

Popular Life First Mutual Fund

Trustee: Bangladesh General Insurance Company Limited

42 Dilkusha Commercial Area

Dhaka 1000

Popular Life First Mutual Fund

Auditors' report and financial statements
for the period from 19 October 2010 to 30 June 2011

S. F. AHMED & CO

Chartered Accountants

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

Telephones (880-2): PABX 989-4346 & 989-4258 Others 881-6467 & 881-5101

Fax (880-2): 882-5135

Emails : (i) sfaco@citechco.net (ii) sfaco@sfahmedco.org

Website : www.sfahmedco.org

Auditors' Report to the Trustee of Popular Life First Mutual Fund

We have audited the accompanying financial statements of Popular Life First Mutual Fund (the Fund) namely, Statement of Financial Position (Balance Sheet) as of 30 June 2011 and the related Statement of Comprehensive Income (Revenue Account), statement of Cash Flows and notes thereto for the period from 19 October 2010 to 30 June 2011.

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

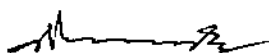
In our opinion, the financial statements prepared in accordance with generally accepted accounting principles and International Accounting Standards/ International Financial Reporting Standards so far adopted by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards/Bangladesh Financial Reporting Standards give a true and fair view of the state of the Fund's affairs as of 30 June 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:

- 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 was made as per Rule 56 of Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001; and
- e. the expenditure incurred and payments made were for the purpose of the Fund's business for the period.

House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 11 August 2011




S. F. AHMED & CO
Chartered Accountants

Popular Life First Mutual Fund

Statement of Financial Position (Balance Sheet) as of 30 June 2011

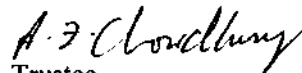
	<u>Notes</u>	<u>Amounts (Taka)</u>
ASSETS		
Marketable securities -at cost	3	947,160,713
Corporate bond	4	30,000,000
Cash and bank balances	5	990,330,432
Preliminary and issue expenses	6	53,184,538
Other current assets	7	157,498,237
Total Assets		<u><u>2,178,173,920</u></u>
 CAPITAL AND LIABILITIES		
Capital	8	2,000,000,000
Retained earnings		(5,499,200)
Market risk reserve	2.6	169,663,220
Current liabilities and provisions	9	14,009,899
Total Capital and Liabilities		<u><u>2,178,173,920</u></u>
 Net Asset Value per Unit		
At Cost		10.82
At Market		9.97

See annexed notes

For Popular Life First Mutual Fund



Asset Manager
RACE Management PCL

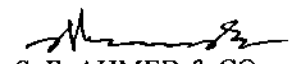


Trustee
Bangladesh General Insurance Company Limited

Signed in terms of our report of even date annexed



House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 11 August 2011



S. F. AHMED & CO
Chartered Accountants

Popular Life First Mutual Fund
Statement of Comprehensive Income (Revenue Account)
for the period from 19 October 2010 to 30 June 2011

INCOME	<u>Notes</u>	<u>Amounts (Taka)</u>
Dividend from investment in shares		10,671,837
Profit on sale of investment		106,707,928
Interest on bank deposits and bonds	10	84,789,948
Total Income (A)		<u>202,169,713</u>
EXPENDITURE		
Amortization of preliminary expenses	2.5	3,994,715
Management fees	2.8	31,395,367
Annual listing fees		100,000
Trustee fees	2.9	1,500,154
Custodian fees	2.10	671,447
Audit fees		34,500
Other operating expenses	11	309,510
Total Expenditure (B)		<u>38,005,693</u>
<u>Less: Market risk reserve</u>	2.6	169,663,220
<u>Less: Provision for income tax</u>	2.4	-
Profit for the period (C=A-B) transferred to retained earnings		<u><u>(5,499,200)</u></u>

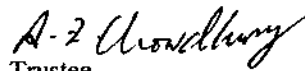
See annexed notes

Realised earnings per unit for the period (0.03)

For Popular Life First Mutual Fund



Asset Manager
RACE Management PCL



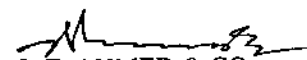
Trustee
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House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh

Dated, 11 August 2011



S. F. AHMED & CO
Chartered Accountants

Popular Life First Mutual Fund

Statement of Cash Flows for the period from 19 October 2010 to 30 June 2011

Amounts (Taka)

