/loss	541,537,697	100%	541,537,697	423,952,315
	823,926,465		613,036,669	495,496,097
Required provision for loans, advances and leases			**746,944,909**	**713,086,476**
Total provision maintained for loans, advances and leases			**746,944,909**	**713,086,476**
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)	2017	2016
7. 20 Maturity wise grouping		
Repayable on demand	-	-
Not more than 3 months	1,329,557,662	1,213,939,321
3 months to 1 year	2,157,845,955	1,799,189,052
1 year to 5 years	3,606,040,078	6,214,955,989
More than 5 years	3,650,573,576	3,717,458,641
	10,744,017,271	**12,945,543,003**

7.a LOANS, ADVANCES AND LEASES (consolidated)		
Prime Finance & Investment Limited	10,744,017,271	12,945,543,003
Prime Finance Capital Management Limited	3,006,499,092	3,427,831,531
Adjustment for dealing with subsidiary	(1,537,011,440)	(1,573,011,440)
	12,213,504,923	**14,800,363,094**

8.0 FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES

Cost:		
Land	305,151,022	305,151,022
Furniture and fixtures	18,530,044	18,254,474
Office decoration	35,010,311	35,010,311
Electric equipment	32,609,647	31,850,744
Owned vehicles	19,536,344	16,627,344
Leased vehicles	12,197,061	12,197,061
Intangible assets (software)	2,608,486	2,608,486
Total cost	**425,642,915**	**421,699,442**
Less: Accumulated depreciation / amortization / impairment	91,232,494	79,444,394
Written down value at the end of the year	**334,410,421**	**342,255,048**

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

8.a FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES (consolidated)		
Prime Finance & Investment Limited	334,410,421	342,255,048
Prime Finance Capital Management Limited	16,008,952	17,899,504
	350,419,373	**360,154,552**

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)	662,735,578	766,839,614
Investment in subsidiary (note 9.2)	960,000,000	960,000,000
Accrued interest	47,330,435	53,255,097
	1,670,066,013	**1,780,094,711**
Non income generating other assets:		
Advance office rent	1,646,580	10,670,800
Advance for office decoration of head office	883,629	883,629
Deposits with T & T, Petroleum Corporation etc.	454,100	434,100
Advance corporate tax	572,185,489	565,195,431

(Figures in Taka)	2017	2016
Deferred tax assets (note 13.4.2)	7,837,608	5,206,353
Receivable from brokerage houses against sale of shares	11,217,666	14,414,362
Receivable from provident fund account	-	30,140,863
Interest During the Construction Period (IDCP) receivable	4,583	4,584
Transfer price receivable	1,035,073	1,035,073
Others	81,944,631	135,798,640
	677,209,359	**763,783,835**
Total	**2,347,275,372**	**2,543,878,546**

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, 2017	Investment/ (Adjustment)	Revaluation reserve	Profit/(loss) under equity method	Balance as at Dec 31, 2017
PFI Securities Limited	715,469,359	-	-	(99,664,489)	615,804,870
Prime Finance AMCL	45,577,826	(8,085,000)	-	3,399,691	40,892,517
Prime Prudential Fund Limited	5,792,429	-	-	245,762	6,038,191
	766,839,614	**(8,085,000)**	**-**	**(96,019,036)**	**662,735,578**

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

Name of the company	Nature of the business	Type of shares held	% of share holding	Face value of shares	Book value per share
PFI Securities Limited	Stock brokerage	Ordinary	46.15	10	6.60
Prime Finance AMCL	Asset management	Ordinary	49.00	100	111.53
Prime Prudential Fund Ltd.	Investment in securities, debentures, bonds etc.	Ordinary	40.00	10	6.14

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)	2017	2016
9.a OTHER ASSETS (consolidated)		
Prime Finance & Investment Limited	2,347,275,372	2,543,878,546
Prime Finance Capital Management Limited	710,930,743	774,307,587
Adjustment for dealing with subsidiary	(960,000,000)	(960,000,000)
	2,098,206,115	**2,358,186,133**
10.0 Non - banking assets		
Non - banking assets	176,097,907	-
	176,097,907	**-**

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

11.0 BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS

In Bangladesh		
Secured	-	-
Un secured		
Bank loan (note 11.1)	193,881,597	663,307,068
ADB fund under refinancing scheme (note 11.2)	7,736,934	16,951,070
Fund from Bangladesh Bank under refinancing scheme(note 11.3)	646,085,335	933,507,310
Short term borrowing (note 11.4)	796,458,997	1,055,324,735
	1,644,162,863	**2,669,090,183**
Outside Bangladesh	**-**	**-**
Total	**1,644,162,863**	**2,669,090,183**

11.1 Bank loan

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

Balance at 1 January	663,307,068	1,028,379,878
Received during the year	-	860,000,000
Repayment during the year	(469,425,471)	(1,225,072,810)
Balance at 31 December	**193,881,597**	**663,307,068**

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.

11.2 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	16,951,070	26,786,183
Received during the year	-	-
Repayment during the year	(9,214,136)	(9,835,113)
Balance at 31 December	**7,736,934**	**16,951,070**

11.3 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	933,507,310	271,139,639
Received during the year	52,000,000	856,498,901
Repayment during the year	(339,421,975)	(194,131,230)
Balance at 31 December	**646,085,335**	**933,507,310**

(Figures in Taka)	2017	2016

11.4 Short-term borrowings

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

Money at call and on short notice

As on the reporting date Taka 250.00 million was outstanding as money at call and short notice. According to DFIM circular no. 01, dated 29 January 2017, non-banking financial institution can avail Call Money facility maximum up to 30% of its equity. Based on the circular mentioned above, the maximum limit of call money for the company was Taka 908.31 million only (calculated based on the yearly report of 2016 of the Company).

Bank Overdraft

This represents Taka 426,458,997 received as bank overdraft from various commercial banks.

11.5 Maturity wise grouping

Repayable on demand	29,579,388	440,000,000
Up to 1 month	25,197,256	707,121,624
1 month to 3 months	105,242,666	147,610,497
3 months to 1 year	415,549,293	583,794,486
1 year to 5 years	1,068,594,260	789,549,323
More than 5 years	-	1,014,253
	1,644,162,863	**2,669,090,183**

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

Prime Finance & Investment Limited	1,644,162,863	2,669,090,183
Prime Finance Capital Management Limited	2,035,338,709	2,203,449,085
Adjustment for dealing with subsidiary	(1,537,011,440)	(1,573,011,440)
	2,142,490,132	**3,299,527,828**

12.0 DEPOSITS AND OTHER ACCOUNTS

This comprises interest bearing deposits from individuals and organizations for period ranging from 3 months to 12 years.

Banks and other financial institutions		
Term Deposit	**2,990,600,000**	**3,550,000,000**
Other Institutions		
Term Deposit	3,519,595,394	3,033,248,457
Monthly Income Deposit	500,000	8,000,000
	3,520,095,394	**3,041,248,457**
Individuals		
Term Deposit	1,936,439,970	1,992,597,117
Housing Deposit	7,375,000	6,733,000
Fortune DPS	99,623,500	83,697,000
Monthly Income Deposit	384,720,463	341,919,205
	2,428,158,933	**2,424,946,322**
Total	**8,938,854,327**	**9,016,194,779**

12.1 Movements of deposits:

Balance at 1 January	9,016,194,779	9,544,207,157
Received/ renewed during the year	7,155,826,380	8,913,602,741
Repayment during the year	(7,233,166,832)	(9,441,615,119)
Balance at 31 December	**8,938,854,327**	**9,016,194,779**

12.2 Maturity wise grouping

Repayable on demand	-	-
Repayable within 1 month	281,243,528	1,065,520,203
1 month to 3 months	582,317,916	2,962,740,241
3 months to 1 year	2,998,390,821	4,301,623,761
1 year to 5 years	4,997,191,162	665,502,574
5 years to 10 years	79,510,900	20,808,000
More than 10 years	200,000	-
	8,938,854,327	**9,016,194,779**

(Figures in Taka)	2017	2016
12.a DEPOSITS AND OTHER ACCOUNTS (consolidated)		
Prime Finance & Investment Limited	8,938,854,327	9,016,194,779
Prime Finance Capital Management Limited	-	-
	8,938,854,327	**9,016,194,779**
13.0 OTHER LIABILITIES		
Provision for loans, advances and leases (note 13.1)	711,533,909	683,663,475
Provision for diminution in value of investments (note 13.2)	5,501,000	-
Other provision	35,411,000	29,423,000
Interest suspense (note 13.3)	270,664,941	292,845,707
Provision for tax (note 13.4)	439,832,821	435,485,902
Financial expenses payable (note 13.5)	601,673,279	520,615,163
Advance and security deposit (note 13.6)	242,809,859	288,588,830
Excise duty payable	4,581,450	14,500
Withholding tax payable	-	3,952
Accrued expenses and other payables (note 13.7)	154,204,996	253,038,636
	2,466,213,255	**2,503,679,165**

Excise duty payable represents excise duty deducted from deposit and other accounts but not yet deposited to government exchequer within 31 December 2017. 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 2017. 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.

