

IFIC Bank First Mutual Fund

Trustee: Investment Corporation of Bangladesh

Shilpa Bank Bhaban,(12-15 Floors),

8 DIT Avenue ,Dhaka 1000

IFIC Bank First Mutual Fund

Auditors' report and financial statements
for the year ended 30 June 2012

S. F. AHMED & CO

Chartered Accountants

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Auditors' Report to the Trustee of IFIC Bank First Mutual Fund

We have audited the accompanying financial statements of IFIC Bank First Mutual Fund (the Fund) namely, Statement of Financial Position (Balance Sheet) as of 30 June 2012 and the related Statement of Comprehensive Income (Revenue Account), Statement of Cash Flows and notes thereto for the year ended 30 June 2012.

Respective responsibilities of management and auditors

The preparation of these financial statements is the responsibility of the management of the Fund in accordance with generally accepted accounting principles and International Accounting Standards/ International Financial Reporting Standards so far adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards. Our responsibility is to express an independent opinion on these financial statements based on our audit.

Basis of our audit opinion

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

Opinion

In our opinion, the financial statements prepared in accordance with generally accepted accounting principles and International Accounting Standards/ International Financial Reporting Standards so far adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards give a true and fair view of the state of the Fund's affairs as of 30 June 2012 and of the results of its operations and its cash flows for the year then ended and comply with the requirements of Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001, Trust Deed and other applicable laws and regulations.

We further report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b. in our opinion, proper books of account as required by law have been kept by the Fund so far as it appeared from our examination of those books;
- c. the Statement of Financial Position (Balance Sheet) and Statement of Comprehensive Income (Revenue Account) along with the notes thereto dealt with by this report are in agreement with the books of account;
- d. the investment of the Fund as was made as per Rule 56 of Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001; and
- e. the expenditure incurred and payments were made for the purpose of the Fund's business.

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 12 August 2012




S. F. AHMED & CO
Chartered Accountants

IFIC Bank First Mutual Fund

Statement of Financial Position (Balance Sheet) at 30 June 2012

		Amounts in Taka	
		At	At
	Notes	30 June 2012	30 June 2011
ASSETS			
Marketable securities - at cost	3	713,597,344	810,050,623
Corporate Bond	4	124,960,288	65,000,000
Cash and cash equivalents	5	546,062,781	572,883,897
Preliminary and issue expenses	6	38,149,796	43,077,856
Other current assets	7	6,370,548	10,463,275
		<u>1,429,140,757</u>	<u>1,501,475,651</u>
CAPITAL AND LIABILITIES			
Capital	9	1,200,000,000	1,200,000,000
Retained earnings		79,878,006	193,227,240
Market risk reserve		125,730,865	73,100,000
Dividend equalization reserve		20,000,000	20,000,000
Current liability and provision	8	3,531,886	15,148,411
		<u>1,429,140,757</u>	<u>1,501,475,651</u>
Net Asset Value per Unit			
At Cost		11.88	12.39
At Market		10.83	13.31

See annexed notes

For IFIC Bank First Mutual Fund



Asset Manager
RACE Management PCL

Trustee 
Investment Corporation of Bangladesh

Signed in terms of our report of even date annexed



House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh

Dated, 12 August 2012


S. F. AHMED & CO
Chartered Accountants

IFIC Bank First Mutual Fund

Statement of Comprehensive Income (Revenue Account)
for the year ended 30 June 2012

	Notes	Amounts in Taka	
		Year ended 30 Jun 2012	Year ended 30 June 2011
INCOME			
Interest on bank deposits and bonds	11	65,360,175	30,562,621
Profit on sale of investment		62,258,488	232,482,581
Dividend from investment in shares		13,751,918	15,585,694
Other income		-	192,910
Total Income		141,370,581	278,823,806
LESS : EXPENSES			
Amortization of preliminary expenses	2.5	4,922,554	4,923,183
Management fees	2.8	21,884,731	21,946,443
Annual listing fees	2.11	1,400,000	1,300,000
Trustee fees	2.9	1,200,000	1,200,000
Custodian fees	2.10	837,695	1,034,748
CDBL charges		382,555	241,117
Bank charges		91,676	34,128
Audit fees		34,500	34,500
Other operating expenses		1,335,239	323,046
Total Expenses		32,088,950	31,037,165
Profit before tax		109,281,631	247,786,641
Add/Less: Tax expenses		-	(10,000,000)
Net profit for the period		109,281,631	237,786,641
Less: Market risk reserve	2.6	52,630,865	73,100,000
Profit after Provision		56,650,766	164,686,641
Accumulated profit brought forward		193,227,240	48,540,599
		249,878,006	213,227,240
Less: Dividend equalization reserve		-	20,000,000
Dividend for the last year		180,000,000	-
Add: Prior year adjustment - Income Tax Provision		10,000,000	-
Accumulated profit carried forward		79,878,006	193,227,240
Earnings per unit for the year		0.47	1.37

