

**AUDITORS' REPORT
AND AUDITED FINANCIAL STATEMENTS
OF
EBL FIRST MUTUAL FUND
FOR THE YEAR ENDED 30 JUNE 2011**

এম.জে. আবেদীন এন্ড কোং

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**AUDITORS' REPORT
TO THE TRUSTEE OF
EBL FIRST MUTUAL FUND**

We have audited the accompanying financial statements of EBL First Mutual Fund (the Fund) namely, Balance Sheet at 30 June 2011 and the related Profit and Loss Account, Statement of Changes in Equity, Cash Flow Statement and notes thereto for the year ended 30 June 2011.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements 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 (BSAs). 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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 at 30 June 2011 and of the results of its operations and its cash flows for the period 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:

- 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;
- 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.
- the Balance Sheet and Profit and Loss Account along with the notes thereto dealt with by this report are in agreement with the books of account.
- the investment was made as per Rule 56 of Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001 and
- the expenditure incurred and payments made were for the purpose of the Fund's business for the period.

Dated, Dhaka
07 August 2011


M. J. ABEDIN & CO
Chartered Accountants

EBL FIRST MUTUAL FUND
Balance Sheet
as at 30 June 2011

	Notes	Amount in Taka	
		30-Jun-11	30-Jun-10
ASSETS			
Marketable Investments - at Cost	3.00	675,796,744	646,432,801
Other Receivables	4.00	5,131,482	29,467,758
Application for IPO & Bond		10,000,000	280,000,000
Advances and Deposits	5.00	7,052,078	6,246,565
Cash and Cash Equivalents	6.00	549,418,528	218,376,281
Preliminary and Issue Expenses	7.00	27,413,412	18,536,468
11.5% Prime Bank Bond		65,000,000	65,000,000
		1,339,812,244	1,264,059,873
Liabilities			
Accounts Payable	8.00	9,573,148	16,144,434
Liabilities to Bond Issuer		10,000,000	-
Net Assets		1,320,239,096	1,247,915,439
OWNER'S EQUITY			
Capital Fund	9.00	1,000,000,000	1,000,000,000
Dividend Equalization Reserve		50,000,000	40,000,000
Market Risk Reserve		54,900,000	19,400,000
Retained Earnings		215,339,096	188,515,439
		1,320,239,096	1,247,915,439
Net asset value (NAV) per unit:			
At Cost	10.00	13.20	12.48
At Market Value	11.00	14.50	14.60

The accompanying notes form an integral part of this financial statement.



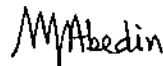
Trustee



Assets Manager

As per our separate report of even date annexed

Dated, Dhaka
07 August 2011


M. J. ABEDIN & CO
Chartered Accountants

EBL FIRST MUTUAL FUND
Profit and Loss Account
for the period from 01 July 2010 to 30 June 2011

	Notes	Amount in Taka	
		01-Jul-10 to 30-Jun-11	19-April-09 to 30-Jun-10
<u>INCOME</u>			
Interest on Bank Deposits	12.00	32,037,063	43,617,352
Net Income on Sale of Marketable Securities	13.00	261,162,029	213,399,248
Dividend Income		12,854,690	10,204,775
		306,053,782	267,221,375
<u>EXPENSES</u>			
Management Fee		21,106,780	14,419,333
Amortization of Preliminary & Issue Expenses		3,426,677	2,942,169
Annual Listing Fee With SEC and Stock Exchanges		1,095,000	190,000
CDBL - Annual Fees & DEMAT Charges		148,581	113,945
Trustee Fee		1,000,000	1,000,000
Custodian Fee		914,355	492,225
Publication Expenses		261,337	32,760
Management and Advisory Fee		-	50,000
Audit Fee Including Vat		34,500	34,500
Bank Charges		14,628	9,958
Other Expenses		528,268	21,046
		28,530,126	19,305,936
Net Profit before Tax		277,523,657	247,915,439
Income Tax expenses		(5,200,000)	-
Net Profit after Tax		272,323,657	247,915,439
Profit Transferred to:			
Dividend Equalization Reserve		10,000,000	40,000,000
Market Risk Reserve		35,500,000	19,400,000
Transferred to Retained Earnings		226,823,657	188,515,439
Earnings Per Unit	14.00	2.72	2.48

The accompanying notes form an integral part of this financial statement.