13.1 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	98,497,241	188,167,378
Specific provision on classified loans, advances and leases	613,036,668	495,496,097
Provision as on 31 December	**711,533,909**	**683,663,475**
Movement in general provision on unclassified loans/ leases:		
Provision as on 1 January	188,167,378	188,840,129
Add: Provision made/ (released) during the year	(89,670,138)	(672,751)
Provision as on 31 December	**98,497,240**	**188,167,378**
Movement in specific provision on classified loans/ leases:		
Provision as on 1 January	495,496,097	224,706,415
Less: Adjustment for write off	-	-
Add: Provision made during the year	117,540,571	270,789,682
Provision as on 31 December	**613,036,668**	**495,496,097**
Total	**711,533,908**	**683,663,475**

13.2 Provision for diminution in value of investments

Provision as on 1 January	-	35,218,231
Add: Provision made/ (adjusted) during the year	5,501,000	(35,218,231)
Provision as on 31 December	**5,501,000**	**-**

13.2.1 Allocation of provision

Listed securities	-	-
Unlisted securities	5,501,000	-
	5,501,000	**-**

(Figures in Taka)	2017	2016
13.2.a Provision made during the year (consolidated)		
Prime Finance & Investment Limited	5,501,000	(35,218,231)
Prime Finance Capital Management Limited	12,579,021	3,177,437
	18,080,021	**(32,040,794)**
13.3 Interest suspense		
Balance as on 1 January	292,845,707	222,642,692
Add: Transferred during the year	65,212,923	90,507,755
Less:		
Amount of interest suspense recovered	(87,393,689)	(20,304,740)
Write off during the year	-	-
Balance as on 31 December	**270,664,941**	**292,845,707**

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

13.4 Provision for tax

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

13.4.1 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 2017.

	2017	2016
Balance at 1 January	435,485,902	428,134,719
Provision made during the year	4,346,919	7,351,183
Balance at 31 December	**439,832,821**	**435,485,902**

13.4.1.a Provision for current tax (consolidated)		
Prime Finance & Investment Limited	4,346,919	7,351,183
Prime Finance Capital Management Limited	7,378,381	3,910,981
	11,725,300	**11,262,164**

13.4.2 Provision for deferred tax

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

	Carrying amount	Tax base	Taxable/ (deductible) temporary difference
	Taka	Taka	Taka
Year: 2017			
Fixed assets including premises, furniture and fixtures	29,259,399	48,853,419	(19,594,020)
Gratuity	-	-	-
	29,259,399	**48,853,419**	**(19,594,020)**
Applicable tax rate			40.00%
Deferred tax assets (A)			**(7,837,608)**
Year: 2016 (B)			**(5,206,353)**
Deferred tax expense (A-B)			**(2,631,255)**

13.4.2.a Provision for deferred tax (consolidated)		
Prime Finance & Investment Limited	(2,631,255)	(1,175,771)
Prime Finance Capital Management Limited	(865,036)	(761,429)
	(3,496,291)	**(1,937,200)**

(Figures in Taka)	2017	2016

13.5 Financial expenses payable

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

13.6 Advance and cash security deposit

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

Balance at 1 January	288,588,830	297,133,349
Received during the year	81,366,748	170,914,978
Adjusted during the year	(127,145,719)	(179,459,497)
Balance at 31 December	**242,809,859**	**288,588,830**

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

Lease advance	28,004,969	29,516,130
Term finance advance	48,062,890	53,380,700
Stock on hire advance	8,000	8,000
Cash security deposit	166,734,000	205,684,000
	242,809,859	**288,588,830**

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

13.7 Accrued expenses and other payables

Suspense receipts	58,596,808	112,659,269
Accrued management expenses	24,334,800	38,291,142
Other payables	71,273,388	102,088,225
	154,204,996	**253,038,636**

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

13.a OTHER LIABILITIES (consolidated)

Prime Finance & Investment Limited	2,466,213,255	2,503,679,165
Prime Finance Capital Management Limited	490,770,941	502,711,368
Adjustment for dealing with subsidiary	-	-
	2,956,984,196	**3,006,390,533**

14.0 SHARE CAPITAL

As at 31 December 2017, a total of 272,916,483 (FY 2016: 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	9.81
Maksons (Bangladesh) Limited	21,370,516	7.83
East Coast Shipping Lines Limited	24,407,338	8.94
GQ Enterprise Limited	23,222,142	8.51
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 2017 and 2016 was as under:

Group	No. of Shareholders		No. of Shares		Percentage	
	2017	2016	2017	2016	2017	2016
Sponsors (Institutions)	9	9	173,073,845	173,073,845	63.42	63.42
Sponsors (Individuals)	2	2	5,500,790	5,500,790	2.02	2.02
General Public (Institutions)	259	315	25,596,321	23,639,436	9.38	8.66
General Public (Individuals)	14,694	17,117	68,745,527	70,702,412	25.18	25.90
	14,964	**17,443**	**272,916,483**	**272,916,483**	**100.00**	**100.00**

14.1 Capital Adequacy Ratio (CAR)

As per section 4(Gha) of the Financial Institutions Regulations 1994, the minimum paid up capital of the Financial Institution shall be Taka 100 crore. Provided that the sum of paid up capital and reserves shall not be less than the minimum capital determined under the Risk Based Assets of the Company. The surplus eligible capital of the Company as on December 31, 2017, on consolidation basis, were Taka 1,391.32 million and capital adequate ratio was 17.92%.

(Figures in Taka)	2017	2016
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	(1,551,843,270)	(1,092,766,302)
Non-controlling interests	808,389,842	806,436,957
Total eligible Tier-1 capital	**2,912,819,912**	**3,369,943,995**
Tier-2 (Supplementary capital)		
General provision (Unclassified loans up to specified limit + SMA+ off Balance Sheet exposure+ provision for diminution in value of investments)	123,353,800	96,049,583
Assets revaluation reserves up to 50%	110,971,875	110,971,875
Total eligible Tier-2 capital	**234,325,675**	**207,021,458**
(i) Total eligible capital	**3,147,145,587**	**3,576,965,453**
(ii) Total Risk Weighted Assets (RWA)	**17,558,300,000**	**20,130,013,281**
(iii) Minimum Capital Requirement (MCR) (10% of RWA)	**1,755,830,000**	**2,013,001,328**
(iv) Excess {(i) - (iii)}	**1,391,315,588**	**1,563,964,125**
Capital Adequacy Ratio (CAR) {(i) / (ii)} [%]	**17.92%**	**17.77%**

(Figures in Taka)	2017	2016

15.0 NON-CONTROLLING INTEREST

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

Balance as on 1 January	806,436,957	805,497,537
Profit/(loss) after tax for the year	1,952,885	939,420
Balance as on 31 December	**808,389,842**	**806,436,957**

16.0 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**

17.0 RETAINED EARNINGS

Balance as on 1 January	(1,342,421,737)	(390,407,393)
Payment of cash dividend	-	-
Profit/(loss) after tax for the year	(462,006,297)	(952,014,344)
Transferred to statutory reserve	-	-
Balance as on 31 December	**(1,804,428,034)**	**(1,342,421,737)**

18.0 INCOME STATEMENT

Income:		
Interest, discount and similar income (note 19)	673,706,400	845,400,319
Dividend income (note 21)	13,883,892	17,705,511
Gains less losses arising from dealing in securities	-	-
Fees, commission, exchange and brokerage (note 22)	5,278,471	6,542,357
Gains less losses arising from investment in securities (note 21)	120,150,796	(8,944,134)
Gains less losses arising from dealing in foreign currencies	-	-
Income from non-banking assets	-	-
Other operating income (note 23)	(49,797,260)	(300,066,317)
Profit less losses on interest rate changes	-	-
Nominal value of bonus share received	-	-
Total income (A)	**763,222,299**	**560,637,736**
Expenses:		
Interest paid on deposits, borrowings etc. (Note 20)	978,608,902	1,016,907,060
Administrative expenses	181,309,033	201,424,890
Depreciation and impairment on banking assets	11,788,100	11,954,362
Other operating expenses	12,447,464	12,903,655
Total expenses (B)	**1,184,153,499**	**1,243,189,967**
Operating surplus (A-B)	**(420,931,200)**	**(682,552,231)**

(Figures in Taka)	2017	2016
19.0 INTEREST INCOME		
Income from lease finance	66,450,550	112,339,872
Income from term finance	561,710,872	656,422,407
Income from real estate finance	10,502,689	19,920,512
Income from other finance	35,042,289	56,717,528
	673,706,400	**845,400,319**

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.

