



2010 Annual Report



Together we'll move ahead

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

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

Together We'll Move Ahead

Prime Finance started its journey in the year 1996 backed by some leading corporate houses and individual entrepreneurs. Prime Finance's long-term record of growth and evolution continued since inception. The strength of our balance sheet, together with our pursuit of opportunities for continued growth, led to a range of successful initiatives. The diversity of operations is a key to our strength.

What Prime Finance today is for continuous support and confidence of our clients, shareholders, employees, communities and other stakeholders. Prime Finance established itself such a Company which accomplished its mission by being clear and easy to understand customers' needs, by standing beside customers in their tough time, by making every good loan the Company can, by providing advice that helps the clients plan for it all, by delivering customized solutions wherever the clients

need from the Company, by showing good return for the shareholders, by making itself a Company by choice for the employees and by working hard to keep its communities vibrant.

Today, Prime Finance is the parent of a renowned financial group namely 'Prime Financial Group'. Under the leadership of the Company, several new Companies have been formed for providing service to customers in different areas. Now Prime Finance is a company for its customers, shareholders, employees and the Community as a whole. We believe that with the help of the stakeholders, the Company will maintain its pace for the development in all respects ...



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Road to Success

Net Profit **+ 152.72%**

2010 : Tk 1,726.42 m
2009 : Tk 683.13 m
2008 : Tk 286.05 m

Revenue **+ 115.33%**

2010 : Tk. 3,069.20 m
2009 : Tk. 1,425.36 m
2008 : Tk. 819.62 m

Operating Profit **+ 179.45%**

2010 : Tk. 1,985.83 m
2009 : Tk. 710.63 m
2008 : Tk. 288.55 m

Shareholders Equity **+ 91.00%**

2010 : Tk 3,488.34 m
2009 : Tk 1,826.39 m
2008 : Tk 921.31 m

EPS **+ 152.72%**

2010 : Tk 19.13
2009 : Tk 7.57
2008 : Tk 3.17

Total Investment **+ 25.29%**

2010 : Tk 11,621.04 m
2009 : Tk 9,275.31 m
2008 : Tk 5,079.41 m

Market Capitalization **+ 250.63%**

2010 : Tk 42,047.55 m
2009 : Tk 11,991.99 m
2008 : Tk 5,088.08 m

Return on Investment **+ 92.21%**

2010 : Tk 19.01%
2009 : Tk 9.89%
2008 : Tk 6.23%

Book Value Per Share **+ 36.43%**

2010 : Tk 38.65
2009 : Tk 28.33
2008 : Tk 20.01

Market Price per Share **+ 150.44%**

2010 : Tk 465.90
2009 : Tk 186.03
2008 : Tk 110.55

Vision

We aspire to be a market leader providing integrated financial solutions with special focus on creating value :

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

Mission

Our mission is to -

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



Goal

Our goal is to be an undisputed leader in financial services creating long-term shareholders' value aiming to achieve these by :

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



Purpose

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

Core Values

We believe we stand stronger than before. Nine key values drive us in delivering excellent result to our stakeholders. These are :

Professional excellence

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

Integrity

- ▶ We are fair and honest and we deliver on our commitments;
- ▶ We assume everything we do is in full public view.

Transparency

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

People

- ▶ We treat each other fairly and with respect;
- ▶ We support our colleagues and invest in their development to help them realise their full potential;
- ▶ We recognise and reward outstanding performance.

Clients

- ▶ We listen to our clients and understand their needs;
- ▶ We build enduring relationships with them by delivering superior products and quality service.

Teamwork

- ▶ We work together to deliver excellent performance, taking responsibility, holding ourselves accountable and respecting the contribution of others.
- ▶ We communicate effectively and give each other the space to do the job.

Prudent risk taking

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

Effectiveness

- ▶ We actively invest in infrastructure, process improvement and skills to lower our delivery costs;
- ▶ We do the right things right the first time, on time, every time.

Focus on sustainability

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

Awards & Recognition

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



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



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



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



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

2003

Best Merchant Bank -
Rafiqul Islam Banking Award 2003

2005

First Prize - ICAB National Award 2005
SAFA Merit Award 2005

2006

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



10th ICAB National Award for Best Published Accounts and Reports 2009
Presented by :The Institute of Chartered Accountants of Bangladesh



9th ICAB National Award for Best Published Accounts and Reports 2008
Presented by :The Institute of Chartered Accountants of Bangladesh



ICMAB Best Corporate Performance Award-2008
Presented by :The Institute of Cost and Management Accountants of Bangladesh



8th ICAB National Award for Best Published Accounts and Reports 2007
Presented by :The Institute of Chartered Accountants of Bangladesh



7th ICAB National Award for Best Published Accounts and Reports 2006
Presented by :The Institute of Chartered Accountants of Bangladesh



6th ICAB National Award for Best Published Accounts and Reports 2005
Presented by :The Institute of Chartered Accountants of Bangladesh

2007

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

2008

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

2009

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

Ethical Principle

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

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

Reciprocity

Freedom

Trust

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

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

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

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

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

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

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

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

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

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

- Respect individual moral codes and culture.

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

Business Principle

Long-term relationship

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

Teamwork

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

Fun & Flair

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

Trumping bureaucracy

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

Efficient decisions

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

Welcoming change

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

Identifying opportunities

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

Embracing competition

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

Intelligent risk taking

Powerful information systems and highly qualified personnel, and its clients at heart, ensure intelligent risk assessment and decision making.

Passion for building business

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

Rewarding talents

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

Objective and Strategy

Strategic review

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

Focus

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

Integration

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

Discipline

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

Objective

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

Performance

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

Growth

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

Talent

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

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

Relationship

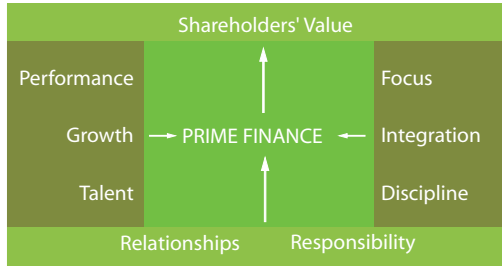
We aim to improve relationships with our customers, regulators, fund providers and the communities in which we operate by focusing on the areas that are important to them such as the quality of services we provide to customers, the quality of information we provide to regulators, by investing in local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

Responsibility

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

Although our activities have no direct impact on environment, we are committed to taking positive action to reduce our contribution to climate change and our other impacts on the environment. We want to operate to the highest standards of corporate governance and we believe in strong business ethics, based on our core values set out on page 7 of this Annual Report.

Objective and Strategy - continued



Performance

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

Efficiency

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

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

Reliability

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

Financial performance

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

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

Growth

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

Investment

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

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

Generate value from our investments

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

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

Financial discipline

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

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

Talent

Prime Finance depends on the talents, skills and motivation of employees. We aim to maximize the contribution made by our employees developing their skills and talents, motivating and driving continued improvements and promoting a culture that recognizes and respects inclusion and diversity and where all our employees share our core values described on page 7 of this report. In addition to obtaining the views of employees on an ongoing basis, we periodically carry out employee surveys to identify areas where we can improve the way we develop and interact with them.

Motivation and performance

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

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

Development of talent and skills

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

Objective and Strategy - *continued*

Inclusion and diversity

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

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

Values

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

Relationship

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

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

Customer service

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

Regulatory relationship

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

Lenders and depositors

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

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

Community involvement

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

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

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

Responsibility

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

Protecting the environment

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

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

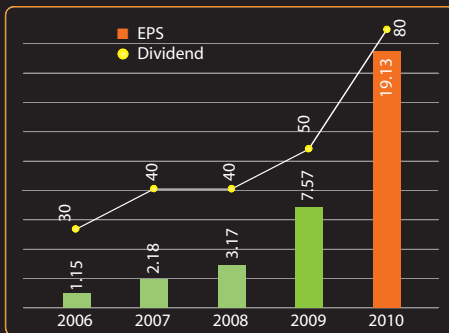
Corporate governance

We believe strong corporate governance is essential to operating responsibly and achieving our goals. We describe our approach to report on corporate governance on page 62 to 68 of this Annual Report

Business ethics

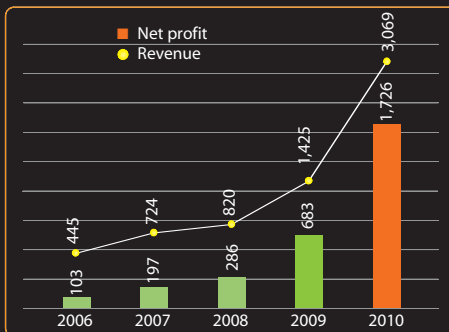
We are committed not only to ensuring that all our behaviors are lawful and that we comply with our policies and regulatory guidelines, we also expect all of our employees to live up to our core values as set out on page 7 of this Annual Report.

Graphical Presentation of Financial Performance and Condition



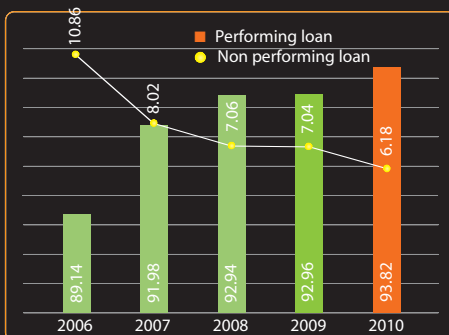
Earnings per share and percentage of dividend

Company's Earnings Per Share (EPS) was Tk. 19.13 in 2010, which was Tk. 7.57 in 2009 resulting a growth of 152.71 percent. To maintain the pace with continued growth in EPS, the board in its meeting held on 24th February 2011 recommended 80 percent stock dividend i.e. 4 bonus shares for every 5 shares held for the year 2010, which was 50 percent in 2009.



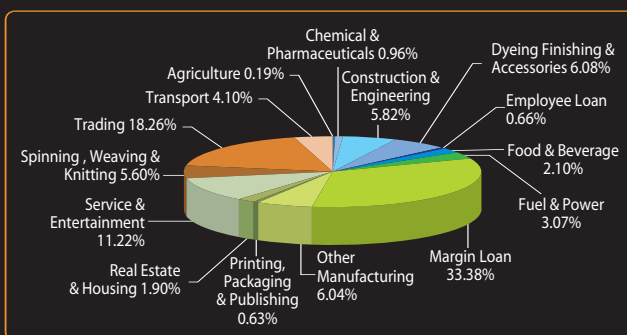
Net profit and total revenue

The Company earned a record revenue and net profit in 2010. Total revenue and net profit was Tk. 3,069 million and Tk. 1,726 million respectively in 2010, which was Tk. 1,425 million and Tk. 683 million respectively in 2009 resulting a growth of 115.33 percent and 152.71 percent over last year. In 2010 net profit was 56.25 percent of total revenue compared to 47.93 percent in 2009 resulting from a well managed management expenses, cost of fund and so on.



Performing and non-performing loans, advances and leases

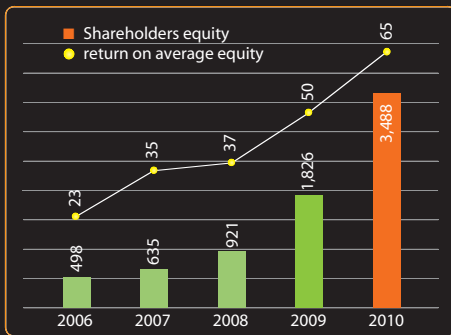
As a focal point of gradually cleaning up of Balance Sheet, the Company could improve its conditions regarding loans, advances and leases. The graph shows that non-performing loans, advances and leases was 6.18 percent in 2010, which was 7.04 percent in 2009 and 10.86 percent in 2007 as well.



Sector wise Investment

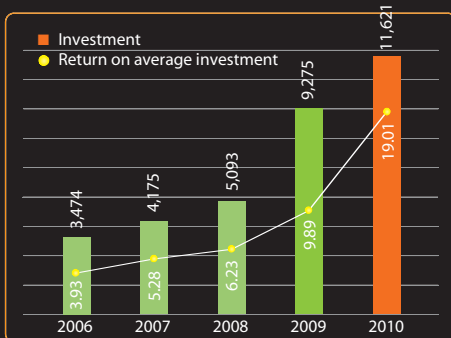
Diversification was the main focus of Prime Finance. During the year, the company could maintain its portfolio well diversified as well. Highest exposure was 33.38 percent in margin loan followed by trading 18.26 percent, service & entertainment 11.22 percent, dyeing, finishing & accessories 6.08 percent, other manufacturing 6.04 percent, spinning, weaving & knitting 5.60 percent and construction & engineering 5.82 percent and so on.

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



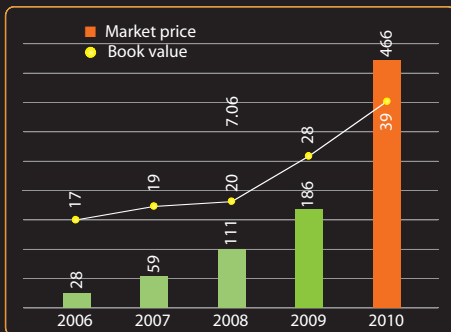
Shareholders equity and return on average equity

Both the components shareholders equity and return on average shareholders equity were record in Prime Finance's history. In 2010, shareholders equity was Tk. 3,488 million compared to Tk. 1,826 million in 2009 showing a growth of 91.02 percent over last year. Return on average shareholders equity was 65 percent in 2010, which was 50 percent in 2009 showing an increasing trend.



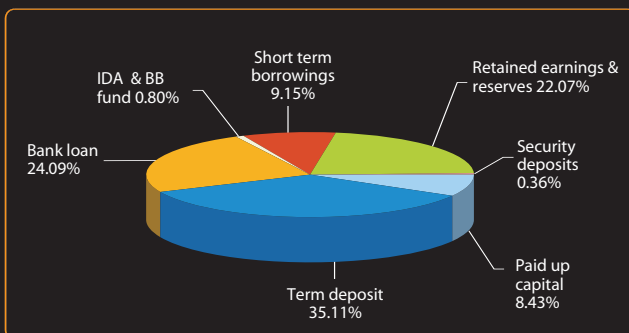
Investment and return on average investment

In 2010, investment of the Company crossed the billion in double digit mark ended to Tk. 11,621 million which was Tk. 9,275 million in 2009 showing a growth of 25.29 percent. Return of average investment was 19.01 in 2010 compared with 9.89 percent in 2009 showing a significant growth as well.



Market price and Book value per share

Both the market price and the book value per share has increased in 2010. Market price at 30 December (as the closing date of the year 2010) was Tk. 466, which was Tk. 186 in 2009. Book value at the end of the year was 39 per share, which was 28 per share in 2009 despite adjusting stock dividend of 40 percent of 2009.



Sources of fund

Company's source of fund was well diversified. In 2010, term deposit was the top provider (in term deposit Tk. 3,502.75 million from institutions and Tk. 257.55 million from individuals) equivalent as 35.11 percent followed by bank loan 24.09 percent, retained earnings and reserve 22.07 percent, short term borrowing 9.15 percent, paid up capital 8.43 percent and so on.

Board of Directors



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



Md. Aminul Haque
Chairman
Representing Acorn Limited
Age: 70 years

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

Appointment to the Board: He was first appointed to the Board as Director on 10 March 1996 and last re-appointed on 29 April 2007

Experience: After graduation from BUET in 1962, Mr. Haque started his career with the Industrial Development Bank of Pakistan and subsequently joined the then East Pakistan Water and Power Development Authority as Assistant Engineer. In the year 1972, he established Greenland Engineers & Tractors Co. Ltd. (GETCO), dealer of Caterpillar Inc. - a world leader in the manufacture of construction equipments, diesel and gas engines and generators. A diversified and successful business personality, Mr. Haque is actively associated with a number of companies in the areas of banking, insurance, telecommunication, manufacturing etc.

Committee Membership: Chairman, Corporate Governance Committee

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



K. M. Khaled
Director
Representing Khaled Textile Mills Ltd.
Age: 69 years

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

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

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

Committee Membership: A member of Remuneration and HR Committee

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



Muslima Shirin

Director
Representing Mawsons Limited
Age: 58 years

Qualification: Matriculation

Appointment to the Board: She was first appointed to the Board on 23 October 2005 and last re-appointed on 30 April 2008.

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

Committee Membership: The Chairperson of Policy Review Committee. She is also a Member of Audit Committee, Credit committee and Corporate Governance Committee.

Association with other Organization: Mawsons Limited and Everest Homes Limited



Z. M. Kaiser

Director
Representing Maksons (BD) Limited
Age: 58 years

Qualification: Masters of Science

Appointment to the Board: He was first appointed to the Board on 8 October 2006 and last re-appointed on 29 April 2009.

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

Committee Membership: Mr. Kaiser is a member of the Board Audit Committee, Executive Committee, Remuneration & HR Committee and Policy Review Committee.

Association with other Organization: Prime Islami Life Insurance Limited.



Mohammed Kafiluddin

Director
Representing Pedrollo Nk. Limited
Age: 63 years

Qualification: Masters of Arts

Appointment to the Board: He was appointed to the Board on 12 June 2007 and last re-appointed on 29 April 2009

Experience: He has more than thirty years of experience in different sectors including manufacturing, trading etc.

Committee Membership: A member of the Corporate Governance Committee.

Association with other Organization: Pedrollo Nk. Ltd.

Board of Directors - *continued*



Professor Salma Rahman

Director
Age: 66 years

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

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

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

Committee Membership:
Credit Committee

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



M. Shahadat Hossain Kiron

Director
Representing Agami Apparels Limited
Age: 61 years

Qualification: Bachelor of Commerce

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

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

Committee Membership: Nil

Association with other Organization: Agami Apparels Ltd., Dekko Garments Ltd., Dekko Apparels Ltd., Glubus Garments Ltd., Agami Fashions Ltd., Dekko Fashion Ltd., Dekko Accessories Ltd., Roxy Paints Ltd., Agami Accessories Ltd., Dekko Foods Ltd., Dekko Airnet Ltd., Agami Distribution Ltd., Dekko Designs Ltd., Dekko Washing Ltd.



M. N. H. Bulu

Director
Representing Abeeco Industries Limited
Age: 53 years

Qualification: Bachelor of Commerce

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

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

Committee Membership: a member of Ethics and Compliance Committee

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



Md. Aliuzzaman

Director
Self
Age: 74 years

Qualification: MBA from the University of Karachi, Pakistan

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

Experience: Mr. Aliuzzaman started his career in 1966 with Habib Bank Limited. During his career he held important positions in ICP, ICB, BSRS, Rupali Bank and Sonali Bank. He retired from Rupali Bank Limited as General Manager in 1994. He was the first Managing Director of Prime Finance & Investment Limited.

Committee Membership: Mr. Aliuzzaman is the Chairman of Audit Committee, Credit Committee, Policy Review Committee and Ethics & Compliance Committee. He is also a Member of the Executive Committee.

Association with other Organization: PFI Properties Ltd. and Prime Finance Capital Management Limited



Tauseef Iqbal Ali

Director
Self
Age: 37 years

Qualification: Graduated in Business Administration major in Finance & Economics. He did MBA in International Business from Maastricht School of Business, Netherlands

Appointment to the Board: He was first appointed to the Board on 7 September 1997 and last re-appointed on 19 October 2009

Experience: Mr. Tauseef has long experience of working in financial institution and Securities brokerage house. Currently Mr. Tauseef serves as Deputy Managing Director of Nouvelle Securities Ltd. - a Stock Broker of Dhaka Stock Exchange

Committee Membership: He is the Chairman of Remuneration & HR Committee and Executive Committee

Association with other Organization: Prime Finance Capital Management Limited



Dr. M. Mosharraf Hossain FCA

Independent Director
Self
Age: 39 years

Qualification: Masters in Accounting with first class in all public exams and PhD in Accounting from the University of Dhaka. He also did MBA on Risk Management. Mr. Mosharraf is a fellow member of the Institute of Chartered Accountants of Bangladesh and Institute of Corporate Governance.

Appointment to the Board: He was first appointed to the Board on 18 February 2008 and last re-appointed on 30 April 2008

Experience: Currently, Mr. Mosharraf is the Managing Director & CEO of Prime Finance Capital Management Limited. He was the ex-Managing Director of Fareast Islami Life Insurance Ltd. He has more than seventeen years of experience in his credit as a Life Insurance expert with core concentration in administration, finance, corporate affairs, internal control & compliance

Committee Membership: He is a member of the Board Audit Committee

Association with other Organization: Prime Finance Capital Management Limited

Executive Management



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



Md. Ahsan Kabir Khan MBA
Managing Director (CC)
With Prime Finance: Since 1998

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

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

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



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

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

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

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

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



Md. Mizanur Rahman FCA
CFO & Head of HRM
With Prime Finance: Since 2005

Mr. Rahman, A qualified Chartered Accountant, joined Prime Finance in 2005 as the Head of Finance. He is also responsible for Human Resource Management and Administration of the Company. Mr. Rahman participated in a good number of training and seminars in home and abroad. He visited Malaysia for participating training on Islamic Market Program and visited United Kingdom for participation in a conference.

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



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

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

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

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



Tauhidul Ashraf FCS
Company Secretary
With Prime Finance: Since 2005

A qualified Chartered Secretary, Mr. Ashraf joined Prime Finance in 2005 as a Senior Manager. Prior to his joining this Company, he served in H.R. Textile Mills Limited, Northern General Insurance Company Limited, S. Alam Group of Industries and First Security Islami Bank Limited under different capacities. He possesses versatile knowledge in the areas of Corporate Affairs, Administration, Share Management and Capital Market Operation.

A Fellow Member of the Institute of Chartered Secretaries of Bangladesh (ICSB), Mr. Ashraf was the Member Secretary of Dhaka Regional Chapter of ICSB for two consecutive sessions. He attended a number of training courses and seminars in home and abroad on Core Risk Management, Internal Audit & Control, and Corporate Governance, the role of Company Secretary etc. He is the Director of Prime Prudential Fund Ltd.



Mahbulul Hoque M.Com
Vice President (F&A)
with Prime Finance : since 1998

He is one of the experienced executives of the Company and responsible for treasury management, budget and budgetary control, day-to-day affairs of financial matters of the Company, preparation of the statutory accounts etc.

Mr. Hoque did his Bachelor of Commerce in the year 1993 and Masters in Management from Dhaka University in the year 1995. Immediately after completion of his Masters, he joined Prime Finance and has been serving successfully till now. At present, he is working as a Vice President in the Finance & Account and Treasury Department.

Mr. Hoque attended numerous seminars, workshops and trainings in both home and abroad.

Executive Management



Md. Nur Nobi ACA
Vice President (Finance & Administration)
with Prime Finance : Since 2005

Mr. Nobi, a qualified Chartered Accountant has vast knowledge on his responsibility of managing tax matters, budget and budgetary control, day-to-day affairs of financial matters of the Company, preparation of the statutory accounts, Administration of the Company etc. He visited Malaysia for participating training Program and visited Nepal for receiving SAFA Award for Annual Report 2009 on behalf of the Company.

Mr. Nobi did his Bachelor of Commerce with 1st class in 1998 and Masters in Accounting in 2002. Mr. Nobi joined Rahman Rahman Huq (RRH) - a Member firm of KPMG in November 2000 and completed Chartered Accountancy course successfully. During his tenure with RRH, he conducted audit and provided advisory services on issues relating to corporate affairs, taxation etc. to many national and multinational organizations. He became associate member of the Institute of Chartered Accountants of Bangladesh in 2008. He is a faculty member of the ICAB. He is a member of Financial Statements Review Committee of ICAB.

Mr. Nobi started his career as an Executive, Accounts and Finance with Maxis Telecom Limited, a joint venture company with Malaysia.

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

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

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

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

Mohammad Shahidul Islam ACA
Assistant Vice President
With Prime Finance: Since 2009

Mr. Mohammad Shahidul Islam, Head of Internal Control & Compliance, has been working in Prime Finance since August 2009. He is responsible for internal audit and regulatory compliance function.

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

Mr. Islam is a member of the 'Professional Development Committee' of the Institute of Chartered Accountants of Bangladesh (ICAB). He is also a faculty member of the Institute.

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

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

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

Five-year financial summary

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

As of and for the years ended 31 December

Results of operations	2010	2009	2008	2007	2006
Operating revenue	3,069.20	1,425.36	819.62	724.42	445.16
Operating expenses	1,083.37	714.73	531.07	522.46	319.23
Profit before tax	1,985.83	710.63	288.55	201.96	125.93
Net profit	1,726.42	683.13	286.05	196.96	103.43

Balance sheet	2010	2009	2008	2007	2006
Total investments	11,621.04	9,275.31	5,079.41	4,174.88	3,473.88
Total deposits	3,760.31	4,632.59	2,177.79	2,124.82	1,480.68
Total liabilities	9,712.48	8,546.79	4,700.36	3,843.98	3,236.61
Paid up capital	902.50	644.64	460.46	328.90	299.00
Capital employed ¹	10,935.50	9,224.69	4,550.94	3,793.66	3,140.85
Shareholders' equity	3,488.34	1,826.39	921.31	635.26	498.10
Property, plant & equipment	323.62	321.63	14.21	13.84	17.90
Net current assets	1,398.54	2,191.59	404.53	813.80	683.01

Ordinary shares information	2010	2009	2008	2007	2006
EPS	19.13	10.60	6.21	5.99	3.46
EPS (restated) ²	19.13	7.57	3.17	2.18	1.15
Dividend	80B	10,40B	40B	40B	20,10B
Book value (end of period)	38.65	28.33	20.01	19.31	16.66
Ordinary shares outstanding (year end)	90.25	64.46	46.05	32.89	29.9
Year end market price per share	465.90	186.03	110.55	59.25	28.10
Market capitalization	42,047.55	11,991.99	5,088.08	1,948.73	840.19

Financial ratios (%)	2010	2009	2008	2007	2006
Return on average investment (PBT/average investment)	19.01	9.89	6.23	5.28	3.93
Return on average assets (PBT/average assets)	16.85	8.89	5.71	4.92	3.70
Return on average equity (PAT/average equity)	64.97	49.72	36.75	34.76	23.27
Equity to assets	26.43	17.61	16.39	14.18	13.34
Efficiency ratio ³	7.26	12.66	17.10	19.54	24.05
Current ratio (times)	1.25	1.54	1.31	2.22	2.09
Price earnings ratio (times)	24.36	17.55	17.80	9.89	8.27
Deposit investment ratio	40.16	47.40	46.49	47.14	42.16
Debt equity ratio (times)	2.13	4.05	3.94	4.97	5.31
Coverage against NPL	65.70	60.61	64.10	68.72	48.37
Non performing assets to loans/leases ⁴	6.18	7.04	7.78	8.02	10.86

Others	2010	2009	2008	2007	2006
No. of branches	03	03	03	02	02
Economic Value Added	1,523.79	592.23	243.26	167.67	37.60
Enterprise Value ⁵	49,051.72	19,068.31	8,337.31	4,877.64	3,315.60

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

² Adjusted to reflect the 40 percent bonus share declared for the year 2009, adjustment has also been given for change of denomination of shares from Tk. 100 each to Tk. 10 each

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

⁴ Non-performing assets means all overdue rentals/installments past due for more than of 5 months plus future outstanding principals not fallen due of those loans/leases

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

Message from the Chairman



A strong Company
in a **strong** system

Md. Aminul Haque
Chairman

At the heart of our excellent record of success lies a strong foundation of corporate governance – a well-developed culture of accountability, openness and integrity. We have a long history of working together to maintain our core values, which remained constant since our founding in 1996. Our recognized strength in this area has not only contributed to our stability in uncertain economic times, it has also helped us to build, balance and maintain strong and enduring relationships with our stakeholders.

We talk a lot about sustainable growth and one of the most rewarding aspects of the Company's recent performance is the ongoing progression of the results. Not only do we have a consistent record of earnings growth over the past few years – but also our goal is for continuing improvement year over year. These have not been small improvements. Financially, our growth even during the very challenging recent past, has been at record levels. In addition to financial strength, we have been building a Company better able to serve its clients, thanks to constant attention to service quality.

This is a tribute to the strategic mindset of both senior management and the Board of Directors. Above all, it is a tribute to the excellent execution and dedication of all our employees.

Overview of performance in 2010

Prime Finance delivered a strong performance in 2010. Our net profit after tax was Tk. 1,726.42 million, which crossed more than billion mark in the first time of the Company's history. Net profit and Earnings Per Share increased by 152.72 percent over the last year. Our total assets at 31 December was Tk. 13,200.83 million compare to Tk. 10,373.18 million in 2009 resulting a growth of 27.25 percent. Our capital position is also very strong. We closed 2010 with total shareholders equity of Tk. 3,488.34 million compared to Tk. 1,826.39 million of 2009 resulting a tremendous growth of 91 percent. During the year, Company earned an appreciable amount from its capital market operations. Earnings from capital gain on sale of securities were 1,224.22 million compared to Tk. 465.88 million in 2009 resulting a growth of 162.77 percent. This reflects that Company could utilize its resources efficiently for getting competitive advantage from the favorable capital market throughout the year.

Focusing on defined clients and products

Prime Finance caters to a market niche as an integrated financial services provider for SMEs, institutional investors and high net worth individuals, which the Company believes are not adequately served by larger banks. Prime Finance provides these clients with the full range of financial products and services offered by larger financial institutions along with merchant banking services at the core of the strategy complemented by security brokerage services, margin loan and asset management etc. As a result, income streams are well diversified across all business areas while the asset base is diversified activities across the industries. Geographically, Prime Finance has been widening its operations. Presently, the focus remains on Dhaka, Chittagong and Rajshahi. However, the Company recognizes the need to be present in other key location of the country.

Flexible business model

Prime Finance offers comprehensive investment and financial services to large, medium and small sized companies and entrepreneurs. Our focus is on providing our clients with a wide and ever-broadening range of services. We aim to establish long-term relationships with our clients and in fact many of our largest transactions are repeated with our clients. Our business model is robust and one of the key strengths is its flexibility. Our principles remain the same though, we have the flexibility to adapt our tactics and execution in an ever changing environment.

Delivering on the strategy

We believe that we have a clear strategy and we are taking appropriate actions to develop it successfully. The strength of the base on which we build our strategy is, of course, equally important in determining how successful we will be in growing shareholders' value, reliably and responsibly in the long-term. The following are the fundamental characteristics of our business which underpins the confidence we have in our long-term success:

- ❖ A balanced business growth
- ❖ Strong long-term partnership
- ❖ The best people and process
- ❖ An innovative approach
- ❖ Diverse earnings stream
- ❖ Working responsibly

An effective partnership

This is a good time to comment on the highly effective partnership shared by management and the Board. First, I believe sincerely that we have a strong Board of Directors. Each person is a source of relevant expertise that makes the full board a repository of valuable knowledge and competence that is at the service of the Company.

We also have a superb and dynamic management team. Doing business is a complex endeavour which juxtaposes a higher-than-normal understanding of risk and responsibility, with the innovation and entrepreneurial spirit required to profit in a sea of regulations.

At Prime Finance, these two entities – Board and Management – work together in a remarkably synergistic and fruitful manner. The Board regularly acts as a sounding board and is an active participant in strategy formulation and discussion. I believe that this exemplary partnership has been an important component in the Company's recent success.

Employees drive our success

Our continuing success is the testament to the commitment and performance of our people and I take this opportunity to thank all our people working at Prime Finance for their outstanding contribution in 2010. During the course of the year, the company has expanded its operations; strengthened its management team with experienced senior executives to run each of the key operating divisions; delivered further improvements to efficiency and accelerated the growth strategy both organically and through diversification setting up associate companies. Our people are committed to our clients – centric culture of delivery and this gives me confidence for company's performance in the years ahead. Our management team is highly motivated and ambitious to further grow our Company. We have laid down a strong platform to enable us to achieve our objectives. We continue to invest for the future and remain dedicated to find and recruit the best available talent in each areas of our operations.

Transparency in operation

We understand that investors' confidence in public companies is essential to the functioning in a financial sector. Transparent operation and reporting plays a crucial part in building up confidence. Accordingly, it is one of the main goals of Prime Finance that the

financial results fairly reflect the results of its operation. Prime Finance has always been diligent in maintaining compliance with the established financial accounting policies, which are consistent with BAS and BFRS and for report it results with objectivity and the highest degree of integrity.

Regulatory environment

The most important role of the Board is monitoring effective governance and policy formulation. Among other duties, it is an impartial arbiter of corporate conduct and compliance. The company's governance framework is underpinned by a defined strategies and strong vision and values which combine to create shareholders value through the effective use of our resources. An internal audit function complements our robust external and associate company's audit. I remain confident that we have the culture and required process within the organization to safeguard the interests of all of our stakeholders. Ethical conduct is a vital part of Prime Finance culture. It is supported by our code of conduct, independent Board of Directors and clear statement of Company values.

In 2010, the Securities and Exchange Commission (SEC) issued a directive for separating the Merchant Banking wing to a separate company and accordingly we formed new Company in the name and style of Prime Finance Capital Management Limited which started its journey from 1 January 2011. Prime Finance is well capitalized and based on the information that is available now, we are well positioned to meet future requirements.

Outlook

During 2010, we achieved a robust financial performance whilst putting in place both the strategy and management team required delivering a sustainable improvement in performance. The positive market conditions that we experienced in 2010 are expected to remain in 2011 and we anticipate with the diversification coupled with further operational developments, the company will deliver good level of progress in 2011. 2011 has started as 2010 finished with continuing improvement in key performance indicators for all of our businesses. Revenues from two associates, namely, PFI Properties Limited and Prime Finance Asset Management Company Limited have already started to add to our profitability. I am very hopeful for the progression of our newly formed subsidiary company "Prime Finance Capital Management Limited". I am extremely heartened by

The Chairman's Statement - *continued*

the performance of our operating business over the period. We have a strong cash flow and good quality and diversified portfolio and excellent people to underpin the businesses. I am confident that our business will continue to thrive and deliver excellent shareholders value. Whilst market competitors have mixed views on the prospects for the financial sector in 2011 our business is, so far this year, doing in line with our expectations. We will continue to review opportunities for the growth of our company by looking at new areas, but we remain determined to invest wisely and continue to build the business for the benefit of our shareholders. The Company is well placed to make further progress in 2011

Acknowledgments

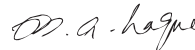
Changes of the magnitude we implemented during the past year are always challenging, but I am a firm believer in change. Complacency does not maintain a sustainable position. The changes we have made are disciplined; they build on our strengths and are well aligned with our long-term strategy.

I am tremendously proud of having served as the Chairman of Prime Finance. I would like to express my thanks to the many people who are contributing to this exceptional period of growth. This includes all of our employees who have earned a well-deserved feeling of achievement. It includes the members of the Management Committee as well as other executives and managers in positions of leadership. And it includes the members of the Board of Directors who continue to contribute meaningfully to the Company's success as strategists, guardians and guides. By no means least, I thank you, our shareholders, for your ongoing support and confidence.

Conclusion

2010 was another successful year for the Company in a number of respects. The result demonstrates that the Company is on a strong financial position with a robust and sustainable business model. We are also seeing the disciplined execution of the Company's strategy focused on clients, people and technology. Our Company is continuing to support its clients in difficult times while consistently delivering better results. This performance is a tribute to the strength of the Company's business model and the enormous commitment and hard work of our people who are delivering good results for our clients and shareholders. While the coming years will be a challenging one, the recent performance of the Company and the commitment to the pursuit of finest financial services organisation through excelling in client services, give me great confidence in the Company's ability to continue to deliver superior returns for our shareholders.

Finally, I would like to thank our clients and shareholders for their continuing support for Prime Finance and of course, all the employees of the Company on whom we depend for our success.



Md. Aminul Haque
Chairman

Message from the Managing Director



“ A continuing period of strong growth and innovation is changing the face of the Company ”

Md. Ahsan Kabir Khan
Managing Director (CC)

I feel proud to have the Current Charge as the Managing Director of Prime Finance & Investment Limited, the leading financial Institution of the Country. This is a huge opportunity indeed and I am well aware that the onus's on me to steer the company forward and I am glad to record Managing Director's Statement for the Annual Report 2010.

I got the charge as Managing Director (CC) on conclusion of the tenure of the previous Managing Director who served for three years, and am proud indeed to take over the charge of a front ranking company which over the years marked an outstanding period of growth and success. I am committed to ensure a continuous leadership for the benefit of the shareholders and stakeholders.

Remarkable progression in 2010

Prime Finance continues to go through an extraordinary evolution. The Company has delivered record growth in its profitability for consecutive years.

The year 2010 left the Company in a strong position, with desired diversification in terms of income streams, investment and strong asset quality. Concerted efforts were made to develop and reinforce core activities. We continued to build up strong holds of Company's profit centres, while intensifying our focus on relentless pursuit of innovation and operational excellence under a strong management team.

In 2010, total revenue reached to Tk. 3,069.20 million which was Tk. 1,425.36 million in 2009 showing a growth of 115.33 percent over the last year and earnings per share went up by 152.72 percent compared to 2009. These are spectacular gains.

Our total investment and total shareholders' equity increased by Tk. 2,345.73 million & Tk. 1,661.95 million respectively in 2010 showing an increase of 25.29 percent and 91.00 percent over 2009. Our conspicuous performance resulted the Company once again in meeting the financial objectives that we established at the beginning of the year. This robust performance enables us to maintain our attractive dividend policy.

The diversification of earnings steam is also strong. Leading revenue generation was from profit on sale of shares and securities which was 39.89 percent of the total revenue followed by interest on term finance by 17.05 percent, income from margin loan by 14.98 percent, income from associate companies by 10.79 percent, fees, commission etc by 9.65 percent and so on. One can now pause for a while and think about the Company "It's not the same Company anymore".

Can we keep it up?

At Prime Finance, we believe in continuous improvement. It is our ongoing effort to improve products, services, and processes that has played a large role in the transformation of the Company. Each year, we get better: our people become more skilled, our systems more effective, our methods better targeted and our processes more efficient.

We've accomplished a lot over the last few years, and, we are committed to ensure that growth will be continuous and profits sustainable. This view forward is based on the strength of our business plan, our financial management and a dedication to good execution.

Sound financial management

On the financial management side, our first priority is to have a strong capital base. Events in 2010 attest to the improved stability of the Company and the emphasis would be to further consolidate in future.

We have sound risk management practices. I believe one of the reasons we have been able to perform well during the crisis is because we were very sensitive on the risk management side much ahead of the problems thought to be crept in. Credit quality in our loan portfolios improved and that reflects on our rigorous and disciplined risk management process. We continued to focus on a well-diversified asset mix in 2010, both by sector and by type of financing. It was, however, a strong year for focusing attention on capital market, as the capital market was very positive throughout the year.

And I am pleased to point out that the continuous profitability and growth of the Company was well recognized during the year by an upgrade of our Company's position within the peers.

Tomorrow's challenges

Our financial market conditions for both credit and liquidity are still tight and investors, both private and institution, remain wary. There is liquidity crunch in the market. The environment for the financial sector is, therefore, likely to remain challenging in the near term. Prime Finance has a strong operational platform and a clear focused strategy. Quality investment portfolio, strong capital base and product diversification will continue to be a priority. We have built a leading position in our core businesses and are thus well placed to benefit from a flight to quality. We will continue to develop new business, new models and build on our competitive edge in financial market

Message from the Managing Director - *continued*

operations. Prime Finance has already proven its strength in both favorable and unfavorable markets. Our strategy is right, and we will stay in the course. Our highest priority is to serve the interest of our shareholders, clients, employees and the communities in which we operate.

One of the quieting factors is that the government is very sensitive and pro-active to the needs of the capital market.

In the near term, we are committed to delivering on five key priorities geared toward attaining stability and security in the current economic environment. The first is to drive forward with our disciplined growth strategy. Second, we are striving to mitigate asset risk and assure asset quality. Third, we are continuing our focus on balanced deposit growth. Fourth, we are diversifying our products and services and broadening our reach into our new geographic markets. And fifth, we are managing our net income margin to the full extent of our abilities.

By delivering on these priorities, we will build shareholders' value while serving our communities. We are committed to meeting our priorities in 2011 and are confident in our ability to lead Prime Finance through the coming periods. Our success is founded on ethical leadership, teamwork and a commitment to providing value for all stakeholders. Our approach to sound corporate governance starts at the top with a non-executive Chairman leading a Board composed of wide-ranging experienced Directors whose main focus includes overseeing management, promote ethical behavior and continuous improvement to governance practices. Consistency in our approach and continuity of management are essential to our long-term success. We aspire to be a well-managed company, which means we seek to avoid volatility and instability in our human capital as well as our financial capital. Through transparent communication of the Company's values, strategies and goals, our leaders of tomorrow are compatible with and supportive of our visions for the future.

The transformation of the Company is not based solely on continuous successful years, but on our positioning for continued momentum. The growth drivers will likely remain the same in 2011. We will be focused on maximizing the returns on our recent investments and excellence in execution, just as we will continue to make new strategic investments in our business development as opportunities arise.

We believe that we are well positioned to meet future requirements. Our strategy will be to pursue our growth and development through investments and initiatives, as we have done over the last few years. Focusing on our key growth engines and good execution, we remain committed to improve the Company's performance.

Acknowledgements

In addition to my profound gratitude to our great employee-family, I wish also to recognize the support and contribution of all our stakeholders. These include our customers who continue to drive our progress with their continuous trust in the Company and appreciation of our staff. They include the Management Committee who represent an exceptional management team, responsible for the planning and strategizing that has brought us this far. Finally, we are fortunate to have an outstanding Board of Directors which provides conspicuous guidance and governance to management.



Md. Ahsan Kabir Khan
Managing Director (CC)

Financial Review, Segmental Analysis & Outlook

Financial Review, Segmental Analysis & Outlook (FRSAO) is provided to enable readers to assess Prime Finance's results of operations and financial condition for the year ended December 31, 2010, compared with prior years. The FRSAO should be read in conjunction with the audited consolidated and separate financial statements, which have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS). Unless otherwise indicated, all amounts in the FRSAO are expressed in Bangladeshi Taka. Certain comparative amounts have been reclassified to conform with the presentation adopted in the current year.

Overview on the Economy

The economy of the country during the year 2010 showed a mixed outlook. The garment sector, the highest export earner, is tormented by labor unrest, electricity and energy shortage, rise of yarn prices, short supply of cotton from abroad, many irrevocable L/Cs opened for cotton but not responded by the suppliers. The country witnesses turbulence in capital and money market, decline in foreign exchange remittance. But, paradoxically, the order of RMG has gone up.

Recent phenomena of raising of CRR by 0.5 point and instructions to the Banks for adhering to the rules for investing in capital market vis-a-vis their liabilities led to a liquidity crunch leading to a fall in the share market, and recent call money rate hike never experienced before in the history of the Country.

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

Inflation maintained upward trend and reached to 7.30 percent in FY 2010 from 6.70 percent in FY 2009. 12 months average inflation rate was 7.31 percent. Inflation rate increased due to increase domestic food grain prices along with increasing prices of imported materials. Bangladesh Bank has attributed their forecast of the said growth to increase in exports, rise in imports, especially – capital machineries and raw materials – the engine of growth, strong foreign exchange reserve showing the sign of vibrancy overcoming the effect of global recessions. The forecast is, of course, an ambitious target against the backdrop of achieving the lower than the target growth rates for the last five years.

The World Bank in its economic update in November described stagnant in investment is a major obstacle for a faster growth of the economy. ADB, in its outlook, described decline in remittance as a concern and apprehended that it might affect GDP by depressing demand.

The Bangladesh Bank however said, it instructed the financial institutions to discourage lending to unproductive sectors only and to raise subsidiary companies for investing in the capital market.

Performance overview

2010 was the most successful year for Prime Finance & Investment Limited. In 2010, we made significant progress towards achieving the goals set in our New Horizon Strategy, despite having many challenges. Against the backdrop of an economic rebound in Bangladesh and the region, we further strengthened our market position in our focus, and our principal customers and products segments achieved continued healthy growth.

Challenges for 2010

- Declining foreign as well as private investment;
- Slow recovery environment due to multidimensional factor;
- Unhealthy trend in domestic capital market;
- Imposition of tax on capital gain;
- Regulatory restriction regarding investment in shares & securities;
- Effect of separation of merchant bank;
- Continuous shortage in energy supply and thereby low demand for industrial loan;
- The effect of climate change;

Despite having above challenges, Prime Finance could achieve its objectives successfully. Major achievements by the company during the year 2010 were as under:

Financial indicators

- Record net profit in Prime Finance history of Tk.1,726.42 million as against Tk.683.13 million of 2009 representing 152.72 percent growth over last year;
- Investment increased to Tk. 11.62 billion from Tk.9.27 billion registering a growth of 25.29 percent;
- Maintaining steady deposit balance;
- Shareholder's equity increased to Tk. 3.49 billion as against Tk. 1.82 billion of 2009;
- Market capitalisation increased to Tk. 42.05 billion as against Tk. 11.99 billion of 2009;
- Operating revenue increased from Tk. 1.42 billion to Tk. 3.07 billion representing a growth of 115.33 percent over last year;
- Earnings per share increased to Tk. 19.13 as against Tk. 7.57 (restated) of 2009; and

Financial Review, Segmental Analysis & Outlook - *continued*

- Effective fund management to keep the cost of fund at reasonable level.

Non-financial information

- First prize of ICAB National Award for all the years in a row after listing in the year 2005;
- SAFA Silver Award for consecutive fourth times;
- Remarkable verdict from Appellate Tribunal regarding tax exemption on capital gain (FY-2004 & 2006);

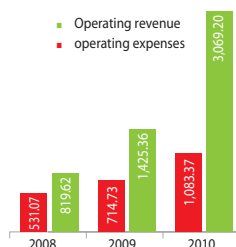
Focal points:

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

Financial Highlights

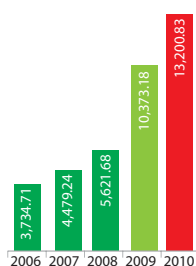
Revenue & Expenses

(Figures in million Taka) For the year ended 31 December	2010	2009	% of increase/ (decrease)
Revenue from loans, advances and leases	1,201.89	685.24	75.40
Revenue from Capital Market activities	1,535.99	586.33	161.97
Income from associates	331.32	153.79	115.44
Total revenue	3,069.20	1,425.36	115.33
Financial expenses	809.41	519.12	55.92
Management expenses	163.96	114.69	42.95
Provision for doubtful losses	110.00	80.91	35.95
Total expenses	1,083.37	714.73	51.58
Profit before tax	1,985.83	710.63	179.45
Provision for taxation	259.41	27.50	843.32
Net profit after tax	1,726.42	683.13	152.72



Assets and Investments

(Figures in million Taka)	2010	2009	% of increase/ (decrease)
Loans, advances and leases	8,720.70	7,236.97	20.50
Investment in securities	1,257.13	1,468.50	(14.39)
Equity investment	1,643.21	569.84	188.36
Fixed assets	323.62	321.63	0.62
Cash & cash equivalent and other assets	1,256.17	776.24	61.83
Total assets and investments	13,200.83	10,373.18	27.26



Shareholders' equity and liabilities

(Figures in million Taka)	2010	2009	% of increase/ (decrease)
Shareholders' equity	3,488.34	1,826.39	91.00
Deposits	3,760.31	4,632.59	(18.83)
Borrowings from banks and NBFIs	3,645.46	2,726.81	33.69
Provisions and others liabilities	2,306.72	1,187.39	94.27
Total shareholders' equity & liabilities	13,200.83	10,373.18	27.26

Financial Review, Segmental Analysis & Outlook - *continued***Loans, advances and leases**

Total loans, advances and leases were Tk. 8,720.70 million at 31 December 2010 representing 20.50 percent higher than 2009 worth Tk. 7,236.97 million. Outstanding balance (including advance against loans,

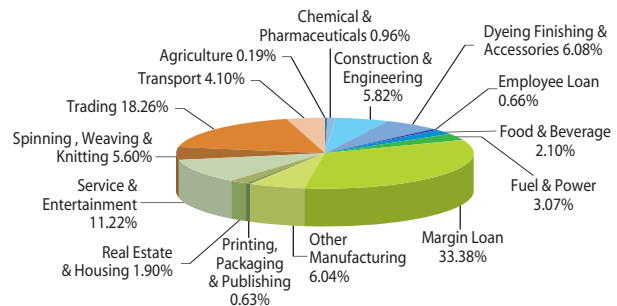
advances and leases not yet executed) of different types of loans, advances and leases as on 31 December 2010 and 2009 is summarized as under:

(Figures in million Taka)	2010		2009	
	Amount	Percentage	Amount	Percentage
Lease finance	1,398.11	16.03	1,701.92	23.52
Term finance	4,198.31	48.14	3,137.45	43.35
Real estate finance	138.81	1.59	118.85	1.64
Margin loan (Net)	2,910.73	33.38	2,209.37	30.53
Other finance	74.74	0.86	69.38	0.96
	8,720.70	100.00	7,236.97	100.00

Despite many challenges in the economy during FY 2010, our main focus was given to ensure quality investment, improve recovery position, gradually cleaning up balance sheet rather than increase volume of investment. In 2010, total loans, advances and leases increased by 20.50 percent compared to FY 2009 mainly due to increase of term finance and margin loan by 33.81 percent and 31.75 percent respectively. Margin loan increased significantly as overall capital market was favorable throughout the year. Term finance turned up as some new clients have been provided working capital finance. More and more endeavor was given to regularize the stuck up and slow moving loans, advances and leases. Some written off loans has already been realized. Management has always been trying to concentrate on adding quality investments in its portfolio rather achieving high target of business volume, keeping in mind our previous experiences.