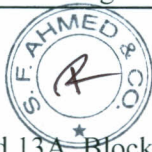
See annexed notes

For IFIC Bank First Mutual Fund




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RACE Management PCL

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House 25, Road 13A, Block D
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IFIC Bank First Mutual Fund

Statement of Cash Flows for the year ended 30 June 2012

	Amounts in Taka	
	Year ended 30 Jun 2012	Year ended 30 June 2011
Cash Flows from Operating Activities:		
Dividend income	14,558,541	17,776,247
Interest on bank deposits and bonds	64,631,143	85,141,589
Annual listing fees	(200,000)	(1,300,000)
Other advance, deposit and receivables	(426,828)	(3,472,199)
Operating expenses	(25,399,829)	(18,983,300)
Other operating expenses	(1,344,365)	(66,787)
Other income	-	192,910
Payment for dividend	(180,000,000)	-
Net Cash from Operating Activities (A)	(128,181,337)	79,288,460
Cash Flows from Investing Activities:		
Value of listed securities	(228,138,399)	(1,146,726,919)
Receivable from sundry securities	389,458,909	570,991,587
Issue and preliminary expenses		(49,102,455)
Fixed income instruments	(59,960,288)	(650,000,000)
Refund warrant		(16,566,776)
Net Cash Used in Investing Activities (B)	101,360,222	(706,404,563)
Cash Flows from Financing Activities:		-
Capital contribution	-	1,200,000,000
Net Cash from Financing Activities (C)	-	1,200,000,000
Net Increase in Cash (D = A+B+C)	(26,821,116)	572,883,897
Opening cash and bank balances (E)	572,883,897	-
Closing cash and bank balances (F = D+E)	546,062,781	572,883,897

For IFIC Bank First Mutual Fund



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RACE Management PCL

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House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 12 August 2012


S. F. AHMED & CO
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General

1. Legal Status and Nature of Business

IFIC Bank First Mutual Fund (hereinafter called as "Fund") was established under a Trust Deed signed on 01 September 2009 between International Finance Investment and Commerce Bank Limited (IFIC Bank) as a 'Sponsor' and the Bangladesh Investment Corporation of Bangladesh as a "Trustee". The Fund was registered under the Trust Act 1882 and subsequently listed with the Securities and Exchange Commission (SEC) on 06 September 2009 under the Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001. The operations of the Fund was commenced on 01 April 2010 by listing with Dhaka and Chittagong Stock Exchanges.

As provided in Trust Deed, RACE Management PCL is the Manager of the Fund. RACE Management PCL was incorporated as a private limited company under Companies Act 1994 on March 2008 with an authorised and paid-up capital of Taka 5 crore.

IFIC Bank First Mutual Fund is a close end Mutual Fund of ten years' tenure. The objectives of the Fund are to provide regular dividend to the investors by investing the Fund both in capital and money market instruments. The Fund consists of 120,000,000 units of Taka 10 each. The units of the Fund are transferable.

2. Significant Accounting Policies

2.1 Basis of preparation of accounts

These financial statements have been prepared under historical cost convention in accordance with generally accepted accounting principles as laid down in the International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs), applicable to the Fund so far adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs)/Bangladesh Financial Reporting Standards (BFRs). The disclosures of information made in accordance with the requirements of Trust Deed, Securities and Exchange Rules 1987, Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001 and other applicable Rules and regulations.