19.a INTEREST INCOME (consolidated)		
Prime Finance & Investment Limited	673,706,400	845,400,319
Prime Finance Capital Management Limited	35,952,057	51,985,037
Adjustment for dealing with subsidiary	-	-
	709,658,457	**897,385,356**

20.0 INTEREST PAID ON DEPOSITS, BORROWINGS etc.		
Interest on bank loan	38,580,982	72,457,208
Interest on IDA and ADB fund under re-financing scheme of Bangladesh	831,357	1,466,742
Interest on fund from Bangladesh Bank under re-financing schemes	37,871,101	35,099,865
Interest on term deposits	813,483,933	816,503,840
Interest on money at call and on short notice	40,893,676	39,734,056
Interest on cash security deposit	15,167,900	18,486,926
Interest on overdraft facility	31,779,953	33,158,423
	978,608,902	**1,016,907,060**

20.a INTEREST PAID ON DEPOSITS, BORROWINGS etc. (consolidated)		
Prime Finance & Investment Limited	978,608,902	1,016,907,060
Prime Finance Capital Management Limited	23,395,838	37,523,932
Adjustment for dealing with subsidiary	-	-
	1,002,004,740	**1,054,430,992**

21.0 INVESTMENT INCOME		
Capital gain on sale of securities (note 21.1)	120,150,796	(8,944,134)
Dividend income	13,883,892	17,705,511
	134,034,688	**8,761,377**

21.1. Capital gain on sale of securities		
Gain on sales of securities	120,776,649	28,975,108
Loss on sales of securities	(625,853)	(37,919,242)
Net gain from sale of securities	**120,150,796**	**(8,944,134)**

21.a INVESTMENT INCOME (consolidated)		
Prime Finance & Investment Limited	134,034,688	8,761,377
Prime Finance Capital Management Limited	64,157,039	25,271,652
	198,191,727	**34,033,029**

(Figures in Taka)	2017	2016
22.0 FEES, COMMISSION, EXCHANGE AND BROKERAGE		
Service charge, factoring charge etc.	5,278,471	6,542,357
	5,278,471	**6,542,357**
22.a FEES, COMMISSION, EXCHANGE AND BROKERAGE (consolidated)		
Prime Finance & Investment Limited	5,278,471	6,542,357
Prime Finance Capital Management Limited	27,057,235	25,150,485
	32,335,706	**31,692,842**
23.0 OTHER OPERATING INCOME		
Income from associates (note 9.1)	(96,019,036)	(378,330,331)
Delinquent interest, IDCP etc.	29,978,975	33,633,724
Renewals and proceeds	741,891	1,534,460
Write-off & others	15,500,910	43,095,830
	(49,797,260)	**(300,066,317)**
23.a OTHER OPERATING INCOME (consolidated)		
Prime Finance & Investment Limited	(49,797,260)	(300,066,317)
Prime Finance Capital Management Limited	4,911,137	6,985,575
	(44,886,123)	**(293,080,742)**
24.0 SALARIES AND OTHER EMPLOYEE BENEFITS		
Salaries & allowances	102,784,975	116,668,363
Medical & employee welfare	21,045,071	31,843,997
	123,830,046	**148,512,360**

Medical and employee welfare includes, among others, provision for retirement benefits, death and disability benefits and hospitalization benefits. The funds are managed separately by a board of trustee and management believes that company's contribution to these funds are adequate.

24.a SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)		
Prime Finance & Investment Limited	123,830,046	148,512,360
Prime Finance Capital Management Limited	39,970,624	29,345,292
	163,800,670	**177,857,652**
25.0 RENT, TAXES, INSURANCE, ELECTRICITY ETC.		
Office rent & maintenance	29,141,008	32,376,854
Electricity bill	1,755,226	1,785,394
	30,896,234	**34,162,248**
25.a RENT, TAXES, INSURANCE, ELECTRICITY ETC. (consolidated)		
Prime Finance & Investment Limited	30,896,234	34,162,248
Prime Finance Capital Management Limited	9,968,951	9,645,344
	40,865,185	**43,807,592**

26.0 LEGAL EXPENSES

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

26.a LEGAL EXPENSES (consolidated)		
Prime Finance & Investment Limited	10,172,684	772,793
Prime Finance Capital Management Limited	25,900	49,284
	10,198,584	**822,077**

(Figures in Taka)	2017	2016

27.0 POSTAGE, STAMP, TELECOMMUNICATION ETC.

Postage, telephone, telex, fax, and e-mail	2,352,266	2,110,952
Charges, levies, stamps and duties	1,129,202	1,344,383
	3,481,468	**3,455,335**

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

Prime Finance & Investment Limited	3,481,468	3,455,335
Prime Finance Capital Management Limited	219,036	241,917
	3,700,504	**3,697,252**

28.0 STATIONERY, PRINTING, ADVERTISEMENTS ETC.

Printing and stationery	3,451,485	3,851,575
Books and periodicals	46,378	55,129
Advertisement and publicity	553,738	950,450
	4,051,601	**4,857,154**

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

Prime Finance & Investment Limited	4,051,601	4,857,154
Prime Finance Capital Management Limited	338,441	552,256
	4,390,042	**5,409,410**

29.0 MANAGING DIRECTOR'S SALARY AND FEES

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

30.0 DIRECTORS' FEES

During the year, a Director, in accordance with the Bangladesh Bank, DFIM Circular No. 13 dated 30 November 2015, was entitled to receive a fee of Tk. 8,000 for attending each meeting of the Board and it's Committee. Detail of the fees paid to the Directors in the year 2017 was as under:

Total board meetings (nos.)	8	10
Total board audit committee meetings (nos.)	4	4
Total board executive committee meetings (nos.)	14	12
Total fees paid	**832,000**	**920,000**
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

30.a DIRECTORS' FEES (consolidated)

Prime Finance & Investment Limited	832,000	920,000
Prime Finance Capital Management Limited	462,228	200,010
	1,294,228	**1,120,010**

31.0 AUDITORS' FEES

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

31.a AUDITORS' FEES (consolidated)

Prime Finance & Investment Limited	345,000	345,000
Prime Finance Capital Management Limited	1,098,250	57,500
	1,443,250	**402,500**

(Figures in Taka)	2017	2016
32.0 DEPRECIATION AND REPAIR OF ASSETS		
Depreciation of fixed assets - freehold	11,652,251	11,109,176
Depreciation of fixed assets - leasehold vehicle	-	711,837
Amortization of intangible assets	135,849	133,349
	11,788,100	**11,954,362**
32.a DEPRECIATION AND REPAIR OF ASSETS (consolidated)		
Prime Finance & Investment Limited	11,788,100	11,954,362
Prime Finance Capital Management Limited	6,204,417	5,597,721
	17,992,517	**17,552,083**
33.0 OTHER EXPENSES		
HR development	662,564	319,298
Travelling and conveyance	2,460,299	2,063,030
Motor vehicle expenses	2,342,174	2,067,175
Subscription and fees	2,018,366	3,146,605
Meeting expenses	60,000	80,400
AGM expenses (note 33.1)	289,955	290,861
Entertainment, public relation etc.	410,745	474,286
Others	4,203,361	4,462,000
	12,447,464	**12,903,655**
33.1 AGM expenses		
Rent for AGM venue	133,158	132,825
Printing, database management etc.	9,200	8,000
Publication of notice	92,347	94,786
Entertainment	15,000	15,000
Others	40,250	40,250
	289,955	**290,861**
33.a OTHER EXPENSES (consolidated)		
Prime Finance & Investment Limited	12,447,464	12,903,655
Prime Finance Capital Management Limited	18,619,203	10,303,955
	31,066,667	**23,207,610**
34.0 RECEIPTS FROM OTHER OPERATING ACTIVITIES		
Delinquent interest, IDCP etc.	30,557,029	42,883,550
Renewals and proceeds	741,891	1,534,461
Write-off & others	15,500,910	43,095,830
	46,799,830	**87,513,841**
35.0 PAYMENTS FOR OTHER OPERATING ACTIVITIES		
Advance against office rent, renovation & decoration	9,967,124	(2,795,627)
Advance against advertisement	-	-
	9,967,124	**(2,795,627)**

36.0 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.