Cash Flows from Operating Activities:

Dividend income	8,622,817
Interest on bank deposits and bonds	89,047,625
Annual listing fees	(200,000)
Other advance deposit and receivables	(8,281,795)
Current liabilities and provisions	(40,875,879)
Other operating expenses	(598,495)
Net Cash from Operating Activities (A)	47,714,274

Cash Flows from Investing Activities:

Value of listed securities	(31,205,810)
Fixed deposit	592,797,501
Receivable from sundry securities	(794,707,077)
Application for investment in shares	(107,310,880)
Issue and preliminary expenses	(59,860,493)
Fixed income instruments	(657,097,083)
Net Cash Used in Investing Activities (B)	(1,057,383,842)

Cash Flows from Financing Activities:

Capital contribution	2,000,000,000
Net Cash from Financing Activities (C)	2,000,000,000
Net Increase in Cash (D = A+B+C)	990,330,432
Opening cash and bank balances (E)	
Closing cash and bank balances (F = D+E)	990,330,432

for Popular Life First Mutual Fund



Asset Manager
RACE Management PCL




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Bangladesh General Insurance Company Limited

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House 25, Road 13A, Block D
Banani, Dhaka 1213, Bangladesh
Dated, 11 August 2011



S. F. AHMED & CO
Chartered Accountants

General

1. Legal Status and Nature of Business

Popular Life First Mutual Fund (hereinafter called as "Fund") was established under a Trust Deed signed on 21 April 2010 between Popular Life Insurance Company Limited as 'Sponsor' and the Bangladesh General Insurance Company Limited as "Trustee". The Fund was registered under the Trust Act 1882 and subsequently listed with the Securities and Exchange Commission (SEC) on 29 April 2010 under the Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001. The operations of the Fund was commenced on 19 October 2010 by listing with Dhaka and Chittagong Stock Exchanges.

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

Popular Life 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 200,000,000 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 21 April 2010 under the Trust Act, 1882 and subsequently on 19 October 2010 listed with Stock Exchanges and accordingly transactions started. There were no transactions except application for IPO, fund raised through issuance of unit and preliminary expenses during the period from 21 April 2010 to 19 October 2010. Therefore, no financial statements have been prepared for that period. However, the financial statements are prepared and presented covering the period from 19 October 2010 to 30 June 2011 and the transactions before the listing date where duly accounted for.



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 ie, 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 2011 on an aggregate portfolio basis.

Investment is recorded in the Financial position at cost.

2.4 Taxation

The exemption of income of fund from income tax under clause 30 para A to sixth schedule of Income Tax Ordinance (ITO) 1984 has been withdrawn in the Finance Act 2011. The Association of Assets Management Companies and Mutual Fund Association (AAMCMS) has lodged an appeal to NBR to reinstate tax exemption status from mutual fund. However, no provision for income tax is required to be made for current year since the fund has no taxable income for this year.

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), 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 2011 which comes to Taka 169,663,220. 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 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 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 net asset value per annum, 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 Registration and other annual fee to SEC

An amount of Taka 4,000,000, which is 0.20% of unit value, was paid as registration fee. Additionally, annual fee of Taka 2,000,000 was also 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.



Statement of Financial Position (Balance Sheet)	Amounts (Taka)
3. Marketable Securities (At Cost)	
Equity shares (note 3.1)	947,160,713
	947,160,713

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	550,596	197,920,695	168,538,216	(29,382,479)
Cement	12,120	40,825,372	36,844,800	(3,980,572)
Ceramic	30,140	1,670,660	3,164,700	1,494,040
Corporate Bond	1,520	1,517,781	1,458,440	(59,341)
Engineering	11,630	14,897,197	14,252,425	(644,772)
Food and Allied	49,700	32,834,305	31,355,730	(1,478,575)
Fuel and Power	832,600	174,634,966	140,794,751	(33,840,215)
Insurance	678	2,151,631	1,967,336	(184,295)
Miscellaneous	53,315	32,471,154	26,232,646	(6,238,508)
Mutual Funds	2,926,665	79,468,756	56,480,963	(22,987,793)
NBFI	181,560	195,406,736	154,122,497	(41,284,240)
Pharma	67,016	31,669,709	31,931,165	261,456
Services and Real Estate	17,250	2,975,280	1,395,525	(1,579,755)
Tannery	37,200	35,366,836	32,400,800	(2,966,036)
Telecommunication	352,400	81,672,224	57,758,360	(23,913,864)
Textile	250,600	21,677,413	18,799,140	(2,878,273)
	5,374,990	947,160,713	777,497,493	(169,663,220)