2.2 Presentation of financial statements

The fund was registered on 01 September 2009 under the Trust Act, 1882 and subsequently on 01 April 2010 listed with Stock Exchanges and accordingly transactions started. The financial statements are prepared and presented covering the period from 01 July 2011 to 30 June 2012.

2.3 Investment

All purchases and sales of securities that require delivery within the time-frame established by regulation or market convention are recognised at the date of trading i.e. the date on which the Fund commits to purchase or sell the investment.

Bonus entitlements, if any, are not accounted for as income rather included in the portfolio to reduce the average cost.

2.3.1 Valuation of investment

Listed securities are valued at average closing quoted market prices prevailed as of 30 June 2012 on an aggregate portfolio basis.

Investment is recorded in the Financial position at cost.



2.4 Taxation

The income of the Fund is exempted from Income Tax as per SRO No. 333-Act/Income Tax/2011 dated 10 November 2011, under Section 44(4) clause (b) of Income Tax Ordinance, 1984; hence no provision for tax is required.

2.5 Amortization of preliminary expenses

Preliminary and issue expenses represent expenditure incurred prior to commencement of operations and establishment of the Fund. These costs are amortised within ten years' tenure after adjusting interest income from escrow accounts as per trust deed and Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001.

2.6 Market risk reserve

Investment has been valued on aggregated portfolio basis and provision is required to be made on portfolio value of investments as of 30 June 2012 which comes to Taka 125,730,865. Details are in note 3.1.

2.7 Dividend policy

As per Rule 66 of Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001, the Fund is required to distribute profit in the form of dividend to its unit holders an amount which shall not be less than 70% of annual profit during the year, net of provisions.

2.8 Management fee

RACE Management PCL, the management company of the Fund is to be paid an annual management fees on weekly average net asset value (NAV) as per Rule 65 of Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001 and as per Trust Deed @ 2.50% up to 5 crores, 2.00% on next 20 crores, 1.50% on next 25 crores and 1.00% on next remaining balance of the weekly average NAV per annum.

2.9 Trustee fee

The Trustee is entitled to get an annual Trusteeship fee @ 0.10% of the size of the Fund, payable semi-annually in advance basis during the entire life of the Fund as per Trust Deed.

2.10 Custodian fee

Investment Corporation of Bangladesh is entitled to receive a safekeeping fee @ 0.10% on the balance of securities calculated on average monthend value per annum as a custodian.

2.11 Annual fee to SEC

Annual fee of Taka 1,200,000 (at the rate of Tk. 0.10% of the fund size) was paid to SEC as per Rules 10 and 11 of Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001.

2.12 Revenue recognition

Gains/losses arising on sale of investment are included in the Revenue Account on the date at which the transaction takes place. Dividend and interest income are recognised as per BAS-18 and Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001.



Balance Sheet

3. Marketable Securities -At Cost

Equity shares (note 3.1)

3.1 Sector-wise break up of investment in shares are as follows:

Sector/category	Number of shares	Amounts in Taka		
		Cost	Market Value	Difference
Bank	1,823,366	86,070,212	59,565,842	(26,504,370)
Cement	142,870	27,377,093	21,337,407	(6,039,686)
Ceramic	81,180	3,997,121	5,414,706	1,417,585
Engineering	233,682	33,129,332	19,832,087	(13,297,246)
Food and Allied	58,800	33,371,434	35,303,520	1,932,086
Fuel and Power	1,100,604	89,811,295	70,557,183	(19,254,113)
Insurance	67,888	15,718,352	11,954,922	(3,763,430)
Miscellaneous	39,750	13,344,486	6,592,155	(6,752,331)
Mutual Fund	15,632,300	206,242,647	183,431,525	(22,811,122)
NBFI	503,750	146,906,534	123,544,933	(23,361,600)
Pharma	94,273	13,707,332	8,112,172	(5,595,160)
Services and Real Estate	27,472	3,919,711	1,065,914	(2,853,797)
Tannery	64,900	21,136,412	19,117,340	(2,019,072)
Telecommunication	28,400	2,649,880	5,929,920	3,280,040
Textile	2,348	158,000	49,353	(108,647)
Travel and Leisure	21,400	16,057,500	16,057,500	-
	19,922,983	713,597,344	587,866,479	(125,730,865)

3.2 As per BAS 39 Financial Instruments: Recognition and Measurement, these have been classified as fair value through profit or loss where gains or losses arising from a change in the fair value of such financial assets are recognised in the profit or loss.