(Figures in Taka)	2017	2016

Basic earnings per share

The calculation of basic earnings per share at 31 December 2017 was based on the profit/(loss) attributable to ordinary shareholders of Tk. (462,006,297) (2016: Tk. (952,014,344) and a weighted average number of ordinary shares outstanding as at 31 December 2017 of 272,916,483 (2016: 272,916,483).

Profits attributable to ordinary shareholders		
Net profit for the year	(462,006,297)	(952,014,344)
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)	**(1.69)**	**(3.49)**

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 2017 and hence no diluted earnings per share is required to be calculated.

36.a EARNINGS PER SHARE (consolidated)

Profits attributable to ordinary shareholders of the Company		
Net profit for the year	**(459,076,968)**	**(950,605,214)**
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)	**(1.68)**	**(3.48)**

37.0 MARKET CAPITALISATION AND SHARE PRICE

Market Capitalization of the Company, which is the number of ordinary shares in issued, multiplied by the market value of a share. Total number of ordinary shares outstanding as at 31 December 2017 was 272,916,483 and the market value per share of last trading day (28 December 2017) was Tk. 12.20 in DSE. Thus market capitalization based on DSE value was Tk.3,329.58 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 2017.

	Quarters	DSE		CSE	
		High	Low	High	Low
High low share price	First quarter	12.80	9.40	12.80	9.30
	Second quarter	11.80	10.60	12.00	10.30
	Third quarter	14.20	12.00	14.20	12.00
	Fourth quarter	13.80	11.30	14.00	11.30
No. of shareholders	There were 14,964 shareholders as per Share Register as on 31 December 2017.				

38.0 RELATED PARTY TRANSACTIONS

Prime Finance in normal course of business carried out a number of transactions with other entities that fall within the definition of related party mentioned in Bangladesh Accounting Standard 24: Related Party Disclosures. At 31 December 2017, 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 2017 was as under:

Name of the related party	Relationship	Nature of transaction	Ourstanding receivable/ (payable) 2017
PFI Properties Limited	Common Directors	Term finance	62,965,201
Prime Finance Asset Mgt Company Limited	Associate Company	Term deposit	(25,000,000)
PFI Securities Limited	Associate Company	Term finance	2,754,522,881
Prime Finance Capital Management Limited	Subsidiary Company	Term finance	1,537,011,440
Total			**4,329,499,522**

	2017	2016
Key management personnel		
Managing Director's salary and allowance	7,700,000	8,400,000
	7,700,000	**8,400,000**

38.1 Significant contract where Prime Finance is party and wherein Directors have interest
As on 31 December 2017 no such contract exists.

38.2 Share issued to Directors and executives without consideration or exercisable at a discount
As on 31 December 2017 no share issue exists.

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

38.4 Investment in the securities of directors and their related concern
As on 31 December 2017 no such investments exists.

39.0 PARTICULARS OF THE DIRECTORS

Sl. No.	Directors	Nominated by	Designation	Address	% of shares as at 31 December 2017
1.	Mr. Md. Aminul Haque	Acorn Limited.	Chairman	Acorn Limited, Plot-68, Block-H, Road-11, Level-5, Banani, Dhaka.	9.13
2.	Ms. 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	8.46
7.	Mr. Qazi Saleemul Huq	GQ Enterprise Ltd.	Director	331/2 Tajuddin Ahmed Swaroni, Bara Maghbazar, Dhaka-1217	8.51
8.	Mr. Tauseef Iqbal Ali	N/A	Director	House # CEN-C2, Road # 95, Gulshan-2, Dhaka-1212.	2.00
9.	Prof. Dr. Parimal Chandra Datta	N/A	Independent Director	Flat # G-15, Z.A. Tower, 115 Shantinagar, Dhaka-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

40.0 DIRECTORS AND THEIR ENTITIES IN WHICH THEY HAVE INTEREST

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

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

41.0 DISCLOSURES ON THE BOARD AUDIT COMMITTEE

Composition and qualification:

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

Name	Status with the Company	Status with the Committee	Educational Qualification
Prof. Dr. Parimal Chandra Datta	Independent Director	Chairman	M. Com, Ph. D in Accounting & Finance from Preston University, USA
Ms. 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 2017:

SL	Meeting no.	Meeting date
1	71 no. Audit Committee Meeting	20-Feb-2017
2	72 no. Audit Committee Meeting	14-May-2017
3	73 no. Audit Committee Meeting	26-Jul-2017
4	74 no. Audit Committee Meeting	30-Oct-2017

Major issues discussed in the Audit Committee Meeting during the year 2017 were as under:

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.

42.0 CONTINGENT LIABILITIES & OTHER COMMITMENTS

	Amount in Taka	
	2017	**2016**
Contingent liabilities:	-	-
Other commitments:		
Un-disbursed contracted loans, advances and leases	10,000,000	117,000,000
	10,000,000	**117,000,000**

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

43.0 LEGAL PROCEEDINGS

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

44.0 BOARD MEETINGS AND NUMBER OF DIRECTORS

During the year 2017, 08 (Eight) Board Meetings were held. As on 31 December 2017, there were 10 members in the Board, which include two Independent Director. As per FID circular no. 09 dated 11 September 2002, a non-banking financial institution shall have maximum 11 (eleven) Directors in the Board. The Managing Director is an ex-officio Director having no voting right.

45.0 NUMBER OF EMPLOYEES

A total number of 114 employees, including 21 sub staffs were employed in Company as at 31 December 2017. All the employees received salary of Taka 36,000 and above per annum during the year 2017.

46.0 REPORTING CURRENCY AND LEVEL OF PRECISION

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

47.0 IMPACT OF INFLATION AND CHANGING PRICES

Financial Institutions are affected differently by inflation than those of industrial ventures. While industrial and manufacturing companies generally have significant investments in inventories and fixed assets, financial institutions ordinarily do not have such investment. As a result, financial institutions are generally in a better position than industrial ventures to respond to inflationary trends by monitoring the spread between interest cost and interest income yields through adjustments of maturities and interest rates of assets and liabilities.

Financial statements presented herein have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), which required the measurement of the financial position and operating results in terms of historical costs.

48.0 EVENTS AFTER THE REPORTING PERIOD

None as on 31 December, 2017

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49.0 FOREIGN CURRENCY EXPOSURE PROFILE

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

50.0 COMPARATIVE FIGURES

Comparative information in respect of the preceding period as specified in BAS 1, para 38 has been disclosed in respect of the year 2017 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Previous years figures have been rearranged whenever considered necessary to ensure comparability with the current period.

51.0 FINANCIAL HIGHLIGHTS

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

52.0 GEOGRAPHICAL AREA OF OPERATION

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

53.0 INTERIM FINANCIAL REPORTING

Prime Finance prepared its interim financial statements on quarterly and half-yearly basis as per the requirements of 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.

54.0 DISAGREEMENT WITH AUDITORS

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

55.0 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.

56.0 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.

57.0 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors of the Company on 27 March, 2018.

