

**AUDITORS' REPORT
AND AUDITED FINANCIAL STATEMENTS**

OF

IFIC BANK MUTUAL FUND

FOR THE YEAR ENDED 30 JUNE 2013

এম,জে, আবেদীন এন্ড কোং
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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, Balance Sheet at 30 June 2013 and the related Profit and Loss Account, Statement of Changes in Equity, Cash Flow Statement and notes thereto for the year ended 30 June 2013.

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 (BFRSs), 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.

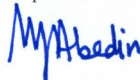
Opinion

In our opinion, the financial statements prepared in accordance 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 2013 and of the results of its operations and its cash flows for the period then ended and comply with the requirements of Bangladesh 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 Bangladesh 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
13 August 2013


M. J. ABEDIN & CO
Chartered Accountants

IFIC Bank First Mutual Fund
Statement of Financial Position (Balance Sheet)
As at 30 June 2013

	Notes	Amounts in Taka	
		30-Jun-13	30-Jun-12
<u>ASSETS</u>			
Listed Securities -at cost	3.00	733,402,734	713,597,344
Cash and Cash Equivalents	4.00	451,936,143	546,062,781
Preliminary and Issue Expenses	5.00	33,231,154	38,149,796
Non-Listed Securities -at cost	6.00	232,460,289	124,960,288
Other Current Assets	7.00	11,145,845	6,370,548
Total Assets		<u>1,462,176,165</u>	<u>1,429,140,757</u>
<u>CAPITAL AND LIABILITIES</u>			
Share Holders' Equity		1,428,046,997	1,425,608,871
Capital	8.00	1,200,000,000	1,200,000,000
Market Risk Reserve		79,659,676	125,730,865
Dividend Equilization reserve		20,000,000	20,000,000
Retained Earnings		128,387,321	79,878,006
Current Liabilities and Provisions	9.00	34,129,168	3,531,886
Total Capital and Liabilities		<u>1,462,176,165</u>	<u>1,429,140,757</u>
Net Asset Value (NAV):			
At Cost per unit	10.00	11.90	11.88
At Market per unit	11.00	11.24	10.83

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



Trustee



Asset Manager

As per our separate report of even date annexed



M. J. ABEDIN & CO
Chartered Accountants

Dated, Dhaka
13 August 2013

IFIC Bank First Mutual Fund
Statement of Comprehensive Income (Revenue Account)
For the year ended 30 June 2013

	Notes	Amounts in Taka	
		2013	2012
<u>INCOME</u>			
Dividend from Investment in Shares		16,455,921	13,751,918
Profit on Sale of Investment	12.00	-	62,258,488
Interest on Bank Deposits and Bonds	13.00	73,339,421	65,360,175
Total Income		89,795,342	141,370,581
<u>EXPENDITURE</u>			
Amortization of Preliminary Expenses		4,918,642	4,922,554
Management Fees		18,486,814	21,884,731
Annual Listing Fees		1,400,000	1,400,000
Trustee Fees		1,200,000	1,200,000
Custodian Fees		580,908	837,695
CDBL Expenses		22,757	382,555
Audit Fees		46,000	34,500
Bank Charges		59,004	91,676
Other Operating Expenses		643,091	1,335,239
Total Expenses		(27,357,216)	(32,088,950)
Provision against Investment-adjustment/(expense)		46,071,189	(52,630,865)
Net Profit before Tax		108,509,315	56,650,766
Net Profit after Tax Transferred to Retained Earnings		108,509,315	56,650,766
Earnings per Unit	14.00	0.90	0.47

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



Trustee



Asset Manager

As per our separate report of even date annexed



M. J. ABEDIN & CO
Chartered Accountants

Dated, Dhaka
13 August 2013

IFIC Bank First Mutual Fund
Statement of Changes in Equity
For the year ended 30 June 2013

Particulars	Amount in Taka				
	Capital Fund	Retained Earnings	Provision Against Erosion of Marketable Investments	Dividend Equalization Reserve	Total Equity
Balance at 30 June 2012	1,200,000,000	79,878,006	125,730,865	20,000,000	1,425,608,871
Dividend for 2012	-	(60,000,000)	-	-	(60,000,000)
Earnings during the year	-	108,509,315	-	-	108,509,315
Dividend Equalization Reserve	-	-	-	-	-
Market Risk Reserve	-	-	(46,071,189)	-	(46,071,189)
Balance at 30 June 2013	1,200,000,000	128,387,321	79,659,676	20,000,000	1,428,046,997

IFIC Bank 1st Mutual Fund
Statement of Cash Flows
For the year ended 30 June 2013