Diversification was the main strength of Prime Finance. Despite decrease of investment in lease finance, Prime Finance could achieve its investment target due to increase of margin loan and term finance significantly. Loans, advances and leases were also well diversified. Highest allocation was 33.38 percent in margin loan followed trading 18.26 percent, service & entertainment 11.22 percent, dyeing, finishing & accessories 6.08 percent, other manufacturing 6.04

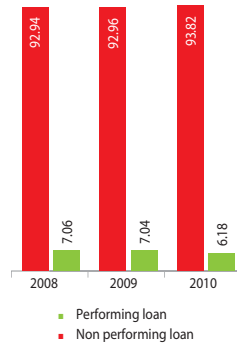
percent, spinning, weaving & knitting 5.60 percent and construction & engineering 5.82 percent etc and so on.

**Non-performing loans, advances & leases (NPL)**

Loans, advances & leases are classified as non-performing when it booked as substandard category or worse even if there exist no reasonable doubts as to collectivity. The company follows Bangladesh Bank guidelines for determining loans, advances and leases which should be placed on non-performing status. A loan/lease is placed on non-accrual status when it is classified as SMA. Interest income on non-accrual loans, advances and leases is credited to income when it is realized. Non-performing assets as of 31 December 2010 and 2009 were as follows:

(Figures in million Taka)	2010			2009		
	Outstanding amount	NPL	NPL (%)	Outstanding amount	NPL	NPL (%)
Lease finance	1,398.11	426.02	30.47	1,701.92	303.24	17.82
Term finance	4,198.31	83.55	1.99	3,137.45	172.91	5.51
Real estate finance	138.81	22.50	16.21	118.85	22.50	18.93
Margin loan	2,910.73	-	-	2,209.37	-	-
Other finance	74.74	11.30	15.12	69.38	11.14	16.05
	8,720.70	543.37		7,236.97	509.79	

Financial Review, Segmental Analysis & Outlook - continued



Non-performing loans, advances and leases increased to Tk. 543.37 million in the year 2010 compare to Tk. 509.79 million of 2009 reflecting an increase of 6.59 percent over previous year. Non-performing loans, advances and leases increased, because Management was very strict as to follow guideline for rescheduling/restructuring of classified accounts, some accounts which were previously classified as SMA have been entered into the list of classification, some accounts which have been rescheduled in the previous years also added in the list of classified loans, advances and leases this year, back in mind the company always follow conservatism principle during classification and above all the recovery environment of the Country was not very satisfactory. Despite increase of amount of classification, the Company was able to maintain the rate of classification at reasonable level. Classification rate of 2010 was 6.18 percent as against 7.04 percent of 2009 a little bit positive trend. The management set some strategies to improve the classification rate

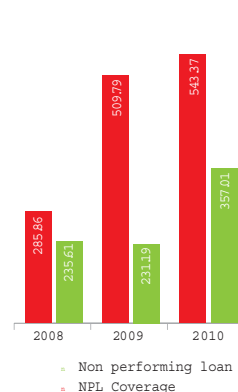
below 5 percent level and believe it will be achieved in the coming days.

During the year under review the Company did not written off any loans, advances and leases rather the Company recovered Tk. 15.77 million from write-off loans, advances and leases and part of which is recognized as income for the period under reporting. Company's continuous endeavor is deployed to recover such loans. As on 31 December 2010 cumulative balance of write off loans, advances and leases was Tk. 191.49 million as compared to Tk. 207.26 million of 2009. However, as a part of cleaning up of balance sheet of the company, the management considered writing off some stack up loans, advances and leases, that the management expects to execute in the year 2011. As written off loans, advances and leases has been charged previous year into profit and loss statement, any proceed that will recover from write-off loans, advances and leases, will be shown as income under cash receipt basis unless otherwise disclosed in the report.

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

The following table summarizes the allocation of the provision and interest suspense against loans, advances and leases for 2010 and 2009:

	Year - 2010					Year - 2009				
	Provision for NPL	Interest suspense	Total	% of NPL	% of NPL	Provision for NPL	Interest suspense	Total	% of NPL	% of NPL
Lease finance	213.73	80.69	294.42	426.02	69.11	97.57	34.67	132.24	303.24	43.61
Term finance	44.38	15.00	59.38	83.55	71.07	60.17	32.40	92.57	172.91	53.53
Real estate finance	0.20	-	0.20	22.50	0.87	4.65	-	4.65	22.50	20.68
Margin loan(Net)	-	-	-	-	-	-	-	-	-	-
Loan against term deposit	-	-	-	-	-	-	-	-	-	-
HP finance	2.24	0.77	3.01	11.30	26.62	1.12	0.61	1.73	11.14	15.54
	260.55	96.46	357.01	543.37	65.70	163.51	67.68	231.19	509.79	45.35



The provision for doubtful losses increases by charging to profit and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowances is based on the companies past loss experience, known and inherent risk in the portfolio, adverse situations that may affect the clients' ability to repay and current economic conditions. As on 31 December 2010 the

company maintained excess provision of Tk. 52.74 million considering future uncertainty.

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

Financial Review, Segmental Analysis & Outlook - *continued*

Coverage ratio of loans advances and leases increased significantly. As at 31 December 2010 coverage was 65.70 percent compared to 45.35 percent of 2009. This ratio increased as the company was very conservative to value for collateral, maintaining adequate provision etc. We believe coverage is satisfactory as the company maintain adequate provision as per guidelines of Bangladesh Bank. While making provision we considered eligible security against the clients which will give comfort to the company other than on balance sheet coverage.

We take different measures to realize the classified/stuck-up loans, advances and leases. Among others we

initiated legal action against the classified accounts. As at 31 December 2010 there were 128 lawsuits pending against 29 parties and our lawyer expects that in most of the cases we will win ultimately.

Property, plant and equipment

The Company purchased a piece of land measuring 15 kathas at Panthapath, Kawran Bazar, Dhaka, adjacent to Basundhara Shopping Mall in the year 2009. The Company has a plan to build its corporate office over there. The book value of the land was Tk. 305.15 million at the end of 2010.

Liquidity Statement

Loans, advances and leases

(Figures in million Taka)	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Lease finance	211.17	65.23	276.02	783.36	3.75	1,339.53
Advance against lease finance	-	-	-	58.58	-	58.58
Term finance	101.99	51.60	1,582.17	2,462.56	-	4,198.31
Real estate finance	3.85	7.59	36.95	79.77	10.65	138.81
Housing finance	0.01	0.02	0.08	0.55	3.28	3.94
Hire purchase finance	1.86	0.18	0.87	8.39	-	11.30
Loan against deposits	-	0.91	0.97	-	-	1.88
Margin loan	1,319.54	1,394.02	197.17	-	-	2,910.73
Staff loan (note 7.8)	0.46	0.92	4.16	22.19	29.88	57.62
Total	1,638.88	1,520.47	2,098.40	3,415.40	47.56	8,720.70

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

(Figures in million Taka)	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Credit Line	66.75	138.85	568.71	1,805.90	-	2,580.21
ADB Fund	-	0.81	5.65	44.22	16.95	67.63
Fund from CBSF	0.80	-	-	-	-	0.80
BB Refinancing Scheme	0.39	1.91	6.08	5.63	2.81	16.82
Call Money	380.00	-	-	-	-	380.00
Short term loan	300.00	300.00	-	-	-	600.00
Total	747.93	441.57	580.44	1,855.75	19.76	3,645.46

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

Liquidity is monitored daily to ensure the company's ability to support investment growth, deposit

encashment, meet contractual obligations, maintain reserve requirements and otherwise sustain operations. Prime Finance maintains its liquidity in the form of readily encashable deposits with banks, collection of rentals/installments and investment in listed securities. On the other hand, the company based on its net assets can borrow very significant amount in the form of money at call and short notice, which is another point of comfort as far as fund management is concerned. Present limit of borrowing as money at call and short notice is Tk. 1,201.61 million

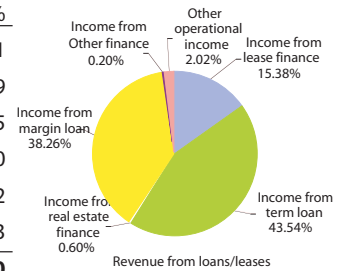
Financial Review, Segmental Analysis & Outlook - continued

based on latest net asset report submitted to Bangladesh Bank. Management, however, believes that the company's present position is adequate to meet its current and future liquidity requirements.

Revenue from loans, advances and leases

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

(Figures in million Taka)	2010		2009	
	Amount	%	Amount	%
Income from lease finance	184.80	15.38	187.84	27.41
Income from term loan	523.35	43.54	246.63	35.99
Income from margin loan	459.90	38.26	196.98	28.75
Income from real estate finance	7.25	0.60	2.73	0.40
Income from other finance	2.37	0.20	7.69	1.12
Other operational income	24.23	2.02	43.37	6.33
	1,201.90	100.00	685.24	100.00



A substantial portion of Company's revenue is generated from loans, advances and leases like lease finance, term finance, margin loan, real estate finance, SME finance. Earnings from loans, advances and leases represent 39.16 percent of total revenue earned by the Company during 2010 (2009: 48.07 percent). Income from loans, advances and leases increased by 75.40 percent i.e. Tk. 516.65 million in 2010 compared with 2009. This increase resulted from mainly increased income from term loan and income from margin loan.

Income from margin loan, which is a capital market related product, was 2.33 times higher than last year. The reason behind the huge growth was mainly due to the management capability to utilize the maximum opportunity from favorable capital market of the country.

Capital Market Operations and Equity Investment

Bangladesh capital market for 2010 was a blessing for the investors as DSE general index was closed at 8290 points on 30 December 2010, which was 4,568 points at 01 January 2010 showing a huge growth of 81.47 percent. The increase was not only showed in points

but also seen in daily turnover, which was Tk. 16,649.61 million, 172 percent higher than that of 2009, daily trade volume as well as market capitalization has also been increased significantly. Market capitalization at the end of December was 51.5 percent of GDP. According to stock market data, a total of 23 Initial Public Offerings (IPO) worth around Tk. 35 billion came in the market this year, while the number was 15 in the last year with a volume of Tk. 19 billion. Market related factors such as issuance of the high number of Initial Public Offerings (IPO) in 2010, entry of large volume of liquidity and revealed market anomalies in an insignificant market can only explain a part of this growth.

We have also seen capacity pressure on the market operators with regard to handling large IPOs and the regulators were seen constrained at frequent intervals tackling multifaceted issues, requests, suggestions and pressure. Bangladesh Bank, the country's central bank, also seemed to have taken cognizance to raise a firewall between the banks and the merchant banks, making the merchant banks' as subsidiaries.

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

(Figures in million Taka)	2010		2009	
	Amount	%	Amount	%
Listed companies	1,200.90	41.40	1,452.50	71.26
Unlisted companies	56.23	1.94	16.00	0.78
Associate companies	1,643.21	56.66	569.84	27.96
	2,900.34	100.00	2,038.34	100.00



Financial Review, Segmental Analysis & Outlook - continued

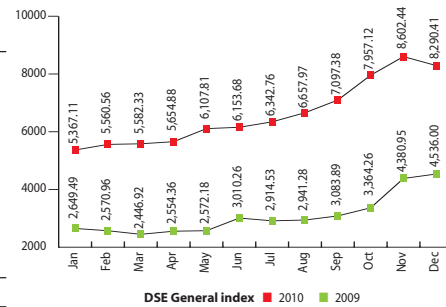
Investment in shares of listed companies

With due consideration of market trends, Prime Finance set its strategy to operate in the capital market. As the market was favorable through out the year 2010, the Company could very successfully maintain its short, mid and long-term strategy. Considering the market environment, the Company increased its investment in listed securities. Investment in listed securities was Tk. 1,200.90 million compare to Tk. 1,452.50 million of 2009 which represents a marginal decrease of 17.32 percent as Bangladesh Bank gave restriction to the banks and NBFIs to take

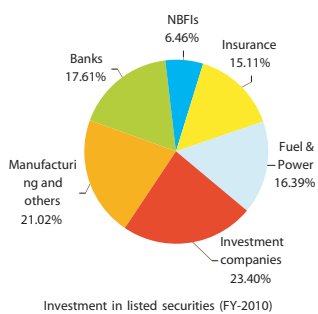
part aggressively in the share markets. Accordingly the management is trying to decrease the exposure in listed shares & securities.

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

(Figures in million Taka)	2010		2009	
	Amount	%	Amount	%
Banks	221.41	17.61	659.61	45.42
NBFIs	81.23	6.46	144.88	9.97
Insurance companies	190.00	15.11	264.81	18.23
Investment companies	294.19	23.40	20.65	1.42
Fuel and power	206.06	16.39	266.59	18.35
Mfg companies and others	264.25	21.02	95.96	6.61
Total	1,257.13	100.00	1,452.50	100.00



Sector-wise investment in securities available for sale at 31 December 2010, and 2009 at cost was as under:



Prime Finance invested in the shares diversifying its investment in different sectors with highest investment exposure in companies represents 23.40 percent of total investment followed by manufacturing sector 21.02 percent,

banking sector 17.61 percent, fuel and power 16.39 percent and insurance companies 15.11 percent etc. Prime Finance is exposed to market risk since the Bangladesh capital market is volatile. The company minimizes the risk through diversification and investing mostly in fundamentally strong securities. The fair value

of the securities available for sale at 31 December 2010 and 2009 was Tk. 2,695.92 million and Tk. 2,164.50 million respectively. The value of securities as at 31 December 2010 and 2009 was higher than its cost price by 114.45 percent and 47.40 percent respectively.

Provision for future losses on investment in shares & securities

Prime Finance follows guideline of Bangladesh Bank for making provision against probable future losses on investment in shares. As per Bangladesh Bank guidelines, provision has been made for those shares which cost price is less than the market price. In this regard, only those shares has been considered which has higher cost price than market value rather than considering the portfolio shares. The Company maintains provision of Tk. 18.63 million in compared to Tk. 23.69 million for the year 2009 despite unrealized gain of Tk. 1,438.79 million as per portfolio value of shares as on 31 December 2010.

(Figures in million Taka)

Name of the security	Nature of shares	2010	2009
CDBL	Ordinary	4.42	1.00
Confidence Salt Industries	Preference	15.00	15.00
Aftab Automobiles Limited	Preference	-	-
Prime Financial 1st unit fund	Unit fund	30.00	-
Peoples Leasing and Financial Services Limited	Preference	0.65	-
Summit Power	Preference	6.16	-
Total		56.23	16.00

Financial Review, Segmental Analysis & Outlook - continued

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

Investment in Associates and Subsidiary Company

Prime Finance is leading a large financial group of companies (Prime Financial Group). As guided by the Securities and Exchange Commission (SEC), for separating the merchant banking operation, Prime Finance formed a subsidiary Company in the name and style of Prime Finance Capital Management Limited. Out of total paid up capital of Tk. 1,000 million

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

Name of the associates	Nature of the business	Nature of shares	Amount	% of share holding	Face value	Book value per share
PFI Securities Limited	Stock broker & dealer	Ordinary	957.55	50	10	25.11
Prime Finance Asset Management Co. Ltd.	Asset management	Ordinary	31.59	49	100	107.46
Prime Prudential Fund Ltd.	Investment in securities, debentures, bonds etc.	Ordinary	32.437	40	10	12.39
PFI Properties Ltd.	Constructing building, developing townships etc.	Ordinary	21.63	40	10	10.91
Prime Finance Capital Management Ltd.	Merchant banking	Ordinary	600.00	60	10	10.05
Total			1,643.21			

Public issue of shares

We assist corporate clients in meeting their financial needs and advising them on the most advantageous means of raising capital. We manage or co-manage public offerings of shares or arrange private placement of shares with institutional or individual investors. In addition, we provide consulting services, including mergers and acquisitions and advising clients with respect to financing plans and related matters. During the year we earned Tk. 7.96 million as fees under this head as against Tk. 0.09 million of 2009.

Tk. 2.67 million as underwriting commission as against Tk. 0.30 million of 2009. Participation in underwriting can expose us to financial risk since the possibility exists that the securities we have committed to take up may not be fully subscribed at the Initial Public Offerings or Right Shares issued.

Underwriting

Underwriting services is another product of Merchant Banking Operation. During 2010, Prime Finance earned

Portfolio management

Major part of earnings of fees, commission is generated from portfolio management of clients which includes individuals and various institutions. During the year 2010, Prime Finance earned Tk. 281.54 million from managing portfolio accounts which was Tk. 34.19 million only in the year 2009, representing 8.23 times higher than previous year.

Income from Capital Market Operation

(Figures in million Taka)	2010		2009	
	Amount	%	Amount	%
Capital gain from sale of listed securities	1,224.22	79.70	465.87	79.47
Dividend income	15.44	1.00	14.28	2.43
Issue management fees	7.96	0.52	0.09	0.01
Underwriting commissions	2.67	0.17	0.30	0.05
Portfolio management fees	281.54	18.33	34.19	5.83
Other fees and charges	4.15	0.27	71.60	12.21
	1,535.98	100.00	586.33	100.00

Financial Review, Segmental Analysis & Outlook - *continued*

Prime Finance breaks all the previous record in capital market operations. Income from capital market comprises of income from capital gain on sale of securities, dividend income, issue management fee, underwriting commission, portfolio management fee, income from associate companies, advisory services fee and others.

During 2010, total income from capital market operation was Tk. 1,535.98 million, which was Tk 586.33 million in 2009 registering a growth of 161.97 percent over last year. Income from capital market increased due to favorable capital market through out the year, proper investment decision and diversified capital market services.

Income from Associate Companies

(Figures in million Taka)	2010		2009	
	Amount	%	Amount	%
PFI Securities Limited	303.83	91.70	153.09	99.54
Prime Finance Asset Management Co. Ltd.	3.33	1.01	(1.20)	(0.78)
Prime Prudential Fund Ltd.	22.53	6.80	1.91	1.24
PFI Properties Ltd.	1.63	0.49	(0.01)	(0.00)
	331.32	100.00	153.79	100.00

Under equity method Prime Finance recorded proportionate income on the basis of holding of associate companies into the books of accounts. During the year 2010, Prime Finance earned a record income from its associate companies. Total income from associate companies in 2010 was Tk. 331.32 million compare to Tk 153.79 million in 2009 registering a growth of 115.44 percent over last year. Return from associates company resulted from proportionate income booked from PFI Securities Limited, a 50% owned associate company of Prime Finance. Income from PFI Securities Ltd. has increased by 98.46 percent compare to that in the year 2009.

Shareholders' Equity and Capital

Capital maintenance

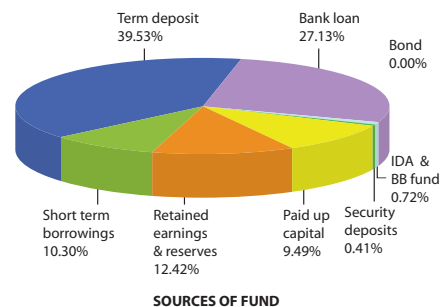
Strong earnings, controlled growth in investments, active balance sheet management and timely raising of capital have all contributed to our strong capital position. In our ongoing capital management decisions, we consider a variety of factors, including expectations of investors, and rating agencies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

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

The Company maintains its own portfolio with a substantial amount of investment in listed securities and earned a record total income of Tk. 1,239.66 million in the form of dividend and gain from sale of securities compare with Tk. 480.15 million in 2009 showing a growth of 158.18 percent.

During 2010, Prime Finance earned a total income of Tk. 296.33 million under the heads of issue management fee, underwriting commission, portfolio management fee, advisory services fee etc. (2009 : TK. 106.17 million). Growth over 2009 was 179.11 percent.

As at 31 December 2010, total shareholders equity stood at Tk. 3,488.34 million (2009: Tk. 1,826.39 million).



The company is subject to maintenance of minimum capital required by Bangladesh Bank. Every year the Company is in compliance with the capital adequacy requirements. As at 31 December 2010, the Company's paid up capital was Tk 902.50 million which is Tk. 402.50 million higher than the regulatory required level of Tk. 500 million.

Borrowings from other banks and financial institutions

As at 31 December 2010, total outstanding loan from banks was Tk. 2,580.21 million compared to Tk. 1,804.39 million in 2009. Interest on bank loans is paid monthly/quarterly as per terms of the loan. During the year 2010, a total amount of Tk. 726.60

Financial Review, Segmental Analysis & Outlook - *continued*

million was repaid. In addition, interest amounting to TK. 312.12 million was also paid.

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

Term deposits

We continued our drive to expand our funding sources to cope up with increasing needs of fund for operational purpose. To ensure proper shaping of asset-liability, management has given emphasize on long-term source of funding. During the year 2010, Tk. 2,514.32 million has been received as term deposits from various sources such as banks, insurance companies, other organizations as well as individuals compare with Tk. 4,751.13 million in 2009.



As at 31 December 2010, total outstanding amount of term deposit was Tk. 3,760.31 million compare with Tk. 4,632.59 million in 2009. Interest amounting to TK. 515.87 million was paid on term deposits during the year under reporting as against Tk. 392.92 million in 2009.

Cash flow analysis

A considerable portion of our total assets representing 3.35 percent is liquid in nature and consists mainly of cash and balance with various banks and financial institutions. The highly liquid nature of our assets provides us with flexibility in financing and managing our anticipated operating needs.

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

During the year under review the company had a total cash and cash equivalent of Tk. 442.98 million. Cash and cash equivalent is maintained to meet the requirement of CRR and SLR as guided by the Bangladesh Bank.

Cash flow

Cash flow from operating activities

The major component cash flow is cash flow from operating activities. During the year 2010, net cash generated from operating activities is Tk. 770.08 million which was Tk. 878.55 million during the previous year.

Cash flow from investing activities

Net cash outflows from investing activities of Tk 649.07 million was mainly due to net investment in securities, investment in newly formed subsidiary as well as acquisition of property, plant and equipment, participation in the rights issue of PFI securities Ltd., participation in the same of Prime Finance Asset Management Company Limited. These all are part of our endeavor taken towards continuous diversification strategy.

Cash flow from financing activities

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

Operating Expenses

Interest and other operating expenses

Interest paid on deposits, borrowing, etc comprises interest expenses for loans, deposits taken from different commercial banks, individuals, institutions, call loan, and security deposits etc. Interest expenses consist of 74.71 percent of total expenses (2009: 72.63 percent). Interest expenses in 2010 increased by 55.92 percent compared to that in the year 2009 mainly due to high cost bearing deposit collection, borrowing from banks, financial institutions. Financial expenses were 26.29 percent of total operating revenue of 2010 (2009: 36.48 percent).

Management expenses include salaries and allowances, office maintenance, depreciation on fixed assets, legal and professional fee etc. Details of the expenses are given in the Notes to the Financial Statements of this Annual Report. Management expenses increased by 42.95 percent in 2010 to Tk. 163.95 million (2009: Tk. 114.69 million) mainly. During 2010, management expense was 5.32 percent of total revenue (2009: 8.06 percent).

Financial Review, Segmental Analysis & Outlook - *continued*

(Figures in million Taka) For the year ended 31 December	2010	2009	% of increase/ (decrease)
Financial expenses	809.41	519.12	55.92
Management expenses	163.96	114.69	42.95
Provision for doubtful losses	110.00	80.91	35.95
Total expenses	1,083.37	714.72	51.58

Provision for doubtful losses has been made as per guidelines of Bangladesh Bank. During the year total provision of Tk. 110.00 million has been made. In 2009, the amount under the same head was Tk. 80.91 million.

Risk factors

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

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

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

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

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

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

Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realized between lending and borrowing costs. The performance of financial markets and monetary policy of Bangladesh Bank may cause changes in the value of Company's investments and portfolios. Prime Finance has implemented risk management methods to mitigate and control these and other market risks to which the Company is exposed. However, it is difficult

to predict with accuracy changes in economic and market conditions and to anticipate the effects that such changes could have on the company's financial performance and business operations.

Operational risks are inherent in Company's business

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

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

The Company is subject to Financial Institutions Act, laws, regulations and administrative actions of Bangladesh Bank and Securities and Exchange Commission. This supervision and regulation, if changed could materially affect Company's business, the products and services offered or the value of assets.

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

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

The risk of litigation is inherent in Company's operation

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

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

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

Competition

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

A detailed separate report named 'Risk Management Report' highlighting all types of possible risks and our

endeavour to manage those risks is included as part of this Annual Report.

Human Resources

Talent attraction and retention remain our key areas of focus. Our compensation programmes remain market-driven and are designed towards rewarding our employees through increasingly incentive compensation programmes. In line with our objective of increasing share ownership among employees, we introduced among others employee Provident Fund, Gratuity, mobile facility, retirement benefit, hospitalization benefit, maternity benefit, lunch facility, performance bonus, home loan facility, furniture allowance, transport facility and so on. At 31 December 2010, Prime Finance employed 67 employees including 15 support staffs. Management considers, relations amongst its employees to be satisfactory. The list of senior executive officers of Prime Finance is given below:

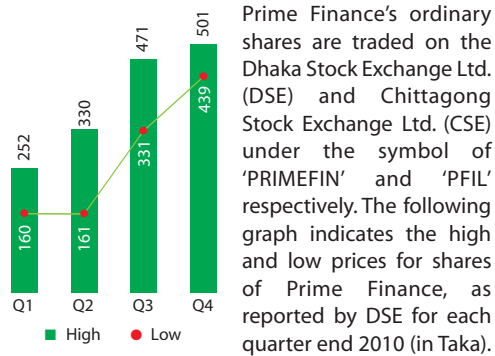
Name	Age on 31-12-10	Executive Officer since	Present Position
Md. Ahsan Kabir Khan MBA	42	January 1998	Managing Director (CC)
A. K. M. Nozmul Haque M.Sc, M.A. (USA)	66	January 2006	Head of R&D
Md. Mizanur Rahman FCA	36	September 2005	EVP, CFO & Head of HRM
Md. Rezaul Haque MBA	39	July 1996	EVP, Head of Operation & Marketing
Mahbubul Hoque M.Com	36	May 1998	Vice President
Tauhidul Ashraf FCS	33	September 2005	VP & Company Secretary
Md. Nur Nobi ACA	32	September 2005	Vice President
Gazi Nilufar Yeasmin MBA	37	May 2009	Vice President
Mohammad Shahidul Islam MBA, ACA	31	August 2009	AVP & Head of ICC
Gulshan Ara Hafiz MBM	31	April 2002	Assistant Vice President
Md. Israil Hossain B.Sc (ME)	35	October 2006	Senior Manager
Md. Kamrul Islam MBA	33	May 1999	Senior Manager
Md. Zaved Lakiyet MBA	36	January 2003	Senior Manager
Mohammed Faruque M.Com	36	November 2005	Senior Manager
Mohammad Yeamin Kabir	32	June 2003	Senior Manager
Humayun Rashid MBA	36	April 2007	Senior Manager

Operational Hub

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

Financial Review, Segmental Analysis & Outlook - *continued*

Market for Prime Finance's ordinary shares



Prime Finance's ordinary shares are traded on the Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. (CSE) under the symbol of 'PRIMEFIN' and 'PFIL' respectively. The following graph indicates the high and low prices for shares of Prime Finance, as reported by DSE for each quarter end 2010 (in Taka).

Annual Report and other important documents available in website

Prime Finance makes its Annual Report, prepared and presented on the basis of disclosure requirements by the regulatory authorities, available on its website at www.primefinancebd.com as soon as reasonably practicable after furnishing them to the Bangladesh Bank, Securities & Exchange Commission (SEC), Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. (CSE). Prime Finance's corporate governance guidelines, code of ethics and business conduct for employees, charter of the Board and its Committees are also available on the website.

Outlook

As we look to the horizon, it appears that 2011 will undoubtedly be fraught with many of the same hazards we faced in 2010. Two factors, in particular, will continue to test our focus and acuity: the impact of economic factors on our portfolio credit performance and uncertainty about timing in the unstable capital market.

Entering into 2011, we find that economic indicators have deteriorated further - extreme unrest in the capital market, lower imports and exports, minimal implementation of ADP, low investors' confidence, tight money market situation, shortage of fuel and power and many more. Many regional economies are under even greater stress than ours. Our dedicated team remains focused on providing the highest level of customer services while seeking to maximize the overall performance of our portfolio.

Website reference.

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

Diversified Investment

through a set of versatile

Products & Services



Agriculture



Transport



Fuel & Power



Manufacturing



Trading



Dyeing, Finishing & Accessor



Construction



Real Estate



Printing, Packaging & Publishin

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

Financial segments

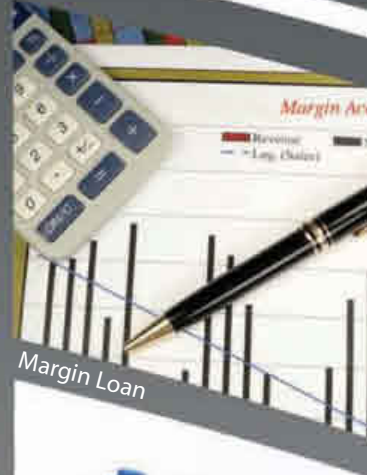
- Lease finance
- Term finance
- Real estate finance
- Bill discounting
- Bridge/equity finance
- Syndicated finance
- SME finance
- Hire purchase

Capital market segments

- Public issue of shares
- Underwriting of shares
- Portfolio management
- Merger & amalgamation
- Corporate financial services
- Margin loan

Deposit schemes

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



Small & Medium Enterprise (SME)

Service & Entertainment

Margin Loan

Chemical & Pharmaceuticals

Food & Beverage

Medical Equipments

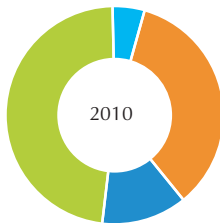
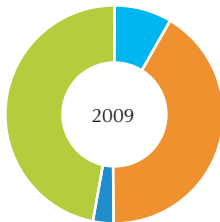
Engineering

Information Technology

Value Added Statement

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

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



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

Figures in BDT	2010		2009	
	Amount	%	Amount	%
Value added				
Net interest income	374,326,590	17.93	122,746,575	15.60
Fees, commissions including VAT	297,718,076	14.26	106,234,250	13.50
Investment income	1,570,977,843	75.23	633,945,736	80.58
Other income	18,153,106	0.87	43,370,180	5.51
Management expenses	(62,994,320)	(3.02)	(38,687,252)	(4.91)
Provision for doubtful losses	(110,000,000)	(5.27)	(80,912,571)	(10.28)
Total value added	2,088,181,295	100.00	786,696,918	100.00

Distribution of Value Added

Employees

As salaries and allowances	93,341,477	4.47	70,489,554	8.96
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Provider of Capital

Dividend	722,001,280	34.58	322,322,000	40.97
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Government

Corporate tax	259,414,363	12.42	27,500,000	3.50
Value Added Tax (VAT)	1,387,517	0.07	57,393	0.01

Expansion and business growth

Retained income	1,004,417,854	48.10	360,812,635	45.86
Depreciation	7,618,804	0.36	5,515,336	0.70

Total distribution	2,088,181,295	100.00	786,696,918	100.00
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Market Value Added Statement

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

shares. MVA is the difference between the market value of equity of a company and the book value of equity invested in the company. A positive MVA indicates that the company could add value to shareholders wealth. The following statement indicates the MVA at the year ended on 31 December 2010 and 2009 (in million Taka):



(in million Taka)	2010	2009
Market value of shares outstanding	42,047.55	11,991.99
Book value of shares outstanding	3,488.34	1,826.39
Market value added	38,559.21	10,165.60

Economic Value Added

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

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

NPAT

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

Equity

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

Cost of equity

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

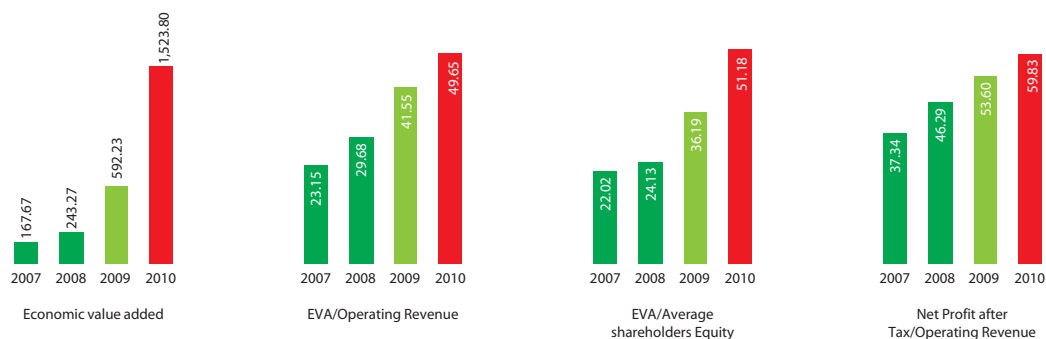
The following table indicates the EVA for the years from 2007 to 2010:

For the year ended	2010	2009	2008	2007
Shareholders' equity at year end	3,488,344,711	1,826,389,977	921,311,592	635,258,968
Accumulated provision for doubtful losses	375,000,000	265,000,000	260,000,000	200,000,000
Average shareholders' equity	2,977,367,344	1,636,350,785	1,008,285,280	761,577,343
Cost of equity (%)	10.50	10.50	13.50	13.50

Economic Value Added	1,523,795,563	592,230,374	243,268,019	167,670,600
Net profit after tax (before BB provision)	1,836,419,134	764,047,206	379,386,532	270,483,541
Cost of equity	(312,623,571)	(171,816,832)	(136,118,513)	(102,812,941)

Key ratios

EVA/Operating revenue (%)	49.65	41.55	29.68	23.15
EVA/Average shareholders' equity (%)	51.18	36.19	24.13	22.02
Net profit after tax/Operating revenue (%)	59.83	53.60	46.29	37.34





Report on Human Resources

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

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

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

Recruitment

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

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

Prime Finance believes that having a broad range of age and experience in its workforce helps the Company meet the varied needs of its clients. This is reflected in the structure of the workforce. 87 percent of the Company's employee population is in the 21-40

age range, with the average age of Prime Finance employee being 34 years.

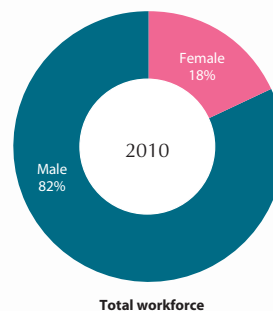
Prime Finance places a special emphasis on ensuring that new positions are filled by the most accomplished candidates, in terms of their education, experience and ability.

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

Career and development

Prime Finance comprises a league of enterprising women and men who are distinguished by their initiative, diligence, imagination, and ambition. The Company's work is driven by a sense of teamwork and solidarity that transcends Company's hierarchy. The people of Prime Finance are part of a culture of integrity and leadership, which they have an active role

in creating. They form a community in which people's potential and talents are cultivated with the aim of establishing lifelong careers. High quality employees are trained and fostered, with the goal of developing tomorrow's leaders.



Length of service

The average length of service within the Company is almost 6 years. The length of service distribution of the Company can be seen in page 52 of this Annual Report.

Job satisfaction and retention

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

Report on Human Resources - *continued*

initiative and responsibility are promoted through challenging assignments where rewards are determined by results.

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

Incentives

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

Socially based HR policies

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

Housing

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

Food

The Company provides lunch to all the employees.

Transport

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

Furniture & household

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

Cultural and sporting events

Annual picnic and annual dinner with all employees.

Annual health checkup

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

Pension scheme

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

Provident fund

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

Hospitalization benefits

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

Maternity benefits

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

Human Resource Strategy

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

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

Report on Human Resources - continued

	2010	2009	2008
Total employees	67	63	59
Net income per employee (Tk.)	25,767,450	10,843,407	4,848,350
Operating revenue per employee (Tk.)	45,808,966	22,624,816	13,891,825
Assets per employee (Tk.)	197,027,255	164,653,659	95,282,638

Staff Strength	2010	2009	2008
Senior Management	11	10	9
Mid level Management	40	36	34
Junior level Management	1	2	2
Support Staff	15	15	14
Total	67	63	59

Age analysis of the employees as at 31 December

Age group Year	Senior Management	Mid level Management	Junior level Management	Support Staff	2010 Total	2009 Total	2008 Total
Above 60	1	-	-	-	1	1	1
51 – 60	-	1	-	1	2	1	1
41 – 50	2	2	-	2	6	7	6
31 – 40	7	21	1	9	38	32	27
21 – 30	-	17	-	3	20	22	24
20 & below	-	-	-	-	-	-	-
Total					67	63	59

Average age of the employees as at 31 December 2010 was 34 years (2009 : 34 years)

Service analysis of the employees as at 31 December

Service group Year	Senior Management	Mid level Management	Junior level Management	Support Staff	2010 Total	2009 Total	2008 Total
Above 10	4	4	1	5	14	14	13
7 – 10	1	3	-	2	6	3	2
5 – 7	4	8	-	1	13	6	7
2 – 5	-	17	-	5	22	27	29
Below 2	2	8	-	2	12	13	8
Total					67	63	59

Average service life of the employees as at 31 December 2010 was 5.97 years (2008: 5.32 years).

Meet Our Employees

PROFITABILITY,
GROWTH, AND
QUALITY.
Every single Prime
Finance employee
needs to be aligned to
these three drivers
which means that our
Company, department,
and individual goals,
development, and
initiatives must be
created and
implemented with
those strategies as a
primary focus.

Finance & Accounts



Md. Zaved Lakiyet
Senior Manager
Finance & Accounts

Md. Nur Nobi ACA
Vice President
Finance & Administration

Mahbul Hoque
Vice President
Treasury

Md. Mizanur Rahman FCA
Chief Financial Officer



Fahmida Yeasmin
Officer
Treasury

Naima Akter
Officer
Rental & Cheque Management

Mansura Moin
Manager
Treasury

Tarana Yasmin
Manager
Rental & Cheque Management

Information Technology



Ahmed Abdur Razzak
Officer

Muhammad Saiful Alam
Management Trainee

Mohammed Faruque
Senior Manager

Md. Israil Hossain
Senior Manager

HRM & Administration



Afroza Begum
Junior Officer

Md. Masudur Rahman
Management Trainee

Md. Motaheer Hossain
Assistant Manager

Md. Kamrul Islam Ratan
Senior Manager

Md. Mizanur Rahman FCA
Head of HRM

Internal Control & Compliance



Mohammad Shahidul Islam ACA
AVP & Head of ICC

Corporate Affairs



Md. Omar Faruque
Management Trainee



Tauhidul Ashraf FCS
VP & Company Secretary

Research & Development



AKM Nozmul Haque M.Sc, MA
Head of R&D

Operation & Marketing



Md. Faqru Islam Majumder
Manager
Corporate Finance



Humayun Rashid
Senior Manager
Operation & Monitoring



Mohammad Yeamin Kabir
Senior Manager
Operation & Monitoring



Gulshan Ara Hafiz
Assistant Vice President
SME Finance



Gazi Nilufar Yeasmin
Vice President
Corporate Finance



Md. Rezaul Haque MBA
Executive Vice President &
Head of Operation & Marketing



Tazrian Hoque
Assistant Manager
SME Finance



Umme Anowar Rebeka Sultana
Assistant Manager
SME Finance



Syed Omar Faruq
Manager
Corporate Finance



Khandakar Shahed Royhan
Manager
Corporate Finance



Md. Anisuzzaman
Manager
Operation & Monitoring



Muhammad Anisuzzaman
Manager
Operation & Monitoring



Tania Khan
Management Trainee
Corporate Finance



Asif Raihan Chowdhury
Management Trainee
Corporate Finance



Md. Manowar Hossain
Management Trainee
Operation & Monitoring



Mohammed Zakirul Islam
Assistant Manager
Operation & Monitoring

Our employees are always dedicated to meet the expectations and requirements of internal and external customers. Acts with customers in mind; establishes and maintains effective relationships with customers and gains their trust and respect.

Meet Our Employees - *Continued*

Our employees have the functional and technical knowledge and skills to do the job at a high level of accomplishment.

Every employee of Prime Finance is optimistic and energetic about the work to be done. They do more than is required or expected in the job. Takes on tasks that no one has requested or which will improve or enhance products and services. Plans ahead for upcoming challenges and opportunities and takes appropriate action.

Capital Market Operation



Md. Tariqul Anam
Assistant Manager

Md. Abdus Satter
Manager

Mohammad Rana
Manager

Mohammad Rajibul Islam
Manager



Faruk Ahmed Liton
Officer

Md. Shahidul Islam
Assistant Manager

Mohammad Asaduzzaman
Assistant Manager

Chittagong Branch



Jolly Chowdhury
Management Trainee

Ali Sayka Khanam
Management Trainee

Shamrat Kabir
Assistant Manager

Hasan Mahmud
Manager & Incharge

Rajshahi Branch



Md. Mizanur Rahman
Officer

Adnan Wasim Mahmud Hasan
Officer

2010 Social Indicators

Staffing level	2010	2009	2008
Management Cadre	45	37	35
Non-management Cadre	7	11	10
Support Staff	15	15	14
Total workforce	67	63	59
Male	55	52	50
Female	12	11	9

Average age of employees			
Management Cadre	35	35	34
Non-management Cadre	31	33	32

Salary & allowance (in million Taka)			
Total Salary	86.32	63.44	48.95
MD's Salary	7.02	7.05	5.52
Total Benefits	93.34	70.49	54.47

Change in staffing level			
Total employee at the beginning	63	59	58
Recruitment during the year	4	8	6
Departures (retirement/resignation etc.)	-	4	5
Changes during the year	-	4	1
Total employee at the end	67	63	59

Training			
Average number of days spent in training per employee	3.30	3.94	1.6
Percentage of employees who participated in at least one training program during the year	81	56	53
No. of employees who participated in at least one training program during the year	40	35	31
No. of training programs participated by employees during the year	34	19	22



Contribution to National Economy

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

As a financial service provider, Prime Finance contributes to the economic prosperity by providing financial products and services to the industrial undertakings including SMEs. Based on the financial as on 31 December 2010, Prime Finance has a total credit exposure with around 1,220 clients of Tk. 8,720.70 million. Such facilities were extended mostly for importation of capital machineries and working capital and margin loan purpose. Prime Finance also manages IPOs of different companies to increase supply of securities in the capital market. This is how Prime Finance contributes to the industrialization and capital market development of Bangladesh and thus helping employment generation.

Prime Finance contributes to the economy paying out fair share of taxes to Government. During the year 2010 the Company provided provision of Tk. 259.41 million for tax.

We make an economic impact by creating employment and a well-trained workforce. Prime Finance and its associate companies employed as many as 166 employees as on 31 December 2010 (2009:134). During the year 2010, Prime Finance spent total Tk. 1.15 million for training and HR development. During the year 2010, Prime Finance paid a total

amount of Tk. 86.32 million as salaries and allowances to its employees (2009 :Tk. 63.44 million). In 2010, the employees of Prime Finance paid taxes to the tune of Tk. 3,097,040 with highest payment of Tk. 637,250 by an individual employee.

We recognize our fiduciary duty to our shareholders and seek to establish constructive relationships. We are focused on maximizing long-term shareholders' value through strong financial performance and returns, disciplined and profitable investments. Over the past many years, Prime Finance has been paying a satisfactory dividend to its shareholders placing it among the top ranking non-banking financial institutions. Prime Finance proposed 80 percent stock dividend equivalent to Tk. 722.00 million to its shareholders for the year 2010 (2009:40 percent stock dividend equivalent to Tk. 257.86 million & 10 percent cash dividend equivalent to Tk. 64.46 million).

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

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

Corporate Social Responsibility

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

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

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

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

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

Prime Finance and its Clients

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

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

Our commitments to clients

Effective service

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

Professional expertise

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

Effective Service

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

Expertise

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

Statement of professional ethics

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

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

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

Corporate Social Responsibility - continued

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

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

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

Prime Finance & its Shareholders

Our commitments to our shareholders

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

Living up to these commitments

Operating performance that ranks among the best in the industry

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

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

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

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

High standards of corporate governance

Details on Prime Finance's structures of corporate governance are given on page 62 of this Report.

Fully informed shareholders

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

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

Shareholders information

A top priority

Prime Finance's goal is to deliver clear, complete and reliable information that meets the needs of all shareholders, regardless of their level of expertise as investors. Prime Finance ranks among the few listed companies that provide the most detailed possible information on business strategy, performance and earnings and has received awards for the quality of its disclosures. In all the years since its listing in 2005 with Stock Exchanges, Prime Finance received First Prize of ICAB National Award for best published Annual Reports. Prime Finance also received SAFA Merit Award in 2007 and Second Prize in 2008 and 2009 amongst SAARC Countries for the best published Annual Reports.

Prime Finance and its Employees

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

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

Our commitments to our employees

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

Living up to these commitments

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

A workplace where employees are respected

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

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

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

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

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

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

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

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

Working conditions are comparable to those enjoyed in best companies of the industry. Compensation levels also compare favorably to industry rates. Social indicator 2010 is given on page 56 of this Report.

2010 Highlights

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

- Total 40 no of employees have been given local training
- Prime Finance spent Tk. 1.15 million for HR training & development
- For overseas training Prime Finance spent Tk. 461,770
- The cost of local training was Tk. 692,781



Corporate Social Responsibility - *continued*

Prime Finance and its Community

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

Our commitments to community

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

Living up to these commitment

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

Donation

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

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

2010 Highlights

- Prime Finance donated Tk. 25 lac to Bangladesh Olympic Association in arranging 11th South Asian Games Dhaka-2010

- For the purpose of creating self employment Prime Finance contributed Tk. 112,500 to Lions Club of Dhaka Imperial in buying 25 Sewing Machines for blind people

Sponsorship

Sponsorship is an integral part of Prime Finance's marketing and promotional activities and are selected to promote our image and reputation. In 2010, Prime Finance also participated in the community development by way of sponsoring some national programs.

2010 Highlights

- Prime Finance sponsored Tk. 3 lac to Gulshan Ladies Community Club for primary and adult education, health care & family planning, sewing training and a unique dispute resolution and legal advice forum
- Prime Finance was one of the core sponsors of ICAB- International Conference of Chartered Accountants 2010 and the sponsorship amount was Tk. 3.5 lac
- Prime Finance sponsored Tk. 3 lac to ICSB in 3rd Convocation and National Convention on Chartered Secretaries Act 2010 : New dimension in professional excellence.

Prime Finance and its Environment

Our commitments to environment

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



Report on Corporate Governance

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

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

Introduction

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

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

Charter

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

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

Statements of Compliance

Securities and Exchange's notification on Corporate Governance

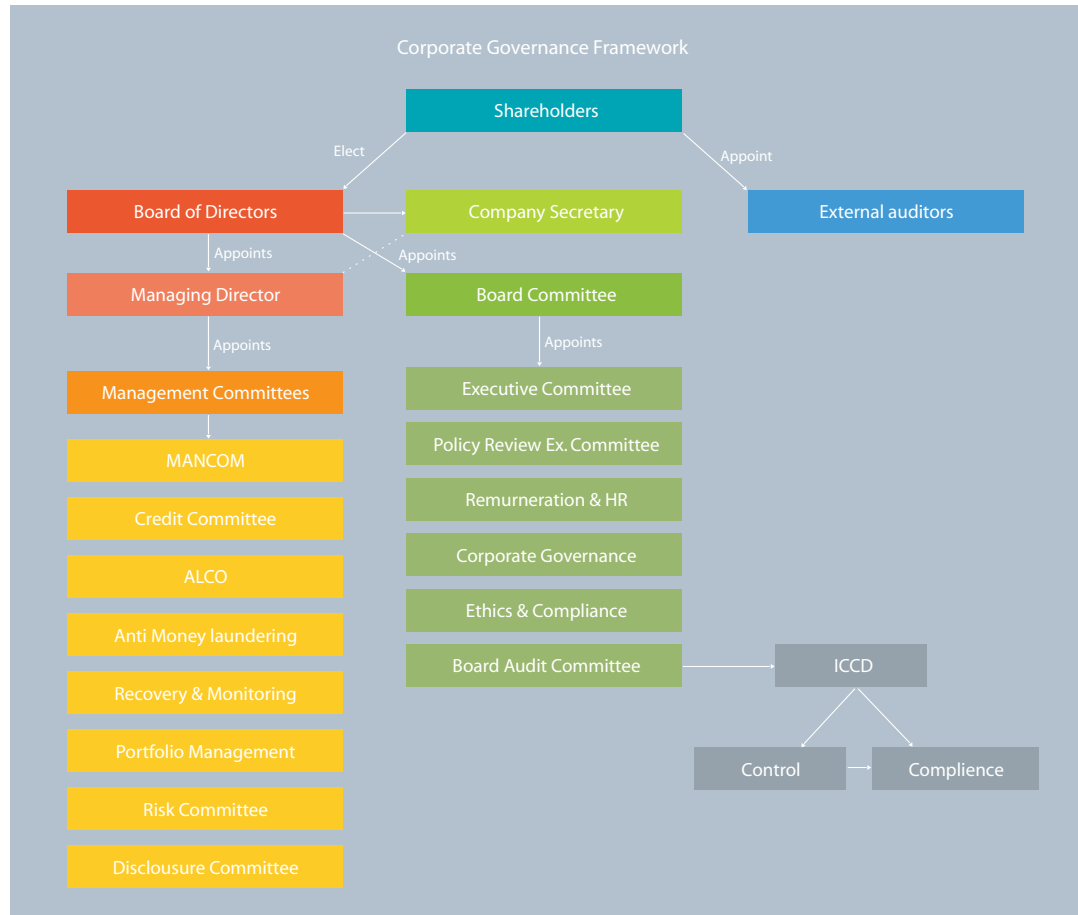
As Prime Finance is listed on the Stock Exchanges in Bangladesh, we comply with the SEC's notification on Corporate Governance. For the year ended 31st December 2010, we have complied with the relevant provisions set out in page 77 in this report.

