

EXIM Bank 1st Mutual Fund

Trustee: Investment Corporation of Bangladesh
8, Rajuk Avenue
BDBL Bhaban (Levels 14 & 16)
Dhaka 1000

EXIM Bank 1st Mutual Fund

Auditors' report and financial statements
for the period from 16 July 2013 to 30 June 2014

S. F. AHMED & CO

Chartered Accountants

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EXIM Bank 1st Mutual Fund

Auditors' Report to the Trustee
For the period from 16 July 2013 to 30 June 2014

We have audited the accompanying financial statements of EXIM Bank 1st Mutual Fund (the Fund), which comprise the statement of financial position (balance sheet) as at 30 June 2014, statement of comprehensive income (profit and loss statement), statement of changes in equity and statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of management and auditors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards and Bangladesh Accounting Standards and other applicable laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the 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. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain a reasonable assurance 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 auditors' 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 prepared in accordance with Bangladesh Financial Reporting Standards and Bangladesh Accounting Standards give a true and fair view of the state of the Fund's affairs as of 30 June 2014 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 also report that:

- 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;
- 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 statement of financial position (balance sheet) and statement of comprehensive income (profit and loss statement) 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.



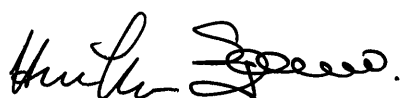
EXIM Bank 1st Mutual Fund

Statement of Financial Position (Balance Sheet)
As at 30 June 2014

	Notes	2014 BDT
Assets		
Investment at cost in marketable securities	5	500,565,166
Cash and cash equivalents	6	418,788,697
Non-listed securities at cost	7	209,996,782
Other receivables	8	14,044,925
Preliminary and issue expenses	9	11,976,275
Advance, deposit and prepayment	10	2,573,618
Total asset		<u>1,157,945,462</u>
Less: Liabilities		
Other payables	11	30,397,113
Total liability		<u>30,397,113</u>
Net assets		<u>1,127,548,349</u>
Equity		
Capital fund	12	1,000,000,000
Retained earnings		127,548,349
Total equity		<u>1,127,548,349</u>
Net asset value (NAV) per unit		
At cost	13	11.28
At market price		11.36

These financial statements should be read in conjunction with annexed notes

for EXIM Bank 1st Mutual Fund



Asset Manager
RACE Management PCL

Trustee



Investment Corporation of Bangladesh

See annexed report of the date



Dhaka, Bangladesh
Dated, 14 August 2014


S. F. AHMED & CO
Chartered Accountants

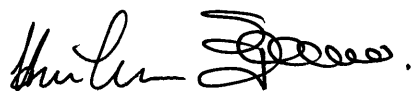
EXIM Bank 1st Mutual Fund

Statement of Comprehensive Income (Profit and Loss Statement)
For the period from 16 July 2013 to 30 June 2014

	Notes	2014 BDT
Income		
Financial income	14	155,478,868
Dividend from investment		22,315,126
Profit on sale of investment		9,101,030
Total income (A)		<u>186,895,024</u>
Expenditure		
Management fees	15	50,713,161
BSEC annual fee	16	4,000,000
Trustee fees	17	2,496,983
Amortisation of preliminary expenses		1,265,815
Other operating expenses		327,882
Bank charges		192,523
Custodian fee	18	123,770
CDBL charges	19	97,041
DSE annual fee		47,500
CSE annual fee		47,500
Audit fee		34,500
Total expenditure (B)		<u>59,346,675</u>
Profit before provision (A-B)		<u>127,548,349</u>
Provision for unrealised gain / (loss) on listed securities		-
Net profit for the period		<u>127,548,349</u>
Earnings per unit for the period	20	1.28

These financial statements should be read in conjunction with annexed notes

for EXIM Bank 1st Mutual Fund



Asset Manager
RACE Management PCL

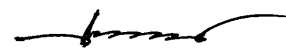


Trustee
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Dhaka, Bangladesh
Dated, 14 August 2014