		Amounts in Taka	
		2013	2012
A. Cash Flows from Operating Activities:			
Interest on Bank Deposits and Bonds	70,676,417	64,631,143	
Dividend Income	15,144,117	14,558,541	
Advance Deposit and Receivable	(821,312)	(426,828)	
Expenses	8,158,708	(26,944,194)	
Net Cash from Operating Activities	93,157,930	51,818,662	
B. Cash Flows from Investing Activities:			
Investment in Marketable Securities	(19,784,566)	161,320,510	
Investment in Bonds and Other Securities	(107,500,001)	(59,960,288)	
Net Cash Used in Investing Activities	(127,284,567)	101,360,222	
C. Cash Flows from Financing Activities			
Dividend Paid	(60,000,000)	(180,000,000)	
Net Cash from Financing Activities (C)	(60,000,000)	(180,000,000)	
D. Net Increase in Cash (D = A+B+C)	(94,126,637)	(26,821,116)	
E. Opening Cash and Bank Balances (E)	546,062,781	572,883,897	
F. Closing Cash and Bank Balances (F = D+E)	451,936,144	546,062,781	

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 Bangladesh Securities and Exchange Commission (BSEC) on 06 September 2009 under the Bangladesh 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

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, Bangladesh 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 2012 to 30 June 2013.

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 2013 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 Bangladesh 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 2013 which comes to Taka 79,659,676.00. Details are in note 3.00

2.7 Dividend policy

Pursuant to the Bangladesh Securities and Exchange Commission (Mutual Fund) Rules 2001, the Fund is required to distribute its profit by way of dividend either in cash or bonus units/stock dividend (reinvestment) or both 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.

2.8 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 Bangladesh 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 BSEC as per Rules 10 and 11 of Bangladesh 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 Bangladesh Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001.

3.00 Marketable Securities (At Cost)

Amounts in Taka	
as at	
30-Jun-13	30-Jun-12
733,402,734	713,597,344
<u>733,402,734</u>	<u>713,597,344</u>

Sector/Category	No. of Share	Amount in Taka			
		Cost	Market	Difference	Cost-2012
Bank	2,008,095	86,158,950	53,198,394	(32,960,557)	86,070,212
Cement	144,382	27,377,093	28,095,246	718,153	27,377,093
Ceramic	89,298	3,997,121	4,661,356	664,234	3,997,121
Engineering	247,538	33,129,332	20,275,218	(12,854,114)	33,129,332
Food and Allied	58,800	33,371,434	62,639,640	29,268,206	33,371,434
Fuel and Power	1,305,231	89,811,295	64,862,370	(24,948,926)	89,811,295
Insurance	77,903	14,603,835	7,870,871	(6,732,965)	15,718,352
Miscellaneous	53,990	13,344,486	7,108,503	(6,235,983)	13,344,486
Mutual Funds	15,632,300	207,257,506	191,519,199	(15,738,307)	206,242,647
NBFI	593,198	146,917,454	127,586,453	(19,331,001)	146,906,534
Pharma	105,231	13,707,332	8,126,227	(5,581,105)	13,707,332
Services and Real Estate	30,219	3,919,711	867,285	(3,052,426)	3,919,711
Tannery	64,900	21,136,412	18,614,610	(2,521,802)	21,136,412
Telecommunication	28,400	2,649,880	5,080,760	2,430,880	2,649,880
Textile	2,585	158,000	41,795	(116,206)	158,000
Travel and Leisure	466,215	35,862,890	53,195,132	17,332,242	16,057,500
	<u>20,908,285</u>	<u>733,402,734</u>	<u>653,743,058</u>	<u>(79,659,676)</u>	<u>713,597,344</u>

4.00 Cash and Cash Equivalents

Bank balance with SND account	416,150,740	546,062,781
Bank balance with Dividend account	35,785,403	-
	<u>451,936,143</u>	<u>546,062,781</u>

5.00 Preliminary & Issue expenses

Opening Balance	38,149,796	43,077,856
Interest income from escrow account	-	(5,506)
Amortization of Preliminary Expenses	(4,918,642)	(4,922,554)
	<u>33,231,154</u>	<u>38,149,796</u>

6.00 Non-Listed Securities-at cost

Prime Bank Bond	65,000,000	65,000,000
Trust bank Bond	50,000,000	50,000,000
Bank Asia Zero Coupon Bond	9,960,288	9,960,288
The Farmers Bank	57,500,001	-
Sk. Akijuddin Ltd. STB	50,000,000	-
	<u>232,460,289</u>	<u>124,960,288</u>