Bangladesh Bank's Guideline on Corporate Governance

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

Corporate Governance Framework

Good corporate governance practices are not just a matter for the Board but are at the heart of everything that we do within the Company. The Company operates within a comprehensive governance framework, which is outlined in the diagram below and set out in the report that follows.

Report on Corporate Governance - *continued***Composition of the Board**

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

Board meetings

The Board holds regular Board meeting to discuss on scheduled matters. Moreover, the Board Committees meeting is convened whenever necessary. During the year 2010, a total 10 Board meetings were held. A detail of the Board Meeting is given on page 114 of this Annual Report.

Role of the Board

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

Delegation of Authorities

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

Directors' independence

Majority of the Directors are non-executive Directors. Only the Managing Director is an Executive Director. The Board considers that all the Directors have independence in minds, strength of character and judgment. There are no such relationships or circumstances relating to any of the Directors, which might cause any of them not to be considered independent. The Board considers that its constitution brings an appropriate balance of experience and expertise in judging matters of strategy, performance, resources, internal controls and corporate governance. Their wide-ranging experience and particular areas of knowledge and expertise continue to add value to the deliberations of the Board. The Directors biographies appear on pages 18 to 21 illustrate that the Directors have a complementary range of financial, operational and entrepreneurial experience which ensures that no single Director dominates in the decision making process.

Separate role of the Chairman & Managing Director

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

Role of the Chairman

The Chairman leads the Board in determination of its strategy and achievement of its objectives. The Chairman is responsible for organizing the business of

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

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

Role of the Managing Director

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

Role of the Company Secretary

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

Role of the Head of Internal Control & Compliance

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

Price Sensitive Information

Price Sensitive Information means any such information which if published, may influence market price of the concerned security and includes the following information. Every listed Issuer shall disseminate its any or all price sensitive information within 30 minutes of the decision or immediately upon getting such information to the SEC and the Stock Exchanges under the signatures of its Chairman, the Chief Executive Officer or the Company Secretary

Report on Corporate Governance - *continued*

through Fax and by special messenger, and through courier service in special cases and at the same time cause publishing the same in two widely circulated daily newspapers, one in Bangla and the other in English. Prime Finance always comply with the statutory requirements in this regard.

Conflict of interest

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

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

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

Appointment to the Board

Appointment of any new Director is made with the consent of the Directors and such new Director retires in the immediate next Annual General Meeting (AGM) and may offer himself for re-appointment. The Managing Director is also appointed by the Board subject to approval of the Central Bank and consent of

the Shareholders in the Annual General Meeting (AGM). Any new appointment to the Board requires intimation to the Central Bank, the Securities and Exchange Commission (SEC) and Stock Exchanges.

Board Committees

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

- Corporate Governance Committee
- Policy Review Committee
- Board Audit Committee
- Remuneration & HR Committee
- Ethics and Compliance Committee
- Executive Committee

Members of the Board and its Committee

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

Directors	Board	Corporate Governance	Policy Review	Audit Committee	Remuneration & HR Committee	Ethics and Compliance	Executive Committee
Mr. Md. Aminul Haque	Chairman	Chairman					
Mr. Mohammed Kafiluddin	Member	Member					
Mrs. Muslima Shirin	Member	Member	Chairperson	Member			
Mr. Shahadat Hossain Kiron	Member						
Mr. Z. M. Kaiser	Member		Member	Member	Member		Member
Mr. M. N. H. Bulu	Member					Member	
Mr. K. M. Khaled	Member				Member		
Mr. Tauseef Iqbal Ali	Member					Chairman	Chairman
Mr. Md. Aliuzzaman	Member		Member	Chairman		Chairman	Member
Professor Salma Rahman	Member						
Dr M. Mosharraf Hossain	Member			Member			

Company Management

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

Management Committee

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

- Management Committee (MANCOM)
- Credit Committee
- Investment Committee
- Recovery and Monitoring Committee
- Asset-Liability Management Committee
- Money Laundering Prevention Committee
- Risk Committee
- IT Audit Committee
- Disclosure Committee

Members of the Management Committee are given on page 75 of this Annual Report.

Charter of the Board and its Committee

The Charter of the Board of Directors and its Committees setting out its key functions have been given on pages 71 to 74 of this Annual Report.

Disclosure and declaration by the new Director

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

Induction, business awareness and development

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

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

Re-election of Director

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

Removal of the Managing Director

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

Appraisal of the Managing Director

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

Directors' remuneration

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

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

Disclosure of Directors' Remuneration

Directors of the Company are not eligible for any remuneration other than the meeting attendance fee as prescribed by the Bangladesh Bank. During the year under review, Board of Directors was eligible for attendance fee of Tk. 5,000 per meeting of Board, Executive Committee and Audit Committee. Remuneration paid to the Managing Director is disclosed on page 126 of this Report. Remuneration paid to the Directors for attending Board/ Committee Meetings during the year 2010 is given below:

Report on Corporate Governance - continued

Name of directors	Board		Executive Committee		Audit Committee		Total
	Attendance	Fee	Attendance	Fee	Attendance	Fee	
Mr. Md. Aminul Haque	10	49,000	-	-	-	-	49,000
Mr. Mohammed Kafiluddin	3	15,000	-	-	-	-	15,000
Mr. K. M. Khaled	3	15,000	-	-	-	-	15,000
Mr. Z. M. Kaiser	10	49,000	1	5,000	6	30,000	84,000
Mrs. Muslima Shirin	10	49,000	-	-	6	30,000	79,000
Mr. M. N. H. Bulu	1	5,000	-	-	-	-	5,000
Mr. M. Shahadat Hossain Kiron	6	30,000	-	-	-	-	30,000
Mr. Tauseef Iqbal Ali	10	49,000	1	5,000	-	-	54,000
Mr. Md. Aliuzzaman	10	49,000	1	5,000	6	30,000	84,000
Professor Salma Rahman	8	39,000	-	-	-	-	39,000
Dr M. Mosharraf Hossain	7	34,000	-	-	5	25,000	59,000
Total		383,000		15,000		115,000	513,000

Employees' remuneration

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

Board minutes to submit to Central Bank

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

Disclosure on the performance and prospect of the Company

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

Setting out the Directors responsibilities

A separate statement as to the preparation and presentation of financial statements is given on page 116 of this Report. A Management report on the operational review and segmental analysis of the Company is given on pages 33 to 45 of this Report.

Related party transactions

Transactions with related parties are made on arm's length basis and are in the ordinary course of business. Detailed transactions with related parties are delineated on page 171 of this Annual Report.

Budgetary process

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

Internal control

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

Report on Corporate Governance - *continued*

Major elements of the control environment are as follows:

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

Accountability and audit

Board Audit Committee comprises of four non-executive Directors, including independent Director is in place. The Chief Financial Officer (CFO) and the Company Secretary attend the meeting by invitation. The Head of Internal Control attends all the meetings. The full report of this Committee including the terms of reference and specific task carried out during the period ending on the date of Accounts approval is given on page 82 of this Report.

Appointment of external auditors

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

Communication with shareholders

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

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

The Annual General Meeting is normally attended by all Directors, and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have been concluded. The fifteenth Annual General Meeting will be held on 29 March 2011. All shareholders of the Company are invited to attend the Company's Annual General Meeting. The Directors appreciate the importance of general shareholders of the Company and use the Company's Annual General Meeting as further opportunities to communicate with the Directors. The Company provides copies of its Interim Accounts and Annual Financial statements, in order that these are made available to the wider investing market. It is the Company's policy to give shareholders the opportunity at Annual General Meeting to ask questions about its activities and prospects. The Board also structures these meetings so that shareholders can vote separately on each matter, by proposing separate resolutions for each item to be considered. The proxy votes for and against each resolution are counted before Annual General Meeting of the Company. The results are provided to the meeting after each resolution has been voted upon by shareholders, thus enabling the Shareholders present to vote independently of the results of proxy votes already received. As in previous years, the Chairman of the Company is available to answer questions from shareholders at the Annual General Meeting. In accordance with the provisions of the Companies Act, 1994, the Notice of the 15th Annual General Meeting was sent to shareholders more than 14 working days before the meeting. Shareholders had the opportunity to vote separately on each proposal at the Annual General Meeting, either in person or by proxy. The Company maintains a corporate website at www.primefinancebd.com containing a wide range of information of the Company.



Board's structure and its operation

Size of the Board

The Board of Prime Finance comprises of twelve members including the Managing Director. As per Bangladesh Bank regulation, the size of the Board of a Non-banking Financial Institution shall be minimum of nine and maximum eleven excluding the Managing Director. As per SEC's Notification, a listed Company should have Independent Director of at least one-tenth of the Directors with a minimum of one. As per Articles of Association of the Company the Managing Director is an Ex-officio Director.

Composition

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

Non-executive Directors

Ten out of whom seven are Nominee Directors

Independent Director

One

Executive Director

One (The Managing Director)

Non-executive Director

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

Independent Director

In order for a Director to qualify as an Independent Director, the Board affirmatively determines that the Director has no material relationship with Prime Finance (either as a partner, shareholder or officer of an organization that has a relationship with Prime Finance) that would preclude that nominee from being an Independent Director. For the purpose of such determination, the Directors consider that the Independent Director does not hold any share or holds

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

Tenure and retirement

The office of Non-executive Directors is subject to retirement. At least one-third of the non-executive Directors shall retire by rotation in every Annual General Meeting. The Independent Director is appointed for a term of one year. The Managing Director is appointed for a minimum period of three years subject to approval of the Central Bank and the shareholders in the AGM. The office of the Managing Director being an Ex-officio Director is not subject to retirement. The Deputy Managing Director of the company has been given the current charge after completion of the tenure of the previous Managing Director on 14 January 2011.

Directors' compensation

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

Membership of Independent Director

The Independent Director is also a member of the Board Audit Committee. He is a Chartered Accountant with diversified skills and knowledge.

Membership of Board Committee

All the Board Committees are comprised entirely of Non-executive Directors. Membership of Directors in the Board Committees is given on page 71 of this Annual Report.

Committee Charter

All the Board Committees have a written Charter that describes the Committees' purposes, duties and responsibilities. The Committee Charters are available on page 71 of this Annual Report

Board Meeting

The Board holds at least four regularly scheduled meeting each year. In the year 2010, the Board met ten times to discuss scheduled businesses of the Company.

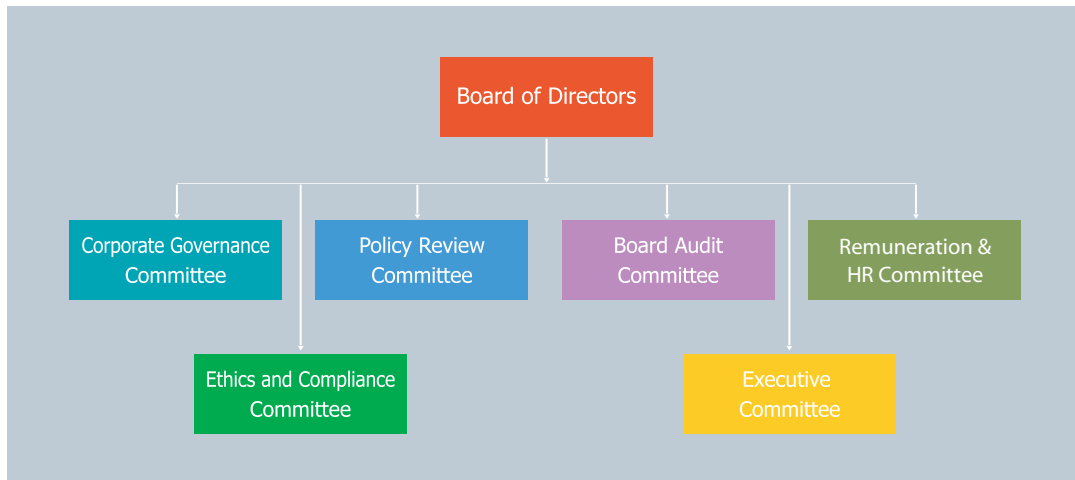
Directors' responsibility

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

Communication to Director

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

BOARD STRUCTURE OF PRIME FINANCE



Charter of the Board and its Committee

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

Board of Directors

Strategic planning process

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

Identification and management of risk

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

Succession planning and evaluation of management performance

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

Oversee the communication and public disclosure

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

Internal Control

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

Governance

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

Audit Committee

- Review the financial and other systems including internal control and its reporting procedure;
- Oversee the work of external auditors, internal auditors including matters of disagreement between management and the auditors
- Review the findings of auditors, any disagreement and management responses
- Require management to implement and maintain adequate/appropriate systems of internal control and discuss with the management to assess the adequacy and effectiveness of those systems
- Review the duties, responsibilities, functions, degree of independence, due diligence with due care, objectivity and staffing of internal audit department
- Discuss with management major issues concerning accounting principles and disclosures in the financial statements
- Conduct audit concerning violation, if any, by the management in carrying out operation of the Company
- Recommend to the Board regarding appointment of the external auditors and their terms of appointment
- Appoint the Chief Internal Auditor who will report to the Board Audit Committee regarding his findings relating to deviation of laws, rules, policies, norms, guidelines with management responses and impact
- Mitigate complaints received from related parties
- Review investments and transactions, as identified by the auditors or Management that could adversely affect the Company
- Review reports on significant litigation and regulatory compliance matters
- Review policies related to liquidity management, capital management and other operations of the Company
- Meet the Management to discuss any matters if deem appropriate
- Review the non-audit services, if any, provided by the statutory auditors
- Review all the operational policies before being approved by the Board
- Report to the Board on the following:
 - Activities of the Board Audit Committee
 - Conflict of interests
 - Suspected or presumed fraud or irregularity or material defect in the internal control system
 - Suspected infringement of laws, rules and regulations
 - Any other matters which deem necessary.

Members

Mr. Md. Aliuzzaman (The Chair)
Mrs. Muslima Shirin
Mr. Z. M. Kaiser
Dr M. Mosharraf Hossain

Corporate Governance Committee

- Make recommendation for improving corporate governance
- Make recommendation regarding policies governing size and composition of the Board
- Recommend to the Board concerning the appropriate size of the Board in line with the regulatory requirements
- Evaluate the standard, business integrity, independence and professionalism that exists in the company
- Assess the performance of the Committees;
- Evaluate the performance of independent non-shareholder director, if any
- Review shareholders' proposals and recommend to the Board the responses to the proposals

Charter of the Board and its Committees - *continued*

- ▶ Review the amount and form of compensation of Directors
- ▶ Review whether the Company's business is conducted ethically and in socially responsible manner
- ▶ Oversee the effectiveness of the processes of accurate, timely and full disclosure of information
- ▶ Review actions to create a positive corporate image
- ▶ Review the rules, regulations, notifications, circulars etc. of the regulatory authorities and report to the Board on its applicability.

Members

Mr. Md. Aminul Haque (The Chair)
Mr. Mohammed Kafiluddin
Mrs. Muslima Shirin

Remuneration and HR Committee

- ▶ Formulate personnel and administrative policies
- ▶ Approve and review the code of conduct for the employees
- ▶ Review and approve principles for employees recruitment
- ▶ Recommend the requirements of Management personnel for different sections of the company
- ▶ Interview for selection, and recruitment of management cadre and take disciplinary action against them, if situation demands
- ▶ Evaluate disciplinary action and termination procedures
- ▶ Review management succession plans for executive positions
- ▶ Review major compensation policies and recommend incentives program
- ▶ Evaluate the performance of Managing Director and the Deputy Managing Director and report to the Board annually
- ▶ Recommend to the Board the remuneration of the Managing Director and Deputy Managing Director
- ▶ Evaluate effectiveness of the HR Policy in carrying out the duties specified in its charter
- ▶ Assess the workload, strength and weakness of the officers and executives.

Members

Mr. Tauseef Iqbal Ali (The Chair)
Mr. K. M. Khaled
Mr. Z. M. Kaiser

Ethics and Compliance Committee

- ▶ Implement ethical business practices
- ▶ Review whether the Company's business is conducted ethically and in socially responsible manner
- ▶ Ensure whether the Board and employees are complying with the code of business ethics and conduct
- ▶ Ensure that employees are working for the greater interest of the organization
- ▶ Ensure that corporate social responsibility under which the ethical rights and duties existing between companies and society is not hampered
- ▶ Review and evaluate compliance of practicing laws, rules and regulations
- ▶ Aligning the work of employees with the organization's vision
- ▶ Guide the Management in achieving the organization's mission/vision through day-to-day work activities.

Members

Mr. Md. Aliuzzaman (The Chair)
Mr. Mohammad Masudur Rahim
Mr. M. N. H. Bulu

Policy Review Committee

- ▶ Modeling the core values of the organization;
 - ▶ Determine the appropriate organizational structure for risk management;
 - ▶ Review implementation of the business policy;
 - ▶ Prepare necessary policy guidelines to protect company's reputation and to meet employees' expectations;
 - ▶ Update the existing business policy of the Company from time to time;
 - ▶ Review and approve significant policies and limits for controlling risk
 - ▶ Ensure that sufficient and appropriate risk management resources are existing
- ▶ Ensure Review and monitor the major risks we assume or face and provide direction
 - ▶ Ensure that risk policies, processes and control are in place to manage the significant risks to which the company is exposed.

Members

Mrs. Muslima Shirin (The Chair)
Mr. Z. M. Kaiser
Mr. Md. Aliuzzaman

Executive Committee

- ▶ Approve credit proposals which are within the defined thresholds of its authority
 - ▶ Review significant risks and quality of credit portfolio
 - ▶ Establish investment and lending policies, standard and procedures;
 - ▶ Approve all pre-IPO placement proposals, underwriting of securities etc
 - ▶ Approve human resources management policy, annual increment of the employees except promotion, revision of salary & allowance and other fringe benefits
- ▶ Approve all administrative expenses up to a certain limit
 - ▶ Approve reduction of interest rate of lease/loan up to the authorized limit
 - ▶ Approve waiver of delinquent charge up to the authorized limit.

Members

Mr. Tauseef Iqbal Ali (The Chair)
Mr. Z. M. Kaiser
Mr. Md. Aliuzzaman

Management Committee

Management Committee (MANCOM)

Md. Ahsan Kabir Khan
Managing Director (CC) (The Chair)

Md. Mizanur Rahman FCA
Chief Financial Officer

Md. Rezaul Haque
Head of Operation & Marketing

Tauhidul Ashraf FCS
Company Secretary

Credit Committee

Md. Aliuzzaman
Non-executive Director (The Chair)

Muslima Shirin
Non-executive Director

Prof. Salma Rahman
Non-executive Director

Md. Ahsan Kabir Khan
Managing Director (CC)

Md. Mizanur Rahman FCA
Chief Financial Officer

Md. Rezaul Haque
Head of Operation & Marketing

Tauhidul Ashraf FCS
Company Secretary

Money Laundering Prevention Committee

Md. Ahsan Kabir Khan
Managing Director (CC) (The Chair)

Md. Mizanur Rahman FCA
Chief Financial Officer

Mohammad Shahidul Islam ACA
Head of Internal Control & Compliance

Mansura Moin
Manager (F&A)

Recovery & Monitoring Committee

Muslima Shirin
Non-executive Director (The Chair)

Md. Aliuzzaman
Non-executive Director

Z. M. Kaiser
Non-executive Director

Tauseef Iqbal Ali
Non-executive Director

Md. Ahsan Kabir Khan
Managing Director (CC)

Md. Mizanur Rahman FCA
Chief Financial Officer

Md. Rezaul Haque
Head of Operation & Marketing

Asset-Liability Management Committee

Md. Ahsan Kabir Khan
Managing Director (CC) (The Chair)

Md. Mizanur Rahman FCA
Chief Financial Officer

Mahbubul Hoque
Vice President (F&A)

Mansura Moin
Manager (F&A)

Portfolio Management Committee

Md. Ahsan Kabir Khan
Managing Director (CC) (The Chair)

Md. Mizanur Rahman FCA
Chief Financial Officer

Md. Rezaul Haque
Head of Operation & Marketing

Tauhidul Ashraf FCS
Company Secretary

Risk Management Committee

Md. Ahsan Kabir Khan
Managing Director (CC) (The Chair)

Md. Mizanur Rahman FCA
Chief Financial Officer

Mahbubul Hoque
Vice President (F&A)

Gazi Nilufar Yeasmin
Vice President (Operation & Marketing)

Manager of concerned department

Central Compliance Unit

Md. Nur Nobi ACA
Vice President (The Chair)

Mohammad Shahidul Islam ACA
Head of Internal Control & Compliance

Mansura Moin
Manager (F&A)

Khandakar Shahed Royhan
Manager (Operation & Marketing)

IT Audit Committee

Md. Ahsan Kabir Khan
Managing Director (CC) (The Chair)

Md. Mizanur Rahman FCA
Chief Financial Officer

Gazi Nilufar Yeasmin
Vice President (Operation & Marketing)

Md. Israil Hossain
Head of IT

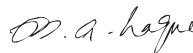
Chairman's Letter on Governance

Commitment to good corporate governance, compliance and ethics is at the core of every renowned company.

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

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

The Board of Directors remains focused on Prime Finance continuing to build shareholder value over the long-term based on a solid framework of fundamental strength – our capital base and talented people – combined with a concrete reputation of excellence in corporate governance and quality in marketplace.



Md. Aminul Haque
Chairman

Compliance Report on SEC's Notification

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

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

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

Sl. Conditions	Compliance status
01. The composition of Board and its report	
1.1 The members of the Board should not be less than 5 (five) and more than 20 (twenty)	Complied As per the FID circular no. 9 dated 11 September 2002, size of Board of Directors of any NBFIs shall be limited to 9-11. As on 31 December 2010, total number of Directors of the Company was 11.
1.2 Appointment of Independent Non-shareholder Director (at least one-tenth of total number of Board of Directors)	Complied Refer to 'Board structure and its operation' on page 69 of this Annual Report.
1.3 Chairman of the Board and Chief Executive Officer be different person with different roles and responsibilities	Complied Refer to 'Report on corporate governance' on page 62 of this Annual Report.
1.4 Directors' Report to include declarations on:	
a. Fairness of Financial Statements	Complied Refer to 'Directors report' on page 109 of this Annual Report.
b. Maintenance of proper books of accounts	Complied Refer to 'Directors report' on page 109 of this Annual Report.
c. Consistent application of Accounting Policies in preparation of Financial Statements	Complied Refer to 'Directors report' on page 109 of this Annual Report.
d. Observance of Bangladesh Accounting Standards (BAS)	Complied Refer to 'Directors report' on page 109 of this Annual Report.
e. Soundness and efficiency of Internal Control	Complied Refer to 'Directors report' on page 109 of this Annual Report.
f. Ability to continue as a going concern	Complied Refer to 'Directors report' on page 110 of this Annual Report.
g. Significant deviations in operating results from last year	Complied Refer to 'Directors report' on page 107 of this Annual Report.
h. Presentation of key operating and financial data for at least last three years	Complied Refer to the 'Directors report' on page 106 of this Annual Report.
i. Declaration of dividend	Complied Refer to 'Directors report' on page 108 of this Annual Report.
j. Number of Board Meeting held during the year and attendance by each Director	Complied Refer to 'Directors report' on page 109 of this Annual Report.
k. Shareholdings pattern	Complied Refer to 'Directors report' on page 110 of this Annual Report.

Compliance Report on SEC's Notification - *continued*

Sl.	Conditions	Compliance status
2.0 CFO, Company Secretary and Head of Internal Audit		
2.1	Appointment of CFO, Company Secretary and Head of Internal Audit and defining their responsibilities	Complied
2.2	Attendance of CFO and Company Secretary in the Board of Directors' meeting	Complied
3.0 Audit Committee and its report		
3.1	i. Number of members of Audit Committee	Complied Refer to 'Report of the Audit Committee' on page 82 of this Annual Report.
	ii. Inclusion of Independent Director in the Audit Committee	Complied Refer to 'Report of the Audit Committee' on page 82 of this Annual Report.
	iii. Fill the casual vacancy in Audit Committee	No such matter arisen
3.2	i. Chairman of the Board Audit Committee	Complied Refer to 'Report of the Audit Committee' on page 82 of this Annual Report.
	ii. Qualification and experience of Board Audit Committee Chairman	Complied Refer to 'Report of the Audit Committee' on page 82 of this Annual Report.
3.3.1	i. Reporting by Audit Committee on its activities to the Board of Directors	Complied Refer to 'Report of the Audit Committee' on page 82 of this Annual Report.
	ii. Report to the Board by the Audit Committee on conflict of interest etc.	No such matter to report on
3.3.2	Report by Audit Committee on qualified point to the SEC	No such matter to report on
3.4	Report to the shareholders in the event of findings of certain occurrence under condition 3.3.1 (ii) above	No such matter to report on
4.0 Statutory Auditors		
	i. Appraisal or valuation services	Complied Statutory auditors of the Company only provide audit services
	ii. Financial information systems design and implementation	
	iii. Book keeping or other services related to financial statements	
	iv. Broker-dealer services	
	v. Actuarial services	
	vi. Internal audit services	
	vii. Any other services that the Audit determine	



Compliance Report on Bangladesh Bank's guidelines on Corporate Governance

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

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

Sl.	Particulars	Compliance status
01.	Responsibilities and authorities of Board of Directors	
A.	Work-planning and strategic management	
i	The Board shall determine the vision/mission of the Company. Board shall also determine the strategy and work-planning for enhancement of institutional efficiency and other policy matters on annual basis. Board shall make necessary amendment on the strategy on quarterly basis.	Complied Refer to Charter of Board and its committee on page 71 of this Annual Report.
ii	The Board shall have its analytical review to be incorporated in the Annual Report as regard to the success or failure in achieving the target as set out in the annual work plan and inform the same to the shareholders in the annual general meeting.	Complied Refer to 'Operating results' and 'Significant deviation in operating results' of Directors report on pages 106 to 107 of this Annual Report.
iii	Board shall determine Key Performance Indicators, and re-assess on half-yearly basis	Complied
B.	Formation of sub-committee	
	For making timely decision, executive committee can be formed. No alternative director shall be included in this committee.	Complied Refer to 'Board and its committee' on page 71 of this Annual Report.
C.	Financial management	
i.	Annual budget and statutory financial report shall be authorized by the Board of Directors.	Complied Refer to 'Charter of the Board and its committees' on page 71 of this Annual Report.
ii.	Board shall review company's statement of income and expense, statement of Loan/Lease, liquidity requirement, capital adequacy, adequacy of provision, action taken for legal cases and recovery of default loan	Complied Refer to 'Charter of the Board and its committees' on page 71 of this Annual Report.

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

Sl. Particulars	Compliance status
iii. The Board shall approve the procurement policy and shall accordingly approve the delegation of power for making such expenditure. The maximum delegation of power shall rest on the CEO and top management. However, decision relating to purchase of land, building, and vehicle shall remain with the Board.	Complied Refer to 'Report on Corporate Governance' on page 62 of this Annual Report.
iv. Bank account of the Company shall be operated by a group constituted from amongst the Management (Amended)	Complied
D. Loan/Lease/Investment management:	
i. The policies, strategies, procedures etc. in respect of appraisal of loan/lease/investment proposal, sanction, disbursement, recovery, rescheduling, and write-off shall be made with the Board's approval under the purview of the existing laws, rules and regulations. The Board shall specifically delegate the power of sanction of loan/lease/investment and such delegate should desirably be made among the CEO and other top management of the company.	Complied Refer to 'Report on Corporate Governance' on page 64 of this Annual Report.
ii. No director shall interfere directly or indirectly in the process of loan approval.	Complied
iii. Core Risk Management Guidelines shall be approved by the Board of Directors of the Company.	Complied
E. Risk Management	
Approval shall be taken from Board of Directors for syndicate loan/lease/ investment and large loan/lease/investment.	Complied
F. Internal Control & Compliance	
Audit Committee shall be formed for effective implementation of an integrated internal control system of the Company and for keeping loan/lease/investment quality at a desired level. Board Audit Committee shall review the report provided by the Internal Control & Compliance Department, the external auditor and the Bangladesh Bank shall make comments thereon.	Complied Refer to Report on the Audit Committee on page 82 of this Annual Report.
G. Human Resources Management	
Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, HR development etc. and service rule shall be framed and approved by the Board. The Chairman or the Board shall no way involve themselves or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the service rules. No member of the Board shall be included in the selection committees for recruitment and promotion of different levels except the positions MD, DMD and GM or equivalent.	Complied Refer to the 'Report on Human Resources' on pages 50 to 52 of this Annual Report.
H. Appointment of Managing Director and increase of salaries & allowances	
Board of Directors shall appoint a competent Managing Director with approval of the Bangladesh Bank. Board shall approve any increment of salaries and allowance of the Managing Director.	Complied
I. Benefit to Chairman	
Chairman may be offered an office room, a personal secretary, a telephone at the office, a vehicle in the business-interest of the company subject to the approval of the Board.	Complied Refer to 'Report on Corporate Governance' on page 64 of this Annual Report.

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

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

Report of the Audit Committee

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

Composition

All the members of the Audit Committee are Non-executive Directors. The Audit Committee also includes an Independent Director who possesses commendable knowledge on finance and accounts. During the year the Audit Committee comprised of the following Directors of the Board.

Sl	Name of members	Designation in the committee	Designation in the Company
1.	Mr. Md. Aliuzzaman	Chairman	Director
2.	Mrs. Muslima Shirin	Member	Director
3.	Mr. Z. M. Kaiser	Member	Director
4.	Dr M. Mosharraf Hossain FCA	Member	Independent Director

Qualification & experience

Mr. Md. Aliuzzaman

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

Mrs. Muslima Shirin

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

Mr. Z. M. Kaiser

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

Dr M. Mosharraf Hossain FCA

Dr M. Mosharraf Hossain, a fellow member of ICAB, did his Masters in Accounting with first class in all the public exams and PhD in Accounting from the

University of Dhaka. He also did his MBA on Risk Management. Dr. Mosharraf has more than 17 years of experience in his credit as a life insurance expert with core concentration in administration, finance, corporate affairs, internal control and compliance. He served as Managing Director of two life insurance companies & Head of Operation of one life insurance company.

Governance

The Committee met six times during the year 2010. The Chief Financial Officer, the Head of Internal Control & Compliance and other non-members attended the meeting by invitation of the Chairman. The Company Secretary also attends by invitation. Dr. M. Mosharraf Hossain FCA is considered by the Board to possess relevant and recent financial knowledge and his biography is given on page 21 of this Annual Report.

The Head of Internal Control is a qualified Chartered Accountant. Biography of the Head of Internal Control & Compliance is given on page 24 of this Annual Report.

Summary of the terms of reference

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

- ▶ Review the financial and other systems including internal control and its reporting procedure;
- ▶ Oversee the work of external auditors, internal auditors including matters of disagreement between management and the auditors.
- ▶ Review the findings of auditors, any disagreement and management responses;
- ▶ Require Management to implement and maintain adequate/appropriate systems of internal control and discuss with the management to assess the adequacy and effectiveness of those systems;
- ▶ Review the duties, responsibilities, functions, degree of independence, due diligence with due care, objectivity and staffing of internal audit department;
- ▶ Discuss with Management on major issues concerning accounting principles and disclosures in the financial statements;
- ▶ Conduct audit concerning violation, if any, by the Management in carrying out operation of the Company;
- ▶ Recommend to the Board regarding appointment of the external auditors and their terms of appointment;
- ▶ Mitigate complaints received from related parties;

Report of the Audit Committee - *continued*

- ▶ Review investments and transactions, as identified by the Auditors or Management that could adversely affect the Company;
- ▶ Review reports on significant litigation and regulatory compliance matters;
- ▶ Review policies related to liquidity management, capital management and other operations of the Company;
- ▶ Meet the Management to discuss any matters if deem appropriate;
- ▶ Review the non-audit services, if any, provided by the statutory auditors;
- ▶ Review all the operational policies before being approved by the Board;
- ▶ Report to the Board on the following:
 - ❑ Conflict of interests
 - ❑ Suspected or presumed fraud or irregularity or material defect in the internal control systems
 - ❑ Suspected infringement of laws, rules and regulations
 - ❑ Any other matters which deem necessary.

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

Meeting of the Board Audit Committee

Meeting held by the committee during the year 2010 were as follows:

Meeting number	Meeting date	Total member	Attendee
35	7-Mar-10	4	4
36	21-Mar-10	4	4
37	18-Apr-10	4	4
38	7-Jun-10	4	3
39	26-Jul-10	4	4
40	26-Oct-10	4	4

Board Audit Committee Activities in 2010

The Committee met 6 times in 2010 and covered following items under each heading are as follows:

Control Issues

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

Financial Results

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

Internal Audit Matters

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

External Audit Matters

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

Governance and Compliance

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

Audit

The Committee has worked closely with the Company's finance team to ensure that the audit processes adopted in connection with the financial statements in accordance with best practices. The Chairman of the Committee had regular contact with the Management of the Company. The Committee had a meeting with external auditors.

Control process and reporting system

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

Integrity

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

Report of the Audit Committee - *continued*

Internal audit

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

External auditors

Howladar Yunus & Co., Chartered Accountants, 67 Dilkusha C. A., Dhaka were appointed as auditors of the company at the 14th Annual General Meeting held on 22 April 2010. The Firm audited the financial statements as of 31 December 2010 which were prepared by the Management and awarded unqualified opinion. The Management presented the annual financial statements of the Company and Auditor's Report thereon to the Board Audit Committee which was prepared in accordance with IAS and IFRS as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and presented as per the DFIM circular no. 11 dated 23 December 2009 of Bangladesh Bank.

Independence of external auditors

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

Approval of Financial Statements

During its meeting, the Audit Committee reviewed and examined the annual financial statements of the Company for the year 2010 and recommended to the Board of Directors for its adoption in the Board Meeting. The Board approved the annual financial statements on 24 February 2011.

Internal Control mechanism

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

Fraud risk

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

IT control risk assessment

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

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

Acknowledgement

The Board Audit Committee would like to express its thanks to the Members of the Board Audit Committee, Key Management personnel and all employees for their dedication and efforts during the year 2010.

sd/-

Md. Aliuzzaman

Chairman
Board Audit Committee

Report on Internal Control

Objectives

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

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

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

Internal control procedure

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

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

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

Internal control procedures in respect of financial and accounting information

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

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

External financial information

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

Cash position and financing

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

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

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

Procedures and inspections

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

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

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

Internal Control

Industrial investment

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

Report on Internal Control - *continued*

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

Customer relation

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

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

Human resources

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

Information technology

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

Procedures to ensure continuous improvement

Research and Development

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

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

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

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

Disclosure committee

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

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

Report on Risk Management

Developments in 2010

Progressive efforts over recent years to strengthen risk management practices enabled Prime Finance to ride out the impact of financial crisis with sound asset quality and NPL ratio below the industry levels. By taking a proactive and forward-looking approach, we were able to anticipate areas of potential weakness at an early stage and work with customers facing potential difficulties. As a result of these actions, coupled with robust credit processes and prudent risk management approaches, we ended the year with a healthy credit portfolio and a well-controlled non-performing loan book with low NPL ratio.

Risk Management in Prime Finance

Managing risk is a core activity in a financial institution and therefore fundamental to long-term profitability and stability. Risk is closely related to business activities and business development and, therefore, to customer needs. Of the various risks that Prime Finance assumes in providing its customers with financial solutions and products, credit risk is the most significant.

Prime Finance's profitability is directly dependent upon its ability to evaluate, manage and price the risks

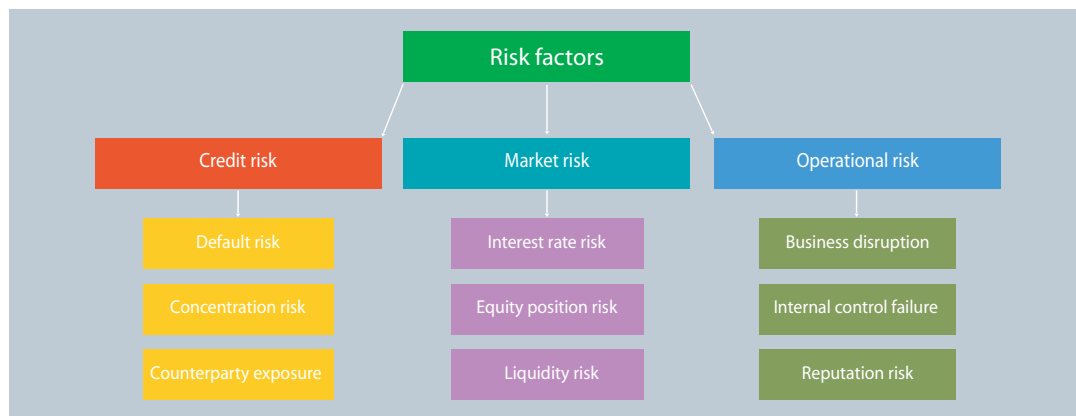
encountered, while maintaining an adequate capitalization to meet unforeseen events. To secure the Company's financial stability, risk and capital-related issues are identified, monitored and managed at an early stage. They also form an integral part of the long-term strategic planning and operational business planning processes performed throughout the Company.

Key elements of risk management strategy of Prime Finance are:

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

Risk involved in Prime Finance

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



Quantitative and qualitative evaluation of risk

Key to the Company's effective risk management is the "tone-from the- top," the direction provided by the Board of Directors and senior management that emphasizes well-considered risk-taking and proactive risk management. This is reinforced with appropriate risk management staff, ongoing investments in risk systems, the regular review and enhancement of risk management policies and procedures for consistent application and overlaid with a strong internal control environment throughout the Company. Detailed risk and risk governing policy of the Company is encircled below. Quantification of the risk exposure is delineated in the preparedness Basel-II report page 92 of this Annual report.

Credit Risk

Credit risk arises when an obligor fails to perform its obligations under a trading or loan contract or when its ability to perform such obligations is impaired. This risk is compounded if the assigned collateral only covers the claim made to the clients or if its value is variable or uncertain. Credit risk does not arise only when a borrower defaults on payment of a loan but also when its repayment capability declines (as reflects in rating downgrade). Credit policies are designed to create, monitor and manage credit risk in a manner that complies with all applicable laws and regulations. The credit policies also include utilizing appropriate, accurate and timely tools to measure credit risk and maintaining acceptable levels if overall credit risk for the entire portfolio.

Report on Risk Management - continued

Risk area	Criteria	Mitigation	Prime Finance's position
Default risk	<ul style="list-style-type: none"> » Non-performing loan » Provision 	<ul style="list-style-type: none"> » Adequate collateral » Early warning system » Risk grading policy » Active recovery plan 	Prime Finance is exposed to a low level of default risk
Concentration risk	<ul style="list-style-type: none"> » Large loan exposure » Group loan exposure 	<ul style="list-style-type: none"> » Large loan cap » Group loan exposure cap » Concentration policy 	Prime Finance is exposed to a low level of concentration risk
Counterparty risk	<ul style="list-style-type: none"> » Credit rating grading » CAMEL rating » Credit quality » Management quality 	<ul style="list-style-type: none"> » Corporate governance » Diversified product 	Prime Finance is exposed to a low level of counterparty risk

Market risk

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

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

Risk area	Criteria	Mitigation	Prime Finance's position
Interest rate risk	<ul style="list-style-type: none"> » Loan rate fluctuation » Deposit rate fluctuation » Re-pricing » Inflation 	<ul style="list-style-type: none"> » Managing IRR » Sensitivity analysis » GAP analysis 	Prime Finance is exposed to low level of interest rate risk
Liquidity risk	<ul style="list-style-type: none"> » Off-balance sheet commitments » CRR & SLR deficit » Advance to depositors 	<ul style="list-style-type: none"> » Liquidity contingency plan » Maintaining CRR & SLR » Liquidity gap analysis 	Prime Finance is exposed to low level of liquidity risk
Equity position risk	<ul style="list-style-type: none"> » General & specific risk on fluctuation of market value of investment in shares 	<ul style="list-style-type: none"> » Long term investment plan » Proper risk analysis 	Prime Finance is exposed to moderate level of equity position risk due to price fluctuation of investment in listed shares during the year

Operational Risk

Operational risk is the risk of direct or indirect loss or damage resulting from inadequate or failed internal processes or systems or from human error or external events. Strategic risk, reputation risk, legal risk and compliance risk are considered

subcategories of operational risk. Operational risk is therefore inherent in all activities within the Company. Operational risk is managed within acceptable levels through an appropriate level of management focus and resources.

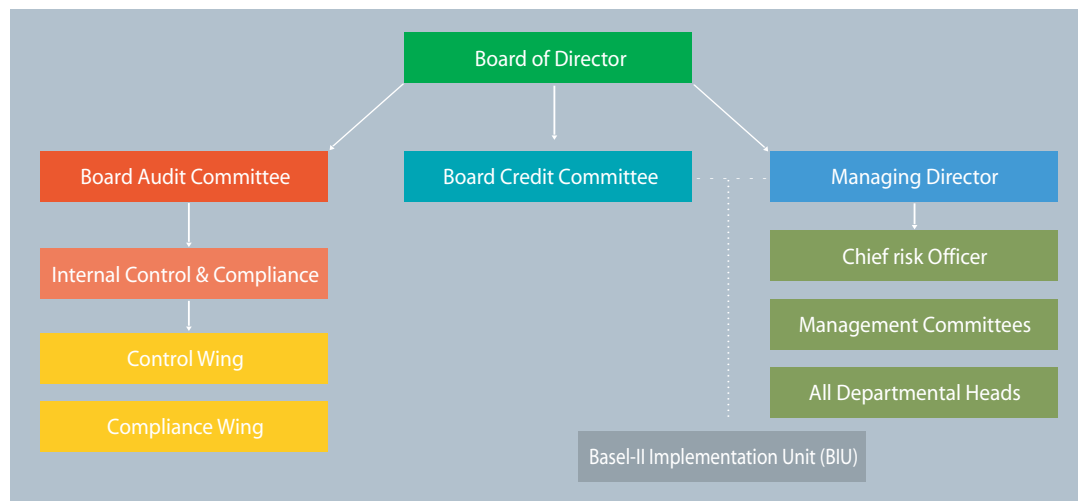
Risk area	Criteria	Mitigation	Prime Finance's position
Business disruption	<ul style="list-style-type: none"> » System failure » Going concern indication 	<ul style="list-style-type: none"> » Business continuity plan » Core business strategy » Favorable financial condition » Capital adequacy 	Prime Finance is exposed to a low level of risk in business disruption
Internal control failure	<ul style="list-style-type: none"> » Control deviation » Mistake » Fraud 	<ul style="list-style-type: none"> » Defined process » DCFCL 	Prime Finance is exposed to a low level of internal control failure risk
Reputation risk	<ul style="list-style-type: none"> » Loss of major business » Non-compliance 	<ul style="list-style-type: none"> » Diversified product » Standard Operating Procedure (SOP) 	Prime Finance is exposed to a low level of reputation risk

Report on Risk Management - *continued*

Risk Management Framework

Prime Finance strongly agrees to the principles of risk sensitive approach to capital adequacy as per the requirement of Basel-II framework. We assume with the coming implementation of Basel II, the entire sector of non-banking financial institutions will be upgraded to a common platform for continuous development of risk management activities. We take this pleasure to declare that Prime Finance has already acquired desired capital adequacy level as stipulated in Basel-II way before the deadline declared by the Bangladesh Bank.

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



Role of the Board of Directors

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

Role of the Board Audit Committee

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

Detailed duties and responsibilities are set out on page 82 of this Annual Report.

Role of Internal Control and Compliance

Control Wing

- Conduct audit with the instruction contained in the internal control policy guideline and with the instruction of the Board/ the Board Audit Committee/ the management;
- This department performs first level and continuous independent verification of control measures put in place to manage all risks across the organization;
- Recommend for any change in policies or guidelines if necessary to the Management / Board Audit Committee;
- Report major lapses and irregularities to the proper authority;
- Internal control has the responsibility of auditing the risk management function to ensure that all units charged with risk management perform their roles effectively on a continuous basis.

Report on Risk Management - *continued*

Compliance Wing

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

Role of Credit Committee

- This committee reviews, recommends and approves credit proposals up to their delegated approving limit. All approvals of the Credit committee are regularly informed to the highest authorities i.e. Board;
- The credit proposals, which are above the delegated limit to the Credit Committee, are sent to the higher authorities i.e. the Executive Committee and the Board as the case may be depending on the level of authority. However, Credit Committee has no effect on the final decision-making authority of the Executive Committee and the Board on matters that cannot be delegated;
- The issues addressed by the Credit Committee are primarily measurement and specification of risk tolerance, risk classification processes, risk related aspects with regard to process in credit proposals, single party exposure, sectoral exposure major changes or updates in the product range in lending business and the amount of risk premiums.

Role of Managing Director

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

Role of head of Risk Management

- Provide all reports required by the Board and its Committees for the effective performance of risk management;
- Provide appropriate resources to evaluate and control risk;
- Review of all reports on regular and timely basis;

- Establish and maintain an effective risk management environment in the organization;
- Review proposals in line with credit policies and standards and endorse them to the respective approving authorities for approval;
- Monitor on an ongoing basis the Prime Finance's risk quality and performance, review periodic credit portfolio reports and assess portfolio performance.

Role of Management Committees

Management Committee (MANCOM)

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

Portfolio Management Committee

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

Asset Liability Management Committee (ALCO)

- The ALCO controls the short-term and long-term liquidity to ensure that the Company has adequate liquidity at all times and to minimize the funding costs;
- ALCO conducts our liquidity management in a manner that maintains stability and flexibility in our day-to-day funding activities. Our liquidity risk management starts by managing daily payment cheques, daily cash inflow and out flow, maturity of deposits and our access to other funding sources as and when required;
- The ALCO is also responsible for the Balance Sheet structure and measures to optimize regulatory capital;

Report on Risk Management - *continued*

- » Develop and review of policies, procedures and system relating to Market risk and recommend policies to the Board;
- » Monitor asset and liability mismatch, pricing and interest rates;
- » Ensure compliance with statutory and regulatory requirements relating to market risks.

Money Laundering Committee

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

Risk Management Committee

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

IT Audit Committee

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

Role of Departmental Heads

All Departmental Heads play a very important role for overall risk management and control of their respective department.

Basel Implementation Unit

Basel-II implementation desk

Basel-II implementation committee of the Company has already formed under the supervision of the Managing Director of the Company. This committee is responsible for the implementation of Basel-II Accord. Managing risk based capital adequacy is the most important responsibility of the Company as it runs the risks.

Stress testing

A fundamental duty of risk management is to ensure that organizations do not neglect to prepare for the worst event as they plan for success. Stress testing helps the Company to understand how its portfolios would react if business conditions became significantly more challenging. We generate specific forward-looking scenarios and analyze how well our profitability would hold up, whether our levels of capital would be adequate and what managers could do ahead of time to mitigate the risk.

Report on Preparedness for Basel-II

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

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

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

Framework of BASEL-II

The Basel II framework consists of three pillars:

Pillar-1 (Minimum capital requirement)

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

Pillar-2 (Supervisory review)

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

Pillar-3 (Market disclosure)

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

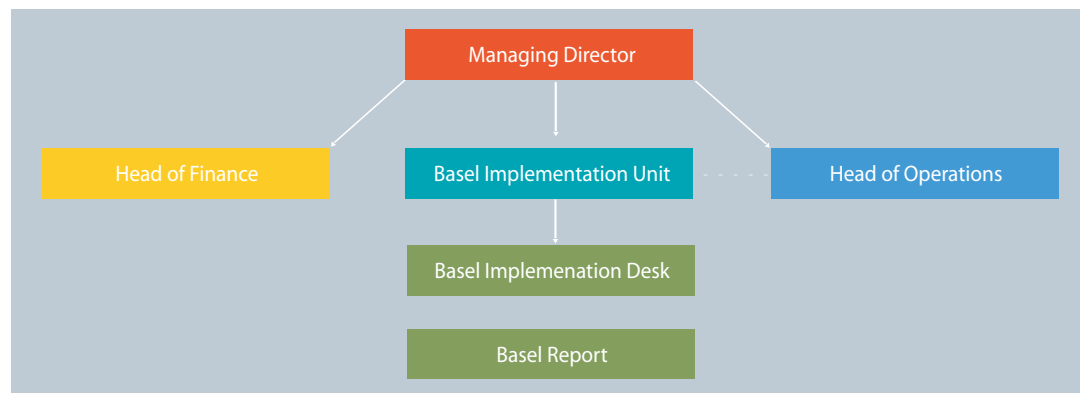
Prime Finance's preparatory measures for Basel-II implementation

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

Formation of Basel Implementation Unit (BIU)

Organizational structure of BIU

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



Committee member

The management of the Company has already formed the BIU comprising of following members to address

specific issues under Basel-II:

Report on Preparedness for Basel-II - *continued*

Md. Ahsan Kabir Khan
Managing Director (CC) &
Head of Risk Management (The Chair)

Md. Mizanur Rahman FCA
Chief Financial Officer

Md. Rezaul Haque
Head of Operation & Marketing

Tauhidul Ashraf FCS
Company Secretary

Md. Nur Nobi ACA
Vice President (Finance & Administration)

Terms of Reference of the Committee

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

Quantitative Disclosure under Basel-II Accord**Capital requirement from Credit Risk exposure**

(Figures in million as on 31 December 2010)

Exposure type	Risk Weighted Assets (RWA)	RWA after factoring	Required capital on Credit Risk
On balance sheet	6,194.50	6,194.50	619.50
Off balance sheet	187.50	187.50	18.80
Total	6,382.00	6,382.00	638.30

Capital requirement from Market Risk exposure

(Figures in million as on 31 December 2010)

Exposure type	Capital charge for specific risk	Capital charge for general market risk	Total Capital Charge	RWA after factoring	Required capital on Market Risk
Interest rate related instruments	-	-	-	-	-
Equities	69.60	269.60	539.20	5,392.00	539.20
Foreign exchange position	-	-	-	-	-
Total	69.60	269.60	539.20	5,392.00	539.20

Capital requirement from Operational Risk exposure

(Figures in million as on 31 December 2010)

Year	Gross Income (GI)	Average Income	Capital charge 15% of GI	RWA after factoring	Required capital on Operational Risk
2009	710.60				
2008	288.60	400.40	60.10	601.00	60.10
2007	202.00				
Total	1,201.20	400.40	60.10	601.00	60.10

Minimum Capital Requirement (MCR) as per the Basel-II

(Figures in million as on 31 December 2010)

Total exposure	
Capital requirement from Credit Risk exposure	638.30
Capital requirement from Market Risk exposure	539.20
Capital requirement from Operational Risk exposure	60.10
Total capital requirement	1,237.60

Total Eligible Capital of Prime Finance (Tier-1 & Tier-2)	3,462.30
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Report on Going Concern

Listed Companies are required by SEC to report on its ability to continue as going concern. The Board of Directors of Prime Finance has made annual assessment about whether there exists material uncertainties which may cast significant doubt upon the Company's ability to continue as going concern. The director's assessment of whether the company is a going concern entity involves making appropriate inquiries including review of budget and future outcome of inherent uncertainties in existence. The Directors are convinced from the following indications, which give reasonable assurance as to company's continuance as a going concern for the foreseeable future.