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EXIM Bank 1st Mutual Fund

Statement of Changes in Equity
For the period from 16 July 2013 to 30 June 2014

Particulars	Capital fund BDT	Retained earnings BDT	Total equity BDT
Balance at 16 July 2013	-	-	-
Capital contribution	1,000,000,000	-	1,000,000,000
Net profit for the period	-	127,548,349	127,548,349
Balance at 30 June 2014	<u>1,000,000,000</u>	<u>127,548,349</u>	<u>1,127,548,349</u>

for EXIM Bank 1st Mutual Fund



Asset Manager
RACE Management PCL

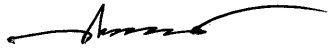


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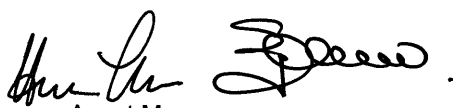
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EXIM Bank 1st Mutual Fund

Statement of Cash Flows
For the period from 16 July 2013 to 30 June 2014

	BDT 2014
Cash flows from operating activities	
Financial income	142,497,531
Dividend income	21,256,466
Profit on sale of investment	9,101,030
Advance, deposit and prepayment	(2,573,618)
Payment made for expenses	(34,072,926)
Net cash from operating activities (A)	<u>136,208,483</u>
Cash Flows from Investing Activities	
Investment in marketable securities	(495,446,729)
Preliminary and issue expenses	(11,976,275)
Non-listed securities	(209,996,782)
Net cash used in investing activities (B)	<u>(717,419,786)</u>
Cash flows from financing activities	
Capital contribution	1,000,000,000
Net cash from financing activities (C)	<u>1,000,000,000</u>
Net increase in cash and cash equivalents (D=A+B+C)	<u>418,788,697</u>
Opening cash and cash equivalents (E)	<u>-</u>
Closing cash and cash equivalents (F=D+E)	<u><u>418,788,697</u></u>

for EXIM Bank 1st Mutual Fund



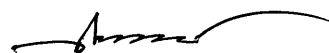
Asset Manager
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Dhaka, Bangladesh
Dated, 14 August 2014



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EXIM Bank 1st Mutual Fund

Notes to financial statements

For the period from 16 July 2013 to 30 June 2014

1. The fund and legal status

EXIM Bank 1st Mutual Fund (hereinafter called as "Fund") was established under a Trust Deed signed on 29 November 2010 between Export Import (EXIM) Bank of Bangladesh as a 'Sponsor' and the Investment Corporation of Bangladesh as a "Trustee". The Fund was registered under the Trust Act 1882 as well as under the Bangladesh Securities and Exchange Commission (BSEC) on 12 December 2010 vide Registration code no. SEC/Mutual fund/2010/36 under the Bangladesh Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001. The operations of the Fund was commenced on 16 July 2013 by starting the trade after successful listing on 27th June 2013 with Dhaka and Chittagong Stock Exchanges.

As provided in Trust Deed, RACE Management PCL, an asset management company, is the Fund Manager. RACE Management PCL was incorporated as a private limited company under Companies Act 1994. EXIM Bank 1st 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 100,000,000 units of BDT 10 each. The units of the Fund are transferable.

2. Objectives

The objective of EXIM Bank 1st Mutual Fund is to provide attractive dividends to its unit-holders by earning superior risk adjusted return from a diversified investment portfolio.

3. Basis of preparation

3.1 Statement of compliance

The financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards (BFRS) Bangladesh and Accounting Standards (BAS) and as per requirements of the Bangladesh Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001, Trust Deed and other applicable laws and regulations.

3.2 Basis of measurement

These financial statements have been prepared on a going concern basis under historical cost convention in accordance with generally accepted accounting principles.

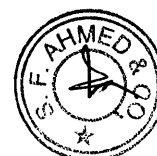
3.3 Functional and presentational currency

These financial statements are presented in BDT, which is also the Fund's functional and presentational currency.

3.4 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.



EXIM Bank 1st Mutual Fund

Notes to financial statements

For the period from 16 July 2013 to 30 June 2014

3.5 Presentation of financial statements

The fund was registered under BSEC on 12 December 2010 and subsequently listed with Stock Exchanges on 27 June 2013 with full investment commencing from 16 July 2013 by obtaining investment permission from BSEC. Therefore, these financial statements are prepared and presented covering the period from 16 July 2013 to 30 June 2014 and the transactions before that are duly accounted for as net income of BDT 47,956,920.66. The fund generated income of BDT 88,804,555.07 (financial income BDT 71,395,664.00, dividend income BDT 10,764,948.00, profit on sale of investments BDT 6,643,943.00) and incurred expenses amounting to BDT 40,847,634.41 as pre-operational expenses after obtaining BSEC approval and before getting enlisted with Stock Exchanges. All income and expenses were recorded in the financial statements under appropriate head of accounts.