Company Secretary | Managing Director | Director | Chairman

Schedule of fixed assets Including premises, furniture and fixtures

Annexure-A

as at 31 December, 2017

(Figures in Taka)

Particulars	Cost				Depreciation/Amortization/Impairment					Written down Value as at Dec' 31, 2017
	Balance as at Jan' 01, 2017	Addition during the year	Disposal/ adjustment during the year	Balance as at Dec' 31, 2017	Rate of depreciation/ amortization	Balance as at Jan' 01, 2017	Charged during the year	Disposal/ adjustment during the year	Balance as at Dec' 31, 2017	
Freehold assets:										
Land	305,151,022	-	-	305,151,022	-	-	-	-	-	305,151,022
Furniture and fixtures	18,254,474	275,570	-	18,530,044	15% -20%	13,073,136	1,390,915	-	14,464,051	4,065,993
Office decoration	35,010,311	-	-	35,010,311	20%	20,014,772	4,348,082	-	24,362,854	10,647,457
Electrical equipment	31,850,744	758,903	-	32,609,647	20%	22,471,114	3,527,291	-	25,998,405	6,611,242
Owned vehicles	16,627,344	2,909,000	-	19,536,344	20%	10,186,781	2,385,963	-	12,572,744	6,963,600
		.								
Intangible assets:										
Software	2,608,486	-	-	2,608,486	10%	1,501,535	135,849	-	1,637,384	971,102
Leasehold assets:										
Leased vehicles	12,197,061	-	-	12,197,061	20%	12,197,056	-	-	12,197,056	5
As at 31 December 2017	**421,699,442**	**3,943,473**	**-**	**425,642,915**		**79,444,394**	**11,788,100**	**-**	**91,232,494**	**334,410,421**
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**

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HIGHLIGHTS

Annexure - B

Sl. No	Particulars	Financial Year 2017	2016
1	Paid-up capital	2,729,164,830	2,729,164,830
2	Total capital	3,147,145,588	3,576,965,453
3	Capital surplus/ (shortage)	1,391,315,588	1,563,964,125
4	Total assets	17,173,092,317	18,914,000,885
5	Total deposits	8,938,854,327	9,016,194,779
6	Total loans, advances and leases	12,213,504,923	14,800,363,094
7	Total Contingent liabilities and commitments	10,000,000	117,000,000
8	Loans deposits ratio (%)	136.63	164.15
9	Percentage of classified loans against total loans, advances and leases	12.44	12.04
10	Net profit after tax and provision	(457,124,083)	(949,665,794)
11	Classified loans, advances and leases during the year	1,336,969,678	1,558,024,571
12	Provision against classified loans, advances and leases	613,036,668	495,496,097
13	Surplus/ (shortage) in provision against loans, advances and leases	-	-
14	Fund cost (%)	8.89	8.38
15	Interest earning assets	16,330,297,875	18,003,764,755
16	Non-interest earning assets	842,794,442	910,236,130
17	Return on average investment (ROI) (%)	(2.94)	(5.72)
18	Return on average assets (ROA) (%)	(2.49)	(4.86)
19	Income from debentures, bonds etc.	-	-
20	Net income per share	(1.68)	(3.48)
21	Earnings per share	(1.68)	(3.48)
22	Price earnings ratio (times)	(7.25)	(2.82)

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

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Prime Finance Capital Management Ltd.
Directors' Report

for the financial year 2017

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 2017 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 19 February 2018.

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

Capital market scenario

The year 2017 has joined the pages of history with successes in every sphere of our capital market. Dedicated, positive and combined efforts of Bangladesh Securities and Exchange Commission, Stock exchanges and Stakeholders have turned our capital market into a hub of investment. Political stability played a great role.

In 2017 the total trade of Dhaka Stock Exchange Limited stood at Tk. 2,169,597.12 million marking an increase of 82.08 percent or Tk. 978,025.85 million higher than that of last year. This is the highest trade in the history of Dhaka Stock Exchange after the unusual market in 2010.

DSE Broad Index (DSEX) or the benchmark index has increased by 1,208.47 point or 24.00 percent to 6,244.52 point. In 2017 the highest point of DSE Broad Index (DSEX) was 6,336.88 and the lowest was 5,083.89. DSE 30 index has increased by 472.31 point or 26.08 percent and reached at 2,283.23 point. In 2017 the highest index of DSE 30 was 2,290.35 and the lowest index was 1,821.89. Beside index, the market capitalization also made a record. In 2017 the market capital has increased by Tk. 816.50 billion or 23.93 percent and stood at Tk. 4,228.95 billion which is a historical milestone of DSE. In 2017 the highest market capitalization was 4,262.65 billion and lowest market capitalization was Tk. 3,440.60 billion.

New IPO application system through Electronic Subscription System jointly developed by DSE Listing Affairs Division and ICT Division. This system facilitates application for allotment immediately after subscription. In 2017 the entrepreneurs have collected Tk. 2,192.50 million through IPO of seven (07) securities including one Mutual Fund and of which one company raised Tk. 412.09 million as premium. In the year 2016 a total of eleven (11) securities of which three (03) were mutual funds have been enlisted at DSE with a paid up capital of Tk. 8,493.00 million. In the year 2017 four (04) companies collected the capital of Tk. 11,140.16 through issuing 867.99 million right share. Three companies collected the capital of Tk. 2,460.23 million as premium. In 2017 a total of 142 companies of DSE issued 2,776.89 million bonus share and enhanced the capital of Tk. 27,916.02 million. On the other hand, in 2016, 126 companies enhanced Tk. 25,085.00 million of capital by issuing 2,508.00 million bonus shares.

At the end of 2017 the ratio of DSE market cap to GDP stood at 21.62%, much lower than neighboring country. The Ratio of Market Capitalization to GDP of Thailand (SET) is 110.33%, India (BSE) 86.34%, Pakistan (KSE) 28.25%, Sri Lanka (CSE) 23.68%, Nepal (NEPSE) 70.01 % and Malaysia (Bursa Malaysia) 142.24%. It is necessary to enlist companies with good fundamentals that will enhance the ratio of market cap to GDP.

Industry outlook

It is very difficult to say that the merchant banks performed well in 2017. 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 57 merchant banks only 11 companies floated IPOs were found active during the period 2017. 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).

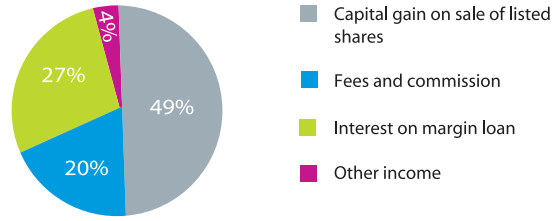
Principal activities

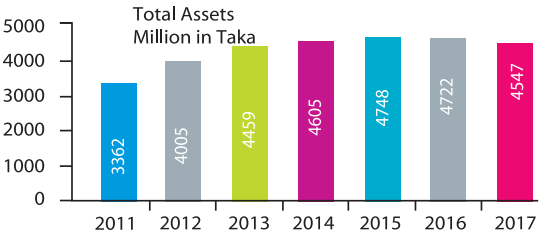
The main objectives of the company are to carry out business of merchant banking in all respect, including acting as manager to the issues and offers, whether by way of public offer or otherwise, of securities, underwriting and/or management of issues, managing portfolio of investors whether discretionary 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. 4,882,212 for the year 2017 against Tk. 2,348,550 for the year 2016. The Company has made a provision of Tk. 7,378,381 as income tax. Total investment of the Company as margin loan was Tk. 3,006,499,092 and investment in shares including unquoted shares was Tk. 777,076,322 in the year 2017.

Revenue composition 2017





Fixed assets addition

During the year 2017 total fixed assets stood at Tk. 16,008,952 compared to Tk. 17,899,503 in 2016. In the current year, addition of fixed assets was for Tk. 4,313,865 and no disposal of fixed assets.

Reserve & surplus

The reserve & surplus of the Company includes retained earnings only. As on 31 December 2017 balance of retained earnings stood at Tk. (11,825,394) which was Tk. (16,707,606) on 31 December 2016.

Dividend

The Company's profitability status is not in a position to pay out dividend. The Board in its meeting held on 19 February 2018 recommended "No" dividend for the year 2017.

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 11 March 2018.

Annual General Meeting

The 8th Annual General Meeting of the Company will be held on 28 March 2018 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 2017 including the reports of the Directors and the Auditors;
- To consider dividend for the year ended 2017 as recommended by the Board of Directors;
- To elect/ re-elect Directors in terms of the relevant provision of the Articles of Association of the Company; and
- To appoint the statutory auditors for the year 2018 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 2017 in the 7th Annual General Meeting. The Auditors will retire in the 8th Annual General Meeting. Being eligible under Section 212 of the Companies Act 1994, the Auditors have consented to continue their office for the year 2018. The Board recommended to the Shareholders to re-appoint the existing Auditors for the year 2018 at a remuneration of Tk. 65,000/- plus VAT.

Retirement and Re-appointment of Directors Retirement by rotation:

As per Article-126 of the Articles of Association of the Company, one-third of the total number of Directors for the time being, shall retire from the office in every Annual General Meeting. 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 8th Annual General Meeting:

a) Ms. Sarwat Khaled Simin
b) Mr. Tauseef Iqbal Ali
c) Mr. Waheed Mahmud Khaled

As per Article 128 of the Article of Association of the Company the retiring directors are eligible for re-election. Hence, the Board recommended for re-appointment of the retiring directors in the 8th Annual General Meeting of the Company.