Financial indications

➤ Positive net current assets

Prime Finance has a positive net current assets of Tk. 1,688.54 million as on 31 December 2010. It signifies Company's ability to meet its short-term obligations out of short-term assets.

➤ Fixed term debt with realistic renewal or repayment

At the close of financial year 2010, total fixed term borrowings of the Company were Tk. 7,405.76 million. Based on our past experience we can say that there is every possibility that major part of the debt would be renewed further.

➤ Less reliance on short term borrowing

At the end of 2010, total short term borrowings of the Company were Tk. 980.00 million, representing only 13.23 percent of total borrowings that indicates the Company has least reliance on short term borrowings.

➤ Continuous financial support by lenders:

The Company has a very good track record and reputation in settlement of its obligation with its lenders/depositors. So, we enjoy easy and fair access to the funding sources to meet our increasing need for growth.

➤ Positive operating cash flows:

Cash flow statement of the Company for the year 2010 shows positive operating cash flows of Tk. 770.08 million. Statement of liquidity also shows overall positive liquidity gap representing strong ability to meet current and future obligations.

➤ Positive key financial ratios:

The Company has a very positive financial ratio as evident from financial highlights given on page 25 of this Annual Report. Such positive financial ratios indicate Company's sound financial strength and good prospects.

➤ Consistent payment of dividends:

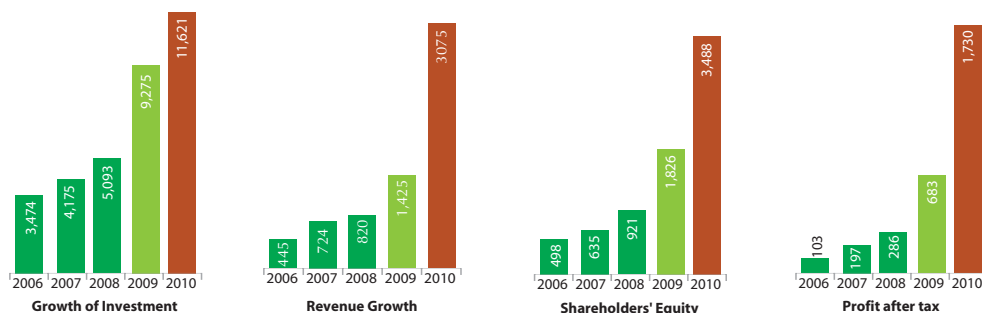
The Company has been paying dividend consistently to its shareholders over many years. Dividend payment record is given on page 25 of this Annual Report, which reflects company's long-term vision. Every year since listing, the Company has been continuously paying stock dividend that reflects Company's long-term viability in operational existence.

➤ Credibility in payment of obligations:

The Company has strong credibility in terms of payment of its obligations to the lenders. The Company is very particular in fulfilling the terms of loan agreement.

➤ Performance growth:

Prime Finance has excellent growth in its operating performance. Company's total investment has increased from Tk. 9,275.31 million to Tk. 11,621.04 million, indicating a growth of 25.29 percent over last year. Operating income has increased by 115.72 percent in 2010 over last year. Profit after tax has increased by 153.18 percent from Tk. 683.13 million to Tk. 1,729.56 million. All those indicators support Company's continuance in foreseeable periods.



Going concern - *continued*

Operating indications

➤ No key management turnover:

During the year 2010, the company has not experienced of any event of turnover in key management position. Employees have long-term commitment and loyalty to the Company. Average length of services of an employee at Prime Finance is 5.97 years (2009: 5.32 years). A report on human Resource has been given on page 50 of this Annual Report.

➤ Expansion of business:

The Company has expanded its segment geographically by opening branches in different places considering the economic significance. Company has also expanded its product/service line by introducing new product like Closed End Mutual Fund. Business expansion has also gained by investing in associated companies namely PFI Securities Ltd., Prime Finance Asset Management Company Ltd., Prime Prudential Fund Ltd. and PFI Properties Ltd. and investing in subsidiary company namely Prime Finance Capital Management Limited. These represent Company's intention for perpetuity.

➤ Corporate environment and employee satisfaction:

There exists a very good corporate environment in the Company. Prime Finance is an excellent work place with friendly environment. Communication among the employees is very excellent. The company endeavors to be honest and practices fair treatment to all employees which ensures good corporate environment. The Company pays a very competitive compensation package and there exists a good number of employee benefits like transport benefit, annual health check-up, death benefit, hospitalization benefit, disability benefit, maternity benefit, performance related bonus, pension, gratuity, provident fund etc., which considered to be instrumental for employee satisfaction.

Other indications

➤ Maintenance of sufficient capital:

As on 31 December 2010, the Company's total equity stands at Tk. 3,488.34 million. While the minimum paid-up capital as required by Bangladesh Bank is Tk. 500 million, Company's paid-up as on 31 December 2010 was Tk. 902.50 million. The Board recommended 80% stock for the year 2010. Upon approval by the Shareholders in the next AGM to be held on 29 March 2011, the paid up capital would stand at Tk. 1,624.50 million one of the highest amongst NBFIs which reflects Company's long-term vision.

➤ Strong equity base:

As on 31 December 2010, total equity of the Company stands at Tk. 3,488.34 million (2009: 1,826.39 million) representing an increase of 91.00% over last year that reflects company's long-term viability.

➤ Strong CAMEL rating:

CAMEL rating is used by Bangladesh Bank as a tool for evaluating the strength and performance of a non-banking financial institution. The composite rating adjudged by Bangladesh Bank signifies satisfactory performance of Prime Finance. In that report, there was no adverse material observation of Bangladesh Bank on the activities of Prime Finance.

➤ Changes in Government policy:

Management anticipates no significant change in legislation or government policy, which may materially affect the business of the Company except imposition of tax on capital gain and separation of Merchant Banking operations through formation of a subsidiary.

Based on the above indications, directors feel it appropriate to adopt going concern assumption and there is no material uncertainty exists in preparing the financial statements. Adequate disclosures have been made in the financial statements and different sections of the annual report to understand the appropriateness of going concern basis in preparing financial statements.

Directors' Report

It is a great pleasure and privilege on the part of the Board of Directors to present the Annual Report and the Audited Financial Statements of the Company for the year ended 31 December 2010 together with the Auditors' Report thereon, for consideration and approval of our valued Shareholders. These were approved by the Board of Directors of the Company on 24 February 2011.

The Directors' Report has been prepared in compliance with the Section 184 of the Companies Act 1994, SEC's Notification of 2006, the Listing Regulations of Dhaka and Chittagong Stock Exchanges, guidelines of Bangladesh Bank and other applicable rules and regulations.

In addition, the Directors explained and disclosed certain issues, which they consider relevant and important to make sure transparency and good governance practices. We believe, the report will give a fascinating insights into the Company's performance and continued outstanding growth amidst hard competition in the industry, we do our business.

Bangladesh economy

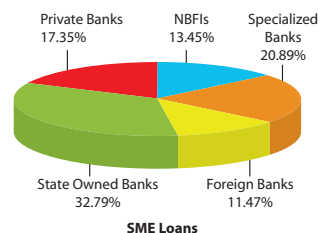
Despite a challenging global environment in recent years, Bangladesh has posted solid economic performance, with a moderate growth of 5.8 percent in FY2010. It maintained growth momentum with some slowdown in manufacturing and new investment activities.



The real GDP grew by 5.8 percent in FY 2010, which is ten basis points higher than 5.7 percent growth recorded in FY 2009. Measured at current market prices, the GDP of Bangladesh in FY 2010 stood at BDT 6923.8 billion. In FY 2010, the country's per capita GDP increased by about 4.5 percent in real terms and about 11.2 percent in nominal terms. Export revenues and remittance income growth started to decelerate, while the domestic inflationary trend took an upturn in consonance with the international market. A visible improvement in public investment has also been a promising feature of the last fiscal year. However, over these two years, Bangladesh remained an

underinvested country. The investible surplus could not be made use of due to the lack of domestic infrastructure. Growth in manufacturing sector remained modest. On the other hand, strong growth in agriculture sector helped maintain the GDP growth at a respectable level.

The Government's broad-based support for agriculture with timely and adequately delivery of inputs, disbursing large amount of agricultural loan and subsidy, and finally favorable weather condition helped to attain the growth of 4.7 percent in FY 2010 from 4.1 percent in FY 2009. The crops and horticulture sub-sector attained higher output growth in FY 2010. Forestry and related services, animal farming and fishing sub-sectors achieved a slightly lower growth rate of 5.6, 3.3 and 4.0 percent respectively in FY 2010 as compared with 5.7, 3.5 and 4.2 percent in FY 2009.



Industry sector growth declined because of a fall in external demand and disruptions in output activities due to acute shortage of power & gas, supply side bottlenecks and transportation facilities. Weak export demand and the scarcities in energy supply slowed down new investment activities. Industry sector growth was 6.0 percent in FY 2010 down from 6.5 percent in FY 2009. Growth in manufacturing was lower at 5.7 percent compared to 6.7 percent. Growth of large and medium-scale manufacturing decreased from 6.6 percent in FY 2009 to 5.5 percent in FY 2010, while small-scale manufacturing growth fell from 6.9 percent in FY 2009 to 6.3 percent in FY 2010.

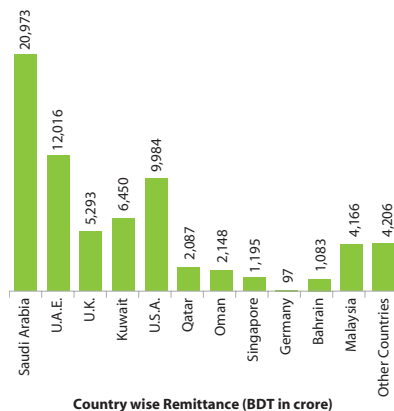
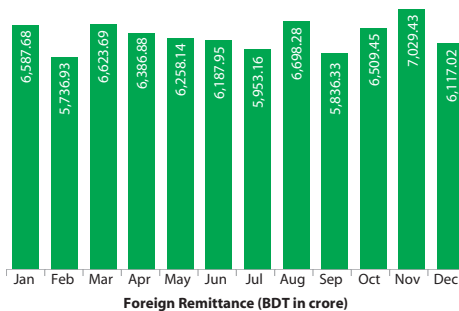
The telecommunication sector saw new brands, new names and new laws in the outgoing year 2010. In one single year, the country's telecom industry saw the ownership changes of two mobile operators, while two changed names. Telecommunication Act of 2001 has been amended and draft of license renewal guideline was finalized.

Export receipts during the FY 2009-10 increased by USD 6.39 billion or 4.11 percent to USD 16.205 billion as compared to USD 15.57 billion during FY 2008-09. Import payments during FY 2009-10 increased by USD 1.231 billion or 5.47 percent to USD 23.738 billion compared to USD 22.507 billion during FY 2008-09.

Directors' Report - continued

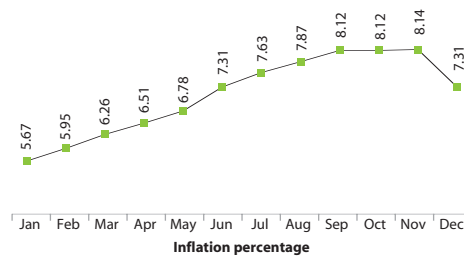
Trade balance recorded a higher deficit of USD 5.152 billion during FY 2009-10 compared to the deficit of USD 4.71 billion during FY 2008-09.

Growth of remittances from the NRBs slowed somewhat in FY 2010 to 13.4 percent, against 22.4 percent growth in FY 2009. Reduced construction works in the gulf countries may leave impact on the remittance earned by Bangladesh. Manpower export from Bangladesh has experienced a significant fall because of worldwide economic recession, thus scaling down the remittance inflow. The country received USD 11 billion in remittance during the first 11 months of 2010 against nearly USD 11 billion in 2009. Remittances in December, 2010 stood lower at USD 963.53 million against USD 998.64 million of November, 2010. However, this was higher by USD 89.67 million against USD 873.86 million of December, 2009. The external income side also experienced a setback in the early months of FY 2011 as disbursement of foreign aid remained subdued and inflow of foreign direct investment (FDI) continued to be stagnant. Consequently, one observes a growing pressure on both the current account balance as well as the balance of payment.



Inflation rate maintained upward trend and reached 7.3 percent in FY 2010 from 6.7 percent in FY 2009. 12-month average CPI inflation continued creeping up,

and was 7.31 percent at the close of FY 2010. Inflation shot up mainly due to increase of domestic food grains' prices along with rising prices of imported essentials in the international markets particularly those of neighboring markets, inflow of remittances which accumulates high foreign exchange reserve causing higher than targeted growth of money supply. Mainly rise of food inflation to 8.5 percent in FY 2010 from 7.2 percent in FY 2009 contributed to the rise in overall inflation, while non-food inflation declined to 5.5 percent in FY 2010 compared with 5.9 percent in FY 2009. Besides, consumer prices, real estate and stock market prices in Bangladesh were under high inflows driven upward pressure in FY 2010.

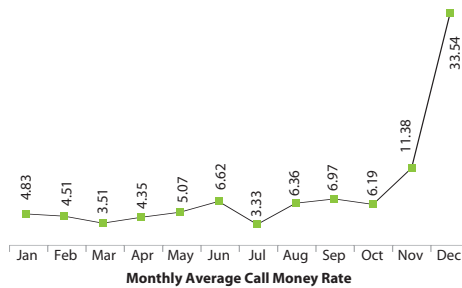


Foreign exchange reserve of Bangladesh stood at USD 10.75 billion at the end of FY 2009-10. As of December 2010, foreign exchange reserve was USD 10.95 billion. Bangladesh Bank has purchased 10 tonnes of gold for the first time to diversify foreign exchange reserve of the country.

The financial sector was mostly stable. In Bangladesh, economy with limited openness in the external sector, the financial system remained free of shock from the developed economies afflicted by the crisis. The domestic money market remained flush with liquidity. Due to the resilience of the banking sector in Bangladesh and the improvements in its capital base and other fundamentals also aided to the financial sector stability. The weighted average lending rate declined marginally to 11.2 percent in June 2010 from 11.9 percent a year earlier. The deposit rate declined to 6.0 percent from 7.0 percent of last year. As inflation rate edged up, real deposit rates turned negative. The interest rate spread widened marginally to 5.3 percent in June 2010 from 4.9 percent in June 2009. The weighted average call money rate in the inter-bank money market increased to 11.38 percent in November 2010 as compared to 6.19 percent in October 2010. The weighted average yield on 30-Day Bangladesh bank bill remained unchanged at 3.50 percent in November 2010 as it was in October 2010. Call money rate skyrocketed to 175 percent, an all-time-high in the history of Bangladesh, on December

Directors' Report - continued

15 last, the first day of the enforcement of the new Cash Reserve Requirement (CRR) rules for the commercial banks. Later it soured up to 180 percent. Bangladesh Bank (BB) capped call money rate at 15 percent on 20 December 2010, to ease money market volatility. Recent measures adopted by Bangladesh Bank in bolstering stability of the financial sector include mandatory implementation of the Basel II capital regime (with standardized approach for credit and market risks, and basic indicators approach for operational risks) from the year 2010, with the attendant shoring up of risk management structures and practices that these will entail.



Tax revenue collection under the National Board of Revenue (NBR), which accounts for over 95 percent of total revenue, attained a remarkable 32.33 percent growth in revenue collection in the first five months (July-November) of the current fiscal year over the corresponding period. NBR tax revenue collection in December, 2010 stood higher by BDT 895.29 crore or 15.83 percent to BDT 6549.86 crore against BDT 5654.57 crore collected in November, 2010. This was also higher by BDT 1721.34 crore or 35.65 percent against collection of BDT 4828.52 crore in December, 2009. Total NBR tax revenue collection during July-December, 2010 increased by BDT 7155.19 crore or 27.11 percent to BDT 33549.74 crore against collection of BDT 26394.55 crore during July- December, 2009. The National Board of Revenue (NBR) has collected BDT 61.15 billion income tax, which exceeded the target by BDT 6.15 billion against BDT 46.56 billion in the same period last year. Government has earned BDT 700 million in taxes in last five and a half months from the profit of selling matured placement shares through DSE and CSE. The 2010-11 budget imposed 5 percent tax on the profit of selling placement shares, obtained by companies, entrepreneurs and individuals; 10 percent on capital gain from sale of shares/securities by Corporate investors; which became an important source of income for the Government.

Foreign Direct Investments (FDIs), historically has not been able to play its role to the extent desired in

Bangladesh. In fact, FDI inflow exhibited a decrease since 2008 and stood at only USD 636 million in FY2009-10. As reflected from this phenomenon, Bangladesh appears to be trapped in a low investment, low infrastructure vicious cycle. A breakthrough requires investments in both physical infrastructures, as well as an improvement in governance and business climate indicators. This could also encourage Non-Resident Bangladeshis (NRBs) to invest, a potential source of finance, which has remained largely untapped till now.

Economic outlook

At the halfway mark of FY2010-11, there are several indications that the economy has gained some momentum. The Gross Domestic Product (GDP) growth is projected to be 6.7 percent in FY2010-11. The crucial importance of how the Bangladesh economy performs in FY2010-11 ought to be judged inter alia, from the following two perspectives. First, globalizing economies such as Bangladesh will have to be able to capitalize on the ongoing turnaround in global economy. Second, FY2010-11 being the first year of the Sixth Five-Year Plan (2011-2015), a good kick off in the first year will help to materialize the medium term objectives of the Plan. For sustainable inclusive development, Bangladesh economy needs to experience a structural change based on promotion of productive sectors. The promising factors that may drive the economy to achieve the targeted GDP growth are the encouraging growth of agriculture sector, growth of RMG besides non-RMG sector, government's initiative for development of power sector, roads & high ways and other infrastructure. Because of turmoil in Egypt, increase in wage rate in India, China and Vietnam, a large number of orders are being re-directed to Bangladesh. With adoption of UN resolution, among others for green fibers, a new prospect is being opened up for exports of raw jute and jute goods. If these are implemented, other things remaining constant, it is expected that export receipts will exceed USD 20 billion.

However, for the current fiscal year, there are a couple of disquieting factors, which may subdue the GDP growth projection figure for the current fiscal year are upward inflationary pressure, dismal performance of small manufacturing industries, political unrest in middle east countries where most of the NRBs reside, unhealthy trend in domestic capital market, unmet expected improvement of efficiency of ports, sluggishness and the downward trends of manpower export and remittance inflows. These emerging strains may have implications for attaining the GDP growth objective.

Directors' Report - *continued*

World economy

This year has turned out to be surprisingly good one for the world economy. A major economic crisis-characterized as the "Global Economic Crisis"-has just passed with devastating impacts on many parts of the world. The global crisis has, inter alia, shaken the global economic power structure and shifted it perhaps permanently in favor of Asia. During the second half of 2010, global financial conditions broadly improved, amid lingering vulnerabilities. Equity markets rose, risk spreads continued to tighten, and bank lending conditions in major advanced economies became less tight, even for small and medium-scale firms. Real estate markets and household income were still weak in some major advanced economies, and securitization remained subdued. During the recent bout of turbulence, markets have been more discriminating; measures of risk aversion have not risen, equity markets in most regions have posted significant gains, and financial stresses have been limited mostly to the periphery of the euro area. Most advanced economies and a few emerging economies still face large adjustments. Their recoveries are proceeding at a sluggish pace and high unemployment poses major social challenges. By contrast, many emerging and developing economies are again seeing strong growth, because they did not experience major financial excesses just prior to the Great Recession. In advanced economies, the repair and reform of the financial sector need to accelerate to allow a resumption of healthy credit growth. The sustainability of global growth is required to be reinforced by the continuing gains in manufacturing activity, improving credit conditions, and expanding international trade.

In advanced economies, activity has moderated less than expected, but growth remains subdued, unemployment is still high. Estimates are that more than 210 million people across the globe are unemployed, an increase of more than 30 million since 2007. Three-fourth of the increase has occurred in the advanced economies (with the remainder in emerging market economies). In the United States, the unemployed faced record-long periods of joblessness. U.K.'s real GDP contracted in the final quarter of 2010 partly reflecting adverse weather conditions. While a rebound is likely in the January-March period, aggressive fiscal consolidation and slower export sector momentum may limit the nation's economic growth to 1.4 percent in 2011, before picking up to around 1.7 percent in 2012.

Asia has certainly done much better than what was expected earlier. Asian economies are certainly in a much better shape this time than at the inception of

Global Crisis. Not only that, today Asia, led by China and India, is powering the engine of global economic recovery/expansion. Growth in emerging Asia reached about 9 percent, as robust domestic demand spread from China, India, and Indonesia to other Asian economies. In China, major fiscal stimulus, a large expansion of credit and a number of specific measures to boost household incomes and consumption increased domestic demand growth to close to 13 percent in 2009, contributing to a large decline in the current account surplus. Gold remained robust during 2010 (up by 36 percent) after a drop in 2009, as a result of accelerating demand from India and China as well as increasing global investment demand driven by continuing uncertainty over public debt and economic recovery. The food prices recorded a 5 percent rise globally; though still 30 percent below 2008 levels. It is not only due to Russian ban but also fear of bad harvest in many parts of the world that caused food price hike.

Japan lost its forty-two year ranking as the world's second biggest economy to China in 2010. China's leap forward reflects a shift in economic power as the country transforms itself from poverty hit communist state to global heavy weight. However, Japan remains around 10 times richer on a per capita basis. The economy grew 3.9 percent in 2010, its best annual growth in three years. But this was not enough to keep it ahead of surging China. Nominal GDP of USD 5.474 trillion in 2010 put Japan behind China's USD 5.879 trillion.

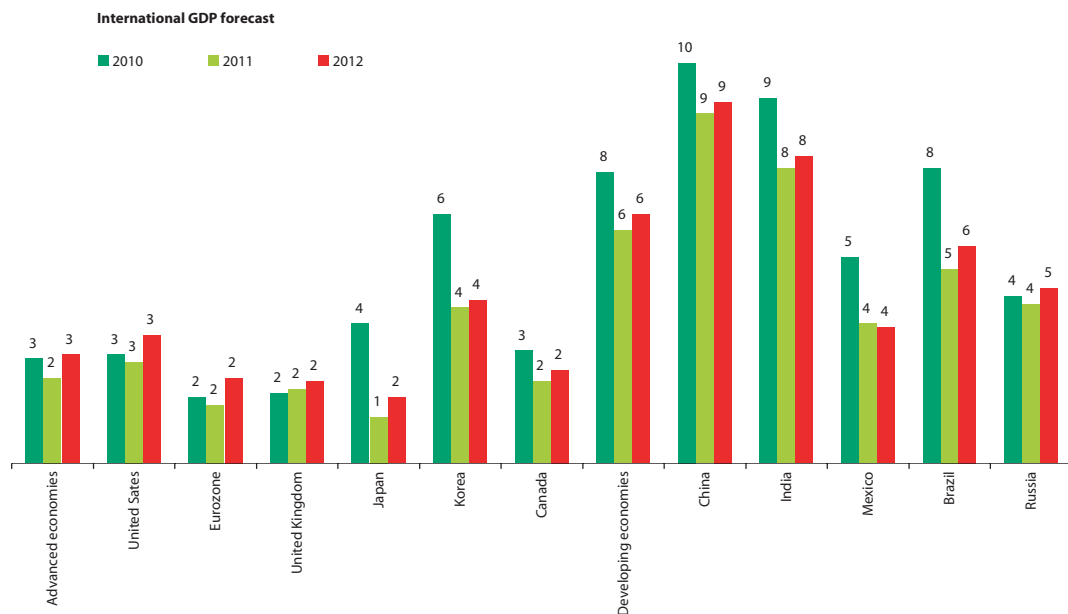
Most countries in the Sub-Saharan Africa have now returned to encouraging growth rates. But the pace of the recovery has varied within the region. The recovery in South Africa and its neighbors, however, has been more subdued, reflecting the more severe impact of the collapse in world trade and elevated unemployment levels that are proving difficult to reduce. Growth in the region's 29 LICs was particularly impressive at around 6 percent. This reflected the improved political environment, favorable external conditions and sound macroeconomic management. These strong initial conditions helped most countries in the region withstand the worst effects of the food and fuel price hikes. Many countries supported output by injecting fiscal stimulus and lowering interest rates, although output fell in the region's middle-income countries-a grouping dominated by South Africa. Growing trade ties with Asia are also playing a role in the region's recovery, primarily through commodity markets. In most of the oil-exporting countries growth slowed, with the notable exception of Nigeria. Output growth has rebounded in South Africa, but high unemployment and subdued

confidence are expected to continue to dampen the pace of recovery, restricting growth to about 3 percent in 2011. The pace of recovery in Europe, the dominant trade partner for most non-oil-exporting countries in sub-Saharan Africa, is modest and uncertain. More immediately, the sharp pickup in fuel and food prices stands to make a significant impact on many non-oil-exporting countries.

Many developing economies were less affected by the global recession and now seem to be sharing in the pickup in world trade, and growth in 2010 is generally encouraging. Available data for African and Middle Eastern economies point to robust growth. By contrast, economies that were hit particularly hard by the crisis are struggling to return to sustained growth, including in many parts of emerging Europe and the Commonwealth of Independent States, where the recovery remains much more subdued.

Climate change is a grave threat to the developing world and a major obstacle to continued poverty

reduction across its many dimensions. First, developing regions are at a geographic disadvantage; they are already warmer, on average, than developed regions and they also suffer from high rainfall variability. As a result, further warming will bring poor countries high costs and few benefits. Second, developing countries - in particular the poorest - are heavily dependent on agriculture, the most climate-sensitive of all economic sectors, and suffer from inadequate health provision and low-quality public services. Third, their low incomes and vulnerabilities make adaptation to climate change particularly difficult. Because of these vulnerabilities, climate change is likely to reduce further already low incomes and increase illness and death rates in developing countries. Falling farm incomes will increase poverty and reduce the ability of households to invest in a better future, forcing them to use up meager savings just to survive. At a national level, climate change will cut revenues and raise spending needs, worsening public finances.

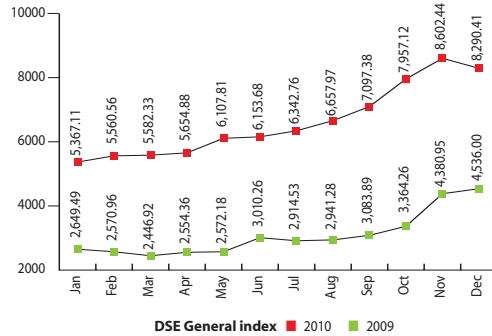


Capital Market Scenario

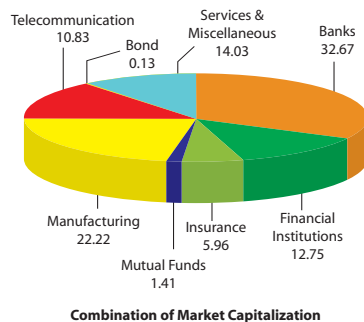
The Year 2010 was a blessing for the investors while DGEN ended at 8290 points that started at 4568 points on 1st trading day of the year. The benchmark ranked 3rd in terms of performance in the world only next to Srilankan Colombo All Share Index (ASI) and Mongolian MSE TOP 20 Index that gained 101.49 percent and 169.39 percent respectively. Daily Average

Turnover was BDT 16449.61 million in 2010, climbing 172 percent from daily average turnover BDT 6048.77 million in 2009. Average daily trade volume also rose 113.44 percent in 2010. Dhaka Stock Exchange market capitalization stood to BDT 3.5 trillion which was only BDT 1.91 trillion in 2009.

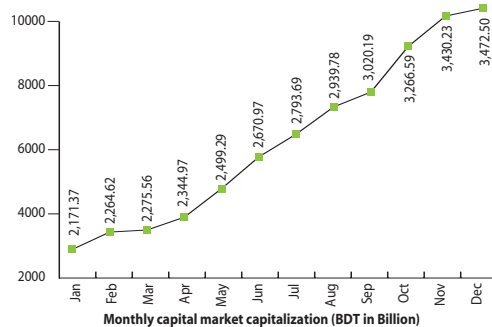
Directors' Report - continued



Before the latest crash began, the general index had soared in 29 trading days from 7,522 points on 20 October to 8,918.51 points on 5 December. The index, however, lost a massive 1,264 points in the last nine trading days, with 551.77 points lost on 19 December. According to stock market data, a total of 23 Initial Public Offerings (IPOs) worth around BDT 35 billion came in the market this year, while the number was 15 last year with a value of BDT 19 billion. Of this year's new arrivals, 11 were equity securities, 10 mutual funds or investment securities and 2 convertible bonds.



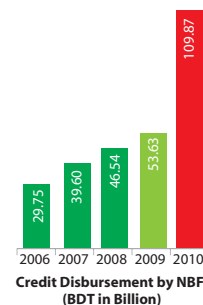
The overall market capitalization at the end of December 2010 was as high as 51.5 percent of GDP, which was 38.5 percent of GDP even in June 2010. Market related factors such as issuance of the highest number of Initial Public Offerings (IPOs) in FY2009-2010, entry of large number of small investors in the market with large volume of liquidity and revealed market anomalies in an inefficient market can only explain a part of this growth.



The market may not have behaved so volatile provided, the General Index was dynamically handled and the index could be separated with for scripts with P/E ratio 25 and below and those above P/E ratio 25. In line with the stock market proverb "more carrots, less sticks" – to tame the market, more efforts could have been made to manage supply side more prudently, to project the efficacy, to dispel the general misgiving of the entrepreneurs about listing in the stock exchanges and thereby to bring in focus about the benefits of listing in the stock exchanges instead of intervening by the regulators off and on. By doing so, the market could have been widened reducing the influence of syndication and speculative behavior to a large extent. The regulators could lay before the stock market players in clear terms the distinction between the daily traders and investors. The capital market is the ultimate destination for the investors who need to have set aside a portion of his surplus fund for long term and need not to worry too much in between.

Role of Non-Banking Financial Institutions (NBFIs)

There are 29 NBFIs operating in Bangladesh under the license of Bangladesh Bank and are regulated by the Financial Institutions Act, 1993 and the regulations made there under. The Financial Institutions (FIs) represent one of the most important vehicle of financial system and play very important role in mobilizing and channeling resources in Bangladesh. This sector has been contributing towards increasing both the quality and quantity of financial services and thus mitigating the lapses of existing financial intermediation to meet growing needs of different types of investment in the country. Total investment of NBFIs in different sectors upto 31 December 2010 were BDT 109.89 billion. Investment in capital market was BDT 15.4 billion. As on 30 June 2010, total classified loan/lease stood at BDT 11.3 billion or 6.9 percent of total loan/lease.



But with the opening of leasing windows by the banks directly, the NBFIs have been facing tough and uneven

competition. Over the last decade, this sector witnessed a number of changes, which eventually made NBFIs operation more competitive. NBFIs are allowed to take public deposits and borrow funds from banks. NBFIs are also allowed to collect fund from the call money market upto 15 percent of net assets to meet short-term needs. Credit lines from banks remain the main sources of funding for NBFIs, which makes cost of fund higher than that of banks. In the competitive market scenario, NBFIs, therefore, operate on a very thin margin. Withdrawal of tax benefit on income from investment in Zero Coupon Bonds by Finance Ordinance 2008, imposition of tax on capital gain from sale of shares/securities and withdrawal of benefit of depreciation allowance on leased assets by Finance Ordinance 2007 have a significant adverse impact on the cash flows of NBFIs. Under the above backdrop, a good number of NBFIs have been trying to make breakthrough of traditional operation through diversifying their product lines and earning streams. Bangladesh Bank in its effort to streamline the activities of NBFIs, has enacted the loan classification and provisioning system as a mandatory task. Transformation into financial lease method from operating lease method brought fair presentation in the accounting treatment. Bangladesh Bank circulars and guidelines regarding the roles, responsibilities and transparency of the Board of Directors, Chairman and Managing Director for the financial institution, implementation of core risk management guidelines, introduction of risk based audit system and implementation of Basel II framework for NBFIs from the year 2012 in keeping with the global standard are all among others reform initiatives. In view of the increased role of NBFIs in financing industry, trade and commerce, transport, Information technology, housing etc. the minimum capital requirement of the NBFIs was raised to BDT 500 million vide FID circular 9, dated 4 December 2009, Most of the NBFIs (except two) has raised their required capital. Despite fallout from the world economic meltdown, financial sector passed a resilient 2010. Considering the extent and magnitude of global financial crisis and its likely impact on Bangladesh, the outlook of NBFIs through successful implementation of the afore-mentioned reform initiatives is good provided that the Government should ensure uninterrupted electricity and gas supply for maintaining investment growth. Government should also play proactive role to strengthen market-oriented policies to improve business environment. Government should also consider our appeal positively to reduce the corporate tax rate from its existing level of 42.50 percent to 27.50 percent in line with other listed companies.

Principal risk and uncertainties

In the day-to-day operations of the Company, we face risks and uncertainties. Our job is to mitigate and manage these risks with approved risk management process. Appended below are some of the principal risks and uncertainties, which we believe, could adversely affect us, potentially impact on the employees, operations, revenues, profits, cash flows or investments of the Company. This list is not exhaustive - there are many things that could go wrong in an operation at large and geographically diverse as ours and the list might change as something that seems immaterial today assumes greater importance tomorrow. A detailed report on risk management is given on pages 87 to 91 of this Annual Report.

Economic conditions

There is a link in our business between demand for our services and level of economic activity. Historically, wherever economies have gone into recession, or GDP growth has slowed, our business has suffered, and the operational gearing, inherent in our business models means that variations in demand for our products can lead to much larger variations in profitability. Even quite small changes in GDP growth rates in an economy can affect our business. We also have some businesses, which by their nature are exposed to particular sector. We mitigate this risk in a number of ways. First, we try to ensure that as investments grow, our business builds a customer-base, which is diverse as much as possible to reduce sectoral exposure. We have our special initiatives in place to develop our business in textile and service sector. Secondly, having operations both in credit and capital market, we can shift concentration to new investment away from low growth financing activities to higher growth market environments.

Political conditions

There are significant risks of political instability which can result in civil unrest, change in laws, taxation policies or investment seizure. Any of these could have a adverse effect on the profitability of our operation. The Company uses a wide range of tools and techniques to manage risk including insurances, provisions etc.

Failure to collect rentals/installments

Most of the agreements, Prime Finance enters into are not large and if a client fails to pay a debt is dealt within the normal course. However, some of the

Directors' Report - *continued*

business the Company undertakes with large groups are substantial. Prime Finance monitors the risk profile and exposure of all such agreements constantly and deploy a variety of techniques to mitigate the risks of delayed payment or non-payment; these include securing advance payments, mortgage, post-dated cheques, insurance, corporate guarantee, personal guarantee of Directors and consistent follow up etc. As a result of the rigorous approach we take to risk management, we have not had any remarkable bad experience with the agreements executed.

Failure to conduct business dealings with integrity & honesty

Financing business, as it is told, involve unethical behavior in some way or other. The first and most important way of avoiding this risk is to ensure that people know that Prime Finance is not engaged in and will not tolerate unethical behavior. We have strict ethical principles for our employees to follow.

Competition

Prime Finance operates in a highly competitive business environment. We welcome this competition, as it keeps us sharp and also helps grow our overall business activities, which in many organizations are not so organized. The Company faces competition from significant number of other merchant banks and financial institutions offering similar products and services. The Company has successfully differentiated itself by identifying targeted clients by offering a clear and easy to use service through its high quality customer service and competitive prices. However, Prime Finance is always susceptible to the impact of short-term cut-price offers from competitors who, in the case of large financial institutions, may have substantially greater financial resources to support such initiatives.

Employee

Prime Finance knows that it is the quality of human resources that makes the difference in performance. This is true at all levels within the organization. We are also aware of the need for effective management development and succession plan. We, therefore, have put in place a talent management program, which covers most of the management team.

Moreover, we try to make sure that our employees enjoy working for Prime Finance and they feel that they are recognized, cared for, and enjoy having challenging and interesting jobs.

Work place

Attracting and retaining a talented and highly motivated workforce is a crucial part of our on going success. Understanding what employees value and need enables us to leverage a flexible and competitive rewards program. This comprehensive approach includes compensation, benefits, a positive work environment, career and learning opportunities that reward people for skills and contribution. Listening and responding to employee feedback is a part of Prime Finance's Management culture..

Operation of the Company

All the divisions of Prime Finance contributed to the Company's year-on-year increase of operating profit in 2010. The result is particularly positive, given the fact that during the year a major divisional process had successfully been implemented to enhance the future profitability. Company's total operating profit rose by 146.28 percent driven by:

Investment division: Increase of 78.67 percent despite economic slowdown and low industrial investment.

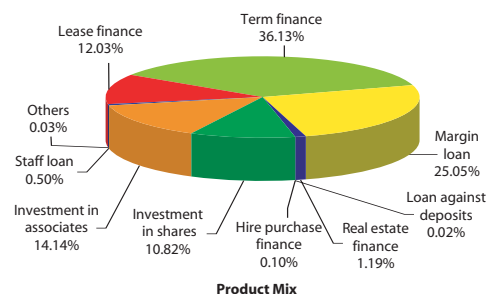
Capital market division: The Company maintained a consistent growth in capital market operation supported by bullish capital market.

Business activities

Prime Finance offers diversified products and services which include lease finance, term finance, real estate finance, SME finance, margin loan, portfolio management, issue management, underwriting etc.

Diversification

Prime Finance has a well-balanced diversified portfolio in major sectors, which ensures sustained and stable revenue growth. Highest allocation was to term loan which represents 36.14 percent of total loans, followed by Margin loan 25.05 percent, investment in associates 14.14 percent, lease finance 12.03 percent, investment in listed securities 11 percent etc.



Financing activities

Considering the socio-economic conditions in lending operations, our approach to new lending remained very cautious in 2010. We continued to be selective in terms of the quality of finance and maintain high credit requirements for clients and pricing has been systematically linked to the risk profile of the transaction. Our strict lending and pricing policy helped to stabilize profitability in the new lending business in 2010 despite some pressure on margins. Because of economic sluggishness, the recovery of loans/lease was affected.

Lease finance

Lease financing is the principal fund based activity of Prime Finance. Until now the company concentrated only on full payout financial lease transaction for financing a wide range of capital machinery, equipment and vehicles. We offer leasing as a modern financial instrument for managing corporate investments in movable equipment. Our customers represent different segments of local market. We provide services to developing companies, SMEs and



market-leading concerns. In 2010, Prime Finance was able to maintain consistent growth in lease finance. Despite stagnation in the financial market, innovative offerings, such as option of structured payments, make it easier to draw up concepts for customized solutions whilst using standardized procedures. The on going assessment procedures of investment proposals help to measure credit risks entailed in the lease proposals. During the year, total investment under finance lease was BDT 111.45 million. As on 31 December 2010 gross lease rental receivables was BDT 1391.26 million. Lease income earned during the year marginally decreased by 1.61 percent.

Term finance

Short-term finance: We offer short-term cash finance to the corporate houses with a view to providing liquidity comfort in emergency situation. With this the clients

manage their accounts receivable and consequently optimize their business growth. To customize our services and to fulfill the diversified needs of our customers we have categorized our short-term finance offerings into different modules:

- ▶▶ Direct finance for working capital
- ▶▶ Work order finance
- ▶▶ Bill discounting
- ▶▶ Finance against term deposits



Long-term finance: We provide long-term finance to the industrial houses varying for the periods from 12 months to 60 months depending on their needs. Term finance continued to be a core 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 in 2010.

Real-estate finance

We offer this product only to the real estate developers for construction of residential apartment, construction of commercial building and corporate office. Despite slowdown in real estate business in 2010 our recovery position was very good although the investment in the year was affected by the political and economic conditions. In 2010, total revenue from this product was BDT 7.25 million.

Bridge/equity finance

We have expanded the service range of bridge finance beyond the concept of merchant banking. We provide bridge finance in anticipation of all types of immediate long term financing ranging from term loans to IPO or equity investment.

Bill discounting

Prime Finance offers bill discounting services to both the importers and exporters. Through this, companies

Directors' Report - continued

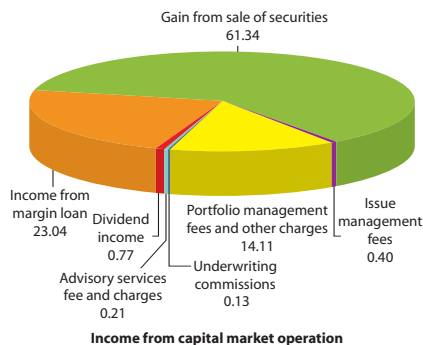
can infuse liquidity into their operation by way of discounting their bills. This specific mode of financing can prove to be extremely effective in receivable and working capital management especially for the manufacturing concerns. Two basic types of bills are accepted for discounting - Purchase Bill - Sales Bill.

Fund arrangement/syndication

The entrepreneurs of the country are coming forward ever more willingly to implement capital intensive projects in various sectors. These projects require large-scale investments in the form of debt and equity from multiple sources. Prime Finance helps raise fund for these projects from banks/financial institutions by finding the right partners and negotiating acceptable terms for the clients.

Capital market operations

Prime Finance has fourteen years of experience in capital market operations. Our services to clients in capital market operation are divided into four key areas: Public issue of shares, underwriting, portfolio management and corporate advisory services. Prime Finance provides a broad range of services to the corporate clients supporting them in raising long-term funds from capital market. We provide consultancy services in designing capital structure ranging from conversion of company into a public limited one to listing with stock exchanges.



A market leader in IPO management

In the capital market services, our activities include IPO management together with financial engineering and designing of capital structuring services for clients desiring to raise funds from capital market for expansion programs and repayment of debts. We work for a broad range of clients, including major well structured and strong companies of different sectors. Managing public issues is highly specialized, requiring a deep knowledge of the local rules and regulations

together with the understanding of both the issuer industry and its requirement. Through its transparent highly professional and expert team, we can offer a unique solution to evolving "frontier" markets. For these reasons, barriers to entry in the market are high and Prime Finance is one of the few major players in the field. Prime Finance signed three Issue Management Agreement in the year under review out of which Prime Finance managed one IPO amounting to BDT 1000 million. On the other hand, Prime Finance managed three Rights Issue amounting to BDT 4,146 million.

Underwriting

Underwriting services is another product of Merchant Banking Operation. During 2010, Prime Finance entered into agreements with 15 companies for underwriting of their shares for a total amount of BDT 2,491 million. Participation in underwriting can expose us to financial risk since the possibility exists that the securities we have committed to take up may not be fully subscribed at the initial public offerings or the rights issue, as the case maybe.

Private placement

Prime Finance & Investment Limited arranges private placement of debt and equity securities for the companies seeking a broad range of corporate finance alternatives. Through our relationship with institutional and private investors, Prime Finance has developed an outstanding private placement track record to help our clients expand their existing projects or set up new projects. With a reputation for superior service and results in private capital raising, Prime Finance & Investment Limited has broad experience in placement of:

- ▶▶ Debt instrument
- ▶▶ Convertible and equity-linked securities
- ▶▶ Private equity

Portfolio management

Own portfolio

Our investment in capital market performed very well in the FY 2010. In the second half of the year, the Stock Exchange went up significantly. This rise was due to a number of factors. In 2010 total income from investment in capital market was BDT 1,239.66 million made up as under:

- ▶▶ Capital gain on sale of share: BDT 1,224.22 million
- ▶▶ Dividend income: BDT 15.44 million

Directors' Report - continued

Investors' portfolio

Prime Finance manages investors' portfolio of its 1,075 clients worth BDT 7,540.86 million. Prime Finance provides margin loan to its clients as per policy and within the framework of regulatory authority, the Securities and Exchange Commission. During the year 2010 Prime Finance earned a total of BDT 459.90 million as interest on margin loan and a BDT 281.54 million as fee from managing investors' portfolio.

Margin loan

Prime Finance provides margin loan to its portfolio investors for investment in the listed securities against their equity. The Company's revenues from portfolio clients include interest on margin loan, portfolio management fees and annual charges.

Corporate financial services

Prime Finance offers an extensive range of professional corporate financial services. We specialize in tailor-made, value-added solutions, which are particularly suited to small and mid-sized companies. We serve our clients in their best interest, creating value for them and compliment their business expertise with our own, to maximize their opportunities for growth.

Advisory services

Corporate counseling services are provided in the form of customized solutions for better corporate management.

Merger & acquisition

Creating synergy through merger and acquisition is still a relatively new concept in our country. It is, however, expected that a significant number of merger proposals will be forthcoming in near future once the local corporate houses become more familiar with the benefits and mechanism of such synergy. Prime Finance helps clients achieve this synergy by employing its expertise in the different aspects of merger/ amalgamation and managing the whole process.

Geographical segments

Prime Finance provides services through its three offices geographically diversified in the areas namely Dhaka, Chittagong and Rajshahi.

Treasury

Prime Finance's operations are exposed to a variety of financial risks that include liquidity, interest rate and

credit risk. The Company has an efficient treasury department whose primary role is to ensure that adequate liquidity is available to meet Company's funding requirements as they arise and that financial risk arising from Company's underlying operations is effectively identified and managed. The treasury operations are conducted in accordance with policies and procedures approved by the Board and are reviewed annually. Monthly reports on treasury operations are provided to ALCO and treasury operations are subject to periodical internal and external review.

Liquidity and funding

The Company maintains sufficient facilities to meet its normal funding requirements. These facilities are primarily in the form of bank facilities arranged on a bilateral basis with a number of commercial banks and term deposits mobilized from individuals and institutions ranging for a period from 6 months to fifteen years. The Company sometimes participates in the call money market to meet its immediate requirement of funds, which subsequently transform into term loan.

Diversity and inclusion

The Prime Finance renewed its commitment to the principles of diversity and inclusion during 2010. Prime Finance recognizes that the diversity of its workforce is a considerable asset to the business and believes that an inclusive environment will enable all employees to develop their full potential and enable Prime Finance to attract and retain the best talent.

Operating results

Company's total business revenue was BDT 3,069.20 million in 2010 as against BDT 1,425.36 million of 2009. Profit from operation increased from BDT 710.63 million to BDT 1,985.83 million registering a growth of 179.45 percent over last year. Net profit has increased by 152.72 percent to BDT 1,726.42 million. Provision for tax of BDT 259.41 million has been provided in 2010. Earnings per share was BDT 19.13 as against BDT 7.57 (restated) of last year. The weighted average number of ordinary shares outstanding during the year was 90.25 million (2009: 64.46 million). Significant increase in the operating profit was due to improvement in investment quality and outstanding performance in the capital market operations. The financial results of the Company for the year 2010 with a comparison of 2009 are summarized below:

Directors' Report - *continued*

(BDT in million except per share data)	2010	2009	% of increase over 2009	2008
Operating revenue	3,069.20	1,425.36	115.33	819.62
Operating expenses	1,083.37	714.73	51.58	531.07
Profit before tax	1,985.83	710.63	179.45	288.55
Provision for tax	259.41	27.50	843.32	2.50
Profit after tax	1,726.42	683.13	152.72	286.05
Earnings Per Share (EPS)	19.13	7.57	152.72	3.17

Five years' key operating and financial data have been given on page 25 of this Annual Report.

Significant deviation in operating results

Operating profit for the year 2010 has increased significantly by 179.45 percent to BDT 1,985.83 million (2009 : BDT 710.63 million) because all the segments of the Company performed well. The underlying reasons for such achievements were as under:

- ▶ Capital market operations contributed almost 50 percent of the total revenue registering a growth of 162 percent over last year;
- ▶ Improved cost efficiency ratio;
- ▶ Improved recovery of loans, advances and leases; and
- ▶ Diversified earnings stream.