3.6 Reporting period

These financial statements are prepared for the period from 16 July 2013 to 30 June 2014.

3.7 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.

4. Significant accounting policies

The accounting policies set out below have been applied throughout the period presented in these financial statements.

4.1 Investment policy

The investment policy of the Fund as summarised below has set in accordance with Bangladesh Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001 as amended and any other authorities as required:

- (i) as per Rule 55 (02) of Bangladesh Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001 as amended, at least 60% of total assets of the Fund is to be invested in capital market out of which at least 50% will be in listed securities;
- (ii) not more than 25% of total asset of the Fund shall be invested in fixed income securities;
- (iii) not more than 15% of total asset of the Fund shall be invested in pre-IPOs at a time.
- (iv) all amounts collected for the Fund then invested only in cashable/transferable instruments, securities either in money market or capital market or privately placed pre-IPO equity, preference shares, debentures or securitised debts;
- (v) the fund shall get the securities purchased or transferred in the name of the Fund;
- (vi) asset management company will make the investment decisions and place orders for securities to be purchased or sale for the Fund's portfolio only, etc.

4.2 Valuation policy

Valuation of various investments of the Fund is made as under:

- (i) the basis of calculation of net asset value (NAV) of listed securities of portfolio of the Fund is the average quoted market price prevailing on stock exchanges at the date of valuation;
- (ii) for securitised debts, debentures, margin or fixed deposits, accrued interest on such instruments on the date of valuation has taken into account in calculating NAV of such securities in the portfolio of the Fund;
- (iii) the valuation of non-listed securities is being made by the asset management company with their reasonable value as approved by the trustee of the Fund.



EXIM Bank 1st Mutual Fund

Notes to financial statements

For the period from 16 July 2013 to 30 June 2014

4.3 Net asset value calculation

NAV per unit is being calculated using the following formula:

Total NAV = VA - LT

NAV per unit = Total NAV / No. of units outstanding.

VA: Value of all securities in vault + Value of all securities placed in lien + Cash in hand and bank balances + Value of all securities receivables + receivables of proceeds of sale of investments + Dividend receivable, net tax + Interest receivable, net of tax + Issue expenses amortised on that date + Printing, publication and stationery expenses amortised on date.

LT: Value of all securities payable + Payable against purchase of investments + Payable as brokerage and custodial charges + Payable as trustee fee + All other payable related to printing, publication and stationery + Accrued deferred expenses with regard to management fee, annual fee, audit fee and safe keeping fee.

4.4 Dividend policy

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

4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and fixed deposits.

4.6 Provisions

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provision is ordinarily measured at the best estimate of the expenditure required to settle the present obligation at the reporting period.

4.7 Revenue recognition

Gains/losses arising on sale of investment are included in the Profit and Loss Statement 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.

4.8 Statement of cash flows

Cash flows from operating activities have been presented under direct method.



Notes to the Financial Statements
For the period from 16 July 2013 to 30 June 2014