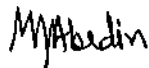
Trustee



Assets Manager

As per our separate report of even date annexed

Dated, Dhaka
07 August 2011


M. J. ABEDIN & CO
Chartered Accountants

EBI FIRST MUTUAL FUND
Statement of Changes in Equity
for the period from 01 July 2010 to 30 June 2011

Amount in Taka

	Capital Fund	Retained Earnings	Provision against erosion of marketable investments	Dividend Equalization Reserve	Total equity
Balance at 30 June 2010	1,000,000,000	200,020,717	19,400,000	40,000,000	1,259,420,717
Interest income from escrow account	-	(12,505,278)	-	-	(12,505,278)
Annual Listing Fee With SEC and Stock Exchanges	-	1,000,000	-	-	1,000,000
Restated Balance at 30 June 2010	1,000,000,000	188,515,439	19,400,000	40,000,000	1,247,915,439
Dividend for 2010	-	(200,000,000)	-	-	(200,000,000)
Earnings during the period	-	272,323,657	-	-	272,323,657
Dividend Equalization Reserve	-	(10,000,000)	-	10,000,000	-
Market Risk Reserve	-	(35,500,000)	35,500,000	-	-
Balance at 30 June 2011	1,000,000,000	215,339,096	54,900,000	50,000,000	1,320,239,096

EBL FIRST MUTUAL FUND
Cash Flow Statements
for the period from 01 July 2010 to 30 June 2011

	Amount in Taka	
	2011	2010
A. Cash flows from Operating Activities		
Interest on Bank Deposits	37,170,005	48,040,648
Dividend Income	11,873,330	9,714,645
Advances and Deposits	(805,513)	(6,246,565)
Expenses	(43,979,437)	(34,203,248)
Net cash from Operating Activities	4,258,386	17,305,480
B. Cash flows from Investing Activities		
Investment in Shares & Securities	(225,037,645)	(991,604,260)
Advance for IPO	199,211,020	(280,000,000)
Investment in Bond	-	(65,000,000)
Cash Proceeds from Sale of Marketable Securities	552,610,486	537,675,062
Net Cash outflows from Investing Activities	526,783,861	(798,929,199)
C. Cash flows from Financing Activities		
Capital Fund	-	1,000,000,000
Dividend paid	(200,000,000)	
Net cash used in Financing Activities	(200,000,000)	1,000,000,000
Net cash flows (A+B+C)	331,042,247	218,376,281
Cash & Cash Equivalents at the Beginning of the period	218,376,281	-
Cash & Cash Equivalents at the end of the period	549,418,528	218,376,281

EBL FIRST MUTUAL FUND
Notes to the Financial Statements
as at and for the year ended 30 June 2011

1.00 Introduction

EBL First Mutual Fund (here-in-after referred to the "Fund") was constituted through a Trust Deed signed on 05 April 2009 between Eastern Bank Limited (EBL) as 'Sponsor' and the Investment Corporation of Bangladesh (ICB) as "Trustee" under the Trust Act 1882 and Registration Act 1908. The Fund was registered with the Securities and Exchange Commission (SEC) on 19 April 2009 under the Securities and Exchange Commission (Mutual Fund) Rules 2001. The operations of the Fund was commenced on 19 August 2009 by listing with Dhaka and Chittagong Stock Exchanges.

The Investment Corporation of Bangladesh (ICB) is custodian of the Fund and RACE Management PCL. manages the operation of the Fund as Fund Manager.