Share of income from associate companies

Prime Finance provides comprehensive investment and financial services including full service securities

brokerage, margin loan and advisory services through its 50 percent owned associated company - PFI Securities Limited. The company contributes significantly to the earnings of Prime Finance. In 2010 Company's position in DSE was second in terms of total volume of transactions. Total revenue of the Company was BDT 936.41 million during the year 2010 while EPS was BDT 6.68. Prime Finance's share of income from PFI Securities Limited for the year 2010 was BDT 305.19 million. Besides PFI Securities Limited, Prime Finance has other three associates namely Prime Finance Asset Management Company Limited, Prime Prudential Fund Limited and PFI Properties Limited. Net earnings from these three associates during the year were BDT 331.32 million. Separate audited financial statements of the associate companies are given on pages 188 to 212 of this Annual Report.

Changes of investment in associates/subsidiary

(Figures in BDT)	Balance as on 1 Jan 2010	Investment/ (Adjustment)	Profit/(loss) under equity method	Cash dividend	Balance as on 31 Dec 2010
PFI Securities Ltd.	533,722,917	120,000,300	303,830,941	-	957,554,338
Prime Finance Asset Mgt Co. Ltd.	6,216,709	22,050,000	3,327,398	-	31,594,107
Prime Prudential Fund Ltd.	9,909,957	-	22,527,487	-	32,437,444
PFI Properties Ltd.	19,994,635	-	1,631,959	-	21,626,594
Total	569,844,218	142,050,300	331,317,785	-	1,043,212,483

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 2010 that has significantly affected or may significantly affect the operations of the Company, the results of its operations or its state of affairs, which is not already reflected in this report other than the following:

- ▶ On 24 February 2011, Prime Finance announced 80 percent stock dividend (4 bonus shares for 5 shares held). Details of the announced dividend declared during the financial year are disclosed in Note 17 of the Financial Report.

Directors' Report - continued

- ▶ As Guided by the SEC, the Company has separated its Merchant Banking Unit to a separate company in the name and style 'Prime Finance Capital Management Limited', which started its operation from the 1 January 2011.

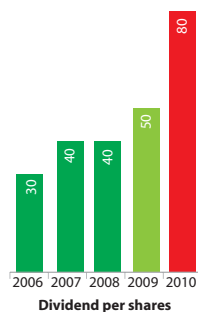
Appropriations of profit

Taking into account the profit available for distribution after complying with the regulatory requirements, the Board recommended 80 percent stock dividend (4 bonus shares for 5 shares held) for the year ended 31 December, 2010 for approval of Shareholders in the Fifteenth Annual General Meeting. The Board proposed the following appropriations:

	Amount in million BDT
Net profit for the year 2010	1,726.42
Retained earnings at the beginning of 2010	331.47
Total profit available for appropriation	2,057.89
Proposed Appropriations	
Transferred to statutory reserve	345.28
Proposed stock dividend	722.00
Proposed cash dividend	Nil
Retained earnings	659.14

Dividend

The Board of Directors in its meeting held on 24 February 2010 recommended 80 percent dividend (4:5 bonus share) for the year 2010. Moreover, the Company has been paying dividend consistently for many years. From historical data given in the five years data on page 25 of this Annual Report, there is a reasonable assurance as to the continuance of similar practices in future.



Forming separate subsidiary for merchant banking activities

Pursuant to the Securities and Exchange Commission order dated 21 December 2009 on Merchant Banker Registration, Merchant Banking Division of Prime Finance & Investment Limited has been converted into a separate subsidiary company in the name and style "Prime Finance Capital Management Limited". Prime Finance Capital

Management Limited has duly been incorporated with the Registrar of Joint Stock Companies & Firms (RJSC), Dhaka as a public limited company with an authorized share capital of BDT 2,500 (two thousand five hundred) million and an initial paid-up share capital of BDT 1,000 (one thousand) million with the approval from the Securities and Exchange Commission. Prime Finance Capital Management Limited has been accorded consent from the Securities and Exchange Commission as a full-fledged Merchant Bank bearing Certificate No.MB-50/2010, dated 29 November 2010. Existing Investors /Portfolio Accountholders of Merchant Banking Division of Prime Finance & Investment Limited shall be treated as Investors/Portfolio Accountholders of Prime Finance Capital Management Limited henceforth.

Annual General Meeting

The notice of the Fifteenth Annual General Meeting is given on page 213 to 214 of this Annual Report. A summary of the agenda is given below:

Ordinary Business

- ▶ Adoption of Directors' Report, Auditors Report and Audited Financial Statements;
- ▶ Declaration of dividend;
- ▶ Re-appointment of retiring Directors as per Articles 61;
- ▶ Appointment of Auditors.

Directors' Report - *continued*

Special Business

To increase in the Authorized share capital

There will be a proposal at the Annual General Meeting on increase of the Authorized Share Capital from its existing level of BDT 1,000 million to BDT 5,000 million. Accordingly, capital clauses V and 3(a) of the Memorandum and Articles of Association of the Company would be amended to this effect.

Observance of BAS, BFRS & applicable laws

The Directors have the responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable us to ensure that the financial statements comply with the Companies Act, 1994, the Financial Institutions Act, 1993, and the Securities and Exchange Rules, 1987. The Directors also confirm that the financial statements have been prepared in accordance with the Bangladesh Accounting Standards and other applicable rules and regulations. A separate report on Directors' Responsibilities as to the preparation of financial statement is set out on page 49 in this Annual Report.

Accounting policies and maintenance of books of accounts

The Directors consider that in preparing the Financial Statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and that all International Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) have been followed. In preparing financial statements, information has been obtained from the books of accounts, which have been maintained properly as required by the applicable rules and regulations.

Fairness of the accounts

As per Companies Act, 1994, it is the responsibility of the Directors to prepare financial statements for each year to be presented before the shareholders in the General Meeting. The financial statements and other financial information included in this report fairly present in all material respects, the financial conditions, results of operations, cash flows and changes in equity of the Company as of, and for, the year ended 31 December, 2010.

Internal control

The Board retaining ultimate responsibility for its operations, though has delegated the review of the effectiveness of the system of internal controls to the Audit Committee. Such a system however, is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material misstatement or loss and of the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate rules and regulations and best practices and the identification and management of business risk. The internal audit function reporting to the Audit Committee, operates independently of the other aspects of the company's management structure. It continually reviews the company's system of internal controls. Detailed implementation of the system of internal financial control throughout the company has been delegated to the Executive Management by the Board. These controls include financial controls that assist the Board in meeting its responsibilities for the integrity and accuracy of the company's accounting records. The Company's financial statements, prepared from these records, comply with the required laws and standards.

Directors' meeting & attendance

During the year ended 31 December 2010 a total ten meetings were held. During this year, all of the Directors serving on the Board attended is more than 71 percent of the aggregate of the total number of meetings of the Board of Directors. The attendance in the Board meetings by each Director is given in Annexure-I on page 114 of this Annual Report.

Directors' statement pursuant to the disclosure and transparency

The Directors confirm that to the best of each director's knowledge and belief:

- ▶ the financial statements, prepared in accordance with IAS and IFRS as adopted by ICAB, give a true and fair view of the assets, liabilities, financial position and results of the Company, and
- ▶ the management report contained in the operational and financial review includes a fair review of the development and performance of the business and the position of the company, together with a description of principal risks and uncertainties that may face.

Directors' responsibilities of preparation of Financial Statements

The Directors are responsible for preparing the Annual Report and Company's financial statements in accordance with applicable laws and regulations. The Board confirms that the Financial Statements have been prepared under the applicable laws and regulations and as per requirements of regulatory authorities. A statement of the Directors' responsibility in relation to financial statements has been given on page 116 of this Annual Report.

Corporate and Financial Reporting Framework

The Directors, in accordance with SEC's notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated 20 February 2006, confirm compliance with the financial reporting framework for the following:

- ▶ The financial statements prepared by the management of Prime Finance, present fairly its state of affairs, the results of its operations, cash flows and changes in equity;
- ▶ Proper books of accounts of the Company have been maintained;
- ▶ Appropriate accounting policies have been consistently applied, except for the changes disclosed in the financial statements in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- ▶ International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- ▶ The system of internal control is sound in design and has been effectively implemented and monitored; and
- ▶ There exists no significant doubts as to the Company's ability to continue as a going concern.

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

The Directors are required by the SEC's Notification dated 20 February, 2006 to report on the compliance of certain conditions. The notification was issued for the purpose of establishing a framework for ensuring good governance practices in the listed companies for the interest of the investors and the capital market. A statement on the compliance with the SEC's conditions is given on page 77 to 78 of this Annual Report.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review. The financial position of the Company, its cash flow, liquidity position, facilities and borrowing position are described in the business review and report on risk management provide further details on the Company's management of financial risks. The business review includes an analysis of the key risks facing the company and the company's approach to risk management. After reviewing the company's annual budget, liquidity requirements, plans and financing arrangement, the Directors are satisfied that the Company has adequate resources to continue to operate in the foreseeable future and confirm that the company is going concern. For this reason Directors continue to adopt the going concern basis in preparing these financial statements. A separate report on going concern has been set out on page 94 to 95 of this Annual Report.

Substantial shareholdings

SEC's Notification dated 20 February 2006 requires a listed company to disclose in the Directors' Report, the list of shareholders holding ten percent or more voting interest in the Company. None of the shareholders hold ten percent or above shares in Prime Finance. The shareholding status of all sponsors shareholders as on 31 December 2010 is given in Annexure-II, page 114 of this Report.

Pattern and distribution of shareholding

Shareholding patterns of the Company as at the end of the year 2010 is shown in Annexure-III, page 115 of this Annual Report. The distribution of shareholdings as required by the regulatory authorities is also given in Annexure-IV, on page 115 of this Annual Report.

Directors to retire and re-appointment

As per Article 67 of the Articles of Association of the Company, the following Directors will retire in the Fifteenth Annual General Meeting and being eligible offered themselves for re-appointment as per Article 69 of the Articles of Association of the Company:

- ▶ Mr. Md. Aminul Haque
- ▶ Mrs. Muslima Shirin
- ▶ Mr. Z. M. Kaiser
- ▶ Mr. Tauseef Iqbal Ali

Directors' Report - *continued*

Corporate responsibility

As one of the leading financial institutions, we acknowledge our responsibilities towards the society as a whole in which we live. We care for all stakeholders, ethical functioning, respect for employee's rights and welfare, respect for human beings, respect for environment and disseminate information on CSR policy. We are focused on offering a strong, safe and responsible service that contributes to the economic progress of society as a whole. We want to be seen as a company that is making a possible contribution to the society. We are committed to managing and reporting our operational impacts on the society and physical environments in which we operate and we are continually striving to improve and develop our corporate responsibility (CR) policies and performance. We realize that sustainable development is an ongoing journey. We are confident that we are well positioned and prepared to deliver against our responsibilities in the short, medium and long term. Thanks to a clear understanding of what we need to achieve and maintain our continuous improvement culture, our products and innovative program.

This promise will be kept by delivering on Prime Finance's responsibilities in a balanced way, to all our stakeholders – that is, customers, planners, shareholders, employees and the community in general. One of the key ways Prime Finance achieves this is by providing our customers with the financial advice, products and services they need to build and protect savings for the future.

Charitable donation

The company makes donations to charitable causes throughout the year but cannot respond positively to every request received. In order to prioritize our resources, we focus on requests which support the local community.

Political donation

During the year under review, Prime Finance did not make any donation to any political party.

Corporate governance

Prime Finance focuses on ethics, innovation and transparency. The establishment of well founded corporate governance within the company will continue to be important in order to ensure a

continuous profitable return to shareholders and a solid reputation amongst clients and partners. We strive to maintain full compliance with the laws, rules and regulations that govern our business. A detailed report on corporate governance has been set out on page 62 to 68 of this Annual Report. The main objective of Prime Finance's corporate governance is to develop a strong, sustainable and competitive company in the best interest of its shareholders, employees, business associates and society at large. The Board of Directors (The Board) and Management aim for a controlled and profitable development and long-term creation of growth through well-founded governance principles, operation procedures and risk management. Successful value added business is profoundly dependent upon transparency, internal and external confidence and trust. Prime Finance believes that this is achieved by developing a conspicuous reputation based on our financial performance, our business practices and our communication with the market, all founded on transparency and ethical standards.

Stakeholder engagement

On-going stakeholder dialogue is very important for a successful business, as it enables us to understand financial, social and environmental impacts. We strive to engage with wide range of stakeholders as well as interested parties. We seek to learn more from the experience of organizations and business in the community. We have identified our primary stakeholders as follows:

- » Shareholders
- » Clients
- » Employees
- » Business partners and lenders
- » Government and regulators
- » The communities in general

Employment policies

It is Company's policy that all persons should be considered for employment, training, career development and promotion on the basis of their abilities and aptitudes, regardless of age, gender, religion etc. Prime Finance applies employment policies, which ensure entry into and progression within the company and determined solely by application of job criteria and personal ability and competency.

Employee involvement

Working relationship at Prime Finance is based on trust and respect. The Executive Management team is accessible to all employees and the Managing Director holds regular briefings for all employees to discuss financial strategies and other issues affecting the Company and its performance. These briefings are supplemented by team meetings held by managers of different departments and communication via internal mail. The Company strives for equal opportunities for all present and potential employees, and its employment practices meet all international standard practices in particular those relating to non-discrimination, irrespective of race, religion, sex etc. The Company aims to provide a safe working environment. The Company has introduced different annual health related policies like Annual health checkup, maternity benefits, hospitalization policies, death benefit and disability benefits.

Environment

As our business is predominantly in services, our impact on the environment is relatively low and indirect. However, we recognize that we have a responsibility to limit those effects generated, if any, through our business. We always adhere to the best practices in environmental matters such as our premises, equipments and use and disposal of effluent. Prime Finance is committed to comply with environmental legislations and minimize the impact of its activities on the environment.

Business ethics

Prime Finance has a reputation for delivering innovation, performance and solutions. The key element to our long-term success is something less tangible and less easily illustrated with figures. These are integrity and honesty in our business dealings, a factor that contributes to our long-term relationships with clients. All of our employees are expected to behave ethically in their work, and our expectations to them are set out in ethical principles. The objective of the policy is to make Prime Finance a good Company to work for; to maintain our reputation for exceptional client service and ethical business dealings, to compete ethically and to ensure that the business is managed to a high standard consistently. The ethical principles are given on page 10 to 11 of this Annual Report.

Contribution to the National exchequer and the economy

Prime Finance always upholds its responsibilities to the development of the society and the country as a whole. During the year 2010, the company contributed a total amount of BDT 20.89 million to the Government exchequer as income tax. The Company also contributes by supporting a broad range of causes through donation and sponsorship. We encourage our employees to participate in social and charitable programs. A detailed report on the contribution to national economy has been given on page 57 of the Annual Report.

Audit information

The Directors who held office at the date of this Director's Report confirm that:

- ▶ So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- ▶ The Directors have taken all the steps that they themselves ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the company's Auditors are aware of that information.

Auditors

The Financial Institutions Act, 1993 stipulated that an Auditor of a Financial Institution cannot be appointed for more than three consecutive years. M/s Howladar Yunus & Co., Chartered Accountants has completed their third year of audit and hence not eligible for re-appointment. Section 210(10) of the Companies Act, 1994 also gives authority to shareholders of the Company to fix the Auditor's remuneration. The Board in its meeting held on 24 February 2011 recommended the shareholders to appoint A. Qasem & Co., Chartered Accountants of Gulshan Pink City, Suites # 01-03, Level:7, Plot #15, Road #103, Gulshan Avenue, Dhaka-1212 at a remuneration of Tk. 200,000 Plus VAT.

Future outlook

Prime Finance is making progress on embedding sustainability into business. We realize we have a long way to go and will continue to build our programme in the year ahead. Market conditions for our industry are

Notes to the Financial Statements - *continued*

as challenging and volatile as we have seen in recent times. We have a strong capital position and we have accumulated a good size of quality portfolio and diversity in our revenue and earning streams. Our presence in the market is growing steadily and we have improved our presence in all areas of operations. We have professionals with profound managerial talents and perhaps most importantly, we have a hard earned reputation as one of the top service providers in our industry. We are convinced of our ability to continue to thrive in all areas of our business backed by more than a decade of experience and driven by the ambition to continue reaching new heights in performance. Building on our strength, we are confident that the company will be able to present better results before our shareholders in the years ahead.

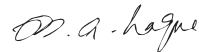
Acknowledgement

I take this opportunity to thank my Board colleagues for their continued support and contributions in moving the Company to the right direction. I, of course, thank all the staff of the Company on whom we

depend for our success. The members of the Board also thanks Bangladesh Bank, Securities and Exchange Commission, Dhaka and Chittagong Stock Exchanges, Central Depository Bangladesh Limited, lenders and depositors who were the partners in the growth of your company. We also look forward to continued support from them.

Last but not the least, I wish to thank our customers and shareholders for their continued support and trust placed in us.

On behalf of the Board,



Md. Aminul Haque
Chairman
Dhaka, 24 February 2011

Annexure - I**Directors' Meeting & Attendance**

Name of the Directors	Nominated by	Total Meetings	Meeting Attended	(%)	Change during 2010
Mr. Md. Aminul Haque	Acorn Limited	10	10	100	Continuing
Mr. Mohammed Kafiluddin	Pedrollo Nk. Limited	10	3	30	Continuing
Mrs. Muslima Shirin	Mawsons Limited	10	10	100	Continuing
Mr. Z.M. Kaiser	Maksons (Bd) Ltd.	10	10	100	Continuing
Mr. M. N. H. Bulu	Abeeco Industries Ltd.	10	1	10	Continuing
Mr. M. Shahadat Hossain Kiron	Agami Apparels Ltd.	10	6	60	Continuing
Mr. K. M. Khaled	Khaled Textile Mills Ltd.	10	3	30	Continuing
Mr. Tauseef Iqbal Ali	Self	10	10	100	Continuing
Mr. Md. Azizur Rahman	GQ Enterprise Ltd.	1	0	0	Vacated on 28 Jan 2010
Mr. Md. Aliuzzaman	Self	10	10	100	Continuing
Dr. M. Mosharraf Hossain	Self	10	7	70	Continuing
Professor Salma Rahman	Self	10	8	80	Continuing

Annexure - II**Shareholdings of Sponsor Shareholders**

Name of Sponsor Shareholders	% of Shareholding
Pedrollo Nk. Limited	9.80
Acorn Limited	9.13
Khaled Textile Mills Ltd.	9.69
East Coast Shipping Lines Limited	8.94
GQ Enterprise Limited	8.50
Agami Apparels Ltd.	8.46
Maksons (Bd) Ltd.	7.83
Mawsons Limited	3.32
Mr. Tauseef Iqbal Ali	1.79
Professor Salma Rahman	1.03
Abeeco Industries Ltd.	0.44
Mr. Md. Aliuzzaman	0.31
Total	69.24

Directors' Report - *continued***Annexure - III****Pattern of Shareholdings**

Shareholders/Directors/Executives	No. of shares held	Percentage
Acorn Limited	8,240,880	9.13
Pedrollo Nk. Limited	8,852,180	9.80
Mawsons Limited	3,003,040	3.32
Maksons (Bd) Ltd.	7,066,970	7.83
Agami Apparels Ltd.	7,635,130	8.46
Khaled Textile Mills Ltd.	8,740,880	9.69
Mr. Tauseef Iqbal Ali	1,615,570	1.79
Professor Salma Rahman	932,760	1.03
East Coast Shipping Lines Limited	8,071,210	8.94
GQ Enterprise Limited	7,679,280	8.50
Abeeco Industries Ltd.	389,760	0.44
Mr. Md. Aliuzzaman	281,160	0.31
Dr. M. Mosharraf Hossain	Nil	-
Mr. Md. Ahsan Kabir Khan , Managing Director (CC)	Nil	-
Mr. Md. Mizanur Rahman, CFO	Nil	-
Mr. Tauhidul Ashraf, Company Secretary	Nil	-
Mr. Mohammad Shahidul Islam, Head of Internal Control & Compliance	Nil	-

Other top five Senior Executives

Mr. Md. Rezaul Haque	Nil
Mr. Mahbubul Hoque	Nil
Mr. Md. Nur Nobil	Nil
Ms. Gazi Nilufar Yeasmin	Nil
Ms. Gulshan Ara Hafiz	Nil

Shareholders Holding 10% or more voting right

Shareholders holding ten percent (10%) or more voting interest in the Company	Nil
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Annexure - IV**Range of Shareholdings**

The distribution schedule of shareholdings as on 31 December 2010 was as under:

Shareholding range	No. of shareholders	No. of shares	% of total
1 to 500	12,254	2,203,610	2.43
501 to 5,000	3,391	4,900,060	5.43
5,001 to 10,000	184	1,378,200	1.53
10001 to 20,000	131	1,950,080	2.16
20,001 to 30,000	46	1,121,990	1.24
30,001 to 40,000	22	756,000	0.84
40,001 to 50,000	22	988,230	1.10
50,001 to 100,000	29	2,198,280	2.44
100,001 to 1,000,000	40	10,313,960	11.43
1,000,001	11	64,439,750	71.40
Total	16,130	90,250,160	100

Statement on Directors' Responsibility

The Companies Act, 1994, requires the Directors to prepare the financial statements for presentation before the shareholder in each Annual General Meeting.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act, 1994, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), Securities and Exchange Rules 1987 and the Listing Regulations of the Dhaka and Chittagong Stock Exchanges.

The financial statements are required by law and International Accounting Standards to present fairly the financial position of the Company and the performance for the period. In preparing financial statements, the Directors are required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ ensure that the financial statements have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the ICAB;
- ▶ prepare the financial statements on going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act, 1994. Under applicable laws and regulations, the Directors are also responsible for preparing a Directors' Report that comply with that laws and regulations.

In compliance with the requirements of the SEC's Notification, the Directors are also required to declare certain matters in their report which inter alia include as under:

- ▶ that the financial statements and other information included in the Annual Report fairly present in all material respects, the state of affairs of the Company;
- ▶ that in preparing the financial statements, information has been obtained from the books of accounts, which have been maintained properly as required by the law;
- ▶ that in preparation of financial statements, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments;
- ▶ the Directors have the responsibility for ensuring that the financial statements have been prepared in observance of Bangladesh Accounting Standards, Bangladesh Financial Reporting Standards, the Companies Act, 1994, the Securities and Exchange Rules, 1987 and all other applicable rules and regulations;
- ▶ the Directors have the general responsibility for taking such measures as is reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
- ▶ it is the responsibility of the Directors to conduct appropriate enquires and analysis of financial reporting and other relevant indicators which give reasonable assurance as to the Company's ability to continue as going concern;
- ▶ to give a report on significant deviation in operating results from last year;
- ▶ to present key operating and financial data for at least last three years.

The Directors confirm that the Directors' Report includes the report on above matters and further confirm that the Annual Report together with the Financial Statements have been prepared in compliance with the laws, rules and regulatory guidelines.



Howladar Yunus & Co.

CHARTERED ACCOUNTANTS
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Auditors' Report to the Shareholders of Prime Finance & Investment Limited

We have audited the accompanying consolidated financial statements of Prime Finance & Investment Limited and its subsidiary which comprise the balance sheet as at 31 December 2010 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, 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.

Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 Financial Statements along with notes thereon prepared in accordance with Bangladesh Financial Reporting Standards, give a true and fair view of the state of the company's affairs as of December 31, 2010 and of the results of its operations and its cash flows for the year then ended and comply with the Financial Institutions Act 1993, the Companies Act 1994, the Securities and Exchange Rules 1987, the rules and regulations issued by Bangladesh Bank, and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of 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 balance sheet and profit and loss account dealt with by the report are in agreement with the books of accounts;
- d) the financial statements have been drawn up in conformity with the rules and regulations issued by Bangladesh Bank to the extent applicable to the Company;
- e) the expenditure incurred and payments made were for the purpose of the company's business;
- f) adequate provisions have been made for advances, which are in our opinion, doubtful of recovery;
- g) the company has complied with the relevant laws pertaining to reserves and maintenance of liquid assets;
- h) the information and explanations required by us have been received and found satisfactory; and
- i) 80 percent of the risk-weighted assets have been reviewed spending over 1,200 hours.

Howladar Yunus & Co.

Howladar Yunus & Co.
Chartered Accountants
Dhaka
07 March 2011

Consolidated Balance Sheet

as at 31 December

(Figures in BDT)	Notes	2010	2009
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)		15,000	15,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		37,200,011	24,166,677
Total Cash	4	37,215,011	24,181,677
Balance with other banks and financial institutions			
In Bangladesh		715,956,397	297,795,284
Outside Bangladesh		-	-
Total Balance with other banks and financial institutions	5.a	715,956,397	297,795,284
Money at call and on short notice			-
Investments			
Government		-	-
Others		1,257,130,031	1,468,498,294
Total Investments	6	1,257,130,031	1,468,498,294
Loans, advances and leases			
Loans, advances and leases etc.		8,720,700,063	7,236,967,249
Bills purchased and discounted		-	-
Total Loans, advances and leases	7	8,720,700,063	7,236,967,249
Fixed assets including premises, furniture and fixtures	8	323,617,525	321,631,072
Other assets	9.a	1,857,327,845	1,024,106,939
Non - business assets		-	-
Total assets		12,911,946,872	10,373,180,515
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions & agents	10	3,645,457,340	2,726,810,593
Deposits and other accounts			
Current and other accounts		-	-
Bills payable		-	-
Savings account		-	-
Term deposits		3,760,306,212	4,632,592,827
Bearer certificates of deposit		-	-
Other deposits		-	-
Total Deposits and other accounts	11	3,760,306,212	4,632,592,827
Other liabilities	12.a	1,612,598,871	1,187,387,118
Total liabilities		9,018,362,423	8,546,790,538

Consolidated Balance Sheet - *continued*

(Figures in BDT)	Notes	2010	2009
Capital/shareholders' equity			
Paid up capital	13	902,501,600	644,644,000
Statutory reserve	14	651,297,442	306,013,615
Other reserve		-	-
Retained earnings	15.a	1,715,745,762	653,788,612
Minority interest	15.b	402,095,895	-
Revaluation reserve	9.1.1	221,943,750	221,943,750
Total shareholders' equity		3,893,584,449	1,826,389,977
Total liabilities and shareholders' equity		12,911,946,872	10,373,180,515

OFF-BALANCE SHEET ITEMS**Contingent liabilities**

Acceptances and endorsements		-	-
Letters of guarantee	34	150,000,000	200,000,000
Irrevocable letters of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
Total contingent liabilities		150,000,000	200,000,000

Other commitments

Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total other commitments		-	-
Total off-Balance Sheet items including contingent liabilities		150,000,000	200,000,000

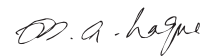
The annexed notes 01 to 56 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 24 February 2011 and were signed on its behalf by:



Tauhidul Ashraf FCS
Company Secretary



Md. Ahsan Kabir Khan
Managing Director (Current Charge)



Md. Aminul Haque
Chairman

Signed in terms of our separate report of even date annexed

Dhaka,
07 March 2011



Howladar Yunus & Co.
Chartered Accountants

Consolidated Profit and Loss Account

for the year ended 31 December

(Figures in BDT)	Notes	2010	2009
Interest income	17	1,183,739,208	641,870,651
Interest paid on deposits, borrowings, etc.	18	(809,412,618)	(519,124,076)
Net interest income		374,326,590	122,746,575
Investment income	19	1,239,660,058	480,157,330
Fees, commission, exchange and brokerage	20	296,330,559	106,176,857
Other operating income	21.a	355,069,874	197,158,586
		1,891,060,491	783,492,773
Total operating income (A)		2,265,387,081	906,239,348
Salaries and other employee benefits	22.a	86,402,898	63,436,704
Rent, taxes, insurance, electricity etc.	23	6,747,441	5,769,824
Legal expenses		830,208	298,235
Postage, stamp, telecommunication etc.	24	28,209,889	14,258,012
Stationery, printing, advertisements etc.	25	6,196,180	3,469,196
Managing Director's salary and fees		7,023,779	7,052,850
Directors' fees	26	513,000	680,000
Auditors' fees	27.a	208,150	146,300
Charges on loan losses		-	-
Depreciation and repair of assets	28	9,097,637	9,022,156
Other expenses	29.a	19,942,253	10,558,865
Total operating expenses (B)		165,171,435	114,692,142
Profit before provision (C=A-B)		2,100,215,646	791,547,206
Provision for loans, advances and leases	12.1		
General provision		70,756,724	25,728,409
Specific provision		44,298,586	98,705,237
Provision for diminution in value of investments	12.2.1	(5,055,310)	(43,521,075)
Other provisions		-	-
Total provision (D)		110,000,000	80,912,571
Profit before tax (C-D)		1,990,215,646	710,634,635
Provision for tax	12.4	260,652,669	27,500,000
Current	12.4.a	280,152,669	27,500,000
Deferred		(19,500,000)	-
Net profit after tax		1,729,562,977	683,134,635

Consolidated Profit and Loss Account - *continued*

(Figures in BDT)	Notes	2010	2009
Appropriations			
Statutory reserve		345,283,827	136,626,927
General reserve		-	-
Proposed cash dividend		-	64,464,400
Proposed stock dividend		722,001,280	257,857,600
Retained surplus		662,277,870	224,185,708
Earnings per share (restated)	33.a	19.16	7.57
Weighted average no. of outstanding shares		90,250,160	90,250,160

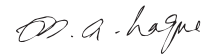
The annexed notes 01 to 56 form an integral part of these financial statements. These financial statements were approved by the Board of Directors on 24 February 2011 and were signed on its behalf by:



Tauhidul Ashraf FCS
Company Secretary



Md. Ahsan Kabir Khan
Managing Director (Current Charge)



Md. Aminul Haque
Chairman

Signed in terms of our separate report of even date annexed



Howladar Yunus & Co.
Chartered Accountants

Dhaka,
07 March 2011

Consolidated Cash Flow Statement

for the year ended 31 December

(Figures in BDT)	Notes	2010	2009
A. OPERATING ACTIVITIES			
Interest receipts		878,619,526	588,033,218
Interest payments		(775,533,030)	(491,570,839)
Fees and commissions receipts		296,330,559	106,176,857
Dividend receipts		15,435,717	14,275,481
Capital gain from sale of listed shares		1,224,224,341	465,881,849
Cash payments to employees		(75,893,680)	(57,707,408)
Cash payment to suppliers and management expenses		(69,972,742)	(45,072,879)
Income tax paid		(21,821,092)	(43,099,511)
Receipts from other operating activities	31	708,768,765	111,285,154
Payments for other operating activities	32	(1,743,174)	(930,883)
Cash generated before changes in Operating assets and liabilities		2,178,415,190	647,271,039
Increase/(decrease) in operating assets and liabilities			
Net Loans and advances to customers		(1,487,018,409)	(3,256,867,327)
Loans and deposits from banks and other customers		(611,132,130)	3,488,150,276
Cash generated from operating assets and liabilities		(2,098,150,539)	231,282,949
Net cash generated from operating activities		80,264,651	878,553,988
B) INVESTMENT ACTIVITIES			
Acquisition of property, plant and equipment		(9,605,257)	(313,409,930)
Disposal of fixed assets		-	2,777,700
Advance for Purchase of Vehicles		-	(5,834,571)
Sale of securities		1,470,854,894	1,168,888,246
Investment in securities		(1,368,269,361)	(1,686,399,049)
Investment in Prime Finance 1st Mutual Fund		-	-
Investment in Prime Finance AMCL		(22,050,000)	-
Investment in PFI Securities Ltd.		(120,000,480)	(75,000,300)
Investment in Prime Finance Capital Management Ltd.		(600,000,000)	-
Investment in Prime Properties Ltd		-	(20,000,000)
Investment in Prime Prudential Fund Ltd.		-	(8,000,000)
Net cash used in investing activities		(649,070,204)	(936,977,904)
C) FINANCING ACTIVITIES			
Dividend paid		-	-
Issuance of shares		1,000,000,000	-
Net cash used in financing activities		1,000,000,000	-
D) Net increase in cash and cash equivalents (A+ B + C)		431,194,447	(58,423,916)
E) Effects of exchange rate changes on cash and cash equivalents		-	-
F) Cash and cash equivalents at beginning of the year		321,976,961	380,400,877
G) Cash and cash equivalents at end of the year (D+E+F)		753,171,408	321,976,961
Cash and cash equivalents at end of the year represents			
Cash in hand (including foreign currencies)		15,000	15,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		37,200,011	24,166,677
Balance with other banks and financial institutions		715,956,397	297,795,284
		753,171,408	321,976,961
Supplemental schedule for non-cash financing activities:			
Bonus shares issued		257,857,600	184,184,000

Consolidated Statement of Changes in Equity

for the year ended 31 December

(Figures in BDT)

Particulars	Paid up capital	Statutory reserve	Other reserve	Retained earnings	Minority interest	Total
Balance as at 1 January 2010	644,644,000	306,013,615	221,943,750	653,788,612	-	1,826,389,977
Net profit for the year 2010	-	-	-	1,729,562,977	-	1,729,562,977
Minority interest	-	-	-	-	402,095,895	402,095,895
Transfer to statutory reserve	-	345,283,827	-	(345,283,827)	-	-
Issuance of bonus shares (year 2009)	257,857,600	-	-	(257,857,600)	-	-
Payment of cash dividend (year 2009)	-	-	-	(64,464,400)	-	(64,464,400)
Revaluation of PFI Securities Ltd (note:9.1.1)	-	-	-	-	-	-
Balance as at 31 December 2010	902,501,600	651,297,442	221,943,750	1,715,745,762	402,095,895	3,893,584,449
Balance as at 1 January 2009	460,460,000	169,386,688	-	291,464,904	-	921,311,592
Net profit for the year 2009	-	-	-	683,134,635	-	683,134,635
Transfer to statutory reserve	-	136,626,927	-	(136,626,927)	-	-
Issuance of bonus shares (year 2008)	184,184,000	-	-	(184,184,000)	-	-
Revaluation of PFI Securities Ltd (note:9.1.1)	-	-	221,943,750	-	-	221,943,750
Balance as at 31 December 2009	644,644,000	306,013,615	221,943,750	653,788,612	-	1,826,389,977

Balance Sheet

as at 31 December

(Figures in BDT)	Notes	2010	2009
PROPERTY AND ASSETS			
Cash			
In hand (including foreign currencies)		15,000	15,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		37,200,011	24,166,677
Total Cash	4	37,215,011	24,181,677
Balance with other banks and financial institutions			
In Bangladesh		405,768,755	297,795,284
Outside Bangladesh		-	-
Total Balance with other banks and financial institutions	5	405,768,755	297,795,284
Money at call and on short notice		-	-
Investments			
Government		-	-
Others		1,257,130,031	1,468,498,294
Total Investments	6	1,257,130,031	1,468,498,294
Loans, advances and leases			
Loans, advances and leases etc.		8,720,700,063	7,236,967,249
Bills purchased and discounted		-	-
Total Loans, advances and leases	7	8,720,700,063	7,236,967,249
Fixed assets including premises, furniture and fixtures	8	323,617,525	321,631,072
Other assets	9	2,456,394,681	1,024,106,939
Non - business assets		-	-
Total assets		13,200,826,066	10,373,180,515
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	3,645,457,340	2,726,810,593
Deposits and other accounts			
Current and other accounts		-	-
Bills payable		-	-
Savings account		-	-
Term deposits		3,760,306,212	4,632,592,827
Bearer certificates of deposit		-	-
Other deposits		-	-
Total Deposits and other accounts	11	3,760,306,212	4,632,592,827
Other liabilities	12	2,306,717,803	1,187,387,118
Total liabilities		9,712,481,355	8,546,790,538

Balance Sheet - *continued*

(Figures in BDT)	Notes	2010	2009
Capital/shareholders' equity			
Paid up capital	13	902,501,600	644,644,000
Statutory reserve	14	651,297,442	306,013,615
Other reserve		-	-
Retained earnings	15	1,712,601,919	653,788,612
Revaluation reserve	9.1.1	221,943,750	221,943,750
Total shareholders' equity		3,488,344,711	1,826,389,977
Total liabilities and shareholders' equity		13,200,826,066	10,373,180,515

OFF-BALANCE SHEET ITEMS**Contingent liabilities**

Acceptances and endorsements		-	-
Letters of guarantee	34	150,000,000	200,000,000
Irrevocable letters of credit		-	-
Bills for collection		-	-
Other contingent liabilities		-	-
Total contingent liabilities		150,000,000	200,000,000

Other commitments

Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total other commitments		-	-

Total off-Balance Sheet items including contingent liabilities **150,000,000** **200,000,000**

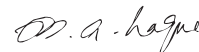
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Tauhidul Ashraf FCS
Company Secretary



Md. Ahsan Kabir Khan
Managing Director (Current Charge)



Md. Aminul Haque
Chairman

Signed in terms of our separate report of even date annexed

Dhaka,
07 March 2011



Howladar Yunus & Co.
Chartered Accountants

Profit and Loss Account

for the year ended 31 December

(Figures in BDT)	Notes	2010	2009
Interest income	17	1,183,739,208	641,870,651
Interest paid on deposits, borrowings, etc.	18	(809,412,618)	(519,124,076)
Net interest income		374,326,590	122,746,575
Investment income	19	1,239,660,058	480,157,330
Fees, commission, exchange and brokerage	20	296,330,559	106,176,857
Other operating income	21	349,470,891	197,158,586
		1,885,461,508	783,492,773
Total operating income (A)		2,259,788,098	906,239,348
Salaries and other employee benefits	22	86,317,698	63,436,704
Rent, taxes, insurance, electricity etc.	23	6,747,441	5,769,824
Legal expenses		830,208	298,235
Postage, stamp, telecommunication etc.	24	28,209,889	14,258,012
Stationery, printing, advertisements etc.	25	6,196,180	3,469,196
Managing Director's salary and fees		7,023,779	7,052,850
Directors' fees	26	513,000	680,000
Auditors' fees	27	201,250	146,300
Charges on loan losses		-	-
Depreciation and repair of assets	28	9,097,637	9,022,156
Other expenses	29	18,817,519	10,558,865
Total operating expenses (B)		163,954,601	114,692,142
Profit before provision (C=A-B)	16	2,095,833,497	791,547,206
Provision for loans, advances and leases	12.1		
General provision		70,756,724	25,728,409
Specific provision		44,298,586	98,705,237
Provision for diminution in value of investments	12.2.1	(5,055,310)	(43,521,075)
Other provisions		-	-
Total provision (D)		110,000,000	80,912,571
Profit before tax (C-D)		1,985,833,497	710,634,635
Provision for tax	12.4	259,414,363	27,500,000
Current		278,914,363	27,500,000
Deferred		(19,500,000)	-
Net profit after tax		1,726,419,134	683,134,635

Profit and Loss Account - *continued*

(Figures in BDT)	Notes	2010	2009
Appropriations			
Statutory reserve		345,283,827	136,626,927
General reserve		-	-
Proposed cash dividend		-	64,464,400
Proposed stock dividend		722,001,280	257,857,600
Retained surplus		659,134,027	224,185,708
Earnings per share (restated)	33	19.13	7.57
Weighted average no. of outstanding shares		90,250,160	90,250,160

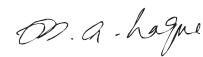
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Tauhidul Ashraf FCS
Company Secretary



Md. Ahsan Kabir Khan
Managing Director (Current Charge)



Md. Aminul Haque
Chairman

Signed in terms of our separate report of even date annexed

Dhaka,
07 March 2011



Howladar Yunus & Co.
Chartered Accountants

Profit and Loss Account

(Merchant Banking Operation)

for the year ended 31 December

(Figures in BDT)	Notes	2010	2009
Fees, commission, exchange and brokerage	20	295,729,411	102,986,865
Income from margin loan	17	459,900,048	196,980,764
Other operating income	21	396,000	380,000
Total operating income (A)		756,025,459	300,347,629
Interest paid on borrowings	18	338,255,224	147,642,914
Management expenses	30	40,257,035	24,206,574
Provision for margin loan		7,557,092	22,292,615
Total operating expenses (B)		386,069,351	194,142,103
Profit from Merchant Banking operation (A-B)		369,956,108	106,205,526

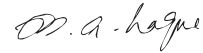
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Md. Ahsan Kabir Khan
Managing Director (Current Charge)



Md. Aminul Haque
Chairman

Signed in terms of our separate report of even date annexed

Dhaka,
07 March 2011



Howladar Yunus & Co.
Chartered Accountants

Cash Flow Statement

for the year ended 31 December

(Figures in BDT)	Notes	2010	2009
A. OPERATING ACTIVITIES			
Interest receipts		869,287,887	588,033,218
Interest payments		(775,522,197)	(491,570,839)
Fees and commissions receipts		296,330,559	106,176,857
Dividend receipts		15,435,717	14,275,481
Capital gain from sale of listed shares		1,224,224,341	465,881,849
Cash payments to employees		(75,893,680)	(57,707,408)
Cash payment to suppliers and management expenses		(69,972,742)	(45,072,879)
Income tax paid		(20,887,928)	(43,099,511)
Receipts from other operating activities	31	708,768,765	111,285,154
Payments for other operating activities	32	(1,743,174)	(930,883)
Cash generated before changes in operating assets and liabilities		2,170,027,548	647,271,039
Increase/(decrease) in operating assets and liabilities			
Net Loans and advances to customers		(1,487,018,409)	(3,256,867,327)
Loans and deposits from banks and other customers		87,067,870	3,488,150,276
Cash generated from operating assets and liabilities		(1,399,950,539)	231,282,949
Net cash generated from operating activities		770,077,009	878,553,988
B) INVESTMENT ACTIVITIES			
Acquisition of property, plant and equipment		(9,605,257)	(313,409,930)
Disposal of fixed assets		-	2,777,700
Advance for Purchase of Vehicles		-	(5,834,571)
Sale of securities		1,470,854,894	1,168,888,246
Investment in securities		(1,368,269,361)	(1,686,399,049)
Investment in Prime Finance 1st Mutual Fund		-	-
Investment in Prime Finance AMCL		(22,050,000)	-
Investment in PFI Securities Ltd.		(120,000,480)	(75,000,300)
Investment in Prime Finance Capital Management Ltd.		(600,000,000)	-
Investment in Prime Properties Ltd		-	(20,000,000)
Investment in Prime Prudential Fund Ltd.		-	(8,000,000)
Net cash used in investing activities		(649,070,204)	(936,977,904)
C) FINANCING ACTIVITIES			
Dividend paid		-	-
Issuance of shares		-	-
Net cash used in financing activities		-	-
D) Net increase in cash and cash equivalents (A+ B + C)		121,006,805	(58,423,916)
E) Effects of exchange rate changes on cash and cash equivalents		-	-
F) Cash and cash equivalents at beginning of the year		321,976,961	380,400,877
G) Cash and cash equivalents at end of the year (D+E+F)		442,983,766	321,976,961
Cash and cash equivalents at end of the year represents			
Cash in hand (including foreign currencies)		15,000	15,000
Balance with Bangladesh Bank and its agent bank (including foreign currencies)		37,200,011	24,166,677
Balance with other banks and financial institutions		405,768,755	297,795,284
		442,983,766	321,976,961
Supplemental schedule for non-cash financing activities:			
Bonus shares issued		257,857,600	184,184,000

Statement of Changes in Equity

for the year ended 31 December

(Figures in BDT)

Particulars	Paid up capital	Statutory reserve	Other reserve	Retained earnings	Total
Balance as at 1 January 2010	644,644,000	306,013,615	221,943,750	653,788,612	1,826,389,977
Net profit for the year 2010	-	-	-	1,726,419,134	1,726,419,134
Transfer to statutory reserve	-	345,283,827	-	(345,283,827)	-
Issuance of bonus shares (year 2009)	257,857,600	-	-	(257,857,600)	-
Payment of cash dividend (year 2009)	-	-	-	(64,464,400)	(64,464,400)
Revaluation of PFI Securities Ltd (note:9.1.1)	-	-	-	-	-
Balance as at 31 December 2010	902,501,600	651,297,442	221,943,750	1,712,601,919	3,488,344,711
Balance as at 1 January 2009	460,460,000	169,386,688	-	291,464,904	921,311,592
Net profit for the year 2009	-	-	-	683,134,635	683,134,635
Transfer to statutory reserve	-	136,626,927	-	(136,626,927)	-
Issuance of bonus shares (year 2008)	184,184,000	-	-	(184,184,000)	-
Revaluation of PFI Securities Ltd (note:9.1.1)	-	-	221,943,750	-	221,943,750
Balance as at 31 December 2009	644,644,000	306,013,615	221,943,750	653,788,612	1,826,389,977

Liquidity Statement (Assets and Liabilities maturity analysis)

as at 31 December

Particulars	Up to 1 month	1-3 month	3-12 month	1-5 years	Above 5 years	Total
Assets						
Cash	37,215,011	-	-	-	-	37,215,011
Balance with other banks and financial institutions	78,673,318	220,000,000	100,000,000	7,095,437	-	405,768,755
Money at call and on short notice	-	-	-	-	-	-
Investments	146,901,917	195,869,222	130,977,472	778,964,720	4,416,700	1,257,130,031
Loans, advances and leases	1,638,877,224	1,520,467,615	2,156,981,166	3,356,818,562	47,555,496	8,720,700,063
Fixed assets including premises, furniture and fixtures	494,231	988,461	4,448,076	23,723,070	293,963,687	323,617,525
Other assets	813,182,196	-	-	-	1,643,212,485	2,456,394,681
Non banking assets	-	-	-	-	-	-
Total assets (A)	2,715,343,897	1,937,325,298	2,392,406,714	4,166,601,789	1,989,148,368	13,200,826,066
Liabilities						
Borrowings from other banks, financial institutions and agents	747,933,965	441,569,288	580,441,348	1,855,746,080	19,766,659	3,645,457,340
Deposits	702,311,578	1,393,848,716	1,131,403,286	527,258,132	5,484,500	3,760,306,212
Provision and other liabilities	555,442,467	10,042,042	83,542,042	1,657,691,252	-	2,306,717,803
Total liabilities (B)	2,005,688,010	1,845,460,046	1,795,386,676	4,040,695,464	25,251,159	9,712,481,355
Net liquidity gap (A - B)	709,655,887	91,865,252	597,020,038	125,906,325	1,963,897,209	3,488,344,711

Notes to the Financial Statements

for the year ended 31 December 2010

1. GENERAL INFORMATION

1.1 Domicile, legal form and country of incorporation

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

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

1.2 Principal activities

The activities of the Company encompass a wide range of services, broadly classified as fee based and fund based activities and brokerage services. The company also offers different deposit schemes as well.

Fee based activities

Fee based activities include managing IPOs, underwriting of securities, portfolio management, corporate financial services.

Fund based services

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

Depository Custody Participant

Prime Finance & Investment Limited registered with the Securities and Exchange Commission to act as Custody Participant of Central Depository of Bangladesh Limited (CDBL). Under this license, Prime Finance is eligible to provide its clients the following services by maintaining and operating custody accounts:

- ❖ Safe keeping of securities of its clients;

- ❖ Collecting dividends, bonus shares etc. on behalf of its clients and depositing the same to their accounts;
- ❖ Collecting information of corporate declarations like rights issue, conversion of bond etc. and updating the accountholders;
- ❖ Maintaining ledger and other documents of securities and fund of the accountholders.
- ❖ Prime Finance can operate Clearing Accounts of stockbrokers or stock dealers also.

Deposit schemes

The company offers various deposit schemes to cater the deposit from the valued customers. Deposit schemes include Housing Deposit, Fortune Deposit, Double Income Deposit, and Periodical Income Deposit.

1.3 Information regarding subsidiary & associated companies

As on 31 December 2010 Prime Finance has only one subsidiary to include for preparation of consolidated financial statements as per Bangladesh Accounting Standard: 27 'Consolidated and Separate Financial Statements'. However, as on 31 December 2010 Prime Finance has 4 (four) associated companies. The results of operations of the associates have been included in these financial statements following the equity method as per Bangladesh Accounting Standard: 28 'Investment in associates'. A brief description of the companies are described as follows:

1.3.1 Prime Finance Capital Management Limited

Prime Finance Capital Management Limited, a subsidiary company of Prime Finance is a public limited company incorporated on 18 March 2010 in Bangladesh under the Companies Act 1994. The main objectives of the company are to carry on business of merchant banking. Prime Finance holds 60 percent shares in the company. Out of 9 (nine) directors 3(three) directors have been nominated from Prime Finance.

1.3.2 PFI Securities Limited

Prime Finance provides share trading services through its 50% owned associated brokerage company - PFI Securities Limited. PFI Securities Limited is engaged in buying and selling of securities for its customers. It also extends

Notes to the Financial Statements - *continued*

margin loan to its customers against their margin for investment in the listed securities. The required margin level is monitored daily and pursuant to established guidelines, customers are required to deposit additional margin to reduce the position, where necessary. As Prime Finance owns 50% of the voting shares of PFI Securities Limited and does not otherwise have the control, it is not a subsidiary.

Out of 12 (twelve) directors 03 (three) directors have been nominated by Prime Finance to represent in the Board of the company.