7.00 Other Current Assets

Receivable from Sundry Securities (Note-7.01)	925	21,749
Advance, deposits and Prepayments (Note-7.02)	2,920,338	2,099,026
Dividend Receivables (Note-7.03)	1,541,428	229,623
Interest Receivable (Note-7.04)	6,683,154	4,020,150
	<u>11,145,844</u>	<u>6,370,548</u>

		Amounts in Taka	
		as at	
		30-Jun-13	30-Jun-12
7.01	Receivable from Sundry Securities		
	EBL Securities Ltd.	925	21,749
		<u>925</u>	<u>21,749</u>
7.02	Advance, deposits and Prepayments		
	DSE Annual Fee	50,000	50,000
	BSEC Annual Fee	1,200,000	-
	CSE Annual Fee	50,000	50,000
	Advance Security deposit	500,000	500,000
	Advance Income Tax	1,120,338	1,499,026
		<u>2,920,338</u>	<u>2,099,026</u>
7.03	Dividend receivables		
	ACI	35,520	29,600
	ACI Formulation	87,375	34,250
	AB Bank	-	46,405
	BGIC	-	6,048
	Confidence Cement Ltd	-	78,750
	Islami Bank	173,129	-
	MJL BD	173	-
	KPCL	52,125	-
	Pragati Insurance Ltd.	4,851	8,820
	Pubali Bank	3,881	-
	Rackitt Benckiser BD Ltd.	18,750	10,000
	Singer BD	-	15,750
	Unique Hotel	1,165,538	-
	Square Textiles Ltd	86	-
		<u>1,541,428</u>	<u>229,623</u>
7.04	Interest receivables		
	Corporate Bond	6,683,154	4,020,150
		<u>6,683,154</u>	<u>4,020,150</u>
8.00	Capital		
	120,000,000 units of Taka 10 each fully paid	<u>1,200,000,000</u>	<u>1,200,000,000</u>

The units are listed with the Dhaka & Chittagong Stock Exchanges and quoted at Tk.8.60 and Tk. 8.70 respectively on balance sheet date.

		Amounts in Taka	
		for the year	
		2013	2012
9.00	Current Liabilities and Provisions		
	Management Fee	44,637	-
	Payable to Sundry Securities	132,022	132,021
	Unclaimed Dividend	31,292,584	-
	Custodian Fee	580,908	837,696
	Audit Fee	36,000	34,500
	Publication of reports & periodicals expenses Payable	100,000	100,000
	CDBL Charge Payable	11,851	11,851
	Income Tax Payable	1,864,759	2,262,496
	VAT Payable	66,407	153,322
		<u>34,129,168</u>	<u>3,531,886</u>
10.00	Net Asset Value per unit at Cost		
	Net asset Value	1,428,046,996	1,425,608,871
	Number of Units	120,000,000	120,000,000
	NAV per Unit at Cost	<u>11.90</u>	<u>11.88</u>
11.00	Net Asset Value per Unit at Market Value		
	Net Asset Value	1,348,387,320	1,299,878,006
	Number of Units	120,000,000	120,000,000
	NAV per Unit at Market Value	<u>11.24</u>	<u>10.83</u>
12.00	Profit on Sale of Investment		
	Bank	-	3,151,787
	Cement	-	1,217,877
	Corporate Bond	-	63,266
	Engineering	-	460,330
	Food and Allied	-	807,297
	Fuel and Power	-	7,042,389
	Insurance	-	7,833,853
	Pharma	-	35,905,683
	Tannery	-	2,832,211
	Textile	-	2,943,795
		<u>-</u>	<u>62,258,488</u>
13.00	Interest on Bank Deposits and Bonds		
	Interest Income from SND Account	54,219,596	28,949,369
	Interest Income from Fixed Deposit Receipt	2,740,430	24,552,284
	Interest Income from Corpotate Bond	16,379,395	11,858,522
		<u>73,339,421</u>	<u>65,360,175</u>
14.00	Earnings per Unit		
	Retained earnings for the year	108,509,315	56,650,766
	Number of Units	120,000,000	120,000,000
	Earnings per Unit	<u>0.90</u>	<u>0.47</u>

15.00 Post Closing Events

Following events have occurred since the balance sheet date:

- (a) The Trustee recommended 10% dividend in the form of Re-Investment units.
- (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 yended 30 June 2013

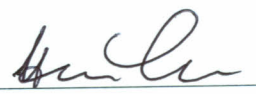
17.00 Approval of the Financial Statements

These financial statements were authorized for issue in accordance with a resolution of the Fund's board of Trustee on 13, August 2013



Trustee

Dated, Dhaka
13 August 2013



Asset Manager