1.01 Closure of Books of Account of the Fund

The Fund has been closing its books of account as at 30 June each year.

1.02 Objectives

The objective of EBL First Mutual Fund is to earn superior risk adjusted return by maintaining a diversified investment portfolio and provide attractive dividend payments to the unit holders.

2.00 Significant Accounting Policies

2.01 Basis of Accounting

These financial statements are prepared under historical cost convention and in conformity with the Generally Accepted Accounting Principles (GAAP) following Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS).

2.02 Marketable Investment

- (a) Investment is recorded in the Balance Sheet at cost changing from last years policy to record investment at Market Value.
- (b) Value of listed securities is disclosed at average closing quoted market prices prevailed at 30 June 2010 on an aggregate portfolio basis as per requirement of Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001.

2.03 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 2011. However, market risk reserve Taka. 35,500,000.00 has been made for the year 2010-2011 in addition to Taka 19,400,000.00 from the year 2009-2010. Therefore, market risk reserve as on 30 June 2011 is totalling to Taka 54,900,000.00 using value at risk method in view of volatility in the market according to Rule 67 of Securities and Exchange Commission (Mutual Fund) Rules, 2001.

Value at risk method

Value at risk (VaR) is potential change in value of a portfolio of stocks and bond with a given probability. Mainly three methods are used for VaR calculation: simulation method, variance-covariance method, and Monte Carlo. Variance-covariance method has been used here for market risk reserve.

2.04 Revenue Recognition

- a) Gains/losses arising on sale of investment are included in the Profit and Loss Account on the date at which the transaction takes place.
- b) Cash dividend is recognised when the shareholders' right to receive payment is established.
- c) Interest income is recognised on time proportion basis.

2.05 Taxation

The exemption of income of the Fund from income tax under clause 30 of Part A to Sixth Schedule of Income Tax Ordinance 1984 has been withdrawn in the Finance Act, 2011-12. Income tax provision has been made in accordance with ITO 1984.

2.06 Preliminary and Issue 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 as per Trust Deed.

2.07 Dividend Policy

Pursuant to the Securities and Exchange Commission (Mutual Fund) Rules 2001, the Fund is required to distribute by way of dividend to the holders of the units after the closing of the annual accounts an amount that shall not be less than seventy percent (70%) of annual profit earned during the year.

2.08 Management Fee

Management fee is charged as per the Trust Deed and under the provisions of the Securities and Exchange Commission (Mutual Fund) Rules 2001.

2.09 Trustee Fee

The Trustee is entitled to get an annual Trusteeship fee of Taka 1,000,000 only payable semi-annually during the life of the fund.

2.10 Custodian Fee

Investment Corporation of Bangladesh (ICB) is entitled to receive custodian fee @ 0.10% on the balance of securities calculated on average month end value each year.

2.11 Annual Fee to SEC

The Fund is required to pay annual fee each year @ 0.10% of the fund size to the Securities and Exchange Commission (SEC) in terms of the Securities and Exchange Commission (Mutual Fund) Rules 2001.

2.12 Earnings Per Unit

Earnings per unit has been calculated in accordance with Bangladesh Accounting Standard - 33 "Earnings per Share" and shown on the face of profit & loss account.

2.13 General

Figures appearing in these financial statements have been rounded off to nearest Taka.

3.00 Marketable Investments - at Cost

Ordinary Shares

Amount in Taka	
as at	
30-Jun-11	30-Jun-10
675,796,744	646,432,801
675,796,744	646,432,801