1.3.3 Prime Finance Asset Management Company Ltd.

Prime Finance Asset Management Company Limited was incorporated in Bangladesh on 9 June 2008 as a public limited company incorporated under the Companies Act 1994. The objective of the company is to manage the assets of any Trust or Fund of any type and/or character and hold, acquire, sell or deal in such asset or any trust funds, take part in the management of any mutual fund operation. Operate, conduct, accomplish and establish services for industrial trading and commercial activities, invest funds in shares and securities, carry on business, and act as financial and monetary agent and merchandise shares and other securities. The company has received license from the Securities & Exchange Commission on 18 March 2009.

Prime Finance owns 49% shares in the company. Out of 09 no. of directors 01 director has been nominated by Prime Finance to represent in the Board of the company.

1.3.4 Prime Prudential Fund Limited

Prime Prudential Fund Limited is a public limited company incorporated on 16 July 2009 in Bangladesh under the Companies Act 1994. The main objectives of the company are to manage funds of the company and its investors and provide other financial services including corporate advisory services, merger & acquisition, equity investment, joint venture sourcing and consummation, corporate restructuring, financial and socio-economic consultancy, corporate research and project studies, privatization and other related services in home and abroad. Prime Finance owns 40 percent shares in the company. Out of 07 (seven) no. of directors 01 (one) director has been nominated by Prime Finance to represent in the Board of the company.

1.3.5 PFI Properties Limited

PFI Properties Limited is a public limited company incorporated on 28 June 2009 in Bangladesh under the Companies Act 1994. The main objectives of the company are to acquire by purchase, lease, settlement or otherwise any land either from government, semi-government, autonomous body, any corporate body or from any private individual, firms, companies and corporations and to develop the same for the residential, industrial, commercial or housing purpose. Prime Finance owns 40 percent shares in the company. Out of 10 (ten) directors 03 (three) directors have been nominated by Prime Finance to represent in the Board.

2. BASIS OF PREPARATION

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

In the year 2009, Bangladesh Bank promulgated DFIM circular no. 11 dated 23 December 2009 suggesting uniform presentation and disclosure requirement within the industry. As a result, we compromised with the usual presentation of the financial statements.

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

2.1 Accounting estimates

Preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual result could differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of the accounting estimates are recognized in the period in which the estimates are revised.

Significant areas requiring the use of Management estimates in these financial statements relate to the useful life of depreciable assets and provisions for loans/leases. However, assumptions and judgments made by Management in the application of accounting policies that have significant effect on the financial statements are not expected the result in material adjustment to the carrying amounts of assets and liabilities in the next year.

2.2 Risk and uncertainty for use of estimates

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

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

- ❖ When the company has an obligation as a result of past events;
- ❖ When it is provable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

- ❖ Reliable estimate can be made of the amount of the obligation.

2.3 Statement of compliance

The financial statements of Prime Finance include the Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Liquidity Statement and Notes to the Financial Statements. These financial statements are required to be prepared and presented within a framework of rules and guidelines - some mandatory and some recommendatory. The Companies Act, 1994 requires the production of the following as a part of the annual report:

- ❖ Board of Directors' report
- ❖ Auditors' report
- ❖ Balance sheet and
- ❖ Profit and loss account

In addition to the above, the Securities and Exchange Rules, 1987 (as amended in 1997) requires the production of a Cash Flow Statement and Statement of Changes in Shareholders' Equity as a part of the Annual Report. The Companies Act, 1994 provides basic requirements for accounting and reporting applicable to all companies incorporated in Bangladesh. The Securities and Exchange Commission (SEC) of Bangladesh regulates financial reporting practices of listed companies. Listed companies are required to comply with SEC's accounting and disclosure requirements. The Rules 1987 as amended in 1997, requires listed companies to follow Bangladesh Accounting Standards (BAS)/Bangladesh Financial Reporting Standards (BFRS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB).

These financial statements have been prepared and presented in accordance with the approved accounting and reporting standards as applicable in Bangladesh. Approved accounting standards comprise of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the Institute of Chartered Accountants of Bangladesh. As of 31 December 2010 status and applicability of Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS) in the case of Prime Finance are as under:

Notes to the Financial Statements - *continued*

SL No.	BAS/BFRS	Applicability	Remarks
	Framework	Applied	
BAS 1	Presentation of Financial Statements (2008)	Applied	See Note 54
BAS 2	Inventories	N/A	
BAS 7	Cash Flow Statements	Applied	
BAS 8	Accounting Policies, Changes in Accounting Estimates & Errors	Applied	
BAS 10	Events after the Reporting Period	Applied	
BAS 11	Construction Contracts	N/A	
BAS 12	Income Taxes	Applied	
BAS 14	Segment Reporting	Applied	
BAS 16	Property, Plant and Equipment	Applied	
BAS 17	Leases	Applied	
BAS 18	Revenue	Applied	
BAS 19	Employee Benefits	Applied	
BAS 20	Accounting for Government Grants and Disclosure of Government Assistance	N/A	
BAS 21	The Effects of Changes in Foreign Exchange Rates	Applied	
BAS 23	Borrowing Costs (2008)	Applied	
BAS 24	Related Party Disclosures	Applied	
BAS 26	Accounting and Reporting by Retirement Benefit Plans	Applied	
BAS 27	Consolidated and Separate Financial Statements	N/A	
BAS 28	Investments in Associates	Applied	
BAS 31	Interests in Joint Venture	N/A	
BAS 32	Financial Instruments: Presentation	Applied	See Note 55
BAS 33	Earnings Per Share	Applied	
BAS 34	Interim Financial Reporting	Applied	
BAS 36	Impairment of Assets	Applied	
BAS 37	Provisions, Contingent Liabilities and Contingent Assets	Applied	
BAS 38	Intangible Assets	Applied	
BAS 39	Financial Instruments: Recognition and Measurement	Applied	See Note 55
BAS 40	Investment Property	N/A	
BAS 41	Agriculture	N/A	
BFRS 1	First Time Adoption of BFRS	N/A	
BFRS 2	Share Based Payment	N/A	
BFRS 3	Business Combination	N/A	
BFRS 4	Insurance Contracts	N/A	
BFRS 5	Non-current Assets Held for Sale & Discontinued Operations	N/A	
BFRS 6	Exploration for and Evaluation of Mineral Resources	N/A	
BFRS 7	Financial Instruments: Disclosures	Applied	See Note 55
BFRS 8	Operating Segments	N/A	

2.4 Consistency

In accordance with the BFRS framework for the presentation of financial statements together with BAS 1 and BAS 8, Prime Finance applies the accounting disclosure principles consistently from one period to the next. Where selecting and applying new accounting policies, changes in accounting policies applied, correction of errors, the amounts involved are accounted for and disclosed retrospectively in accordance with the requirement of BAS-8. We however have applied the same accounting and valuation principles in 2010 as in financial statements for 2009.

2.5 Segments

A segment is a distinguishable component of the company that engaged in providing different types of products and services, which is subject to requirement by local regulatory authority. The Securities & Exchange Commission of Bangladesh requires preparation of separate financials for Merchant Banking unit. Company's primary reporting segment is business division, which corresponds with the way the operating businesses are organized and managed within the Company.

The Company has two reportable segments on the date of the reporting namely, Merchant Banking Operations and Financing Operations. Merchant banking operations include managing IPOs, underwriting of securities, management of investors portfolio and other financial advisory services. Operating results of merchant banking operation have been presented separately as well as consolidated with that of the results of income from financing operations.

2.6 Basis of consolidation of operations of subsidiaries

The financial statements of the company and its subsidiaries have been consolidated in accordance with Bangladesh Accounting Standard 27 "Consolidated and Separate Financial Statements". The consolidation of the financial statement has been made after eliminating all material intra group balances, income and expenses arising from intra-group transactions.

The total profits of the company and its subsidiaries are shown in the consolidated profit and loss account with the proportion of profit after taxation pertaining to minority shareholders being deducted as 'Minority Interest'. All assets and liabilities of the company

and of its subsidiaries are shown in the consolidated balance sheet. The interest of minority shareholders of the subsidiaries are shown separately in the consolidated balance sheet under the heading 'Minority Interest'.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Lease Operations

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

Prime Finance as a lessor

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

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

Prime Finance as a Lessee

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

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

3.2 Term Finance and other finance

Such investments are stated at un-amortized amount. The recovery of principal amount is

Notes to the Financial Statements - *continued*

amortised and the carrying amount is adjusted with the principal recovery and stated at unamortized principal amount.

Investments are classified as non-accrual when there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Whenever a payment is 3 months past due, investments are classified as non-accrual even if they are fully secured and collection efforts are reasonably expected to result in repayment within 150 days.

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

3.3 Margin loan

Prime Finance extends margin loan to the portfolio investors at an agreed ratio (between investors deposit and loan amount) of purchased securities against the respective investor account. The investors are to maintain the margin as per set rules and regulations. The margin is monitored on daily basis as it changes due to change in market price of shares. If the margin falls below the minimum requirement, the investors are required to deposit additional fund to maintain the margin as per rules otherwise the securities are sold to bring the margin to the required level.

3.4 Investments in subsidiary and associates

An 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 has been prepared for subsidiary investment as per Bangladesh Accounting Standards: 1 'Consolidated and Separate Financial Statements'. Interest of the minority shown as minority interest as separate line item of the shareholders equity which includes share capital of minority portion as well as profit earned that goes to the minority.

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

investment in associates is accounted for in the Financial Statements using the Equity Method in accordance with BAS 28: 'Accounting for investment in associates'. Such investments are classified as other assets in the balance sheet and the share of profit/loss of such investment is classified under other operating income in the profit and loss account.

Recognition of income on the basis of distributions received from associate may not be an adequate measure of the income earned by the Company on an investment in an associate because the distributions received may bear little relation to the performance of the associate. Because of the Company has significant influence over the associates; the Company has an interest in the associate's performance and, as a result the return of investment. The Company's accounts for this interest by extending the scope of its Financial Statements to include its share of profit/loss of such an associate. As a result, application of the equity methods provides more informative reporting of the net assets and profit or loss of the investor.

3.5 Investment in securities

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

Investment in listed securities:

Investments in listed securities are carried at cost. Adequate provision has been made considering each individual investment (where cost is less than market price) as guided by Bangladesh Bank. Unrealized gain or loss are not recognized in the profit and loss account.

Investment in unlisted securities:

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

3.6 Receivables

Accounts receivables

The main item included rentals/installments due from the clients but not received. No such receivables are accounted for if the loans are classified as bad and loss. Receivables carry interest for the periods for which the delay continues in payments of the amounts due from the clients continues. Such interest is not recognized as income until it is received in cash.

Receivables from clients are stated at their nominal value.

Other receivables

Others receivables includes mainly receivable from brokerage houses against sale of securities, accrued IDCP and interest receivable. These receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

3.7 Cash and cash equivalents

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

3.8 Liquidity statement

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

- a) Balance with other banks and financial institutions, money at call and short notice, etc. are on the basis of their maturity term.
- b) Investments are on the basis of their respective maturity.
- c) Loans, advances and leases are on the basis of their repayment schedule.
- d) Fixed assets are on the basis of their useful lives.
- e) Other assets are on the basis of their realization/amortization.
- f) Borrowings from other banks, financial institutions and agents are as per their maturity/repayment terms.
- g) Deposits and other accounts are on the basis of their maturity term and past trend of withdrawal by the depositors.
- h) Provisions and other liabilities are on the basis of their payment / adjustments schedule.

3.9 Fixed assets including premises, furniture and fixtures

Freehold assets

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

Bangladesh Accounting Standards (BAS)-16: Property, Plant and Equipment. The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties and non-refundable taxes if any.

Pre-operating expenses and borrowing costs

In respect of major projects involving construction, related pre-operational expenses form part of the value of assets capitalised. Expenses capitalised also include applicable borrowing cost considering the requirement of BAS 23: Borrowing Costs.

Subsequent expenditure

The company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable, that the future economic benefits embodied with the item will flow to the company and the cost of the item can be measured reliably. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance is normally charged off as revenue expenditure in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of the fixed assets, the expenditure is capitalized as an additional cost of the assets. All other costs are recognized to the profit and loss account as expenses. All up-gradation/enhancement are generally charged off as revenue expenditure unless they bring similar significant additional benefits.

Disposal of fixed assets including premises, furniture and fixtures

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

Depreciation on fixed assets including premises, furniture and fixtures

Depreciation of an asset begins when the asset is available for use. Depreciation is provided for the period in use of the assets. Full month's depreciation has been charged on additions irrespective of date when the related assets are put into use and no depreciation is charged for

Notes to the Financial Statements - *continued*

the month of disposal. Depreciation is provided at the following rates on straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets:

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

3.10 Intangible asset**Components**

The main item included in intangible asset is software.

Basis of recognition

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

Subsequent expenditure

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

Amortization

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

3.11 Merchant Bank operation

As stipulated in the Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules, 1996, the services of issue management, portfolio management, underwriting of shares and securities and advisory services fall under the purview of Merchant Banking operation. Accordingly, profit and loss account of Merchant Banking operation includes income under the heads stated above. The Company maintains separate books of accounts for its Merchant Banking Operation as required by the Securities and Exchange Commission.

3.12 Bank loans

Interest bearing bank loans are recorded at the proceeds received. Interest on bank loans is accounted for on an accrued basis to profit and

loss account under the head of financial expense at the implicit rate of interest. The accrued expenses are not added to carrying amounts of the loans.

3.13 Borrowing costs

All borrowing costs are recognized in the profit or loss account in the period in which they are incurred.

3.14 Accrued expenses and other payables

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

3.15 Provisions

Provisions are recognized when Prime Finance has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

3.16 Provision for doubtful losses

The provision for doubtful losses is maintained at a level that management considers adequate to absorb identified credit related losses in the portfolio as well as losses that have been incurred but are not yet identifiable.

The provision is increased by the provision for doubtful losses, which is charged to profit and loss account, and decreased by the amount of write-offs, net of reverses.

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

The provision is estimated based on two principles: 1. Bangladesh Accounting Standards (BAS) 37: Provisions, contingent liabilities and contingent assets, and 2. Bangladesh Bank guidelines. Methodology for measuring the appropriate level of the provision relies on several key elements, which include both quantitative and qualitative factors as set forth in the Bangladesh Bank guidelines. FID circular 08 dated August 03, 2002 and subsequent updation by Bangladesh Bank in this regard is the basis for calculating the provision for doubtful losses.

3.17 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

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

b. Deferred tax

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

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

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

3.18 Employees benefit plans

Prime Finance offers a number of benefit plans which includes contributory provident fund, gratuity plan, pension scheme, death and disability plan, hospitalization benefit including annual health check-up and maternity benefit.

a. Contributory provident fund

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

contribution from the Company and the employees. This fund is invested separately from the Company's assets.

b. Gratuity scheme

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

c. Funded pension scheme

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

d. Hospitalization and other benefit plans

In addition to the above core benefit schemes Prime Finance also offers hospitalization benefit, annual health check up benefit and death & disability benefit. Prime Finance as part of its key strategy offers attractive bonus considering the pre tax profits, earnings per share and the return on average shareholders equity.

Prime Finance contributes funds to the plans and cost is accounted for in the period to which it relates. An Actuarial valuation has been performed to determine the present value of the accrued benefits. Actuarial report support that provision made against above-mentioned funds is adequate.

e. Employee home loan

To secure long-term commitment of deserving employees Prime Finance introduced 'PFI Employees Home Loan Policy 2008'. An employee served the company for continuous period of at least five years (3 years for the employees started from the position of AVP and above) is entitled to avail loan to purchase residential apartment, purchase of land and construction of house thereon etc. Interest rate of the loan is bank rate plus 1.5 percent.

Notes to the Financial Statements - *continued***f. Employee transport assistance scheme**

Prime Finance provides car as well as car loan facility to the employee as per Transport Assistance Policy. Company provides full time car to the employees from the position of Senior Vice President. Employees in the position of Assistance Vice President and Vice President are entitled to avail interest free car loan facility. In addition to above facility the company provides pick and drop facility to the other employees.

g. Employee furniture and household assistance scheme

Prime Finance provides all confirmed employees ranking from Assistant Vice President up to Managing Director furnitures and household items. The facility is interest free and will be for a period of five years. An executive must serve for three years after availing this facility or he/she must surrender the un-amortized amount to the company.

h. Management of funds

The Board of Trustees administers the funds. Annual contribution to the gratuity and pension fund is based on expected cost to the company.

3.19 Interest suspense account

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

3.20 Revenue recognition

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

a. Lease income

The excess of gross lease rentals receivable over the cost of the leased assets constitutes the total unearned income at the commencement of the execution of lease. This income is allocated over the period of lease that reflects a constant periodic return on the net investment. The pattern of the periodic return is, however, differs in case of structured lease finance depending on the structure of the particular

lease contract. Income is recognized when it is earned, i.e. income on due installments on unclassified leases irrespective of whether received or not. Income is not taken into profit and loss account when a lease is classified as SMA and above and kept in interest suspense account. Interest on classified lease is accounted for on cash basis.

b. Income from term finance

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

c. Income from stock on hire

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

d. Income from real estate finance

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

e. Income from margin loan

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

f. Income from secured term finance

Income from secured term finance is recognized on accrual basis.

g. Dividend income

Dividend on ordinary shares

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

Dividend on preference shares

Dividend from preference shares is recognized on cash basis.

h. Share of Income from associates & subsidiary

As per BAS 28, equity method has been followed to recognize share of income from associates and is presented as a separate item in the Profit & Loss Account of the Company. Any distribution received from the associate reduces the carrying amount of investment. However, Consolidated Financial Statements has been prepared for the subsidiary.

i. Fee based income

Fee based income is recognized on cash basis.

j. Gain on sale of securities

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

3.21 Payment of dividend

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

The proposed cash dividend not recognize as a liability in the balance sheet in accordance with the BAS 10: Events After the Balance Sheet date. Dividend payable to the Company's shareholders are recognized as a liability and deducted from shareholders equity in the period in which the shareholders right to receive payment is established.

BAS 1: Presentation of Financial Statements, also requires the dividend proposed after the balance sheet date but before the financial statements are authorized for issue, be disclosed in the notes to the financial statements. Accordingly, the Company has disclosed the same in the notes to the financial statements.

3.22 Impairment of assets

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

Any impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

3.23 Related party transactions

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

3.24 Statutory reserve

Financial Institutions Regulations 1994 requires NBFIs to transfer 20% of its current year's profit to reserve fund until such reserve equals to its paid up share capital. In conformity with the above requirement, Prime Finance & Investment Limited transfers 20% of net profit to statutory reserve before declaration of dividend.

3.25 Guarantee, commitments and contingencies

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

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

3.26 Litigation

The Company is not a party to any lawsuits except those arising in the normal course of business, which were filed against the default clients for non-performance in loans/leases repayment and against various level of tax authority regarding some disputed tax issues.

Notes to the Financial Statements - *continued*

The Company, however, provides adequate provisions as per guidelines of BAS 37.

3.27 Earnings per share

The Company calculates Earnings Per Share (EPS) in accordance with BAS 33: Earnings Per Share, which has been shown on the face of Profit & Loss Account.

a. Basic earnings per share

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

b. Diluted earnings per share

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

Effect of dilution to weighted average number of ordinary shares is given for potential ordinary shares. At 31 December 2010, there was no scope for dilution and hence no diluted EPS is required to be calculated.

c. Weighted average number of ordinary shares outstanding during the year

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

3.28 Uniform accounting policies

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

3.29 Disclosure of deviations from few requirements of BAS/BFRS due to mandatory compliance of Bangladesh Bank's requirements

Bangladesh Bank is the prime regulatory body for all non-banking financial institutions in Bangladesh. Some requirements of Bangladesh Bank contradict with those of BAS/BFRS. As such the company has departed from those contradictory requirements of BAS/BFRS in order to comply with the rules and regulations of Bangladesh Bank, which are disclosed in note no. 54 and 55 of these financial statements.

4. CASH

This is made up as under:

Cash in hand:

(Figures in BDT)	2010	2009
Local currency	15,000	15,000
Foreign currencies	-	-
Total	15,000	15,000

Balance with Bangladesh Bank and its agent bank:

Local currency	37,200,011	24,166,677
Foreign currencies	-	-
Total	37,200,011	24,166,677
Total	37,215,011	24,181,677

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

Cash Reserve Requirement and Statutory Liquidity Ratio have been calculated and maintained in accordance with FID circular no. 6 dated 6 November 2003.

Notes to the Financial Statements - *continued*

4.1.1 Cash Reserve Requirement (CRR):

(Figures in BDT)	2010	2009
2.5% of total term deposit		
Required reserve	36,084,000	22,772,266
Actual reserve held (note - 4.1.3)	37,200,011	24,166,677
Surplus/(deficit)	1,116,011	1,394,411

4.1.2 Statutory Liquidity Reserve (SLR):

5% of average liabilities		
Required reserve	208,139,000	147,173,341
Actual reserve held (note - 4.1.4)	446,023,677	321,976,961
Surplus/(deficit)	237,884,677	174,803,620

4.1.3 Held for Cash Reserve Requirement (CRR):

Balance with Bangladesh Bank and its agent bank(s) as per statement	37,200,011	24,166,677
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4.1.4 Held for Statutory Liquidity Ratio (SLR) :

Cash in hand	15,000	15,000
Balance with Bangladesh Bank and its agent bank(s) as per statement	37,200,011	24,166,677
Balance with other banks and financial institutions	405,768,755	297,795,284
Total	442,983,766	321,976,961

4.1.5 Cash in hand

Cash in hand represents the amount under imprest system of petty cash to meet petty cash expenses both for head office and branch offices. Under this system each office maintains imprest of Tk. 5,000. As per Bangladesh Bank guidelines, NBFIs cannot make any cash transaction except petty cash.

4.1.6 Balance with Bangladesh Bank & its agent bank

Deposit with Bangladesh Bank is non-interest bearing and maintained to meet the Cash Reserve Requirement (CRR). As required by Bangladesh Bank, CRR @ 2.5% is required to maintain with Bangladesh Bank current account on all deposits taken from depositors other than Banks and Financial Institutions. On 31 December 2010 there is no shortage in CRR.

5. BALANCE WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

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

(Figures in BDT)	2010	2009
Fixed Deposit Account		
First Security Islami Bank Limited	100,000,000	100,000,000
Social Islami Bank Limited	100,000,000	100,000,000
LankaBangla Finance Limited	90,000,000	90,000,000
Phoenix Finance & Investment Limited	7,095,437	7,095,437
Dhaka Bank Limited	10,000,000	5,000,000
Bank Alfalah Limited	-	5,000,000
Southeast Bank Limited	20,000,000	-
Total	327,095,437	307,095,437
Current Account		
Dhaka Bank Limited	901	901
First Security Islami Bank Limited	620	3,040,571
Islami Bank Bangladesh Limited	2,428	2,643
Total	3,949	3,044,115

Notes to the Financial Statements - *continued***Short Term Deposit**

Bank Asia Limited	-	3,500
BRAC Bank Limited	27,593	27,768
Dhaka Bank Limited	6,925	8,919
Dutch Bangla Bank Limited	938,432	500,567
EXIM Bank Limited	6,559	7,510
ICB Islami Bank Limited	29,769	29,889
Jamuna Bank Limited	(2,088,496)	384,651
Mercantile Bank Limited	137,057	134,606
Mutual Trust Bank Limited	433,694	418,338
National Credit & Commerce Bank Limited	1,548,270	1,090,298
One Bank Limited	21,848	21,848
Premier Bank Limited	140,238	136,782
Prime Bank Limited	9,044,898	8,241,147
Shahajalal Islami Bank Limited	59,608,726	(23,573,853)
Social Islami Bank Limited	3,956	5,000
Southeast Bank Limited	8,727,449	136,928
Standard Bank Limited	11,132	12,123
The City Bank Limited	55,133	52,973
Trust Bank Limited	16,186	16,738
	78,669,369	(12,344,268)
Total	405,768,755	297,795,284

Fixed deposits are maintained with commercial banks and non-bank financial institutions for maintaining Statutory Liquidity Reserve as required by Bangladesh Bank. Bangladesh Bank regulations require to

maintain Statutory Liquidity Reserve (SLR) @ 5% including the CRR of 2.5% on total liabilities, excluding loans from banks and financial institutions. Prime Finance maintains this reserve mostly in the form of deposits.

(Figures in BDT)	2010	2009
Maturity wise grouping		
Up to 1 month	78,673,318	90,699,847
1 month to 3 months	220,000,000	5,000,000
3 months to 1 year	100,000,000	195,000,000
1 year to 5 years	7,095,437	7,095,437
More than 5 years	-	-
Total	405,768,755	297,795,284

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

(Figures in BDT)	2010	2009
Prime Finance & Investment Limited	405,768,755	297,795,284
Prime Finance Capital Management Limited	310,187,642	-
Balance as on 31 December	715,956,397	297,795,284

6. INVESTMENTS

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

(Figures in BDT)	2010	2009
Government securities	-	-
Other investments (note 6.1)	1,257,130,031	1,468,498,294
Total	1,257,130,031	1,468,498,294

6.1 Other investments

(Figures in BDT)			2010	2009
Ordinary share	No of Company	Market Value	Cost	Cost
Listed securities	95	2,639,696,519	1,200,905,031	1,452,498,294
Unlisted securities	1	4,416,700	4,416,700	1,000,000
Unit Fund	1	30,000,000	30,000,000	-
Preference Share	3	21,808,300	21,808,300	15,000,000
Balance at 31 December	100	2,695,921,519	1,257,130,031	1,468,498,294

Listed Securities

Investments have been recorded at cost and adequate provision for probable future losses as per Bangladesh Bank guidelines has been made. Market value of securities has been

determined on the basis of the value of securities at the last trading date of the year (Last trading date for 2010 was 30 December).

Sector wise investment in listed securities at cost

(Figures in BDT)	2010	2009
Banking companies	221,407,106	659,611,661
Non Banking Financial Institutions	81,232,296	144,879,046
Insurance companies	189,995,483	264,807,229
Investment companies	294,187,504	20,651,528
Fuel & power	206,059,324	266,590,687
Manufacturing companies and others	264,248,318	95,958,143
Total investment at 31 December	1,257,130,031	1,452,498,294

Maturity wise grouping

Up to 1 month	146,901,917	183,998,629
1 month to 3 months	195,869,222	1,049,777,207
3 months to 1 year	130,977,472	172,722,458
1 year to 5 years	778,964,720	61,000,000
More than 5 years	4,416,700	1,000,000
Total	1,257,130,031	1,468,498,294

Notes to the Financial Statements - *continued***Unrealized gain on investment in listed securities**

At 31 December 2010, there was Tk. 1,438.79 million of gross unrealized gain on investment in listed security. This gain was not recognized as income in the financial statements (See note 55).

Investment in Prime Finance First Mutual Fund

Prime Finance sponsored to Prime Finance First Mutual Fund by investing Tk. 40 million out of total fund of Tk. 200 million in the year 2008. Accordingly, it was considered as an associate of Prime Finance in the year 2008. However, due to disposal of shares, the investment in Prime Finance First Mutual Fund is no more an associate of Prime Finance. As on the reporting

date Prime Finance holds only 1,274,500 shares representing 6.37 percent of the total fund.

Unlisted Securities

Investment in unlisted share includes ordinary shares of Tk. 10 million in Central Depository Bangladesh Limited. The unlisted investments are shown at cost because the fair value cannot be measured reliably.

Preference shares

Investment in preference shares includes investment in the preference shares of Confidence Salt Limited, Peoples Leasing and Financial Services Limited and Summit Power.

7. LOANS, ADVANCES AND LEASES

This represents loans, advances and leases financed fully in Bangladesh.

(Figures in BDT)	2010	2009
Lease finance (note 7.1)	1,339,525,803	1,623,101,749
Advance against lease finance (note 7.2)	58,584,203	78,822,210
Term finance (note 7.3)	4,198,313,791	3,137,451,762
Margin loan (note 7.4)	2,910,729,240	2,209,370,632
Real estate finance (note 7.5)	138,807,764	118,847,109
Housing finance (note 7.6)	3,935,852	-
Loan against deposits (note 7.7)	1,886,078	1,696,006
Hire purchase finance (note 7.8)	11,297,522	11,136,337
Staff loan (note 7.9)	57,619,810	56,541,444
Total	8,720,700,063	7,236,967,249

7.1 Lease finance

(Figures in BDT)	2010	2009
Principal outstanding (note 7.1.1)	1,162,562,223	1,499,574,606
Accounts receivable	176,963,580	123,527,143
Total	1,339,525,803	1,623,101,749

7.1.1 Principal outstanding

(Figures in BDT)	2010	2009
Gross rental receivables	1,391,262,141	1,968,777,935
Unearned lease income	(228,699,918)	(469,203,329)
Net investment	1,162,562,223	1,499,574,606

Notes to the Financial Statements - *continued*

Movement of lease finance as on 31 December 2010 and 2009 are as under:(Figures in BDT)

Cost of lease assets (A)	2010	2009
Balance at 1 January	2,586,598,921	2,456,375,531
Addition during the year	111,450,571	631,940,362
Disposal during the year	(366,362,317)	(501,716,972)
Balance at 31 December	2,331,687,175	2,586,598,921
Accumulated depreciation (B)		
Balance at 1 January	1,087,024,315	1,041,740,483
Addition during the year	480,224,730	380,435,638
Adjustment due to disposal	(398,124,093)	(335,151,806)
Balance at 31 December	1,169,124,952	1,087,024,315
Written down value of lease assets (A-B) at 31 December	1,162,562,223	1,499,574,606

7.2 Advance against lease finance

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

7.3 Term finance

(Figures in BDT)	2010	2009
Principal outstanding	4,131,288,877	3,010,739,784
Accounts receivable	67,024,914	126,711,978
Total	4,198,313,791	3,137,451,762

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

Movement of term finance (Principal outstanding) as on 31 December 2010 and 2009 are as under:

(Figures in BDT)	2010	2009
Balance at 1 January	3,010,739,784	1,491,665,143
Investment during the year	1,826,000,000	2,078,976,299
Recovery during the year	(705,450,907)	(559,901,658)
Balance at 31 December	4,131,288,877	3,010,739,784

7.4 Margin loan

This represents net disbursement of margin loan to the portfolio investors for purchasing shares listed in the stock exchange against their margin. Loans are fully secured by way of lien on shares purchased under margin loan account. This is made up as under:

(Figures in BDT)	2010	2009
Gross margin loan to the investors	2,984,970,698	2,229,261,479
Margin deposit	(74,241,458)	(19,890,847)
Net margin loan	2,910,729,240	2,209,370,632

Movements of margin loan as on 31 December 2010 and 2009 are as under:

(Figures in BDT)	2010	2009
Balance at 1 January	2,209,370,632	642,115,517
Investment during the year	26,236,693,456	7,908,839,412
Recovery during the year	(25,535,334,848)	(6,341,584,297)
Balance at 31 December	2,910,729,240	2,209,370,632

Notes to the Financial Statements - *continued***7.5 Real estate finance**

This represents disbursement made to the real estate developers usually for a period not exceeding 24 months. Details are as under:

(Figures in BDT)	2010	2009
Principal outstanding	138,674,110	118,328,294
Accounts receivable	133,654	518,815
Total	138,807,764	118,847,109

Real estate finance includes Tk. 18.00 million as advance to be executed on later date as per terms of agreement.

Movement of real estate finance (principal outstanding) as on 31 December 2010 and 2009 are as under:

(Figures in BDT)	2010	2009
Balance at 1 January	118,328,294	82,500,000
Investment during the year	56,000,000	38,000,000
Recovery/adjustment during the year	(35,520,530)	(2,171,706)
Balance at 31 December	138,807,764	118,328,294

7.6 Housing finance

This represents disbursement made against Bangladesh Bank Housing refinancing scheme. The usual term of the finance is matched with the facilities provided by the Bangladesh Bank. Details are as under:

(Figures in BDT)	2010	2009
Principal outstanding	3,935,852	-
Accounts receivable	-	-
Total	3,935,852	-

Movement of finance (principal outstanding) as on 31 December 2010 and 2009 are as under:

(Figures in BDT)	2010	2009
Balance at 1 January	-	-
Investment during the year	4,000,000	-
Recovery/adjustment during the year	(64,148)	-
Balance at 31 December	3,935,852	-

7.7 Loan against deposits

This represents outstanding loans given to depositors against term deposits. As per company's policy, Prime Finance finances to depositors up to 80% of TDR value. Interest is

charged on such loan @ 2% above the interest offered on TDR.

Movement of loan against term deposit as on 31 December 2010 and 2009 are as under:

(Figures in BDT)	2010	2009
Balance at 1 January	1,696,006	12,040,120
Investment during the year	10,815,000	11,339,700
Recovery/adjustment during the year	(10,624,928)	(21,683,814)
Balance at 31 December	1,886,078	1,696,006

7.8 Hire purchase finance

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

(Figures in BDT)	2010	2009
Principal outstanding	9,530,122	10,426,937
Account receivable	1,767,400	709,400
Total	11,297,522	11,136,337

Movement of hire purchase finance (principal outstanding) as on 31 December 2010 and 2009 are as under:

(Figures in BDT)	2010	2009
Balance at 1 January	10,426,937	9,411,577
Investment during the year	-	-
Adjustment/Recovery during the year	870,585	1,015,360
Balance at 31 December	11,297,522	10,426,937

7.9 Staff loan

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

(Figures in BDT)	2010	2009
Employees home loan	53,780,610	54,113,844
Employees car loan	3,839,200	2,427,600
Balance at 31 December	57,619,810	56,541,444

7.10 Classification wise loans, advances and leases

(Figures in BDT)	2010	2009
Unclassified :		
Standard	7,844,592,095	6,463,844,002
Special Mention Account	332,740,043	263,333,867
	8,177,332,138	6,727,177,869
Classified :		
Sub-standard	27,240,268	100,537,924
Doubtful	88,443,679	172,630,572
Bad/loss	427,683,978	236,620,884
	543,367,925	509,789,380
Total	8,720,700,063	7,236,967,249

7.11 Geographical location wise loans, advances and leases

(Figures in BDT)	2010	2009
Dhaka Division	8,085,290,428	6,715,979,590
Chittagong Division	635,409,635	520,987,659
Total	8,720,700,063	7,236,967,249

Notes to the Financial Statements - *continued***7.12 Sector wise loans, advances and leases**

(Figures in BDT)	2010	2009
Sector		
Agriculture	16,307,084	21,172,091
Chemical & Pharmaceuticals	84,016,381	83,713,162
Construction & Engineering	507,738,877	444,382,804
Dyeing Finishing & Accessories	530,512,748	489,761,016
Employee Loan	57,619,810	56,541,444
Food & Beverage	183,154,284	157,888,572
Fuel & Power	267,593,992	91,386,503
Margin Loan	2,910,729,240	2,209,370,632
Other Manufacturing	526,573,152	454,971,200
Printing, Packaging & Publishing	54,921,308	76,288,028
Real Estate & Housing	165,690,119	120,614,241
Service & Entertainment	978,078,793	1,188,627,382
Spinning , Weaving & Knitting	488,067,206	462,703,939
Trading	1,592,445,372	996,320,755
Transport	357,251,697	383,225,480
Total	8,720,700,063	7,236,967,249

7.13 Significant concentration wise loans, advances and leases

(Figures in BDT)	2010	2009
Loans, advances and leases to-		
Directors and their concerns	356,809,938	598,777,211
Chief executive and other senior executives	57,619,810	56,541,444
Customer groups	8,306,270,315	6,581,648,594
Total	8,720,700,063	7,236,967,249

7.14 Details of large loans, advances and leases

As per Section 14 (1) (ga) of the Financial Institutions Act 1993 a financial institution can not sanction any loan exceeding 30 percent of its capital (capital plus reserve) without permission from Bangladesh Bank. During the year 2010 Prime Finance has no such loan.

	2010	2009
Amount of outstanding loans, advances and leases	-	-
Amount of classified loans, advances and leases	-	-
Measures taken for recovery	n/a	n/a

7.15 Particulars of loans, advances and leases

Sl No	Particulars	2010	(Figures in BDT) 2009
I.	Loans considered good in respect of which the company is fully secured	5,556,233,309	4,093,018,028
II.	Loans considered good against which the company holds no other security than the debtors' personal guarantee	2,350,320,933	2,736,751,876

Notes to the Financial Statements - *continued*

III. Loans considered good secured by the personal undertakings of one or more parties in addition to the personal guarantee of the debtor	814,145,821	407,197,345
IV. Loans/leases adversely classified; provision not maintained there-against	-	-
Total	8,720,700,063	7,236,967,249
V. Loans due by directors or officers of the company or any of them either severally or jointly with any other persons	414,429,748	655,318,655
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	356,809,938	598,777,211
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	414,429,748	655,318,655
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	356,809,938	598,777,211
IX. Due from banking companies/financial institutions	-	-
X. Classified loan for which interest not charged	543,367,924	509,789,380
A. Increase/decrease of provision (specific)	44,298,586	22,792,666
Amount of debts written off	-	108,586,361
Amount realized against the debts previously written off	15,766,738	-
B. Provision kept against the debt classified as bad/loss at the date of balance sheet	427,683,977	236,620,884
C. Amount of interest creditable to the interest suspense account	125,223,141	96,391,725
XI. Cumulative amount of the written off loans/leases:		
Opening balance	207,263,639	98,677,268
Amount written off during the year	-	108,586,361
Cumulative to date	191,496,891	207,263,629
The amount of written off loans for which law suit filed	191,896,891	207,263,629

7.16 Particulars of required provision for loans, advances and leases

Required provision has been made on the overdue as per Bangladesh Bank guidelines. As per guidelines, provisions at the following rates have been made in the accounts depending on the overdue status.

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

Notes to the Financial Statements - *continued*

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

Required provision according to classification status is mentioned below:

(Figures in BDT)	2010		2009	
Unclassified - General provision	Base for provision	Rate	Provision	Provision
Standard	7,918,833,553	1%	79,188,336	64,638,440
Special Mention Account (SMA)	332,740,043	5%	16,637,002	13,166,693
			95,825,338	77,805,133
Classified - Specific provision				
Sub-standard	16,978,350	20%	3,395,670	12,881,922
Doubtful	39,590,010	50%	19,795,005	40,931,645
Bad/loss	184,613,216	100%	184,613,216	95,532,720
			207,803,891	149,346,287
Required provision for loans, advances and leases			303,629,229	227,151,420
Total provision maintained for loans, advances and leases			356,365,748	241,310,437
Excess provision for loans, advances and leases			52,736,519	14,159,017

7.17 Maturity wise grouping

(Figures in BDT)	2010	2009
Repayable on demand	-	-
Not more than 3 months	3,159,344,839	2,413,463,135
3 months to 1 year	2,156,981,166	1,681,405,042
1 year to 5 years	3,356,818,562	3,102,113,128
More than 5 years	47,555,496	39,985,944
Total	8,720,700,063	7,236,967,249

8. FIXED ASSETS INCLUDING PREMISES, FURNITURE AND FIXTURES

(Figures in BDT)	2010	2009
Cost:		
Land	305,151,022	305,151,022
Furniture and fixtures	9,839,278	9,839,278
Office decoration	8,248,291	8,248,291
Electric equipment	13,329,778	11,668,135
Owned vehicles	9,015,641	9,015,641
Leased vehicles	10,443,614	2,500,000
Intangible assets (software)	1,250,000	1,250,000
Total cost	357,277,624	347,672,367
Less: Accumulated depreciation and amortization	33,660,099	26,041,295
Written down value at the end of the year	323,617,525	321,631,072

Details are shown in Annexure - A.

Notes to the Financial Statements - *continued*

Land

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

9. OTHER ASSETS

(Figures in BDT)	2010	2009
Income generating other assets:		
Investment in associates and subsidiary (note 9.1)	1,643,212,483	569,844,218
Accrued interest	262,308,247	112,916,907
	1,905,520,730	682,761,125
Non income generating other assets:		
Advance office rent	250,000	360,000
Advance for office decoration of Rajshahi branch	4,026,057	2,282,883
Advance to employees	25,000	765,000
Deposits with T & T, Petroleum Corporation etc.	106,700	106,700
Advance corporate tax	77,217,484	56,329,556
Receivable from brokerage houses against sale of Shares	424,065,904	260,505,749
Receivable from provident fund account	20,541,393	-
Receivable from associates and subsidiary company	6,273,382	-
Interest During the Construction Period (IDCP) receivable	5,076,214	3,004,521
Transfer price receivable	1,035,073	1,035,073
Advance against purchase of vehicles	-	7,943,614
Advance against advertisement	2,586,865	300,000
Others	9,669,879	8,712,718
	550,873,951	341,345,814
Total	2,456,394,681	1,024,106,939

Management considers all the other assets as good.

9.1 Investment in associates & subsidiary

Investment in associates are recorded under the Equity Method as per BAS-28 "Investment in Associates". Under the equity method, the investments in the associates are carried in the Balance Sheet at cost plus post-acquisition changes in the Company's share of net assets of the associates. Losses in excess of the cost of the investment in an associate are recognized when the Company has incurred obligations on its behalf. Profit and Loss Account reflects the Company's share of the results of operations of

the associates. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Prime Finance has four associates on the date of reporting. On the other hand Prime Finance has one subsidiary on the date of reporting. Consolidated financial statements has been prepared for subsidiary following the requirements of BAS 27.

Notes to the Financial Statements - *continued***Movement of investment in subsidiary & associates**

(Figures in BDT)	Balance as on 01 Jan 2010	Investment/ (Adjustment)	Revaluation reserve	Profit- equity method	Cash dividend	Balance as on 31 Dec'10
PFI Securities Ltd. (9.1.1)	533,722,917	120,000,300	-	303,830,941	-	957,554,338
Prime Finance 1st MF	-	-	-	-	-	-
PFAMCL	6,216,709	22,050,000	-	3,327,398	-	31,594,107
Prime Prudential Fund Ltd.	9,909,957	-	-	22,527,487	-	32,437,444
PFI Properties Ltd.	19,994,635	-	-	1,631,959	-	21,626,594
Prime Finance Cap Mgt	-	600,000,000	-	-	-	600,000,000
Total	569,844,218	742,050,300	-	331,317,785	-	1,643,212,483

(Figures in BDT)	Balance on 01 Jan 2010	Investment/ (Adjustment)	Revaluation reserve	Profit- equity method	Cash dividend	Balance on 31 Dec'09
PFI Securities Limited	83,691,679	75,000,300	221,943,750	153,087,188	-	533,722,917
Prime Finance 1st MF	40,000,000	(40,000,000)	-	-	-	-
PFAMCL	7,420,083	-	-	(1,203,374)	-	6,216,709
Prime Prudential Fund Ltd.	-	8,000,000	-	1,909,957	-	9,909,957
PFI Properties Ltd.	-	20,000,000	-	(5,365)	-	19,994,635
Total	131,111,762	63,000,300	221,943,750	153,788,406	-	569,844,218

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

Name of the companies	Nature of the business	Type of Shares	Share holding %	Face value	Book value per share
PFI Securities Limited	Brokerage House	Ordinary	50	10	25.11
Prime Finance AMCL	Asset management	Ordinary	49	100	107.46
Prime Prudential Fund Ltd.	Investment in securities, debentures, bonds etc.	Ordinary	40	10	12.39
Prime Properties Ltd.	Constructing building, developing townships	Ordinary	40	10	10.91
Prime Fin. Cap. Mgt. Ltd.	Merchant banking	Ordinary	60	10	10.05

The book value per share is calculated based on audited financial statements of the companies.

(DSE) and Chittagong Stock Exchange (CSE) based on the prevailing market price.

9.1.1 Revaluation reserve

Revaluation reserve includes proportionate revaluation reserve of PFI Securities Limited. In the year 2009 PFI Securities Limited, one of the associates of Prime Finance, revalued its membership of the Dhaka Stock Exchange

Summarized financial information:

Summarized financial information of above companies, including the aggregated amounts of assets, liabilities, revenues and profit or loss are for the better understanding of the user attached in the Annual Report.

9.a. OTHER ASSETS (consolidated)

(Figures in BDT)	2010	2009
Prime Finance & Investment Limited	2,456,394,681	1,024,106,939
Prime Finance Capital Management Limited	697,269,439	-
Adjustment for dealing with subsidiary	(1,296,336,275)	-
Balance as on 31 December	1,857,327,845	1,024,106,939

10. BORROWINGS FROM OTHER BANKS, FINANCIAL INSTITUTIONS AND AGENTS

(Figures in BDT)	2010	2009
In Bangladesh		
Secured	-	-
Un secured		
Bank loan (note 10.1)	2,580,209,091	1,804,390,606
Bond (note 10.2)	-	40,000,000
IDA fund (note 10.3)	798,081	19,531,791
ADB fund (note 10.4)	67,626,339	70,742,170
Fund from Bangladesh Bank (note 10.5)	16,823,829	29,105,817
Short term borrowing (note 10.6)	980,000,000	763,040,209
	3,645,457,340	2,726,810,593
Outside Bangladesh	-	-
Total	3,645,457,340	2,726,810,593

10.1 Bank loan

This represents long term loan taken from different commercial banks, and is made up as under:

(Figures in BDT)	2010	2009
Balance at 1 January	1,804,390,606	1,137,497,870
Received during the year	1,502,419,680	1,111,710,056
Repayment during the year	(726,601,195)	(444,817,320)
Balance at 31 December	2,580,209,091	1,804,390,606

Loans are secured by way of first charge on all fixed and floating assets of the company, ranking pari passu among all the lenders. The period of such loans ranges from three to six years.

totaling Tk. 210 million to banks and financial institutions under private placement. The bonds are bearing interest from 9.50% to 11.50% p.a. (with an incremental rate of 0.50% in each year). The Bond was eligible for IDA fund under one to one credit facility. Details are as under:

10.2 Bond

Five years' redeemable bonds were issued

(Figures in BDT)	2010	2009
Balance at 1 January	40,000,000	150,000,000
Received during the year	-	-
Repayment during the year	(40,000,000)	(110,000,000)
Balance at 31 December	-	40,000,000

Investment Corporation of Bangladesh (ICB) manages the bonds as trustee for which an agreement was signed accordingly. The bonds were rated by the Credit Rating Information & Services Ltd. (CRISL) as A- (long term) and ST-3 (short term).

10.3 IDA fund

The fund was received under the joint project named Credit Bridge Standby Facility (CBSF) of the Government of Bangladesh and World Bank, which has been designed with the objective of enhancing the capacity of the financial institutions. Details are as under:

Notes to the Financial Statements - *continued*

(Figures in BDT)	2010	2009
Balance at 1 January	19,531,791	56,545,535
Received during the year	-	-
Repayment during the year	(18,733,710)	(37,013,744)
Balance at 31 December	798,081	19,531,791

Fund is disbursed on reimbursement basis against submission of the projects with requisite papers and documents.

10.4 ADB fund

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

(Figures in BDT)	2010	2009
Balance at 1 January	70,742,171	30,000,000
Received during the year	-	41,500,000
Repayment during the year	(3,115,832)	(757,830)
Balance at 31 December	67,626,339	70,742,170

10.5 Fund from Bangladesh Bank

This fund was reimbursed from Bangladesh Bank under refinancing scheme against financing to small & medium enterprises as well as agricultural

projects. The period of loan ranges from one to five years, matching the terms of respective projects. Details are as under:

(Figures in BDT)	2010	2009
Balance at 1 January	29,105,817	52,782,090
Received during the year	4,500,000	1,575,000
Repayment during the year	(16,781,988)	(25,251,273)
Balance at 31 December	16,823,829	29,105,817

10.6 Short-term borrowings

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

Money at call and on short notice

As on the reporting date Tk. 380,000,000 was received from different banks as money at call and short notice. According to FID circular no.05, dated June 08, 2005, non-banking financial

institution can avail call money facility maximum upto 15% of its net assets. Based on the circular mentioned above, the maximum limit of call money for the company was Tk. 1,392.37 million (calculated based on the half yearly report of 2010 of the company).

Short-term borrowings

This represents Tk. 600,000,000 received as short term borrowing from various commercial banks.

10.7 Maturity wise grouping

(Figures in BDT)	2010	2009
Repayable on demand	-	-
Up to 1 month	747,933,965	815,002,111
1 month to 3 months	441,569,288	144,100,289
3 months to 1 year	580,441,348	468,228,282
1 year to 5 years	1,855,746,080	1,259,757,284
More than 5 years	19,766,659	39,722,627
Total	3,645,457,340	2,726,810,593

11. DEPOSITS AND OTHER ACCOUNTS

This Comprises interest bearing deposits from individuals and organizations for period ranging from 6 months to 10 years.