Compliance of corporate governance

The Company has complied with condition no. 5 of the Corporate Governance Guideline imposed by Bangladesh Securities and Exchange Commission vide their notification no. SEC/CMRRCD/2006/134/Admin/44 dated 7 August 2012.

Events occurring after the reporting date

As at the date of this Report, the Directors are not aware of any matter or circumstance that has arisen since the end of the year 2017 that has significantly affected or may significantly affect the operations of the Company.

Conclusion

There are a number of dynamics, both political and economic factors, which could significantly affect money market and capital 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.
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**, which comprise the statement of financial position as at 31 December 2017, 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 2017, 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: 19 February 2018

M. M. RAHMAN & CO.
Chartered Accountants

Prime Finance Capital Management Limited

Statement of financial position

as at 31 December

(Figures in Taka)	2017	2016	Notes
Non-current assets			
Property, plant and equipment	16,008,952	17,899,504	4
Investment in shares	777,076,322	477,136,125	5
Deferred tax assets	2,950,777	2,085,741	
Total non-current assets	**796,036,051**	**497,121,370**	
Current assets			
Margin loan	3,006,499,092	3,427,831,533	6
Advance, deposit and prepayment	350,409,270	387,361,393	7
Accounts receivable	357,570,697	384,860,453	8
Cash and cash equivalents	36,569,147	25,078,097	9
Total current assets	**3,751,048,206**	**4,225,131,477**	
Total assets	**4,547,084,257**	**4,722,252,847**	
Shareholders' equity			
Share capital	2,032,800,000	2,032,800,000	10
Retained earnings	(11,825,394)	(16,707,606)	11
	2,020,974,606	**2,016,092,394**	
Non-current liabilities			
Term loan-long term maturity	87,148,384	64,714,210	12
Total non-current liabilities	**87,148,384**	**64,714,210**	
Current liabilities			
Margin deposit	17,270,443	26,358,146	13
Current account with Parent Company	1,537,011,440	1,573,011,440	14
Term loan-short term maturity	23,637,013	77,243,053	12
Short term loan	324,907,616	339,907,616	15
Overdraft facility	62,634,256	148,572,766	16
Corporate tax liability	314,799,439	307,421,058	17
Accounts payable	1,800,948	18,618,575	18
Other payables and accruals	156,900,111	150,313,588	19
Total current liabilities	**2,438,961,266**	**2,641,446,242**	
Total shareholders' equity and liabilities	**4,547,084,257**	**4,722,252,847**	

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

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Director	Managing Director & CEO

Dhaka, 19 February 2018

As per our annexed report of same date.

Sd/-
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)	2017	2016	Notes
Operating income			
Fees and commission	27,057,235	25,150,484	20
Interest on margin loan	35,952,057	51,985,037	21
Capital gain on sale of listed shares	64,157,039	25,271,652	22
Other income	4,911,137	6,985,575	23
Total operating income	**132,077,468**	**109,392,747**	
Operating expenses			
Financial expenses	23,395,838	37,523,931	24
Management expenses	84,707,052	63,193,277	25
Total operating expenses	**108,102,890**	**100,717,208**	
Profit before provision and tax	**23,974,578**	**8,675,539**	
Provision for doubtful loss	12,579,021	3,177,437	26
Profit before tax	**11,395,557**	**5,498,102**	
Provision for Taxation:			
Current tax	7,378,381	3,910,980	27
Deferred tax	(865,036)	(761,429)	
	6,513,344	3,149,551	
Profit after tax	**4,882,212**	**2,348,550**	

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

Sd/-	Sd/-	Sd/-	Sd/-
Chairman	Director	Director	Managing Director & CEO

Dhaka, 19 February 2018

As per our annexed report of same date.

Sd/-
M.M. Rahman & Co.
Chartered Accountants

AMARSTOCK

Prime Finance Capital Management Limited

Statement of Cash flows

for the year ended on 31 December

(Figures in Taka)

		2017	2016
A.	**Cash flows from operating activities**		
	Net received from/(payment to) portfolio customers	47,144,545	58,870,961
	Net received from brokers	410,145,204	207,362,008
	Fees and commission receipt	1,155,556	4,557,364
	Payment for management expense	(45,478,638)	(61,222,542)
	Received of dividend income	4,813,384	6,919,076
	Received of interest income	79,748	44,524
	Bank charge paid	(120,165)	(64,238)
	Tax paid	(2,164,895)	(1,621,227)
	Net Cash flows from/ (used in) operating activities	**415,574,739**	**214,845,926**
B.	**Cash flows from investing activities**		
	Payment against fixed assets	(4,709,790)	(1,139,970)
	Received against/ (payment for) employees car loan/home loan	-	(1,400,000)
	Net received from/(payment for) investment in shares/bond	(216,801,917)	(84,940,505)
	Net cash flows from/ (used in) investing activities	**(221,511,707)**	**(87,480,475)**
C.	**Cash flows from financing activities**		
	Net payment against term loan	(31,241,983)	(45,357,645)
	Payment for financial expenses	(29,391,488)	(45,954,479)
	Net Received against/ (payment for) other loan	-	(244,750)
	Net received from/ (payment for) overdraft facility	(85,938,510)	11,917,259
	Net loan payment to inter company	(36,000,000)	(24,000,000)
	Net cash flows from/ (used in) financing activities	**(182,571,982)**	**(103,639,615)**
D.	**Net cash flows for the period (A+B+C)**	**11,491,050**	**23,725,835**
E.	**Opening cash and cash equivalents**	**25,078,097**	**1,352,262**
F.	**Closing cash and cash equivalents (D+E)**	**36,569,147**	**25,078,097**

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 2017	**2,032,800,000**	**(16,707,606)**	**2,016,092,394**
Profit after tax for the year	-	4,882,212	4,882,212
Balance as at 31 December 2017	**2,032,800,000**	**(11,825,394)**	**2,020,974,606**
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**

AMARSTOCK

Prime Finance Capital Management Limited

Notes to the financial statements

as at and for the year ended on 31 December 2017

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 19 February 2018.

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 2017 to 31 December 2017.

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 2017. 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)

		2017	2016
4	**Property, plant and equipment**		
	A. Cost		
	Opening	39,104,102	38,382,891
	Addition during the year	4,313,865	839,211
	Disposal during the year	-	(118,000)
	Closing balance	**43,417,967**	**39,104,102**
	B. Accumulated Depreciation		
	Opening	21,204,597	15,689,475
	Addition during the year	6,204,417	5,597,722
	Disposal during the year	-	(82,600)
	Closing balance	**27,409,014**	**21,204,597**
	C. Written Down Value (A-B)	**16,008,952**	**17,899,504**

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

5	**Investment in shares**		
	Quoted shares	725,676,322	425,736,125
	Un-quoted shares (Note-5.1)	51,400,000	51,400,000
		777,076,322	**477,136,125**
5.1	**Un-quoted shares**		
	Bengal Meat Processing Industries Limited	5,000,000	5,000,000
	PFI Properties Limited	46,400,000	46,400,000
		51,400,000	**51,400,000**
6	**Margin loan**		
	Margin loan	3,006,499,092	3,427,831,533
		3,006,499,092	**3,427,831,533**

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)	291,892,950	289,712,549
	Advance for investment in shares	3,210,994	30,530,282
	Other advances (Note-7.2)	55,305,326	67,118,562
		350,409,270	**387,361,393**
7.1	**Advance income tax**		
	Balance as at 1 January	289,712,549	288,091,323
	Add:	-	
	Advance income tax paid u/s-64 of Income Tax Ordinance, 1984	1,156,953	-
	Tax deducted at source during the year	1,022,948	1,621,227
		2,179,901	1,621,227
		291,892,450	**289,712,549**
	Less:		
	Adjustment for completed assessment year	-	-
	Balance as at 31 December	**291,892,450**	**289,712,549**

FINANCIAL STOCK

(Figures in Taka)

		2017	2016
7.2	**Other advances**		
	Advance against employee house building finance (Note-7.2.1)	16,292,720	19,016,960
	Advance against employee car finance (Note-7.2.1)	1,944,464	2,411,120
	Other advances	37,068,142	45,690,482
		55,305,326	**67,118,562**

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	351,792,453	375,015,740
	Receivable from Vision Capital Management Limited	777,697	1
	Receivable from Fareast Stock and Bonds Limited	-	5,058,598
	Other receivables	5,000,547	4,786,114
		357,570,697	**384,860,453**