Sector/Category	Amount in Taka				Amount in Taka		
	Share	Cost	Market	Difference	Cost	Market	Difference
Bank	966,514	33,633,574	63,077,641	29,444,067	61,526,571.42	97,036,877.25	35,510,306
Cement	89,150	36,387,093	40,440,130	4,053,037	49,376,412.92	44,416,045.00	(4,960,368)
Ceramic	27,500	1,200,000	2,887,500	1,687,500	1,618,713.79	4,648,020.00	3,029,306
Corporate Bond	5,872	4,929,784	5,228,018	298,234	12,641,641.25	5,058,889.00	(7,582,752)
Engineering	23,540	35,233,074	33,971,740	(1,261,334)	30,119,952.84	44,736,628.00	14,616,675
Food and Allied	32,350	15,644,837	20,409,615	4,764,778	13,571,035.69	15,595,900.00	2,024,864
Fuel and Power	1,112,847	192,533,658	228,353,356	35,819,698	120,279,358.36	168,768,725.00	48,489,367
Insurance	143,462	35,107,300	68,160,051	33,052,751	53,961,438.48	72,151,907.75	18,190,469
IT	8,475	479,657	307,643	(172,015)	479,657.40	387,000.00	(92,657)
Mutual Funds	2,118,105	71,192,290	67,428,340	(3,763,950)	235,470.00	222,000.00	(13,470)
NBFI	196,283	72,381,146	80,914,770	8,533,623	70,983,632.66	72,059,080.00	1,075,447
Pharmaceuticals	523,410	149,401,345	161,209,325	11,807,981	36,065,263.70	66,330,582.50	30,265,319
Services and Real Estate	7,625	1,296,388	616,863	(679,526)	135,103,934.52	144,849,317.85	9,745,383
Tannery	19,080	17,116,255	18,059,420	943,165	21,761,750.79	18,843,660.00	(2,918,091)
Telecommunication	34,800	3,097,880	5,703,720	2,605,840	12,374,303.47	13,654,310.00	1,280,007
Textile	109,050	3,449,743	6,891,508	3,441,765	20,944,000.00	70,521,440.00	49,577,440
Miscellaneous	5,900	2,712,720	2,105,300	(607,420)	5,389,663.70	19,246,026.60	13,856,363
	5,423,963	675,796,744	805,764,939	129,968,194	646,432,801	858,526,409	212,093,608

4.00 Other Receivables

This is made-up as follows :

a) Dividend receivables

	1,471,490	490,130
Square Textile Ltd.	16,880	31,840
Titas Gas Company Ltd	-	194,400
ICB 1st Mutual Fund	150,500	-
ICB AMCL 1st Mutual Fund	225,000	-
Pragati Insurance Ltd.	2,250	-
Reckitt Benkiser BD Ltd.	5,750	-
Padma Oil Co. Ltd.	12,500	-
Heidelberg Cement Ltd.	408,500	-
Confidence Cement	2,500	-
Bata Shoe Co BD Ltd.	166,950	-
ACI Formulation Ltd.	66,800	-
ACI Ltd.	47,400	-
1st ICB Mutual Fund	-	5,750
IDI.C	-	11,200
IBBL Bond	-	4,890
Summit Alliance Port Ltd	-	186,000
Pubali Bank Ltd	-	42,500
Renata Ltd	366,660	12,300
Green Delta Ltd	-	1,250

	Amount in Taka	
	as at	
	30-Jun-11	30-Jun-10
b) Accrued Interest	2,949,040	8,081,982
Bank Deposit	-	5,112,462
Prime Bank Bond	2,949,040	2,969,520
c) Other Receivable for Sale Proceeds of Securities	710,952	20,895,646
Receivable from Sundry Security house	710,952	20,895,646
	5,131,482	29,467,758
5.00 Advances and Deposits		
Advance Security deposit	500,000	500,000
Advance Trustee Fees	500,000	-
Advance SEC Annual Fees	1,000,000	1,000,000
Advance DSE Annual Fees	47,500	-
Advance CSE Annual Fees	47,500	-
Advance Income Tax	4,957,078	4,746,565
	7,052,078	6,246,565
6.00 Cash and Cash Equivalents		
Bank balance with SND account	449,418,528	167,843,745
Bank balance with current account	-	532,536
Fixed deposit Receipt	100,000,000	50,000,000
	549,418,528	218,376,281
7.00 Preliminary & Issue Expenses		
Opening Balance	18,536,468	-
Addition during the year	12,304,702	33,983,915
Interest income from escrow account	(1,081)	(12,505,278)
Amortization of Preliminary Expenses	(3,426,677)	(2,942,169)
	27,413,412	18,536,468
8.00 Accounts Payable		
Management Fee	1,118,863	9,019,333
Custodian Fee	914,355	492,223
Audit Fee Including VAT	27,000	34,500
Refund Warrant - not encashed	-	3,878,810
Annual Fee - SEC	-	1,000,000
Trustee Fee	-	1,000,000
Other Expenses Payable	189,588	704,568
Withholding Taxes (VAT & TAX) Payable	2,123,342	15,000
Provision for Income Tax	5,200,000	-
	9,573,148	16,144,434