(Figures in BDT)	2010	2009
Banks and other financial institutions		
Term Deposit	2,420,000,000	3,520,000,000
Other Institutions		
Term Deposit	1,082,753,458	881,581,780
Individuals		
Term Deposit	171,139,255	131,869,547
Housing Deposit	8,445,000	4,590,000
Fortune DPS	8,648,499	4,431,500
Monthly Income Deposit	69,320,000	90,120,000
	257,552,754	231,011,047
Total	3,760,306,212	4,632,592,827

Movements of deposits as on 31 December 2010 and 2009 are as under:

(Figures in BDT)	2010	2009
Balance at 1 January	4,632,592,827	2,177,794,533
Received/renewed during the year	2,514,319,217	4,751,131,524
Repayment during the year	(3,386,605,832)	(2,296,333,230)
Balance at 31 December	3,760,306,212	4,632,592,827

Maturity wise grouping

(Figures in BDT)	2010	2009
Repayable on demand	-	-
Repayable within 1 month	702,311,578	94,025,000
1 month to 6 months	1,136,363,401	1,743,303,209
6 months to 1 year	1,388,888,601	512,451,600
1 year to 5 years	527,258,132	2,275,489,444
5 years to 10 years	5,484,500	7,323,574
Unclaimed deposits for 10 years or more	-	-
Total	3,760,306,212	4,632,592,827

12. OTHER LIABILITIES

(Figures in BDT)	2010	2009
Provision for loans, advances and leases (note 12.1)	356,365,748	241,310,437
Provision for diminution in value of investments (note 12.2)	18,634,253	23,689,563
Interest suspense (note 12.3)	123,723,115	96,391,725
Provision for tax (note 12.4)	352,414,363	93,000,000
Financial expenses payable (note 12.5)	191,116,131	157,225,710
Payable to brokerage houses (note 12.6)	1,057,541,663	384,518,202
Obligation under capital lease (note 12.7)	7,637,340	1,594,148
Advance and security deposit (note 12.8)	112,190,397	118,266,247
Excise duty	359,693	-
Withholding tax payable	-	-
VAT payable	1,580	2,230
Accrued expenses and other payable (note 12.9)	86,733,520	71,388,856
Total	2,306,717,803	1,187,387,118

Notes to the Financial Statements - *continued***12.1 Provision for loans, advances and leases**

Management, on the basis of analysis of portfolio and guidelines issued by Bangladesh Bank has determined provisions for doubtful losses. The provision is considered adequate to cover the possible future losses.

(Figures in BDT)	2010	2009
General provision on unclassified loans, advances and leases	148,561,857	77,805,133
Specific provision on classified loans, advances and leases	207,803,890	163,505,304
Provision as on 31 December	356,365,748	241,310,437

Movement in general provision on unclassified loans/leases:

(Figures in BDT)	2010	2009
Provision as on 1 January	77,805,133	52,076,724
Add: Provision made during the year	70,756,724	25,728,409
Provision as on 31 December	148,561,857	77,805,133

Movement in specific provision on classified loans/leases:

(Figures in BDT)	2010	2009
Provision as on 1 January	163,505,304	140,712,638
Less: Fully provided debts written off during the year	-	(75,912,571)
Add: Recoveries of amounts previously written off	-	-
Add: Specific provision made during the year for other accounts	-	-
Less: Provision no longer required	-	-
Add: Net charge to profit and loss account	44,298,586	98,705,237
Provision as on 31 December	207,803,890	163,505,304
Total	356,365,748	241,310,437

12.2 Provision for diminution in value of investments

(Figures in BDT)	2010	2009
Provision as on 1 January	23,689,563	67,210,638
Add: Provision made during the year (note 12.2.1)	(5,055,310)	(43,521,075)
Provision as on 31 December	18,634,253	23,689,563

12.2.1 Allocation of provision for diminution in value of investments

(Figures in BDT)	2010	2009
Listed securities	(5,055,310)	(43,521,075)
Unlisted securities	-	-
Total	(5,055,310)	(43,521,075)

12.3 Interest suspense

(Figures in BDT)	2010	2009
Balance as on 1 January	96,391,725	86,082,349
Add: Transferred during the year	27,331,390	42,983,166
Less:		
Amount of interest suspense recovered	-	-
Write off during the year	-	(32,673,790)
Balance as on 31 December	123,723,115	96,391,725

Notes to the Financial Statements - *continued*

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

Write-off of loans/leases

As per FID Circular no.03 dated 15 March 2007 of Bangladesh Bank a financial institution should write-off its loans/leases to clean-up its

(Figures in BDT)

	2010			2009
	Current	Cumulative	Cumulative	
Balance at 1 January	-	207,263,629	98,677,268	
Net outstanding loans/leases written-off during the year	-	191,496,891	207,263,629	
No. of agreements written-off	(6)	23	29	
No. of clients written-off	(3)	16	19	
Interest suspense against written-off loans/leases	-	(34,696,859)	(34,696,859)	
Provision adjusted against written-off loans/leases	-	(172,566,770)	(172,566,770)	
Recovery against write-off loans/leases	15,766,738	15,766,738	-	
Balance of loans/leases written-off at 31 December		191,496,891	207,263,629	

financial statements subject to fulfillment of the following criteria:

1. Loans/leases classified as Bad and Losses against which 100% provision has been made;
2. Approval from the Board of Directors is required;
3. Best endeavors shall be made to recovery the written-off loans/leases. Legal process should be initiated if not started before.

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

12.4 Provision for tax

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

Provision for current tax

The company calculated taxable profit/losses based on Income Tax Ordinance 1984 and determined current tax liability as per applicable rate enacted by Finance Act 2010.

Tax on capital gain

The Government through Finance Act 2010

imposed tax on capital gain from sale of listed companies shares @10 percent effective from 1st July 2010. Accordingly Prime Finance made provision in reported accounts.

Provision for deferred tax

Deferred tax liabilities to the extent of Tk. 19,500,000 has been released in the year 2010 which is made for taxable temporary difference of leased assets on which depreciation allowance has been withdrawn by Finance Act 2007.

(Figures in BDT)	2010			2009		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
Balance at 1 January	73,500,000	19,500,000	93,000,000	46,000,000	19,500,000	65,500,000
Provision made during the year	259,414,363	-	259,414,363	27,500,000	-	27,500,000
Transferred to/(from)	19,500,000	(19,500,000)	-	-	-	-
Balance at 31 December	352,414,363	-	352,414,363	73,500,000	19,500,000	93,000,000

12.4.a. Provision for tax (consolidated)

(Figures in BDT)

	2010	2009
Prime Finance & Investment Limited	259,414,363	27,500,000
Prime Finance Capital Management Limited	2,063,843	-
Adjustment for minority interest	(825,537)	-
Balance as on 31 December	260,652,669	27,500,000

Notes to the Financial Statements - *continued***12.5 Financial expenses**

This comprises interest accrued on bank loans, bonds, term deposits and security deposits.

12.6 Payable to brokerage houses

This represents payable to various brokerage houses against purchase of shares under own portfolio as well as client portfolio. The transactions under this head are recurring in nature and have been paid in the due date.

(Figures in BDT)

	2010		2009	
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Principal outstanding
More than one year	6,050,131	899,547	5,150,584	735,225
Within one year	3,375,643	888,887	2,486,756	858,923
Total	9,425,774	1,788,434	7,637,340	1,594,148

12.7 Obligation under capital lease

This represents fixed assets acquired under capital lease. Lease rentals are payable on monthly basis which include principal repayment and financial charges as per repayment schedule. The Company has the option to purchase the assets upon completion of lease period and has the intention to exercise it.

12.8 Advance and security deposit

The amount received from clients as advance against finance and cash security deposit on the stipulation that the amount will be either

adjusted with the outstanding rentals/ installments or repaid at the end of term. This is made up as under:

(Figures in BDT)

	2010	2009
Balance at 1 January	118,266,247	109,048,617
Received during the year	13,073,034	33,603,330
Repayment during the year	(19,148,884)	(24,385,700)
Balance at 31 December	112,190,397	118,266,247

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

(Figures in BDT)

	2010	2009
Lease advance	59,358,442	67,820,887
Term finance advance	10,925,055	11,038,460
Stock on hire advance	513,900	513,900
Cash security	41,393,000	38,893,000
Total	112,190,397	118,266,247

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

12.9 Accrued expenses and other payable

(Figures in BDT)

	2010	2009
Portfolio investment fund	26,233	28,008
Suspense receipts	41,509,509	31,126,939
Management expenses	40,777,187	30,307,809
Others payables	4,420,591	9,926,100
Total	86,733,520	71,388,856

Notes to the Financial Statements - *continued*

Portfolio investment fund

This represents fund of portfolio investors deposited with Prime Finance for investment in different listed securities at investors' discretion as per regulation 30 of the Securities and Exchange Commission (Merchant Bankers & Portfolio Manager) Regulations, 1996.

Suspense receipts

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

12.a. OTHER LIABILITIES (consolidated)

(Figures in BDT)	2010	2009
Prime Finance & Investment Limited	2,306,717,803	1,187,387,118
Prime Finance Capital Management Limited	2,217,343	-
Adjustment for dealing with subsidiary	(696,336,275)	-
Balance as on 31 December	1,612,598,871	1,187,387,118

13. SHARE CAPITAL

As at 31 December 2010, a total of 90,250,160 (FY 2009: 64,464,400) ordinary shares of Tk.10 each were issued subscribed and fully paid up. Details are as follows:

Authorized capital

(Figures in BDT)	2010	2009
100,000,000 ordinary shares of Tk. 10 each (2009: restated)	1,000,000,000	1,000,000,000

Issued, subscribed and paid up capital

(Figures in BDT)	2010	2009
64,464,400 ordinary shares of Tk.10 each	644,644,000	460,460,000
25,785,760 Bonus shares	257,857,600	184,184,000
Total	902,501,600	644,644,000

Pattern of shareholdings

Shareholders/Directors/Executives	Represented by	No. of shares held	Percentage
Acorn Limited	Mr. Md. Aminul Haque	8,240,880	9.13
Pedrollo Nk. Limited	Mr. Mohammed Kafiluddin	8,852,180	9.8
Mawsons Limited	Ms. Muslima Shirin	3,003,040	3.32
Maksons (Bd) Ltd.	Mr. Z. M. Kaiser	7,066,970	7.83
Agami Apparels Ltd.	Mr. M. Shahadat Hossain Kiron	7,635,130	8.46
Khaled Textile Mills Ltd.	Mr. K. M. Khaled	8,740,880	9.69
East Coast Shipping Lines Limited	Mr. Mohammad Masudur Rahim	8,071,210	8.94
GQ Enterprise Limited	Mr. Md. Azizur Rahman	7,679,280	8.5
Abeeco Industries Ltd.	Mr. M. N. H. Bulu	389,760	0.43
Mr. Tauseef Iqbal Ali	Self	1,615,570	1.79
Professor Salma Rahman	Self	932,760	1.03
Mr. Md. Aliuzzaman	Self	281,160	0.31
Dr. M. Mosharraf Hossain	Self	Nil	Nil
Mr. Md. Ahsan Kabir Khan, Managing Director (CC)	N/A	Nil	Nil

Notes to the Financial Statements - *continued*

Mr. Md. Mizanur Rahman, CFO	N/A	Nil	Nil
Mr. Tauhidul Ashraf, Company Secretary	N/A	Nil	Nil
Mr. Mohammad Shahidul Islam, Head of ICC	N/A	Nil	Nil

Composition of shareholdings

Composition of shareholdings as on 31 December 2010 was under:

	No. of Shareholders		No. of Shares		Percentage	
	2010	2009	2010	2009	2010	2009
Sponsors (Institutions)	9	9	59,679,330	43,868,070	66.13	68.06
Sponsors (Individuals)	3	3	2,829,490	2,155,360	3.13	3.34
General Public (Institutions)	412	163	8,262,770	8,111,450	9.16	12.58
General Public (Individuals)	15,706	2,403	19,478,570	10,329,520	21.58	16.02
Total	16,130	2,578	90,250,160	6,446,4400	100	100

Numbers of shares of 2009 have been restated giving the effect of changes in the denomination of shares from Tk. 100 each to Tk. 10 each.

Range of shareholdings

The distribution schedule of shareholdings as on 31 December 2010 was as under:

Shareholding range	No. of shareholders		No. of Shares		Percentage	
	2010	2009	2010	2009	2010	2009
Less than 500 shares	12,254	2,324	2,203,610	2,061,490	2.43	3.19
500 to 5,000 shares	3,391	189	4,900,060	2,898,730	5.43	4.49
5,001 to 10,000 shares	184	25	1,378,200	1,784,710	1.53	2.80
10,001 to 20,000 shares	131	11	1,950,080	1,565,500	2.16	2.42
20,001 to 30,000 shares	46	4	1,121,990	1,059,090	1.24	1.64
30,001 to 40,000 shares	22	8	756,000	2,830,080	0.84	4.39
40,001 to 50,000 shares	22	1	988,230	420,000	1.10	0.65
50,001 to 100,000 shares	29	5	2,198,280	3,657,300	2.44	5.67
100,001 to 1,000,000 shares	40	11	10,313,960	48,187,500	11.43	74.75
Over 1,000,000 shares	11	-	64,439,750	-	71.40	-
Total	16,130	2,578	90,250,160	64,464,400	100	100

Capital requirement

The Company is subject to the regulatory capital requirement as stipulated in DFIM circular no 09 dated 4 November 2009 of Bangladesh Bank. The Capital requirement for non-banking financial institutions is neither

ratio-based nor risk based. The regulatory authority requires a non-bank financial institutions to have a minimum paid up capital of Tk. 500 million.

(Figures in BDT)	2010	2009
Paid up capital	902,501,600	644,644,000
Required capital	500,000,000	500,000,000
Excess capital	402,501,600	144,644,000

Notes to the Financial Statements - *continued*

14. STATUTORY RESERVE

(Figures in BDT)	2010	2009
Balance as on 1 January	306,013,615	169,386,688
Add: Transferred from profit during the year	345,283,827	136,626,927
Balance as on 31 December	651,297,442	306,013,615

15. RETAINED EARNINGS

(Figures in BDT)	2010	2009
Balance as on 1 January	653,788,612	291,464,904
Less: Issuance of bonus shares	(257,857,600)	(184,184,000)
Less: Payment of cash dividend (Year 2009)	(64,464,400)	-
Add: Profit after tax for the year	1,726,419,134	683,134,635
Less: Transferred to statutory reserve	(345,283,827)	(136,626,927)
Balance as on 31 December	1,712,601,919	653,788,612

15.a. RETAINED EARNINGS (consolidated)

(Figures in BDT)	2010	2009
Prime Finance & Investment Limited	1,712,601,919	653,788,612
Prime Finance Capital Management Limited	5,239,738	-
Adjustment for minority interest	(2,095,895)	-
Balance as on 31 December	1,715,745,762	653,788,612

15.b. MINORITY INTEREST

(Figures in BDT)	2010	2009
Share capital (minority)	400,000,000	-
Profit earned (minority)	2,095,895	-
Balance as on 31 December	402,095,895	-

16. INCOME STATEMENT

	(Figures in BDT)	
Income:	2010	2009
Interest, discount and similar income (note 17)	1,183,739,208	641,870,651
Dividend income	15,435,717	14,275,481
Gains less losses arising from dealing in securities	-	-
Fees, commission, exchange and brokerage (note 20)	296,330,559	106,176,857
Gains less losses arising from investment in securities (note 19.1)	1,224,224,341	465,881,849
Gains less losses arising from dealing in foreign currencies	-	-
Income from non-banking assets	-	-
Other operating income (note 21)	349,470,891	197,158,586
Profit less losses on interest rate changes	-	-
Nominal value of bonus share received	-	-
Total	3,069,200,716	1,425,363,424

Notes to the Financial Statements - *continued***Expenses:**

Interest paid on deposits, borrowings etc. (Note 18)	809,412,618	519,124,076
Losses on loans and advances	-	-
Administrative expenses	136,305,445	95,099,121
Depreciation and impairment on banking assets	9,097,637	9,022,156
Other operating expenses	18,551,519	10,570,865
Total	973,367,219	633,816,218
Total	2,095,833,497	791,547,206

17. INTEREST INCOME

(Figures in BDT)	2010	2009
Income from lease finance	184,804,342	187,836,222
Income from term finance	523,347,216	246,632,366
Income from margin loan	459,900,048	196,980,764
Income from real estate finance	7,251,039	2,730,471
Income form other finance	8,436,563	7,690,828
Total	1,183,739,208	641,870,651

18. INTEREST PAID ON DEPOSITS, BORROWINGS, etc.

(Figures in BDT)	2010	2009
Interest on bank loan	312,120,712	163,836,657
Interest on IDA and ADB fund	2,198,494	5,323,216
Interest on bonds	839,722	13,088,750
Interest on fund from Bangladesh Bank	716,378	5,681,287
Interest on term deposits	515,871,605	392,918,743
Interest on money at call & short notice	36,581,403	38,869,938
Interest on cash security deposit	961,750	2,673,799
Interest on obligation under capital leases	871,827	305,497
Adjustment for interest on deposit (a)	(18,194,774)	(64,588,720)
Adjustment for interest capitalization (b)	(42,545,499)	(38,985,091)
Total	809,412,618	519,124,076

Allocation of the above expenses is as under:

Financing operation	471,157,394	371,481,162
Merchant banking operation (c)	338,255,224	147,642,914
Total	809,412,618	519,124,076

(a) Adjustment has been given for interest paid on deposits, borrowings etc incurred to earn interest from deposits.

(b) Adjustment for interest capitalization represents Interest During Construction Period (IDCP), which has been capitalized as per terms of the agreement.

(c) Interest paid on deposits, borrowings etc have been allocated to Merchant Banking Unit applying the weighted average rate of borrowed fund on the basis of daily usage of fund used for margin loan provided to the portfolio investors.

19. INCOME FROM INVESTMENT

(Figures in BDT)	2010	2009
Capital gain on sale of securities (note 19.1)	1,224,224,341	465,881,849
Dividend income	15,435,717	14,275,481
Total	1,239,660,058	480,157,330

19.1 Capital gain on sale of securities

(Figures in BDT)	2010	2009
Gain on sales of shares	1,224,852,599	466,297,927
Loss on sales of shares	(628,258)	(416,078)
Net gain from sale of securities	1,224,224,341	465,881,849

20. FEES, COMMISSIONS, EXCHANGE AND BROKERAGE

(Figures in BDT)	2010	2009
Issue management fee (a)	7,963,885	86,956
Underwriting commission (b)	2,673,748	295,651
Portfolio management fee and other charges (c)	281,540,431	34,192,135
Advisory service, fee and charges	4,152,495	71,602,115
Total	296,330,559	106,176,857

Allocation of the above income is as under:

Financing operation	601,148	3,189,992
Merchant banking operation	295,729,411	102,986,865
Total	296,330,559	106,176,857

- a. Issue management fee includes fees received by the Company during the year for managing initial public offerings (IPO), rights issues etc.
- b. Underwriting commission includes commission received from Public issues for underwriting of the issued securities. Underwriting commission
- c. The amount includes fees and charges received from portfolio account holders for managing portfolio accounts by the company.
- is determined as per rules of Securities & Exchange Commission.

21. OTHER OPERATING INCOME

(Figures in BDT)	2010	2009
Income from associates (Note 9.1)	331,317,785	153,788,406
Delinquent interest, IDCP etc.	13,094,435	22,798,963
Renewals and proceeds	2,704,577	1,026,197
Interest on deposits	1,936,899	16,264,029
Gain on sale of fixed assets	-	2,299,046
Others	417,195	981,945
Total	349,470,891	197,158,586

Allocation of the above income is as under:

Financing operation	349,074,891	196,778,586
Merchant banking operation	396,000	380,000
Total	349,470,891	197,158,586

Notes to the Financial Statements - *continued***21.a. OTHER OPERATING INCOME (consolidated)**

(Figures in BDT)	2010	2009
Prime Finance & Investment Limited	349,470,891	197,158,586
Prime Finance Capital Management Limited	9,331,639	-
Adjustment for minority interest	(3,732,656)	-
Balance as on 31 December	355,069,874	197,158,586

22. SALARIES AND OTHER EMPLOYEE BENEFITS

(Figures in BDT)	2010	2009
Salaries & allowances (a)	59,136,240	43,661,043
Medical & employee welfare (b)	27,181,458	19,775,661
Total	86,317,698	63,436,704

(a) Salaries and allowances include contribution to approved Provident Fund, Gratuity Fund and Superannuation Fund amounting to Tk. 2,038,741, Tk. 5,975,549 and Tk. 5,608,090 respectively.

(b) Medical and employee welfare includes

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

22.a. SALARIES AND OTHER EMPLOYEE BENEFITS (consolidated)

(Figures in BDT)	2010	2009
Prime Finance & Investment Limited	86,317,698	63,436,704
Prime Finance Capital Management Limited	142,000	-
Adjustment for minority interest	(56,800)	-
Balance as on 31 December	86,402,898	63,436,704

23. RENT, TAXES, INSURANCE, ELECTRICITY etc.

(Figures in BDT)	2010	2009
Office rent	5,690,411	4,816,585
Electricity bill	1,057,030	953,239
Total	6,747,441	5,769,824

24. POSTAGE, STAMP, TELECOMMUNICATION etc.

(Figures in BDT)	2010	2009
Postage, telephone, telex, fax, and e-mail	1,176,819	1,096,295
Charges, levies, stamps and duties (note 24.1)	27,033,070	13,161,717
Total	28,209,889	14,258,012

24.1. Charges, levies, stamps and duties

This comprises CDBL transaction fees and other expenses related to tax, levies, stamps & duties. Previously CDBL charges were charged on the client's account. From June 2009 the management decided to bear the expenses by the company on behalf of the clients.

25. STATIONERY, PRINTING, ADVERTISEMENTS etc.

(Figures in BDT)	2010	2009
Printing and stationery	1,866,418	1,549,233
Books and periodicals	44,739	77,345
Advertisement and publicity	4,285,023	1,842,618
Total	6,196,180	3,469,196

26. DIRECTORS' FEES

The Company pays fees to its Directors for attending the Board meetings and its Committee meetings as permitted by the Bangladesh Bank. As per Bangladesh Bank

Circular, a Director may be paid fees for attending Board or its Committee meetings which shall not exceed Tk. 5,000 for attending each meeting. Details are as under:

(Figures in BDT)	2010	2009
Total board meetings (nos.)	10	14
Total board audit committee meetings (nos.)	6	8
Total fees paid	513,000	680,000
Total members of the board (nos.)	11	12
Quorum for board meeting (nos.)	5	5
Average number of Directors present in the board meetings (nos.)	7.8	9.64
Quorum for board audit committee Meeting (nos.)	2	2
Average no. of Directors present in the audit committee meetings (nos.)	3.83	3.89

27. AUDITORS' FEE

(Figures in BDT)	2010	2009
Auditors' fee	175,000	140,000
VAT on audit fee	26,250	6,300
Total	201,250	146,300

27.a. AUDITORS FEE (consolidated)

(Figures in BDT)	2010	2009
Prime Finance & Investment Limited	201,250	146,300
Prime Finance Capital Management Limited	11,500	-
Adjustment for minority interest	(4,600)	-
Balance as on 31 December	208,150	146,300

28. DEPRECIATION AND REPAIR OF ASSETS

(Figures in BDT)	2010	2009
Depreciation of fixed assets-freehold	4,988,414	5,140,336
Depreciation of fixed assets-leasehold vehicle	2,505,390	250,000
Amortization of intangible assets	125,000	125,000
Repairs and maintenance	1,478,833	3,506,820
Total	9,097,637	9,022,156

Notes to the Financial Statements - *continued***29. OTHER EXPENSES**

(Figures in BDT)	2010	2009
HR development	1,154,551	1,413,302
Travelling and conveyance	1,492,651	652,504
Motor vehicle expenses	3,305,732	2,601,298
Subscription and fees	5,620,813	2,681,324
Meeting expenses	57,450	81,000
AGM expenses (note 29.1)	2,526,280	2,217,771
Entertainment and public relation & others	4,660,042	911,666
Total	18,817,519	10,558,865

29.1 AGM expenses

(Figures in BDT)	2010	2009
Rent for venue	525,000	300,000
Printing of annual report and database	982,500	989,600
Publication of notice	255,269	190,497
Entertainment	683,097	590,315
Others	80,414	147,359
Total	2,526,280	2,217,771

29.a. OTHER EXPENSES (consolidated)

(Figures in BDT)	2010	2009
Prime Finance & Investment Limited	18,817,519	10,558,865
Prime Finance Capital Management Limited	1,874,558	-
Adjustment for minority interest	(749,824)	-
Balance as on 31 December	19,942,253	10,558,865

30. MANAGEMENT EXPENSES

Management expenses include salaries, other employee benefits and proportionate other management expenses. It is determined on the basis of proportionate operating revenue of Merchant Banking Unit.

31. RECEIPTS FROM OTHER OPERATING ACTIVITIES

(Figures in BDT)	2010	2009
Net received/(payment) to Brokerage house	692,969,753	83,422,283
Delinquent, Transfer price etc.	15,799,012	27,862,871
Total	708,768,765	111,285,154

32. PAYMENTS FOR OTHER OPERATING ACTIVITIES

(Figures in BDT)	2010	2009
Advance against office rent, renovation & decoration	(1,743,174)	828,883
Deposit to T&T	-	2,000
Advance against advertisement	-	100,000
Advance against home loan	-	-
Total	(1,743,174)	930,883

33. EARNINGS PER SHARE

Earnings Per Share (EPS) is calculated in accordance with Bangladesh Accounting Standard 33: Earnings Per Share, which has been shown on the face of Profit and Loss Account.

Basic earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders of Tk. 1,726,419,134 (2009: Tk. 683,134,635) and a weighted average number of ordinary shares outstanding for the year ended 31 December 2010 of 90,250,160 (2009: 64,464,400)

Profits attributable to ordinary shareholders

(Figures in BDT)	2010	2009
Net profit for the year	1,726,419,134	683,134,635
Weighted average number of ordinary shares	2010	2009 (restated)
Ordinary shares at 1 January	64,464,400	46,046,000
Bonus shares issued	25,785,760	18,418,400
Weighted average number of ordinary shares at 31 December	90,250,160	64,464,400
Restated weighted average number of ordinary shares	90,250,160	64,464,400
Earnings per share	19.13	10.597
Earnings per share (restated)	19.13	7.57

Earnings per share for 2009 was Tk. 10.597. While restating EPS of 2009 as per BAS 33, an adjustment has been given for 25,785,760 bonus shares issued for 2009. Moreover, number of shares of 2009 has been restated giving the effect of change of denomination of shares from Tk. 100 each to Tk. 10 each.

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 2010 and hence no diluted earnings per share is required to be calculated.

33.a EARNINGS PER SHARE (consolidated)**Profits attributable to ordinary shareholders**

(Figures in BDT)	2010	2009
Net profit for the year (consolidated)	1,729,562,977	683,134,635
Weighted average number of ordinary shares	2010	2009 (restated)
Ordinary shares at 1 January	64,464,400	46,046,000
Bonus shares issued	25,785,760	18,418,400
Weighted average number of ordinary shares at 31 December	90,250,160	64,464,400
Restated weighted average number of ordinary shares	90,250,160	64,464,400
Earnings per share- consolidated	19.16	10.597
Earnings per share- consolidated (restated)	19.16	7.57

Number of shares of 2009 has been restated giving the effect of change of denomination of shares from Tk. 100 each to Tk. 10 each.

34. CONTINGENT LIABILITIES

Contingent liabilities as on the balance sheet date were as under

(Figures in BDT)	2010	2009
Letter of credit	-	-
Corporate guarantee	150,000,000	200,000,000
Total	150,000,000	200,000,000

Notes to the Financial Statements - *continued***35. 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 2010 was 90,250,160 and the market value per share of last trading day (30 December 2010) was Tk.465.90 in DSE. Thus market capitalization based on DSE value was Tk.42,047.55 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 2010:

		DSE		CSE	
		High	Low	High	Low
High low share price	First quarter	251.98	160.38	248.10	152.33
	Second quarter	330.28	160.70	322.25	148.70
	Third quarter	471.10	331.20	460.22	325.20
	Fourth quarter	500.70	439.10	485.56	430.22
No. of Shareholders	There were 16,130 shareholders as per Share Register as on 31 December 2010.				

36. RELATED PARTY TRANSACTIONS

Prime Finance in normal course of business carried out a number of transactions with other entities that fall within the definition of related party contained in Bangladesh Accounting Standard 24: Related Party Disclosures. The Company extends loans/leases to related parties including its directors and related companies. At 31 December 2010, related party loans/leases was Tk. 1,149.14 million representing 32.85 percent of shareholders equity. These related party loans/leases were made at the competitive terms including interest rates and collateral

requirements, as those offered to other customers of similar credentials. During 2010, there were no loans/leases to related parties that were charged off. Moreover, at 31 December 2010, there were no loans/leases to related parties that were non-performing.

Prime Finance also takes deposits from its related parties. The rates on deposits offered to them also similar to those offered to other depositors. Total on-balance sheet exposure with the related parties as at 31 December 2010 was as under:

Name of the related party	Relationship	Nature of transaction	2010	2009
Prime Insurance Company Limited	Common Directors	Term deposit	(16,500,000)	(17,007,123)
Prime Bank Limited	Common Directors	Term deposit	-	(100,876,712)
Prime Islami Life Insurance Company Ltd	Common Directors	Term deposit	(123,495,875)	(119,035,000)
Fareast Islami Life Insurance Co. Ltd.	Common Directors	Term deposit	(50,000,000)	-
GQ Enterprise Limited	Common Directors	Term deposit	-	(60,624,658)
K.M.Khaled	Common Directors	Term finance	80,000,000	-
East Coast Trading (Pvt.) Limited	Common Directors	Lease finance	493,480	-
EC Distribution Limited	Common Directors	Lease finance	487,958	-
PFI Properties Limited	Associate company	Lease & Term finance	26,484,101	-
Prime Finance Asset Mgt Company Ltd	Associate company	Lease & Term finance	4,514,881	6,566,717
PFI Securities Limited	Associate company	Lease & Term finance	951,332,452	458,544,913
Maksons (Bangladesh) Limited	Common Directors	Term finance	76,048,500	70,064,500
Khaled Textile Mills Limited	Common Directors	Term finance	199,780,000	58,780,000
Halda Valley Tea Company Limited	Common Directors	Lease & Term finance	-	3,013,211
GQ Plastics Limited	Common Directors	Lease finance	-	1,807,870
Total			1,149,145,497	301,233,718

Notes to the Financial Statements - *continued*

37. Particulars of the Directors

Sl. No.	Name of the Shareholder/ shareholding company	Directors/ Represented by	Designation	Present address	% of shares as at 31/12/2010
1	Acorn Limited	Mr. Md. Aminul Haque	Chairman	Acorn Limited, 4, Mohakhali C.A., (1st Floor), Dhaka-1212.	9.13
2	Pedrollo Nk. Limited	Mr. Mohammed Kafiluddin	Director	Pedrollo Nk. Limited, Pedro Plaza, 5 Jubilee Road, Chittagong	9.80
3	Mawsons Limited	Mrs. Muslima Shirin	Director	House # 63, Avenue # 5, Block # A, Section # 6, Mirpur, Dhaka-1216.	3.32
4	Maksons (Bd) Ltd.	Mr. Z.M. Kaiser	Director	House # 07, Road # 03 Baridhara R/A, Dhaka-1212	7.83
5	Agami Apparels Ltd.	Mr. M. Shahadat Hossain Kiron	Director	Suvastu Zenim Plaza, House # 37(New), Road # 27 (Old), 16(New), Dhanmondi R/A, Dhaka -1209	8.45
6	Khaled Textile Mills Ltd.	Mr. K. M. Khaled	Director	GETCO Group, 26, Shyamoli, Mirpur Road, Dhaka-1207	9.68
7	Mr. Tauseef Iqbal Ali	Mr. Tauseef Iqbal Ali	Director	House # CEN-C2, Road # 95, Gulshan-2, Dhaka-1212.	1.79
8	Professor Salma Rahman	Professor Salma Rahman	Director	112, Gulshan Avenue, Gulshan-2, Dhaka-1212	1.03
9	Abeeco Industries Ltd.	Mr. M. N. H. Bulu	Director	Bulu Ocean Tower (18th Floor), 40 Kamal Ataturk Avenue, Banani, Dhaka.	0.43
10	Mr. Md. Aliuzzaman	Mr. Md. Aliuzzaman	Director	House # 9, Road # 1, Section # 6, Block-B, Mirpur, Dhaka-1216.	0.31
11	Dr. M. Mosharraf Hossain	Dr. M. Mosharraf Hossain	Independent Director	Chandra Dip Ananda Bazara, West Shewrapara, Mirpur, Dhaka	----

38. Directors and the entities in which they have interest

Sl No.	Name of the Directors	Designation	Entities where they have interest
1.	Mr. Md. Aminul Haque	Chairman	Prime Bank Limited Acorn Limited Asian Gate Limited News Corps Limited Prime Prudential Fund Limited Greenland Engineers & Tractors Co. Limited Machinery & Equipment Trading Co. Limited
2.	Mr. Mohammed Kafiluddin	Director	Pedrollo NK Ltd.

Notes to the Financial Statements - *continued*

3.	Mr. K. M. Khaled	Director	Greenland Engineers & Tractors Co. Limited Machinery & Equipment Trading Co. Limited GETCO Limited Eurasia Gate Limited Khaled Textile Mills Limited Acorn Trading Co. Limited PFI Properties Limited Prime Prudential Fund Limited K. S. Engineering & Technology Limited K. S. Consultants Limited Prime Bank Limited GETCO Power Limited GETCO Jute Mills Limited GETCO Trading Limited GETCO Telecommunications Limited GETCO Agro Vision Limited
4.	Mrs. Muslima Shirin	Director	Mawsons Limited
5.	Mr. Z.M. Kaiser	Director	Prime Financial Securities Limited Prime Islami Life Insurance Company Limited
6.	Mr. M. Shahadat Hossain Kiron	Director	Dekko Garments Limited Dekko Apparels Limited Dekko Washing Limited Prime Finance Capital Management Ltd. Glubus Garments Limited Agami Fashions Limited Dekko Fashion Limited Dekko Accessories Limited Roxy Paints Limited Agami Accessories Limited Dekko Foods Limited Dekko Airnet Limited Agami Distribution Limited Agami Apparels Limited Dekko Designs Limited
7.	Mr. M. N. H. Bulu	Director	National Chemical Manufacturing Co. Limited Rumki Industries Limited Shafkat PVC Sole Industries Bulu International Oishee International Company Aleef Enterprise Best Tape Company Dhaka Bank Limited B.N.S. International Co. Limited Abeeco Industries Limited Boss PVC Denil Ind. Nowshin Denial Ind.
8.	Mr. Tauseef Iqbal Ali	Director	Prime Finance Capital Management Limited
9.	Mr. Md. Aliuzzaman	Director	PFI Properties Limited Prime Finance Capital Management Limited
10.	Professor Salma Rahman	Director	n/a
11.	Dr. M Mosharraf Hossain	Independent Director	n/a

39. DISCLOSURES ON THE BOARD AUDIT COMMITTEE

Composition of Audit Committee

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

Name	Status with the Company	Status with the Committee	Educational Qualification
Mr. Md. Aliuzzaman	Director	Chairman	MBA from University of Karachi Pakistan
Mr. Dr. M Mosharraf Hossain	Independent Director	Member	Fellow of Chartered Accountant ICAB
Ms. Muslima Shirin	Director	Member	Matriculation standard
Mr. Z.M. Kaiser	Director	Member	Masters of Science

Audit Committee meetings held during the year

Sl. No	Meeting no.	Meeting date
1	35 no. Audit Committee meeting	7 March 2010
2	36 no. Audit Committee meeting	21 March 2010
3	37 no. Audit Committee meeting	18 April 2010
4	38 no. Audit Committee meeting	7 June 2010
5	39 no. Audit Committee meeting	26 July 2010
6	40 no. Audit Committee meeting	26 October 2010

The Committee discussed the following issues during the year

- a) Reviewed the interim and annual financial statement of the Company;
- b) Reviewed the Credit Risk and Internal Control & Compliance Risk management procedure;
- c) Recommendation to the Board for appointment of auditors and fixation of their remuneration;
- d) Reviewed the tax status of the Company;
- e) Reviewed the financial statements;
- f) Reviewed and discussed the inspection report of Bangladesh Bank and management's reply thereon;
- g) Reviewed the systems of internal control and its reporting procedure;
- h) Reviewed quarterly operation report of the company for the year 2010;
- j) Reviewed Departmental Control Function Checklist etc.

40. LEGAL PROCEEDINGS

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

41. BOARD MEETINGS AND NUMBER OF DIRECTORS

During the year 2010, 10 (ten) Board Meetings were held. As on 31 December 2010, there were 11 members in the Board, which include one Independent Director. As per FID circular no. 09 dated 11 September 2002, a non-banking financial institution shall have maximum 11 (eleven) Directors in the Board. The Managing Director is an ex-officio Director having no voting right.

Notes to the Financial Statements - *continued***42. NUMBER OF EMPLOYEES**

A total number of 67 employees, including 15 sub staffs were employed in Prime Finance & Investment Limited as of 31 December 2010. All the employees received salary of Tk. 36,000 during the year 2010.

43. REPORTING CURRENCY AND LEVEL OF PRECISION

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

44. IMPACT OF INFLATION AND CHANGING PRICES

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

Financial Statements presented herein have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), which required the measurement of the financial position and operating results in terms of historical costs. However, in some cases, particular BAS/BFRS specifically suggests to measure some assets/liabilities at fair value. Such as, BAS 39 suggests to measure investment in tradable securities at its fair value by crediting shareholders' equity.

45. EVENTS AFTER THE BALANCE SHEET DATE**Dividend**

The Board of Directors in its meeting held 24 February 2011 recommended 80 percent stock dividend for the year 2010.

Under BAS 10 : Events after the Balance Sheet Date, dividend declared after the Balance sheet

date should not be classified as a liability at the balance sheet date as the proposed dividend does not represent a present obligation under BAS 37: Provisions, Contingent Liabilities and Contingent Assets.

Forming separate subsidiary for merchant banking activities

All financial institutions having merchant banking activities are advised by the Securities and Exchange Commission to form a separate subsidiary company to conduct merchant banking activities. Accordingly, a new company named 'Prime Finance Capital Management Limited' was formed ref. Incorporation no. C-83293/10 dated 18 March 2010. Financial impact of such separation will however depend on subsequent management and the business strategy and performance of the said company. Prime Finance holds 60 percent shares in the company and out of 9 (nine) directors 3 (three) directors have been nominated from Prime Finance.

46. FOREIGN CURRENCY EXPOSURE PROFILE

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

47. COMPARATIVE FIGURES

Comparative information has been disclosed in respect of the year 2010 for all numerical data in the financial statements and also the narrative and descriptive information when it is relevant for better understanding of the current year's financial statements. Figures of the year 2009 have been restated and rearranged whenever considered necessary to ensure comparability with the current period.

48. FINANCIAL HIGHLIGHTS

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

49. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS' SPECIAL RESOLUTION

The shareholders consented on the special resolution in the 6th Extra Ordinary General Meeting (EGM) held on 24 May 2010 to amend clause V of the Memorandum of Association (MOA) and article 3(a) of the Articles of

Association regarding change of Authorized Shares Capital of Tk. 1,000,000,000 (Taka one thousand million) divided into 10,000,000 (ten million) ordinary shares of Tk. 100 (Taka one hundred) each to Tk. 1,000,000,000 (Taka one thousand million) divided into 100,000,000 (one hundred million) ordinary shares of Tk. 10 (Taka ten) each.

50. GEOGRAPHICAL AREA OF OPERATION

In addition to its existing branch office at Dhaka and Chittagong, Prime Finance started its operation at Shaheb Bazar, Rajshahi in the year 2009.

51. INTERIM FINANCIAL STATEMENTS

Prime Finance publishes its interim financial statements quarterly as required by the Securities and Exchange Commission.

52. RESTRICTION ON PAYMENT OF CASH DIVIDEND

As per DFIM circular 09 dated 4 November 2009 of Bangladesh Bank, a non-banking financial institution cannot declare cash dividend if its capital is below the required level. Prime finance however has met the requirement of Bangladesh Bank. As at 31 December 2010, Prime Finance has a surplus capital of Tk. 402.50 million.

53. CHANGES IN AND DISAGREEMENT WITH AUDITORS

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

54. DEPARTURE FROM BAS 1

According to DFIM Circular no. 11 dated 23 December 2009 there is no scope to use the name or include Statement of Financial Position and Other Comprehensive Income. As such the company does not use the captioned and also not prepare the same.

55. DEPARTURE FROM BAS 39

The requirement of DFIM Circular no. 11 dated 23 December 2009 contradict with the requirement of BAS 39. As per BAS 39 investment in shares falls either under "at fair value through profit and loss account" or under "available for sale" where any change in the fair value at the year end is to be taken to profit and loss account or revaluation reserve respectively. Prime Finance followed the guidelines of Bangladesh Bank Circular under which investment in both quoted and unquoted shares were recognized at cost and required provision has been made for the losses arising from diminution in value of investment. However, at 31 December 2010 had the requirement of BAS 39 was followed the investment as well as shareholders' equity would increase by Tk. 1,438,791,488 for unrealized surplus/gain against investment in quoted shares.

56. APPROVAL OF THE FINANCIAL STATEMENTS

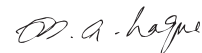
These financial statements were authorized for issue by the Board of Directors of the Company on 24 February 2011.



Tauhidul Ashraf FCS
Company Secretary



Md. Ahsan Kabir Khan
Managing Director (Current Charge)



Md. Aminul Haque
Chairman

Annexure-A

**Schedule of fixed assets including premises, furniture and fixtures
as at 31 December 2010**

Particulars	COST				DEPRECIATION				Written Down Value as at 31-12-2010
	Balance as at 1 January 2010	Additions during the year	Disposal/ adjustment during the year	Balance as at 31 December 2010	Rate of depreciation	Balance as at 1 January 2010	Charged during the year	Disposal/ adjustment during the year	
Freehold assets:									
Land	305,151,022	-	-	305,151,022	-	-	-	-	305,151,022
Furniture and fixtures	9,839,278	-	-	9,839,278	15-20	6,637,007	1,412,176	-	8,049,183
Office decoration	8,248,291	-	-	8,248,291	20.00	7,790,245	356,184	-	8,146,429
Electrical equipment	11,668,135	1,661,643	-	13,329,778	20.00	8,616,493	1,416,927	-	10,033,420
Owned vehicles	9,015,641	-	-	9,015,641	20.00	2,097,550	1,803,127	-	3,900,677
Intangible assets	1,250,000	-	-	1,250,000	10.00	483,333	125,000	-	608,333
Leasehold assets:									
Leased vehicles	2,500,000	7,943,614	-	10,443,614	20.00	4,16,667	2,505,390	-	2,922,057
As at 31 December 2010	347,672,367	9,605,257	-	357,277,624		26,041,295	7,618,804	-	3,3660,099
As at 31 December 2009	35,586,151	313,409,930	(1,323,714)	347,672,367		21,371,019	5,515,336	(845,060)	26,041,295
									321,631,072

Highlights

Sl. No	Particulars	2010	2009
1	Paid up capital	902,501,600	644,644,000
2	Shareholders' equity	3,488,344,711	1,826,389,977
3	Capital surplus/(shortage)	402,501,600	144,644,000
4	Total assets	13,200,826,066	10,373,180,515
5	Total deposits	3,760,306,212	4,632,592,827
6	Total investments	11,621,042,577	9,275,309,761
7	Loans, advances and leases	8,720,700,063	7,236,967,249
8	Contingent liabilities and commitments	150,000,000	200,000,000
9	Loans deposits ratio (%)	231.91	156.22
10	Non performing loans, advances and leases (%)	6.18	7.04
11	Net profit after tax and provision	1,726,419,134	683,134,635
12	Classified loans, advances and leases	543,367,925	509,789,380
13	Provision against classified loans, advances and leases	207,803,891	163,505,304
14	Surplus/(shortage) in provision against loans, advances and leases	52,736,519	14,159,017
15	Fund cost (%)	11.15	11.25
16	Interest earning assets	12,289,119,579	9,686,021,952
17	Non-interest earning assets	911,706,487	687,158,563
18	Return on average investment (PBT/average investment %)	19.01	9.89
19	Return on average assets (PBT/average assets %)	16.85	8.89
20	Income from debentures, bonds etc.	-	-
21	Net income per share	19.13	10.60
22	Earnings per share (restated)	19.13	7.57
23	Price earnings ratio (times)	24.22	17.55



Prime Finance Capital Management Limited

a member of Prime Financial Group

Registered Office

63 Dilkusha Commercial Area, Dhaka-1000

Date of Incorporation

18 March 2010

Authorized Share Capital

Tk. 2,500,000,000

Paid-up Capital

Tk. 1,000,000,000,

Products & Services

Carry on business of merchant banking in all its respect, including acting as manager to the issues and offers, whether by way of public offer or otherwise, of securities, underwriting and/or management of issues, managing portfolio of investors whether discretionary or non-discretionary, advising clients on merger and amalgamation, capital restructuring etc.

Chairman

Md. Aliuzzaman

MD & CEO

Dr. M. Mosharraf Hossain FCA

Auditors

M. M. Rahman & Co., Chartered Accountants

Shareholding of Prime Finance

60 percent

Auditors' Report to the Shareholders

of Prime Finance Capital Management Limited

We have audited the accompanying financial statements of Prime Finance Capital Management Limited (the Company), which comprise the statement of financial position as at December 31, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financials statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Prime Finance Capital Management Limited as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standard (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by the law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred was for the purposes of the company's business.



M.M. Rahman & Co.
Chartered Accountants

Dhaka
22 February 2011

Prime Finance Capital Management Limited
Statement of financial position (Pre-operating)
 as at 31 December

(Figures in BDT)	Notes	2010
Non-current assets		-
Current assets:		
Advance corporate tax	4	933,164
Current account with Prime Finance & Investment Ltd.	7	696,336,275
Cash and cash equivalents	5	310,187,642
Total current assets		1,007,457,081
Total assets		1,007,457,081
Shareholders' equity:		
Share capital	6	1,000,000,000
Retained earnings		5,239,738
		1,005,239,738
Non-current liabilities		-
Current liabilities:		
Provision for audit fee		11,500
Salaries and allowances payable		142,000
Corporate tax liability		2,063,843
Total current liabilities		2,217,343
Total shareholders' equity and liabilities		1,007,457,081

The annexed notes 1 to 14 form an integral part of these financial statements

sd/-
 Managing Director & CEO

sd/-
 Director

sd/-
 Chairman

As per our report of same date.

Dhaka
 22 February 2011

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

Prime Finance Capital Management Limited
Statement of Comprehensive Income (Pre-operating)
 for the period from 18 March to 31 December 2010

(Figures in BDT)

Pre-operating income:	Notes	2010
Bank interest income	8	9,331,639
Total pre-operating income		9,331,639
Pre-operating expenses:		
Preliminary expenses	9	1,224,725
Salaries and allowances		142,000
Management recruitment expenses		490,000
Legal and other expenses		149,000
Bank charges and excise duty		10,833
Audit fee		11,500
Total pre-operating expenses		2,028,058
Profit before tax		7,303,581
Provision for income tax		2,063,843
Profit after tax		5,239,738

The annexed notes 1 to 14 form an integral part of these financial statements

sd/-
 Managing Director & CEO

sd/-
 Director

sd/-
 Chairman

As per our report of same date.

Dhaka
 22 February 2011

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

Prime Finance Capital Management Limited
Statement of Changes in Shareholders' Equity
 for the period from 18 March to 31 December 2010

(Figures in BDT)	Share Capital	Retained Earnings	Total
Balance as at 18 March 2010	-	-	-
Initial capital introduced	1,000,000,000	-	1,000,000,000
Profit after tax for the period	-	5,239,738	5,239,738
Balance as at 31 December 2010	1,000,000,000	5,239,738	1,005,239,738

sd/-
 Managing Director & CEO

sd/-
 Director

sd/-
 Chairman

As per our report of same date.

Dhaka
 22 February 2011

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

Prime Finance Capital Management Limited

Statement of cash flows

for the period from 18 March to 31 December 2010

(Figures in BDT)

A. Cash flows from operating activities:	2010
Bank interest received	9,331,639
Reimbursement of transfer fee	1,800,000
Bank charge paid	(10,833)
Income tax paid	(933,164)
Net cash used in operating activities	10,187,642
B. Cash flows from investing activities	
Payment to Prime Finance & Investment Ltd.	(700,000,000)
Net cash used in investing activities	(700,000,000)
C. Cash flows from financing activities:	
Introduction of fresh capital	1,000,000,000
Net cash provided by financing activities	1,000,000,000
D. Net increase/(decrease) in cash and cash equivalents (A+B+C)	310,187,642
E. Opening cash and cash equivalents	
	-
F. Ending cash and cash equivalents (D+E)	310,187,642

sd/-
Managing Director & CEO

sd/-
Director

sd/-
Chairman

As per our report of same date.

Dhaka
22 February 2011

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

Prime Finance Capital Management Limited

Notes to the financial statements

for the period from 18 March to 31 December 2010

1. Reporting entity

Prime Finance Capital Management Limited ("the company") is a public limited company incorporated on 18 March 2010 in Bangladesh under the Companies Act 1994. The main objectives of the company are to carry on business of merchant banking in all 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

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

2.2 Basis of measurement

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

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgments

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

2.5 Reporting period

The financial statements of the company covers a period from 18 March to 31 December 2010.

3. Significant accounting policies

The accounting policies set out below have been applied in these financial statements.

3.1 Pre-operating expenses

Pre-operating expenses are recognized as an expense in the year in which it is incurred under the provision of BAS- 38: 'Intangible assets'.

3.2 Financial instruments

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

3.3 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'.

3.4 Corporate income 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 2010.

3.5 Cash flow statement

Cash flows from operating activities have been presented under direct method.

3.6 Events after the balance sheet

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

3.7 General

Comparative figure in respect of 2010 has not been given as the Company has incorporated on 18 March 2010.

4. Advance income tax

	2010
Balance as at 1 January	-
Add:	
Advance income tax paid u/s-64 of Income Tax Ordinance, 1984	-
Tax deducted at source	933,164
	933,164
Less:	
Adjustment for completed assessments	-
Balance as at 31 December	933,164

5. Cash and cash equivalents

Cash and cash equivalents comprise balance of special notice deposit account, bearing account number 0012-0320000955, maintained with Mutual Trust Bank Limited, Dilkusha Branch.