4 Corporate Bonds

BRAC bank convertible bonds	30,000,000
	30,000,000

In addition to the above RACE Management PCL has entered in to an agreement with Trust Bank Limited for trust bank bond for an amount Taka 150,000,000 on behalf of Popular Life First Mutual Fund.

5 Cash and Bank Balances

Fixed deposits	592,797,501
Short term deposits with:	
Sponsor Account- The City bank Ltd (A/C-3101177318001)	664,263
Sponsor Account- Eastern Bank Ltd (A/C-1011220139919)	7,933,606
Sponsor Account- BRAC Bank Ltd (A/C-1501101733958002)	173,962,988
Sponsor Account Mutual Trust Bank Ltd (A/C-00510210000719)	5,999,425
Sponsor account AB Bank Ltd (A/C-4005-775828-430)	208,972,649
	990,330,432

5.1 Bank accounts having nil balance

IPO-BDT-BRAC Bank Ltd (A/C-150110173395003)	-
IPO-GBP-BRAC Bank Ltd (A/C-1501101733958003)	-
IPO-USD-BRAC Bank Ltd (A/C-1501101733958001)	-
IPO-EURO-BRAC Bank Ltd (A/C-1501101733958002)	-



The above foreign currency accounts were opened/maintained for collection/refund of share application money (unit capital) from non-resident Bangladeshis, book balances of those bank accounts appeared "nil" after issuance of refund warrants but as per bank statements their closing balances were **IPO- BDT- 6,698,311.63 USD-373.46 , GBP-91.27 and EURO-51.02** respectively at 30 June 2011, awaiting for clearance against which reconciliation statements were prepared.

	<u>Amounts (Taka)</u>
6 <u>Preliminary and Issue Expenses</u>	
Postage and courier expenses	16,645
DSE listing fees	2,105,000
Printing and publication expenses	5,672,230
Other expenses	20,189,928
Formation fees	20,000,000
Banker to the issue	2,327,020
CSE listing fees	2,100,000
Fund registration fees	4,037,758
Stationery expenses	19,631
Legal and consultancy fees	19,747,368
	76,215,580
Interest on Escrow account	(19,036,327)
	57,179,253
Less: Amortization preliminary and issue expenses	3,994,715
	53,184,538
7 <u>Other Current Assets</u>	
Receivable from sale of marketable securities	147,580,984
Dividend receivables	2,049,020
Interest receivables	4,464,872
Others advance and deposits	3,403,361
	157,498,237
8 <u>Capital</u>	
200,000,000 units of Taka 10 each fully paid	2,000,000,000
9 <u>Current Liabilities and Provisions</u>	
Payable to sundry securities	1,431,832
Management fees	671,449
Custodian fees	27,000
Audit fees	3,221,473
Income tax payables	213,634
VAT payables	109,125
Publication expenses	8,335,387
Preliminary expenses	14,009,899



Popular Life First Mutual Fund


Notes to financial statements for the period from 19 October 2010 to 30 June 2011

Statement of Comprehensive Income (Revenue Account)		<u>Amounts (Taka)</u>
10 <u>Interest on Bank Deposits and Bonds</u>		
Interest on		
Short term deposits		44,031,325
Fixed deposits		38,760,709
Corporate bonds		1,997,914
		<u>84,789,948</u>
11 <u>Other Operating Expenses</u>		
Bank charges		140,587
Other expenses		168,923
		<u>309,510</u>
12. <u>Others</u>		

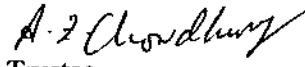
12.1 These notes form an integral part of the annexed financial statements and accordingly are to be read in conjunction therewith.

12.2 Figures in these notes and annexed financial statements have been rounded off to the nearest Taka.

For Popular Life First Mutual Fund



Asset Manager
RACE Management PCL



Trustee
Bangladesh General Insurance Company Limited

Dhaka, Bangladesh
Dated, 11 August 2011