	Amount in Taka	
	as at	
	30-Jun-11	30-Jun-10
9.00 Capital Fund		
Paid up capital		
100,000,000 units @ Tk 10 each fully paid in cash	<u>1,000,000,000</u>	<u>1,000,000,000</u>

The units are listed with the Dhaka & Chittagong Stock Exchanges and quoted at Tk. 13.50 and Tk 13.40 respectively on balance sheet date.

10.00 Net Asset Value per Unit at cost

Net Asset Value	1,320,239,096	1,247,915,439
Number of Units	100,000,000	100,000,000
NAV Per Unit at Cost	13.20	12.48

11.00 Net Asset Value per unit at market value

Net asset value	1,450,207,289	1,460,009,047
Number of units	100,000,000	100,000,000
NAV per unit at market value	<u>14.50</u>	<u>14.60</u>

	Amount in Taka	
	for the year	
	2011	2010
12.00 Interest on Bank Deposits		
Interest Income from SND Account	20,298,931	37,011,444
Interest Income from Fixed Deposit Receipt	4,283,612	3,636,388
Interest Income from Prime Bank Bond	7,454,521	2,969,520
	<u>32,037,063</u>	<u>43,617,352</u>

13.00 Net Income on Sale of Marketable Securities

Bank	56,379,968	31,592,021
Cement	14,106,402	10,271
Ceramic	229,353	22,356,964
Corporate Bond	164,164	-
Engineering	6,376,493	3,936,341
Food and Allied	5,616,540	5,379,922
Fuel and Power	658,586	4,702
Insurance	26,026,447	9,838,846
Miscellaneous	17,421,930	19,322
Mutual Funds	499,029	38,413,778
NBFI	9,013,788	15,790,059
Pharma	25,974,293	194,453
Services and Real Estate	3,199,228	1,672,845
Tannery	2,152,026	1,563,741
Telecommunication	39,917,725	70,994,189
Textile	53,426,056	11,631,793
	<u>261,162,029</u>	<u>213,399,248</u>

Amount in Taka	
for the year	
2011	2010

14.00 Earnings Per Unit

Retained Earnings	272,323,657	247,915,439
Number of Units	100,000,000	100,000,000
Earnings Per Unit	<u>2.72</u>	<u>2.48</u>

15.00 Post Closing Events

Following events have occurred since the balance sheet date:

(a) The Trustee recommended 21% Cash dividend.

(b) Except for the fact stated above, no circumstances have arisen since the balance sheet date which would require adjustment to, or disclosure in, the financial statements or notes thereto.

16.00 Comparative Figures

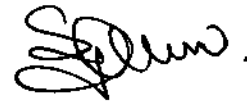
Certain comparative figures have been reclassified from statements previously presented to conform to the presentation adopted during the year ended 31 December 2010

17.00 Approval of the Financial Statements

These financial statements were authorized for issue in accordance with a resolution of the Fund's board of Trustee on August 07, 2011



Trustee



Assets Manager

Dated, Dhaka
07 August 2011