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	7,219	21,663
	Balance with banks:		
	Mutual Trust Bank Ltd., Dilkusha branch-Short term deposit	3,172	122,113
	Shahjalal Islami Bank Ltd., Dhaka main branch-Short term deposit	118,986	109,080
	Shahjalal Islami Bank Ltd., Dhaka main branch-Short term deposit	28,091,940	23,787,894
	Shahjalal Islami Bank Ltd., Dhaka main branch-Short term deposit	(3,420,283)	57,993
	Shahjalal Islami Bank Ltd., Rajshahi Branch-Short term deposit	23,099	23,099
	Shahjalal Islami Bank Ltd., Dhaka main branch-Short term deposit	(9,481)	(1,565)
	NCC Bank Ltd., Dilkusha branch-Short term deposit	1,111,527	795,688
	First Security Islami Bank Ltd., Dilkusha branch-Short term deposit	30,342	30,608
	Dutch Bangla Bank Ltd., Local office branch-Short term deposit	2,635,641	110,168
	National Bank Ltd., Dilkusha Branch-Short term deposit	3,661	5,342
	National Bank Ltd., Motijheel Branch-Short term deposit	3,845	4,859
	Eastern Bank Ltd., Principal Branch-Short term deposit	7,969,479	11,154
		36,561,928	**25,056,434**
		36,569,147	**25,078,097**

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)

	2017	2016

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	(16,707,606)	(19,056,156)
Profit after tax transferred to retained earnings	4,882,212	2,348,550
Balance as at 31 December	**(11,825,394)**	**(16,707,606)**

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	07-Jun-16	60	13%	8,878,847	23,618,046	32,496,894
2	201391597-0-1	07-Jun-16	60	13%	6,657,266	25,259,496	31,916,762
	Total				**15,536,113**	**48,877,543**	**64,413,656**

This amount represents outstanding loan balance with Midland Bank Limited

Sl.	Agreement	Date	Tenure	Rate	Short-term maturity	Long-term maturity	Total
1	MDB/CAD/U-1/CDB/106/2017	14-May-17	60	13%	8,100,900	38,270,842	46,371,742
Grand Total					**23,637,013**	**87,148,384**	**110,785,398**

(Figures in Taka)

		2017	2016
13	**Margin deposit**		
	Margin deposit	17,270,443	26,358,146
		17,270,443	**26,358,146**

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	307,421,058	303,510,078
Add: Povision during the year	7,378,381	3,910,980
	314,799,439	307,421,058
Less: Adjustment during the year	-	-
	314,799,439	**307,421,058**

18 Accounts payable

Payable to Vision Capital Management Limited	942,705	-
Payable to PFI Securities Limited	858,243	14,046,589
Payable to Fareast Stock and Bonds Limited	-	4,571,986
	1,800,948	**18,618,575**

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	55,104,265	65,922,829
Audit fee payable	1,098,250	57,500
Suspense receipts PIA dividend income	5,598,087	5,493,249
Gratuity and super annuation fund payable	20,063,657	14,616,708
Provision for doubtful losses	34,785,303	22,206,281
Others	40,250,549	42,017,020
	156,900,111	**150,313,588**

20 Fees and commission

Issue management fee	50,000	2,861,250
Underwriting commission	70,000	655,510
Portfolio management fee	25,849,200	20,604,649
Corporate advisory fee	1,080,000	1,016,000
Service charge from IPO	8,035	13,075
	27,057,235	**25,150,484**

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)

	2017	2016

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	79,754	43,499
Dividend income	4,813,384	6,919,076
Documentation fee	18,000	23,000
Interest income from investment in bond	-	-
Interest on home loan	-	-
	4,911,137	**6,985,575**

24 Financial expenses

Interest on loan	23,395,838	37,523,931
	23,395,838	**37,523,931**

25 Management expenses

Salaries and allowances	46,136,541	33,955,619
Legal and professional fees	25,900	49,284
Audit fee	1,098,250	57,500
CDBL charges	1,349,023	921,366
Office maintenances	2,525,002	2,672,799
Recruitment and human resources	132,500	89,750
Bank charges	142,653	98,987
Books and periodicals	33,043	37,220
Telephone, postage etc.	219,036	241,916
Stationeries	338,441	552,256
Directors' fees	462,228	200,010
Car allowances	960,000	520,000
Office rent	5,868,216	5,868,216
Motor vehicle expenses	1,340,727	1,022,663
Meeting expenses	71,538	35,090
Subscription and fees	226,710	182,963
Medical and employee welfare	674,083	2,069,673
Utility expenses	1,627,331	1,710,993
Business development and publicity	3,766,563	3,351,665
Brokerage commission and charges	11,504,850	3,932,187
Depreciation	6,204,417	5,597,722
Loss on disposal of fixed assets	-	25,400
	84,707,052	**63,193,277**

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 2017.

AMAR STOCK

(Figures in Taka)

		2017	2016
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: 2017 (A)			
Property, plant and equipment	16,008,952	23,877,691	(7,868,739)
Applicable tax rate			37.5%
Deferred tax - asset			(2,950,777)
Year: 2016 (B)			**(2,085,741)**
Deferred tax income (A-B)			**(865,036)**

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

28 Contingent liabilities

None at 31 December 2017

29 Capital expenditure commitment

None at 31 December 2017

30 Claims against the company not acknowledged as debt

None at 31 December 2017

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 23.

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

Annexure A

As at 31 December 2017

Amount in Taka

Name of Assets	COST				Rate of	DEPRECIATION				Written Down
	Opening	Addition	Disposal	Total	Dep.	Opening	Addition	Disposal	Total	Value
Furniture & Fixture	18,412,249	-	-	18,412,249	15%-20%	8,313,887	2,761,270	-	11,075,157	7,337,092
Electrical Equipment	8,371,286	307,275	-	8,678,561	20%	5,264,300	1,510,208	-	6,774,508	1,904,053
Motor Vehicle	3,785,738	4,006,590	-	7,792,328	20%	3,785,737	652,715	-	4,438,452	3,353,876
Office Decoration	8,534,826	-	-	8,534,826	15%	3,840,672	1,280,223	-	5,120,895	3,413,931
As on 31 December 2017	**39,104,099**	**4,313,865**	**-**	**43,417,964**		**21,204,595**	**6,204,417**	**-**	**27,409,012**	**16,008,952**
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**

TAMAR STOCK

PFI Securities Limited

Statement of financial position

as at 31 December

(Figures in Taka)	2017	2016
ASSETS		
Non-Current Assets		
Property, Plant and Equipments	**520,715,690**	**539,150,809**
Non-Current Assets		
Investment and Advances	**592,414,733**	**590,868,131**
Membership of Stock Exchanges	456,500,000	456,500,000
Employees Loan	22,410,413	25,868,275
Investment in United Media	-	6,000,000
Investment in Shares Institute & Others	113,504,320	102,499,856
Current Assets	**9,921,950,781**	**9,390,871,339**
Investment in Share Dealers	93,559,808	102,172,316
Advance, Deposit and Prepayments	14,793,723	176,218,977
Margin Loan to Clients	8,440,065,751	8,235,058,095
Accounts Receivable	1,224,058,421	722,567,470
Advance Income Tax	108,466,087	91,419,165
Cash & Cash Equivalents	41,006,991	63,435,317
TOTAL ASSETS	**11,035,081,204**	**10,520,890,280**
EQUITY AND LIABILITIES		
Capital and Reserve	**1,160,929,193**	**1,376,869,135**
Share Capital	1,758,120,000	1,758,120,000
General Reserve	150,000,000	150,000,000
Revaluation Reserve	443,887,500	443,887,500
Retained Earnings	(1,191,078,307)	(975,138,365)
Non Current Liabilities	**2,754,522,882**	**2,779,467,882**
Long Term Loan From Bank & Financial Institution	2,754,522,882	2,779,467,882
Current Liabilities	**7,119,629,129**	**6,364,553,263**
Short Term Loan From Bank & Financial Institutions	4,859,669,196	4,722,927,532
Accounts Payable	1,418,727,578	1,007,440,543
Provision for Investment	675,482,916	475,482,916
Provision for Income Tax	165,749,439	158,702,272
TOTAL EQUITY AND LIABILITIES	**11,035,081,204**	**10,520,890,280**

Sd/-
Company Secretary

Sd/-
CEO & Managing Director

Sd/-
Chairman

As per our annexed report of same date.