4. Corporate Bond

Trust Bank Ltd Bond	50,000,000	-
Bank Asia Zero Coupon Bond	9,960,288	-
Prime Bank Bond	65,000,000	65,000,000
	124,960,288	65,000,000

5. Cash and Bank Balances

Fixed Deposit	-	204,860,000
Short term deposits with		
Sponsor account- IFIC Bank Ltd (A/C 1001294443-041)	2,445	650,431
Sponsor account- Eastern Bank Ltd (A/C 1011320000056)	457,148,736	367,136,072
Sponsor account- Eastern Bank Ltd (A/C 1011320000043)	366	52,914
Sponsor account- IFIC Bank Ltd (A/C 100129444041)	286	168,488
IPO account- Eastern Bank Ltd (A/C 1011320000069)	904,410	15,992
Sponsor account- Premier Bank Ltd (A/C 1491350000003)	42,777,383	-
Sponsor account- Eastern Bank Ltd (A/C 1011360242451)	45,229,155	-
	546,062,781	572,883,897

An amount of Taka 13,462,672.82 which was collected during subscription of unit and would require to be refunded to the subscribers on demand which is deposited with the above-refund IPO account.



		Amounts in Taka	
		At	At
		30 Jun 2012	30 Jun 2011
5.1	<u>Bank accounts having nil balance</u>		
	IPO-USD account-Eastern Bank Ltd (A/C-01013050004771)	-	-
	IPO-GBP account-Eastern Bank Ltd (A/C-01013060000261)	-	-
	IPO-EURO account-Eastern Bank Ltd (A/C-01013070000153)	-	-
		-	-
<p>The above foreign currency accounts were opened/maintained for collection/refund of share application money (unit capital) from non-resident Bangladeshis, book balance of those bank accounts appeared "nil" after issuance of refund warrants but as per bank statements their closing balances were USD-28,708.97 , GBP-1,226.88 and EURO-359.44 respectively at 30 June 2012, awaiting for clearance against which reconciliation statements were prepared.</p>			
6.	<u>Preliminary and Issue Expenses</u>		
	Opening balance	43,077,856	58,992,488
	<u>Less: Interest on escrow accounts</u>	5,506	9,760,653
		43,072,350	49,231,835
	<u>Less: Amortization of preliminary and issue expenses</u>	4,922,554	6,153,979
	Closing balance	38,149,796	43,077,856
7.	<u>Other Current Assets</u>		
	Receivable from sale of marketable securities	21,749	2,669,220
	Interest receivables	229,623	3,285,612
	Dividend receivables	4,020,150	1,036,245
	Other advance and receivables	1,599,026	2,972,198
	Security deposits	500,000	500,000
		6,370,548	10,463,275
8.	<u>Current Liability and Provision</u>		
	Provision for corporate tax	-	10,000,000
	Management fee	-	1,191,478
	Custodian fees	837,696	1,034,748
	Audit fees	34,500	34,500
	Provision for printing and publications	100,000	129,380
	Withholding income tax payable	2,262,496	2,743,305
	Withholding VAT payable	153,322	-
	CDBL charges	11,851	15,000
	Payable to sundry securities	132,021	-
		3,531,886	15,148,411
9.	<u>Capital</u>		
	Paid up capital		
	120,000,000 units @ Taka 10 each fully paid in cash	1,200,000,000	1,200,000,000
10.	<u>Proposed Dividend</u>		

The Board of Trustee of the Fund in its meeting on 12 August 2012 has decided to pay cash dividend at the rate of 5% against the holding of each unit of Taka 10.



Notes to financial statements for the year ended 30 June 2012

Amounts in Taka

Year ended 30 Jun 2012	Year ended 30 Jun 2011
27,587,867	14,054,037
1,361,502	2,357,208
24,552,284	6,696,574
11,858,522	7,454,802
65,360,175	30,562,621

14,054,037

2,357,208

6,696,574

7,454,802

30,562,621

12.3 Figures of previous year have been rearranged wherever considered necessary, to conform the current year's presentation.

Investment Corporation of Bangladesh