6. Share capital

Authorized:	
250,000,000 ordinary shares of Tk 10 each	2,500,000,000
Issued and fully paid up:	
100,000,000 ordinary shares of Tk. 10 each issued for cash	1,000,000,000

6.1 Composition of shareholding

	No. of shares	Percentage
Prime Finance & Investment Limited	60,000,000	60%
Mr. K. M. Rakib Hasan	6,000,000	6%
Mr. Waheed Mahmud Khaled	6,000,000	6%
Mr. Nazim Asadul Haque	6,000,000	6%
Mr. Rubaiyat Khaled	6,000,000	6%
Mr. Tauseef Iqbal Ali	3,000,000	3%
Mr. Md. Aliuzzaman	2,000,000	2%
Ms. Syeda Tasnuva Khanam	3,000,000	3%
GQ Enterprise Limited	4,000,000	4%
Agami Apparels Limited	4,000,000	4%
	100,000,000	100%

7. Current account with Prime Finance & Investment Limited

This amount represents receivable from Prime Finance & Investment Limited, the parent company of Prime Finance Capital Management Limited. The amount has been arises from expenses paid/short-term loan availed by parent on behalf of Prime Finance Capital Management Limited and vice versa.

8. Bank interest income

This includes interest accrued on short term deposit account maintained with Mutual Trust Bank Ltd., Dilkusha Branch, Dhaka.

Notes to the Financial Statements - *continued***9. Preliminary expenses**

(Figures in BDT)	2010
Registration Fees	1,139,125
Law charge	17,000
Other initial expenses	68,600
	1,224,725

10. Contingent liabilities

None at 31 December 2010

11. Capital expenditure commitment

None at 31 December 2010

12. Claims against the company not acknowledged as debt

None at 31 December 2010

13. 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 01.

14. Events after the balance sheet

No material events had accrued after the balance sheet date to the date of issue of these financial statements, which could affect the values stated in the financial statements.



PFI Securities Limited

a member of Prime Financial Group

About the Company

PFI Securities Limited is one of the leading brokerage houses in Bangladesh was incorporated on 06 August 1997 as a Private Limited Company. The company converted to public limited company on 6 April 2010. It is operating with a group of highly trained & skilled manpower. The Company has refined its business model to constantly maintain a cutting-edge approach in the areas in which it operates. PFI Securities is a Security Broking company registered as member with both the bourses in Bangladesh; Dhaka Stock Exchange Limited (DSE) and Chittagong Stock Exchange Limited (CSE).

Nature of Business

The Company is engaged primarily to cater the service to the institutions and individual investors for trading of securities with both the bourses under Securities & Exchange Commission (Stock-Dealer, Stock-Broker & Authorized Representative) Rules 2000 and to extend margin loan facilities to the investors under Margin Rules 1999.

Chairman

Mr. M. A. Wahhab

CEO/MD/In-Charge

Kazi Fariduddin Ahmed FCA

Authorized Capital

Tk. 5,000,000,000

Paid-up Capital

Tk. 910,000,000

Operating Profit for 2010

Tk. 936,414,280

Net Profit for 2010

Tk. 607,661,882

Earnings Per shares (EPS) for 2010

6.68

Shareholdings of Prime Finance

50 percent

Auditors' Report to the Shareholders

of PFI Securities Limited

We have audited the accompanying financial statements of PFI Securities Limited (the Company), which comprise the statement of financial position as at December 31, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financials statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of PFI Securities Limited as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by the law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's statement of financial position and statement of comprehensive income dealt with by the report are in agreement with the books of accounts and returns; and
- d) the expenditure incurred was for the purposes of the company's business



M.M. Rahman & Co.
Chartered Accountants

Dhaka
22 February 2011

PFI Securities Limited
Statement of Financial Position
as at 31 December

(Figures in BDT)

SOURCES OF FUND	2010	2009
SHAREHOLDERS' EQUITY	1,985,107,115	1,067,445,233
Share Capital	910,000,000	300,000,000
Revaluation Reserve	443,887,500	443,887,500
Retained earnings	23,557,733	17,383,359
Current year's profit	607,661,882	306,174,374
APPLICATION OF FUND		
INVESTMENT AND ADVANCES	526,479,214	491,847,783
Membership of stock exchanges	456,500,000	456,500,000
Employees Loan	4,031,665	3,320,000
Investment in shares	65,947,549	32,027,783
CURRENT ASSETS	8,769,352,066	5,550,172,810
Advance, deposits and prepayments	57,581,643	97,916,004
Margin loan to clients	4,767,027,674	3,158,419,188
Accounts receivable	3,570,689,615	2,195,522,330
Advance corporate tax	219,642,039	58,802,455
Cash & cash equivalents	154,411,095	39,512,833
CURRENT LIABILITIES	7,665,001,818	5,082,217,032
Accounts payable	3,595,583,137	2,704,845,858
Short term borrowing	3,798,010,293	2,283,538,544
Provision for current tax	271,408,388	93,832,630
NET CURRENT ASSETS	1,104,350,247	467,955,778
Property, plant & equipments	354,277,654	107,641,672
TOTAL ASSETS AND INVESTMENTS	1,985,107,115	1,067,445,233

sd/-
Company Secretary

sd/-
CEO & Managing Director

sd/-
Chairman

As per our report of same date.

Dhaka
22 February 2011

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

PFI Securities Limited

Statement of Comprehensive Income

For the year ended 31 December

(Figures in BDT)	2010			2009
	U/Sec-82(c)	Other than U/Sec-82(c)	Total	Total
OPERATING INCOME	781,312,925	155,101,355	936,414,280	445,915,525
Commission on securities trading	781,312,925	-	781,312,925	344,474,775
Interest on margin loan	-	107,896,360	107,896,360	53,762,147
Gain/Loss on sale of shares	-	9,514,316	9,514,316	40,925
Dividend income	-	216,291	216,291	62,040
Other operating income	-	37,474,388	37,474,388	47,575,638
OPERATING EXPENSES	137,774,575	13,402,065	151,176,640	75,093,874
Laga and howla charges	70,262,548	-	70,262,548	40,720,981
Management expenses	67,512,027	13,402,065	80,914,092	34,372,893
Profit before tax	643,538,350	141,699,290	785,237,640	370,821,651
Provision for income tax	117,353,560	60,222,198	177,575,758	64,647,277
Net profit after income tax	526,184,790	81,477,092	607,661,882	306,174,374
Earnings per share (EPS)			6.68	10.21
Restated Earnings per share (EPS)			6.68	3.36

sd/-
Company Secretary

sd/-
CEO & Managing Director

sd/-
Chairman

As per our report of same date.

Dhaka
22 February 2011

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

PFI Securities Limited
Statement of Cash Flow

For the year ended 31 December

(Figures in BDT)

Cash flows from operating activities	2010	2009
Collection from commission, interest on trading on securities & Others	(2,868,775)	(1,285,921,967)
Payment of Laga, howla & management expenses	713,911,012	2,152,287,807
Income tax paid	(160,839,584)	(40,020,750)
Net cash provided by operating activities	550,202,653	826,345,090
Cash flows from Investing activities		
Purchase of property, plant & equipment	(180,651,993)	(173,715,930)
Investment in Shares	(33,919,766)	(25,618,542)
Gain on sale of shares	9,514,316	40,925
Net cash used by investing activities	(205,057,443)	(199,293,547)
Cash flows from Financing activities		
Collection of issue of share capital	310,000,000	150,000,000
Loan given to employee	(711,665)	480,000
Loan given to clients	(1,608,608,486)	(2,696,245,665)
Short term loan receive	1,514,471,749	2,123,538,545
Dividend income	216,291	62,040
Financial expenses	(445,614,837)	(180,330,547)
Net cash used by financial activities	(230,246,948)	(602,495,627)
Net increase in cash	114,898,262	24,555,916
Opening Cash & Bank Balance	39,512,833	14,956,917
Closing Cash & Bank Balance	154,411,095	39,512,833

sd/-
Company Secretary

sd/-
CEO & Managing Director

sd/-
Chairman

As per our report of same date.

Dhaka
 22 February 2011

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

PFI Securities Limited

Statement of Changes in Shareholders Equity

For the year ended 31 December

(Figures in BDT)	Share Capital	Retained Earnings	Revaluation Reserve	Total
Balance as on 31 Dec'09	300,000,000	323,557,733	443,887,500	1,067,445,233
Changes during the year 2010				
Net profit for the year 2010	-	607,661,882	-	607,661,882
Issued during 2010	50,000,000	-	-	50,000,000
Stock dividend for the year 2009	300,000,000	(300,000,000)	-	-
Right Share issued during 2010	260,000,000	-	-	260,000,000
Change during 2010	610,000,000	307,661,882	-	917,661,882
Balance as on 31 Dec'10	910,000,000	631,219,615	443,887,500	1,985,107,115
Balance as on 31 Dec'08	49,896,000	117,487,359	-	167,383,359
Changes during the year 2009				
Net profit for the year 2009	-	306,174,374	-	306,174,374
Issued during 2009	-	-	-	-
Stock dividend for the year 2008	100,104,000	(100,104,000)	-	-
Revaluation during 2009	-	-	443,887,500	443,887,500
Right Share issued during 2009	150,000,000	-	-	150,000,000
Change during 2009	250,104,000	206,070,374	443,887,500	900,061,874
Balance as on 31 Dec'09	300,000,000	323,557,733	443,887,500	1,067,445,233

sd/-
Company Secretary

sd/-
CEO & Managing Director

sd/-
Chairman

As per our report of same date.

Dhaka
22 February 2011

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



 **PFI PROPERTIES LIMITED**
a member of Prime Financial Group

Head Office

Z.N.Tower (Gr. & 1st Floor), Gulshan Avenue,
Road-8, Plot-2, Gulshan-1, Dhaka-1212

Date of Incorporation

28 June 2009

Authorized Share Capital

Tk. 1,000,000,000

Paid-up Capital

Tk. 50,000,000

Nature of Business

Acquire by purchase, lease, settlement or otherwise any land either from government, semi-government, autonomous body, any corporate body or from any private individual, firms, companies and corporations and to develop the same for the residential, industrial, commercial or housing purposes.

Chairman

Mr. M. A. Khaleque

Chief Operating Officer (CC)

Sheikh Md. Farid

No. of Employees

12

Net Profit for 2010

Tk. 4,079,898

Auditors

M. M. Rahman & Co.
Chartered Accountants

Shareholding of Prime Finance

40 Percent

Auditors' Report to the Shareholders

of PFI Properties Limited

We have audited the accompanying financial statements of PFI Properties Limited (the Company), which comprise the statement of financial position as at December 31, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financials statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BAS). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of PFI Properties Limited as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standard (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by the law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred was for the purposes of the company's business.



M.M. Rahman & Co.
Chartered Accountants
Dhaka
22 February 2011

PFI Properties Limited

Statement of Financial Position

as at 31 December 2010

(Figures in BDT)	2010	2009
Assets		
Property, plant and equipment	11,139,950	-
Investment in shares	32,051,236	-
Total non-current assets	43,191,186	-
PAdvances, deposits and prepayments	50,464,280	375,000
Advance income tax	129,532	91,979
Receivable from PFI Securities Limited	2,765,082	-
Cash and cash equivalents	8,018,016	50,794,738
Total current assets	61,376,910	51,261,717
Total assets	104,568,096	51,261,717
Equity		
Share capital	50,000,000	50,000,000
Retained earnings/(Loss)	4,066,486	(13,412)
Revaluation reserve	472,375	-
Total equity	54,538,861	49,986,588
Liabilities		
Long-term finance	17,564,032	-
Obligation under finance lease	1,730,869	-
Deferred tax liability	340,831	-
Total non-current liabilities	19,635,732	-
Short term portion of long term finance	4,484,203	-
Short term portion of lease obligation	1,528,859	-
Accrued expenses	1,229,735	10,000
Provision for taxation	964,478	5,000
Other liability	22,186,228	1,260,129
Total current liabilities and provisions	30,393,503	1,275,129
Total liabilities	50,029,235	1,275,129
Total equity and liabilities	104,568,096	51,261,717

sd/-
Chief Operating Officer (CC)

sd/-
Director

sd/-
Chairman

As per our report of same date.

Dhaka
22 February 2011

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

PFI Properties Limited
Statement of comprehensive income
 for the year ended 31 December 2010

(Figures in BDT)	2010	2009
Operating income	-	-
Non-operating income:		
Capital gain on sale of shares	37,990,102	-
Income from sale of Garbage and others	60,000	-
Total income	38,050,102	-
Operating expenses	(31,194,284)	(903,204)
Profit before finance expense	6,855,818	(903,204)
Finance expense	(1,825,591)	-
Finance income	349,980	894,792
Net finance expense	(1,475,611)	894,792
Profit before income tax	5,380,207	(8,412)
Income tax:		
Current tax	(959,478)	(5,000)
Deferred tax	(340,831)	-
	(1,300,309)	(5,000)
Profit after tax	4,079,898	(13,412)

sd/-
 Chief Operating Officer (CC)

sd/-
 Director

sd/-
 Chairman

As per our report of same date.

Dhaka
 22 February 2011

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

PFI Properties Limited

Statement of Cash Flow

for the year ended 31 December 2010

(Figures in BDT)	2010	2009
A. Cash flows from operating activities		
Bank interest received	250,930	894,792
Bank charge and excise duty paid	(9,678)	(10,575)
Interest paid	(649,453)	-
Office rent paid	(11,282,263)	-
Payment against advance	(48,132,158)	-
Salaries paid	(3,907,229)	-
Receipt from scrap sale	60,000	-
Income tax paid	25,093	(89,479)
Payment for other operating activities	(6,479,626)	-
Net cash generated from operating activities	(70,124,384)	794,738
B. Cash flows from investing activities		
Net receipt from investment in shares	12,500,000	-
Acquisition of property, plant and equipment	(6,450,016)	-
Net cash used in investing activities	6,049,984	-
C. Cash flows from financing activities		
Introduction of capital	-	50,000,000
Net receipt from long term finance	22,048,235	-
Net change in obligation under finance lease	(750,557)	-
Net cash outflows from financing activities	21,297,678	50,000,000
D. Net cash inflows/(outflows) for the year (A+B+C)	(42,776,722)	50,794,738
E. Opening cash and cash equivalents	50,794,738	-
F. Closing cash and cash equivalents (D+E) (Note-12)	8,018,016	50,794,738

PFI Properties Limited
Statement of changes in Shareholders Equity
 for the year ended 31 December 2010

(Figures in BDT)	Share capital	Revaluation reserve	Retained earnings	Total
Balance at 31 December 2009	50,000,000	-	(13,412)	49,986,588
Net profit after tax for the year 2010	-	-	4,079,898	4,079,898
Reserve on net changes in fair value of listed shares	-	472,375	-	472,375
Balance at 31 December 2010	50,000,000	472,375	4,066,486	54,538,861
<hr/>				
Balance as at 28 June 2009	-	-	-	-
Initial capital introduced	50,000,000	-	-	50,000,000
Loss after tax for the period	-	-	13,412	13,412
Balance as at 31 December 2009	50,000,000	-	13,412	49,986,588



Prime Prudential Fund Limited

a member of Prime Financial Group

Date of Incorporation

16 July 2009

Authorized Share Capital

Tk. 500,000,000

Paid-up Capital

Tk. 24,600,000

Nature of Business

Manage funds of the company and its investors and provide other financial services including corporate advisory services, merger & acquisition, equity investment, joint venture sourcing and consummation, corporate restructuring, financial and socio-economic consultancy, corporate research and project studies, privatization and other related services in Bangladesh and overseas.

Chairman

Mr. M. A. Khaleque

Senior Manager & In-Charge

Md. Abdul Muktadir

No. of Employees

02

Net Profit for 2010

Tk. 56,318,717

Auditors

M. M. Rahman & Co.
Chartered Accountants

Registered Office

63 Dilkusha Commercial Area, Dhaka-1000

Shareholding of Prime Finance

40 Percent

Auditors' Report to the Shareholders

of Prime Prudential Fund Limited

We have audited the accompanying financial statements of Prime Prudential Fund Limited (the Company), which comprise the statement of financial position as at December 31, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Prime Prudential Fund Limited as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by the law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred was for the purposes of the company's business



M.M. Rahman & Co.
Chartered Accountants

Dhaka
22 February 2011

Prime Prudential Fund Limited
Statement of Financial Position

as at 31 December

(Figures in BDT)	2010	2009
Non-current assets	-	-
Current assets		
Investment in shares	117,472,965	50,361,348
Advance corporate tax	31,393	13,651
Cash and cash equivalents	428,164	99,788
Total current assets	117,932,522	50,474,787
Total assets	117,932,522	50,474,787
Shareholders' equity		
Share capital	24,600,000	20,000,000
Retained earnings	56,493,610	4,774,893
Revaluation reserve	(6,080,626)	-
Total shareholders' equity	75,012,984	24,774,893
Non-current liabilities	-	-
Current liabilities		
Payable to Prime Finance & Investment Limited	309,075	284,325
Margin loan	39,330,366	25,400,569
Provision for audit fee	11,500	10,000
Liability to employees	438,665	-
Corporate tax liability	2,826,099	5,000
VAT & Tax payable	3,833	
Total current liabilities	42,919,538	25,699,894
Total shareholders' equity and liabilities	117,932,522	50,474,787

sd/-
 Manager

sd/-
 Director

sd/-
 Chairman

As per our report of same date.

Dhaka
 22 February 2011

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

Prime Prudential Fund Limited
Statement of Comprehensive Income
 for the period from 1 January to 31 December 2010

	2010	2009
		(Figures in BDT)
Capital gain from sale of shares	70,389,698	5,489,938
Cash Dividend income	79,726	-
Bank interest income	13,821	111,514
Total operating income	70,483,245	5,601,452
Salaries & allowances	918,050	-
Medical & employee welfare	3,210	-
Bank charge & excise duty	7,380	-
Printing & stationery	14,050	-
License renewal fee	6,505	-
Entertainment & public relations	41,787	-
Books & periodicals	2,199	-
Portfolio account opening fee	1,000	-
Travel & conveyance	8,246	-
Pre-operating expenses	-	281,825
Fees and charges for sale of shares	10,329,502	529,734
Audit fee	11,500	10,000
Total operating expenses	11,343,429	821,559
Profit before tax	59,139,816	4,779,893
Provision for Tax	2,821,099	5,000
Profit after tax	56,318,717	4,774,893

sd/-
 Manager

sd/-
 Director

sd/-
 Chairman

As per our report of same date.

Dhaka
 22 February 2011

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

Prime Prudential Fund Limited
Statement of Cash Flow
for the period from 1 January to 31 December 2010

(Figures in BDT)

A. Cash flows from operating activities:	2010	2009
Cash dividend income	63,866	-
Bank interest received	12,439	111,514
Bank charge and Excise duty paid	(7,380)	(575)
Salaries and allowances paid	(475,385)	-
Medical and employee welfare paid	(3,210)	-
Audit fee payable 2009 paid	(9,000)	-
Printing and stationery paid	(13,667)	-
License renewal fee paid	(7,005)	-
Entertainment and Public Relation paid	(16,337)	-
Tax deducted at source on salaries paid	(2,000)	-
Books and periodicals paid	(2,199)	-
Portfolio account opening fee paid	(1,000)	-
Travel and conveyance paid	(8,246)	-
Income tax paid	-	(11,151)
Net cash used in operating activities	(469,124)	99,788
B. Cash flows from investing activities:		
Payment for investment in share	(2,202,500)	(20,000,000)
Withdrawal from portfolio account	3,000,000	-
Net cash used in investing activities	797,500	(20,000,000)
C. Cash flows from financing activities:		
Introduction of capital	-	20,000,000
Net cash provided by financing activities	-	20,000,000
D. Net increase/(decrease) in cash and cash equivalents (A+B+C)	328,376	99,788
E. Opening cash and cash equivalents	99,788	-
F. Ending cash and cash equivalents (D+E)	428,164	99,788

Prime Prudential Fund Limited
Statement of changes in Shareholders Equity
 for the period from 1 January to 31 December 2010

(Figures in BDT)	Share capital	Revaluation reserve	Retained earnings	Total
Balance as at 1 January 2010	20,000,000	-	4,774,893	24,774,893
Stock dividend for the year 2009	4,600,000	-	(4,600,000)	-
Profit after tax for the period	-	-	56,318,717	56,318,717
Reserve on net changes in fair value of listed securities	-	(6,080,626)	-	(6,080,626)
Balance as at 31 December 2010	24,600,000	(6,080,626)	56,493,610	75,012,984
Balance as at 16 July 2009	-	-	-	-
Initial capital introduced	20,000,000	-	-	20,000,000
Profit after tax for the period	-	-	4,774,893	4,774,893
Balance as at 31 December 2009	20,000,000	-	4,774,893	24,774,893



Prime Finance Asset Management Company Limited

a member of Prime Financial Group

About the Company

Prime Finance Asset Management Company Limited was incorporated in Bangladesh on 9 June 2008 as a public limited company under the Companies Act 1994.

Nature of Business

Manage the assets of any Trust of Fund of any type and/or character and hold, acquire, sell or deal in such asset or any trust funds, take part in the management of any mutual fund operation, operate, conduct, accomplish and establish services for industrial trading and commercial activities, invest funds in shares and securities, carry on business, and act as financial and monetary agent and merchandise shares and other securities.

Chairman

Mr. Sayed Tarek Kamal

CEO/MD/In-Charge

Moin Al Kashem MBA

Authorized Capital

Tk. 250,000,000

Paid-up Capital

Tk. 60,000,000

Operating Profit for 2010

Tk. 24,103,165

Net Profit for 2010

Tk. 6,790,609

Shareholding of Prime Finance

49 Percent

Auditors' Report to the Shareholders

of Prime Finance Asset Management Company Limited

We have audited the accompanying financial statements of Prime Finance Asset Management Company Limited (the Company), which comprise the statement of financial position as at December 31, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financials statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness

of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Prime Finance Asset Management Company Limited as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Bangladesh Financial Reporting Standards (BFRS) and comply with the applicable sections of the Companies Act, 1994 and other applicable laws and regulations.

We also report that

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by the law have been kept by the company so far as it appeared from our examination of those books;
- c) the company's financial position and statement of comprehensive income dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred was for the purposes of the company's business



M.M. Rahman & Co.
Chartered Accountants

Dhaka
22 February 2011

Prime Finance Asset Management Company Limited

Statement of Financial Position

as at 31 December

ASSETS		(Figures in BDT)
Non-current assets	2010	2009
Property, plant and equipments at cost	6120,698	5,508,798
Accumulated depreciation	(1,600,681)	(422,822)
WDV of property, plant and equipments	4,520,017	5,085,976
Deferred tax asset	143,909	-
Total non-current assets	4,663,926	5,085,976
Current assets		
Advance tax	329,264	160,443
Other receivable	-	780
Advance, deposits and prepayments	8,281,471	3,268,806
Investment	2,000,000	4,000,000
Receivable	29,411,095	5,021,700
Other asset	122,222	-
Cash and cash equivalents	29,541,361	11,448,718
Total current assets	69,685,413	23,900,447
Total assets	74,349,339	28,986,423

EQUITY AND LIABILITIES

Shareholders' equity		
Share Capital	60,000,000	15,000,000
Share money deposit	-	8,500,000
Retained earnings	4,477,771	(2,312,838)
Total shareholders' equity	64,477,771	21,187,162
Non-current liabilities		
Deferred tax liability	-	1,796
Liability for gratuity	524,221	25,454
Liability for provident fund	763,980	52,300
Loan from Prime Finance & Investment Limited (Non-current portion)	1,557,233	3,030,086
Obligation under finance lease (Non-current portion)	455,586	1,433,539
Total non-current liabilities	3,301,020	4,543,175

Balance Sheet - *continued*

(Figures in BDT)

Current liabilities	2010	2009
Loan from Prime Finance & Investment Limited (Current maturity)	1,472,851	1,268,857
Obligation under finance lease (Current portion)	977,953	834,237
Withholding tax and VAT	6,286	88,967
Provision for income tax	3,006,538	96,817
Payables and accruals	267,219	764,899
Other liabilities	839,701	202,309
Total current liabilities	6,570,548	3,256,086
Total liabilities	9,871,568	7,799,261
Total equity and liabilities	74,349,339	28,986,423

sd/-
Head of Finance

sd/-
Managing Director

sd/-
Chairman

As per our report of same date.

Dhaka
22 February 2011

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

Prime Finance Asset Management Company Limited

Statement of Comprehensive Income

for the year ended 31 December

(Figures in BDT)

	2010	2009
Operating revenue		
Income from fees	22,781,497	-
Capital gain	1,221,668	4,033,500
Dividend income	100,000	-
Total operating revenue	24,103,165	4,033,500
Operating expenses		
Administrative expenses	(14,748,782)	(6,900,674)
Financial expenses	(864,319)	(295,082)
Total operating expenses	(15,613,101)	(7,195,756)
Profit/ (Loss) from operating activities	8,490,064	(3,162,256)
Bank interest income	1,060,432	713,187
Miscellaneous income	4,129	-
Profit/(loss) before income tax	9,554,625	(2,449,069)
Income tax expense		
Current tax	(2,909,721)	(5,000)
Deferred tax income/(expense)	145,705	(1,796)
Total income tax expense	(2,764,016)	(6,796)
Net profit/(loss) for the year	6,790,609	(2,455,865)

sd/-
Head of Finance

sd/-
Managing Director

sd/-
Chairman

As per our report of same date.

Dhaka
22 February 2011

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

Prime Finance Asset Management Company Limited

Statement of Cash Flow

for the year ended 31 December

(Figures in BDT)

	2010	2009
A. Cash flows from operating activities:		
Cash received on account of Mutual Fund	1,950,070	-
Dividend received	80,000	-
Paid to suppliers and employees	(14,934,248)	(7,858,565)
Paid for other operating expenses	(1,588,960)	(1,062,950)
Directors fees paid	(344,693)	(324,709)
Paid to PFI Securities Ltd.	(307,800)	(9,500)
Interest received	938,210	713,187
Income tax paid	(148,821)	(117,587)
Financial expenses	(864,319)	(295,082)
Net cash flows from operating activities	(15,220,561)	(8,955,206)
B. Cash flows from investing activities		
Paid to purchase property, plant and equipments	(1,083,700)	(5,036,998)
Investment in Mutual Fund	-	(5,000,000)
Net cash used in investing activities	(1,083,700)	(10,036,998)
C. Cash flows from financing activities:		
Subscribed by shareholders to share capital	36,500,000	-
Share money deposit	-	8,500,000
Paid to Prime Finance & Investment Ltd.	(2,103,096)	-
Loan from Prime Finance & Investment Ltd.	-	4,298,943
Finance lease from Prime Finance & Investment Ltd.	-	2,267,776
Net cash generated from financing activities	34,396,904	15,066,719
D. Net increase/(decrease) in cash and cash equivalents (A+B+C)	18,092,643	(3,925,485)
E. Opening cash and cash equivalents	11,448,718	15,374,203
F. Closing cash and cash equivalents (D+E):	29,541,361	11,448,718

Prime Finance Asset Management Company Limited
Statement of Changes in Shareholders Equity
for the year ended 31 December

(Figures in BDT)

Particulars	Share capital	Share money deposit	Retained earnings	Total
Balance as at 1 January 2009	15,000,000	-	143,027	15,143,027
Subscribed by Shareholders	-	8,500,000	-	8,500,000
Net loss for the year	-	-	(2,455,865)	(2,455,865)
Balance as at 31 December 2009	15,000,000	8,500,000	(2,312,838)	21,187,162
Transferred to sharecapital	-	(8,500,000)	-	(8,500,000)
Share capital introduced	45,000,000	-	-	45,000,000
Net profit for the year	-	-	6,790,609	6,790,609
Balance at 31 December 2010	60,000,000	-	4,477,771	64,477,771

Notice of the Fifteenth Annual General Meeting

Prime Finance & Investment Limited

[Incorporated in Bangladesh]

[Registration number: C-30384(1600) / 96 dated 10 March, 1996]

[Share code: DSE-Primefin, CSE-PFIL]

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of Prime Finance & Investment Limited will be held on Tuesday, 29 March 2011 at 10:00 am at the Celebrity, Bangabandhu International Conference Centre, Agargaon, Sher-E-Bangla Nagar, Dhaka-1207 to deal with the following matters and if approved, to pass the following resolution with or without modification:

SPECIAL BUSINESS

AGM-SB- 11-15-01 : To increase the authorized share capital of the Company from Tk 100 crore to Tk 500 crore

To consider and, if thought fit, to pass the resolutions set out below as Special Resolutions:

01. To amend Clause V of the Memorandum of Association

"The authorized share capital of the Company is Taka 500,00,00,000 (five hundred crore) divided into 50,00,00,000 (fifty crore) ordinary shares of Taka 10 (ten) each with the rights and privileges and conditions attached thereto as are provided by the Articles of Association of the Company for the time being with power to increase and reduce the capital of the Company in accordance with the Articles of Association of the Company and the law for the time being in force."

02. To amend Article-3(a) of the Articles of Association

"The authorized share capital of the Company is Taka 500,00,00,000 (Taka five hundred crore) divided into 50,00,00,000 (fifty crore) ordinary shares of Taka 10 (ten) each."

ORDINARY BUSINESS

To consider and, if thought fit, to pass the resolutions set out below as Ordinary Resolutions:

AGM-OB- 11-15-01 : Adoption of the Annual Financial Statements

To consider and adopt the audited financial statements of the Company for the year ended 31 December 2010 including the reports of the Directors and Auditors;

AGM-OB- 11-15-02 : Declaration of dividend

To declare dividend for the FY 2010 as proposed by the Board;

AGM-OB- 11-15-03 : Re-appointment of the retiring Directors;

To re-appoint the following Directors who retire in terms of Article 67 of the Company's Articles of Association and being eligible, offer themselves for reappointment under Article 69:

- ❖ Mr. Md. Aminul Haque
- ❖ Mrs. Muslima Shirin
- ❖ Mr. Z. M. Kaiser; and
- ❖ Mr. Tauseef Iqbal Ali

AGM-OB- 11-15-04 : Appointment of Auditors

To appoint new Auditors of the Company and fixation of their remuneration for the year 2011.

By order of the Board,

sd/-

Tauhidul Ashraf FCS
Company Secretary
7 March 2011

Notes :

- i. The 7 March 2011 shall be the RECORD DATE to determine the rights of Shareholders to current dividend and to attend and vote at the meeting.
- ii. Pursuant to Section 85 of the Companies Act, 1994, the Company gives notice that only the Shareholders whose names entered on the Depository Register of Shareholders on record date will be entitled to attend and vote at the meeting and at any adjournment thereof. Changes to entries on the register after the record date shall be disregarded in determining the rights of any person to attend and vote at the meeting and to current dividend.
- iii. As per Article 47 of the Articles of Association of the Company, a shareholder may appoint Proxy to attend and on a Poll, to vote instead of him/her. The instrument appointing a Proxy and the Power of Attorney, where applicable, must be received at the Corporate Affairs Department of the Company at 63 Dilkusha Commercial Area, Dhaka-1000 at least 72 hours before the time for holding the meeting. Completion of the Proxy Card will not preclude a shareholder from attending and voting in person instead of his/her proxy.
- iv. Members are requested to notify change of address, if any, through their respective Depository Participants well in time.
- v. For convenience, the Shareholders/Proxy are requested to record their entry at the entrance of AGM on 29 March 2011 in between from 8:30 a.m to 10:00 a.m.

Explanatory notes to the notice of AGM

Special Business:

Business item-1: To increase of the Authorized Share Capital of the Company

Since the scope of operation of the company has been widening, it has become expedient to increase the paid up share capital of the company gradually. The existing authorized share capital and paid up share capital of the company is Tk. 100 crore and Tk. 90.02 crore respectively. Considering the future growth of the Company as well as to strengthen the capital base in different phases, the Board in its meeting held on 24 February 2011 proposes to increase the authorized share capital of the Company from Tk. 100 crore to Tk. 500 crore. In order to increase the authorized share capital, the clause V of the Memorandum of Association and article 3(a) of the Articles of Association is required to be amended which requires special resolution.

Ordinary Business:

Business item 1: Adoption of Directors' Report, Auditors Report and Audited Financial Statements

The Directors must present to the shareholders at each Annual General Meeting, the Financial Statements of the Company and report of the Directors and Auditors thereon. The Directors' Report, the Financial Statements and the report of the Auditors on the Financial Statements for the year ended 31 December 2010 are contained in this Annual Report.

Business item 2: Declaration of dividend

The Board in its meeting held on 24 February 2011 recommended 80 percent stock dividend for the year 2010 subject to the approval of the shareholders in the next AGM.

The dividend will be paid to the shareholders' whose name will appear in the Depository Register of Shareholders at the close of business on 7 March 2011 being the Record Date. Bonus shares will be transferred to the respective BO Account of the shareholders within April 2011.

Business item 3: Re-appointment of the retiring Directors

Article 67 of the Company's Articles of Association requires one-third of the Directors are subject to retirement by rotation at each Annual General Meeting. Accordingly, Mr. Md. Aminul Haque, Mrs. Muslima Shirin, Mr. Z. M. Kaiser and Mr. Tauseef Iqbal Ali will retire by rotation and being eligible offer themselves for re-appointment in the Fifteenth Annual General Meeting.

Business item 4: Appointment of the Auditors

The Financial Institutions Act, 1993 stipulated that an auditor of a Financial Institution cannot be appointed for more than three consecutive years. Howladar Yunus & Co., Chartered Accountants has completed their third year of audit and hence not eligible for reappointment. Agendum 4 proposes the appointment of new Auditors for the year 2011 and they will hold office until the close of Sixteenth Annual General Meeting. Section 210(10) of the Companies Act, 1994 also gives authority to shareholders of the company to fix the Auditor's remuneration. The Board in its meeting held on 24 February 2011 recommended to appoint M/S A. Qasem & Co., Chartered Accountants as Auditors at a remuneration of Taka 200,000 Plus VAT.

Proxy Card

(This Proxy Card is for use at the Annual General Meeting of Prime Finance & Investment Limited to be held on 29 March 2011)

I/We.....

having BO ID # | | | | | | | | | | | | | | | | | | | | | | | | | | |

of.....

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

ofto be my/our proxy to attend

and vote on my/our behalf at the Fifteenth Annual General Meeting of the Company to be held on 29 March 2011 at 10:00 am at the Celebrity, Bangabandhu International Conference Centre, Agargaon, Sher-E-Bangla Nagar, Dhaka-1207 and at any adjournment thereof. The Proxy will vote as indicated below in respect of the agenda set out in the notice of the meeting.

Please indicate, by inserting a cross (x) in the appropriate box, how you wish your votes to be cast on the agenda listed below. Unless so indicated, your Proxy will vote or abstain at his/her direction. This proxy will be used only in the event of a poll being demanded.

Special Business

	For	Against	Withheld
AGM-SB- 11-15-01: To increase the authorized share capital of the Company from Tk. 100 crore to Tk. 500 crore.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Ordinary Business

AGM-OB- 11-15-01: Adoption of the Annual Financial Statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM-OB- 11-15-02: Declaration of dividend	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM-OB- 11-15-03: Re-appointment of the retiring Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGM-OB- 11-15-04: Appointment of Auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Notes

- i. Only those shareholders whose name appear in the Register of Members of the Company on 7 March, 2011 being the record date shall be entitled to attend and vote (whether on a show of hands or on a poll) at the meeting or by properly constituted Proxy/Attorney.
- ii. A Member wishing to appoint a person as Proxy should insert the name and address of such person in the space provided above;
- iii. Use of the Proxy Card does not preclude the shareholder from attending and voting in person;
- iv. Where the Proxy Card is executed by an individual, it must be signed by that individual or by his or her attorney;
- v. In case of joint holding, the Proxy Card may be signed by any of the joint holders, but the vote of the member whose name stands first in the Register of shareholders will be accepted;
- vi. In the case of a Company, the Proxy Card should be executed on behalf of the Company under its Common Seal or under the hand of a duly authorized officer or attorney;
- vii. If the Proxy Card is signed and returned without any indication as to how the Proxy shall vote, the Proxy will exercise his/her discretion as to whether and how he/she votes;
- viii. Signature of the shareholders must be in accordance with specimen signature recorded with the Company;
- ix. This Proxy Card duly completed must be deposited at the Corporate Affairs Department of the Company at 63 Dilkusha Commercial Area, Dhaka at least 72 hours before the time for holding the meeting. The Proxy Card must be affixed with revenue stamp of Tk. 8.00;
- x. For convenience, the Shareholders/proxy are kindly requested to record their entry at the entrance of AGM on 29 March 2011 in between 8:30 a.m. to 10:00 a.m.

.....
Signature of shareholder

Date : March 2011

**Revenue
Stamp**

Glossary

Associate Company

An enterprise in which an investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.

Bank Rate

The rate at which Bangladesh Bank discounts approved securities, treasury bills etc. Bank rate is used by Bangladesh Bank as a means of regulating the money on demand and checking the growth of inflation in the country.

Business risk

Business risk arises from the specific business activities of a company and the effects these could have on its earnings.

Book Value per share

Book value of shareholders equity divided by the number of ordinary shares outstanding.

CAMEL Rating

It is a measure for examining a financial institution or bank - the five things to examine are:

- Capital adequacy
- Asset quality
- Management quality
- Earnings
- Liquidity

Cash Reserve Requirement (CRR)

CRR is a statutory requirement of maintaining cash balance with Bangladesh Bank applicable for banks and financial institutions. An NBFIs required to maintain @ 2.5% of its average balance of term deposits with Bangladesh Bank current account. Deposits taken from banks and financial institutions are not considered in determining CRR.

Credit and counterparty risk

Credit and counterparty risk is the potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honour another predetermined financial obligation.

Collateral

Assets pledged as security for a loan or other obligation. Collateral is generally cash or a highly rated security.

Contingent liabilities

A situation existing at reporting date, where past events have led to a possible obligation the outcome of which depends on uncertain future events, but the outcome is not sufficiently probable or reliably measurable to warrant recognising the liability at this reporting date

Default risk

The risk that a client may be unable to make payments of rentals/installments on time.

Diversification

Distribution of investments among various sectors and geographic region to minimize risk.

Earning Assets

Those assets of a bank or financial institution which earn an income for the institution i.e. loans and leases, advances and money at call & short notice to banks etc.

Efficiency ratio

Non-interest expenses (management expenses) expressed as a percentage of total operating revenue net of financial expenses. Used as a measure of productivity and for comparison with peers.

Equity method

Accounting method, under which the value of an investment in a company is recorded at the acquisition price and adjusted annually to reflect the proportionate share of net assets; the prorate share of annual profit or loss in the relevant company is recognized to the income statement.

Equity ratio/Capital ratio

Indicator showing the relation of equity to total assets.

Fair value

The amount of consideration that would be exchanged in an arm's length transaction between knowledgeable and willing parties, under no compulsion to act.

Failing to properly manage regulatory risk

Failing to properly manage regulatory risk may result in regulatory sanctions being imposed, and could harm our reputation.

Fiscal Year (FY)

FY means the fiscal year commencing from 1 July ending on 30 June.

Free Float Shares

The ordinary shares of the company which are free for trading in the stock exchanges. Shares on which there is no restriction or lock-in condition for transfer or sale imposed by the regulatory authorities are considered as free float shares. Sponsors shares of a listed company are locked-in for 3 years from the date of publication of prospectus.

Going Concern

The ability of a concern to continue its operation for a foreseeable future.

Gearing

Ratio of net debt to equity.

IDA

International Development Association set up in 1960 under the umbrella of World Bank. It takes money from rich countries of the world to lend interest free or at a very low rate long-term loan to the poor or developing countries.

Liquidity and Funding risk

Liquidity and funding risk is the potential for loss if Company is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to depositors and suppliers, and lending, investment and pledging commitments.

Market capitalization

Number of ordinary shares in issue multiplied by the market value of a share on a particular date.

Market risk

Market risk is the potential for a negative impact on the balance sheet and/or income statement resulting from adverse changes in the value of financial instruments as a

Glossary - continued

result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default.

Net interest income

The difference between interest earned on assets (such as loans and securities) and interest incurred on liabilities (such as deposits and subordinated indebtedness).

Net interest margin

Net interest income as a percentage of average assets.

Non-performing assets

Consists of total sum of non-accrual loans/leases, experiencing 6 months or more delinquent. A loan/lease is considered non-performing when the total or a part thereof is past due for 6 months or more even if the finance is well secured and in the process of collection.

Non-accrual loans/leases

A loan/lease is automatically classified as a non-accrual when it is past due for 3 months or more and no matter the Management is confident about its collectibility of the entire amount at the time when a loan/lease is placed on non-accrual status. A loan/lease is generally returned to accrual status when the loan/lease is less than 3 months past due and the Company has reasonable assurance that the loan will be fully collectible and is in the process of collection.

Operational risk

Operational risk is the potential for loss resulting from inadequate or failed internal processes or systems, human interactions or external events, but excludes business risk.

Past due

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Proxy

A proxy is a written document authorizing the person named therein to attend and vote at a meeting for and in place of the Original Shareholder.

Provision for doubtful debts

The amount of revenue charged to profit and loss account to absorb losses inherent in the investment portfolio. The provision is increased by the allowances for loans/leases which is charged against current year's operating results.

Record date

The date fixed by the Board at least 14 days before the date of Annual General Meeting to determine the eligibility of shareholders to attend and vote at the meeting and the right to current dividend.

Related parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Repo rate

The rate at which Bangladesh Bank lends money to banks.

Return on average assets

An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing profit before tax by its total average assets.

Return on average equity

Return on equity measures a corporation's profitability by revealing how much profit a company generates with the outstanding shareholders money. Calculated by dividing net profit after tax by average shareholders equity.

Return on average investment

A performance measure used to evaluate the efficiency of investment or to compare the efficiency of a number of different investments. To calculate ROI, profit before tax is divided by the cost of the average investment.

Reverse repo rate

The rate at which banks park surplus liquidity with Bangladesh bank.

Regulatory risk

Regulatory risk is the risk of not complying with regulatory requirements, regulatory changes or regulators' expectations.

Return on equity (ROE)

Net income, less preferred share dividends and premium on redemptions, expressed as a percentage of average common shareholders' equity.

Risk management

The process of identifying the level of risk an entity wants, measuring the level of risk the entity has, taking actions that bring the actual level of risk to the desired level of risk and monitoring the actual level of risk so that it continues to be aligned with the desired level of risk.

Statutory Liquidity Reserve (SLR)

Bangladesh Bank requires a non-bank financial institution to maintain liquid reserve @ 5% with banks/financial institutions on its total liabilities excluding funds from banks/financial institutions. This includes 2.5% of CRR.

Subsidiary company

A Company is a subsidiary of another company, if the parent company holds more than 50% of the nominal shares and controls the composition of its Board of Directors.

Thin market

The stock market where there are very few bids to buy and few offers to sell any shares, so the price is distorted.

Unrealized capital gains

Capital gains that reflect the price appreciation of currently held unsold shares; such gains are not accounted for until realized.

Useful Information for Shareholders

Raising of share capital

The history of raising of share capital of Prime Finance is given below:

Date	Particulars	No of shares	Value per share (Taka)	Value in Taka	Cumulative paid-up capital Value in Taka
19 February 1996	As per MOA & AOA	2,500	100	250,000	250,000
22 March 1996	Additional subscription	247,500	100	24,750,000	25,000,000
09 November 1997	Right shares 1:1	250,000	100	25,000,000	50,000,000
21 June 2001	Right shares 1:1	500,000	100	50,000,000	100,000,000
29 May 2003	Right shares 2:1	500,000	100	50,000,000	150,000,000
30 March 2004	20% Bonus share	300,000	100	30,000,000	180,000,000
05 September 2005	Initial Public Offer	500,000	100	50,000,000	230,000,000
12 April 2006	30% Bonus share	690,000	100	69,000,000	299,000,000
29 April 2007	10% Bonus share	299,000	100	29,900,000	328,900,000
30 April 2008	40% Bonus share	1,315,600	100	131,560,000	460,460,000
29 April 2009	40% Bonus share	1,841,840	100	184,184,000	644,644,000
22 April 2010	40% Bonus share	2,578,576	100	257,857,600	902,501,600
29 March 2011	80% Bonus share*	72,200,128	10	722,001,280	1,624,502,880

* Subject to the approval of shareholders in the 15th AGM to be held on 29 March 2011

Key share information

(As on 31 December)	2010	2009	2008
Total no. of shareholders	16,130	2,578	3,779
Share price (Taka)	466	186	110
No. of outstanding shares*	90,250,160	64,464,400	46,046,000
Market Capitalization (in million)	42,056	11,990	5,088.08

* Considering Tk 10 per share

Financial Calendar

2010

Announcement of 2009 final results	7 March 2010
Record date	22 March 2010
Annual report 2009 dispatched	7 April 2010
Fourteenth Annual General Meeting	22 April 2010
Transfer/payment of 2009 dividends	28 April 2010
Announcement of first quarterly results	21 April 2010

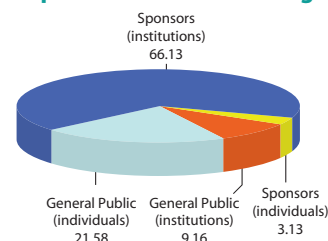
2011

Announcement of 2010 final results	24 February 2011
Record date	7 March 2011
Annual report 2010 dispatched	13 March 2011
Fifteenth Annual General Meeting	29 March 2011
Transfer/payment of 2010 dividends	by 29 April 2011
Announcement of first quarterly results	by 15 May 2011

Shareholders

At the end of 2010, there were 16,130 shareholders in Prime Finance as against 2,578 shareholders at the end of 2009. The Sponsor Shareholders hold 62,508,820 shares of Tk. 10 each which represent 69.25 percent of the total paid up shares of the Company.

Composition of shareholdings



Composition of shareholdings

Useful Information for Shareholders - *continued***Registered number**

C-30384 (1600)/96 dated 10 March, 1996

Registered Office & Dhaka Branch

63 Dilkusha Commercial Area
Dhaka-1000
Phone: 88-02- 9563883
Fax: 88-02-9653692
E-mail: info@primefinancebd.com

Chittagong Branch

Chamber House
38 Agrabad C.A.
Chittagong
Phone: 88-031-2522663
Fax: 88-031-2522664
E-mail: ctg@primefinancebd.com

Rajshahi Branch

Zodiac Palace
88 Shaheb Bazar, Rajshahi
Phone: 88-0721-774801
Fax: 88-0721-774803
E-mail: raj@primefinancebd.com

Auditors

Howladar Yunus & Co.
Chartered Accountants
67 Dilkusha C.A., Dhaka

Legal House

A Hossain & Associates
3/B Outer circular Road
Moghbazar, Dhaka.

Hasan & Associates
65-66 Motijheel C/A
Dhaka-1000.

Stock Brokers

PFI Securities Ltd.
Vision Capital Management Ltd.
Chowdhury Securities Ltd.
Sharp Securities Ltd.

Tax Consultant

A. Hossain & Co.
Chartered Accountants
Paramount Heights (Level-7)
65/2/1 Box Culvert Road
Purana Paltan, Dhaka-1000

Stock Listing

<i>Bourse</i>	<i>Symbol</i>	<i>Date of listing</i>
DSE	PRIMEFIN	4 October 2005
CSE	PFIL	2 October 2005

Principal Bankers

Shahjalal Islami Bank Limited
Mercantile Bank Limited
Dutch Bangla Bank Ltd.
Mutual Trust Bank Ltd.

Corporate website & e-mail

www.primefinancebd.com
info@primefinancebd.com

Investors inquiries

Department of Corporate Affairs
Phone: 02-9563883
E mail: corporateaffairs@primefinancebd.com

Company Secretary

Tauhidul Ashraf FCS



Company Chronicle

10 March 1996	Incorporation of the Company
21 April 1996	Commencement of Merchant Banking operation
25 April 1996	Licensed from Bangladesh Bank
8 February 1998	Commencement of financing operation
25 January 1999	Licensed as Merchant Bank by SEC
1 December 2002	Commencement of operation of PFI Securities Ltd.
17 May 2003	Opening of Chittagong Branch
17 September 2004	Best Merchant Bank Award 2003
2 October 2005	Listing with CSE
4 October 2005	Listing with DSE
22 December 2006	ICAB National Award 2005 (1st Position)
16 January 2007	SAFA Merit Award 2005
8 December 2007	ICAB National Award 2006 (1st Position)
12 January 2008	SAFA Award 2006 (Runner Up)
21 April 2008	Depository Custody Participant license
15 November 2008	SAFA Award 2007 (Runner Up)
4 December 2008	ICAB National Award 2007 (1st Position)
18 January 2009	Opening of Rajshahi Branch
17 March 2009	Listing of Prime Finance First Mutual Fund
18 March 2009	License of Prime Finance Asset Management Company Limited
5 October 2009	Acquisition of land for Corporate Office
22 October 2009	ICMAB Best Corporate Performance Award 2008 (2nd Position)
5 November 2009	SAFA Award 2008 (1st Runner Up)
30 December 2009	ICAB National Award 2008 (1st Position)
18 March 2010	Formation of Prime Finance Capital Management Limited
12 December 2010	SAFA Award 2009 (2nd Position)
19 December 2010	ICAB National Award 2009 (1st Position)

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

Prime Finance & Investment Limited
a member of Prime Financial Group