Dhaka, 18 February 2018

Sd/-
MABS & J Partners
Chartered Accountants

AMAR STOCK

PFI Securities Limited

Statement of Profit or Loss and Other Comprehensive Income

for the year ended on 31 December

(Figures in Taka)	2017	2016
OPERATING INCOME	**1,037,146,449**	**830,371,191**
Commission on Securities Trading	71,542,499	85,923,763
Interest on Margin Loan	1,053,407,255	733,369,949
Gain/(Loss) on sale of Shares	1,968,335	(16,941,290)
Loss on Investment in United Media Ltd.	(136,021,937)	-
Loss on Sale of Fixed Assets	(654,517)	-
Loss on Unsecured Loan	(704,874)	-
Dividend Income	11,176,701	11,602,726
Other Operating Income	36,432,987	16,416,043
OPERATING EXPENSES	**1,246,039,224**	**1,657,167,826**
Laga and Howla Charges	6,445,065	7,438,672
Management Expenses	143,619,169	147,079,595
Financial Expenses	895,974,990	1,072,649,559
Provision for Margin Loan	200,000,000	430,000,000
Profit Before Tax	**(208,892,775)**	**(826,796,635)**
Provision for Income Tax	**7,047,167**	**-**
Net Profit After Income Tax	**(215,939,942)**	**(826,796,635)**
Earning Per Share (EPS)	**(1.23)**	**(4.70)**
Restated Earning Per Share (EPS)	**(1.23)**	**(4.70)**

Sd/-
Company Secretary

Sd/-
CEO & Managing Director

Sd/-
Chairman

As per our annexed report of same date.

Dhaka, 18 February 2018

Sd/-
MABS & J Partners
Chartered Accountants

AMAR STOCK

Prime Prudential Fund Limited

Statement of financial position

as at 31 December

(Figures in Taka)	2017	2016
Non-current assets	**2,970**	**5,430**
Property, Plant & Equipement	2,970	5,430
Current assets:		
Cash and cash equivalents	1,239,087	928,120
Investment in shares	12,783,220	12,783,220
Advance corporate tax	604,257	600,567
Receivable	860,596	537,389
Total current assets	**15,487,160**	**14,849,295**
Total assets	**15,490,130**	**14,854,725**
Shareholders' equity:	**15,095,810**	**14,481,405**
Share capital	24,600,000	24,600,000
Retained earnings	(9,504,190)	(10,118,596)
Non-current liabilities	-	-
Current liabilities:		
Payable to Prime Finance & Investment Limited	309,075	309,075
Provision for audit fee	66,750	45,750
Corporate tax liability	9,187	9,187
Tax payable	9,308	9,308
Total current liabilities	**394,320**	**373,320**
Total shareholders' equity and liabilities	**15,490,130**	**14,854,725**

Sd/-
Chairman & Managing Director

Sd/-
Director

Sd/-
Director

As per our annexed report of same date.

Dhaka, 30 January 2018

Sd/-
M.M. Rahman & Co.
Chartered Accountants

AMAR STOCK

Prime Prudential Fund Limited

Statement of Comprehensive Income

as at 31 December

(Figures in Taka)	2017	2016
Capital gain/(loss) from sale of shares	-	(242,991)
Cash dividend income	617,689	700,650
Bank interest income	24,602	21,457
Total operating income	**642,291**	**479,116**
Salaries and allowances	-	303,750
Medical and employee welfare	-	276,250
Interest on BO account	-	8,186
Telephone and postage	-	6,330
Printing and stationery	-	1,942
Internet Expenses	-	6,000
Audit fee	21,000	21,000
Books and periodicals	-	2,485
Travel and conveyance	-	50
Fees and charges for sale of shares	547	2,972
Depreciation	2,460	16,580
Bank charge and excise duty	3,880	2,650
Total operating expenses	**27,887**	**648,195**
Other Income	-	51,833
Profit/(loss) before tax	**614,405**	**(117,246)**
Provision for tax	-	-
Profit/(loss) after tax	**614,405**	**(117,246)**

Sd/-
Chairman & Managing Director

Sd/-
Director

Sd/-
Director

Dhaka, 30 January 2018

As per our annexed report of same date.

Sd/-
M.M. Rahman & Co.
Chartered Accountants

AMAR STOCK

Prime Finance Asset Management Company Limited

Statement of financial position

as at 31 December

(Figures in Taka)	2017	2016
Assets		
Non-current assets:		
Property, plant and equipment	7,090,271	8,275,517
Car loan to employees (Non-current portion)	544,528	1,205,624
Deferred tax asset	672,217	580,999
Total non-current assets	**8,307,016**	**10,062,140**
Current assets :		
Car loan to employees (Current maturity)	661,096	699,984
Advance, deposits and prepayments	10,665,726	6,520,678
Investment at cost	9,668,240	4,680,714
Receivables	31,863,549	26,864,447
Other asset	697,344	705,423
Short term investment	25,000,000	25,000,000
Cash and cash equivalents	5,025,170	15,706,988
Total current assets	**83,581,125**	**80,178,234**
Total assets	**91,888,141**	**90,240,374**
Equity and liability		
Shareholders' equity		
Share capital	66,000,000	66,000,000
Retained earnings	7,608,652	7,270,507
Total shareholders' equity	**73,608,652**	**73,270,507**
Non-current liabilities		
Liability for gratuity	4,731,471	3,844,078
Liability for provident fund	7,552,597	6,179,635
Total non-current liabilities	**12,284,068**	**10,023,713**
Current liabilities		
Withholding tax and VAT	248,108	81,226
Provision for income tax	1,275,234	984,805
Payables and accruals	209,077	209,077
Other liabilities	4,263,002	5,671,046
Total current liabilities	**5,995,421**	**6,946,154**
Total liabilities	**18,279,489**	**16,969,867**
Total equity and liabilities	**91,888,141**	**90,240,374**

Sd/-
Managing Director & CEO

Sd/-
Director

Sd/-
Chairman

As per our annexed report of same date.

Dhaka, 18 February 2018

Sd/-
M.M. Rahman & Co.
Chartered Accountants

AMARSTOCK

Prime Finance Asset Management Company Limited

Statement of Comprehensive Income

as at 31 December

(Figures in Taka)	2017	2016
Operating revenue		
Income from fees	22,232,270	16,504,142
Capital gain	7,418,782	5,315,549
Income from consultancy	1,800,000	2,590,000
Dividend income	496,003	198,454
	31,947,055	**24,608,146**
Operating expenses		
Administrative expenses	(26,153,783)	(20,282,376)
Financial expenses	(15,360)	(22,151)
	(26,169,143)	**(20,304,527)**
Profit from operating activities	**5,777,912**	**4,303,619**
Interest income	2,548,921	3,210,117
Miscellaneous income	329,924	506,706
Profit before income tax	**8,656,757**	**8,020,442**
Income tax expense:		
Current tax	(1,809,830)	(1,376,690)
Deferred tax (expense)/income	91,218	120,804
	(1,718,612)	**(1,255,886)**
Net profit after tax	**6,938,145**	**6,764,556**

Sd/-
Managing Director & CEO

Sd/-
Director

Sd/-
Chairman

As per our annexed report of same date.

Dhaka, 18 February 2018

Sd/-
M.M. Rahman & Co.
Chartered Accountants

AMARSTOCK

Prime Finance
& Investment Limited

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

Proxy Form

(This form is for use at the 22nd Annual General Meeting of Prime Finance & Investment Limited to be held on 28 June 2018)

I/We..... of ..... being a member of PRIME FINANCE & INVESTMENT LIMITED and a holder of ..... shares do hereby appoint Mr./Ms./Mrs. ..... or (failing him/her) of ..... as my/our proxy to attend and vote for me/as and on my/our behalf at the 22nd Annual General Meeting of the company to be held on **Thursday, 28 June 2018** and at any adjournment thereof.

Revenue Stamp of Tk. 20/-

Signature of Member : .....

BO ID No. : .....

No. of shares : .....

Signature of Proxy : .....

Note

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

Prime Finance
& Investment Limited

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

Attendance Slip

I hereby record my attendance at the 22nd Annual General Meeting of the Company as a holder of..... shares being held on **Thursday, 28 June 2018.**

Name of Member/Proxy : .....

BO ID No. : .....

Signature : .....

Note

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

AMAR STOCK

This Annual Report is also
available at our official website
www.primefinancebd.com

AMAR STOCK

Prime Finance
& Investment Limited