	2014 BDT
5. Investment at cost in marketable securities (Annex A)	
Investment at cost price	400,565,166
Investment in IPO	100,000,000
	<u>500,565,166</u>
6. Cash and cash equivalents	
Fixed deposit receipts (note 6.1)	353,666,105
Short term deposits (note 6.2)	65,122,591
	<u>418,788,697</u>
6.1 Fixed deposit receipts	
United Commercial Bank Ltd	264,249,114
First Security Islami Bank Ltd	28,237,954
EXIM Bank Ltd	21,179,038
First Security Islami Bank Ltd	20,000,000
First Security Islami Bank Ltd	20,000,000
	<u>353,666,105</u>
6.2 Short term deposits with	
Sponsor Account	
The Premier Bank Ltd (010413600000011)	51,550,275
Eastern Bank Ltd (1011360230190)	4,695,948
One Bank Ltd (0123000000733)	3,636,796
EXIM Bank Ltd (03913100024554)	3,567,070
Southeast Bank Ltd. (008313100000010)	1,378,192
IPO Account- BRAC Bank (1505202008828001)	294,309
	<u>65,122,591</u>
7. Non-listed securities -at cost	
Sk. Akijuddin Ltd- short term bonds	100,000,000
Renata Ltd- short term bonds	70,000,000
Bank Asia Ltd- zero coupon bonds	39,996,782
	<u>209,996,782</u>
8. Other receivables	
Interest receivables (note 8.1)	12,986,265
Dividend receivable	1,058,660
	<u>14,044,925</u>
8.1 Interest receivables	
Fixed deposit account	5,964,320
Unsecured subordinated bonds	6,098,735
Short term deposit (STD) account	918,282
Sale of marketable securities	4,927
	<u>12,986,265</u>
9. Preliminary expenses	
Preliminary expenses were incurred for the following purposes which will be amortised within ten (10) years:	
Opening balance	45,483,890
<u>Less:</u> Interest income from escrow account	32,241,800
	<u>13,242,090</u>
<u>Less:</u> Amortisation during the period	1,265,815
Closing balance	<u>11,976,275</u>



Notes to the Financial Statements
For the period from 16 July 2013 to 30 June 2014

	2014 BDT
10. Advance, deposit and prepayment	
Prepayment (note 10.1)	1,660,968
Deposit- Central Depository Bangladesh Limited (CDBL)	500,000
Advance (note 10.2)	412,650
	<u>2,573,618</u>
10.1 Prepayment	
Annual fee - BSEC	1,000,000
Trustee fee	565,968
Annual fee - DSE	47,500
Annual fee - CSE	47,500
	<u>1,660,968</u>
10.2 Advance	
Advance income tax deducted at source from STD account	397,290
Advance income tax deducted at source from dividend	15,360
	<u>412,650</u>
11. Other payables	
Management fee payable	19,194,582
Payable to sundry securities	5,123,365
Withholding VAT payable	3,053,793
Withholding income tax payable	2,874,603
Custodian fee payable	123,770
Audit fee payable	27,000
	<u>30,397,113</u>
12. Capital fund	
Size of capital fund	
100,000,000 units of BDT 10 each	<u>1,000,000,000</u>
13. Net asset value (NAV) per unit at cost	
At cost	
Total Asset	1,157,945,462
<u>Less:</u> Other payables	30,397,113
Total net asset value at cost (numerator)	<u>1,127,548,349</u>
Number of units (denominator)	<u>100,000,000</u>
NAV per unit at cost	<u>11.28</u>
At market value	
Total net asset value at cost price	1,127,548,349
<u>Add:</u> Unrealised gain on securities	8,847,207
Total net asset value at market (numerator)	<u>1,136,395,556</u>
Number of units (denominator)	<u>100,000,000</u>
NAV per unit at market value	<u>11.36</u>



EXIM Bank 1st Mutual Fund

Notes to the Financial Statements
For the period from 16 July 2013 to 30 June 2014

	2014 BDT										
14. Financial income											
Short term deposit (STD) account account	111,336,159										
Fixed deposit account	37,606,714										
Corporate bonds	6,535,995										
	<u>155,478,868</u>										
15. Management fee	<u>50,713,161</u>										
<p>RACE Management PCL, the Fund Manager, 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 at the following rates:</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><u>Slab</u></th> <th style="text-align: right;"><u>Rate of fee</u></th> </tr> </thead> <tbody> <tr> <td>On weekly average NAV up to BDT 5 crore</td> <td style="text-align: right;">2.5%</td> </tr> <tr> <td>On next 20 crore of weekly average NAV</td> <td style="text-align: right;">2%</td> </tr> <tr> <td>On next 25 crore of weekly average NAV</td> <td style="text-align: right;">1.5%</td> </tr> <tr> <td>On rest of weekly average NAV</td> <td style="text-align: right;">1%</td> </tr> </tbody> </table>		<u>Slab</u>	<u>Rate of fee</u>	On weekly average NAV up to BDT 5 crore	2.5%	On next 20 crore of weekly average NAV	2%	On next 25 crore of weekly average NAV	1.5%	On rest of weekly average NAV	1%
<u>Slab</u>	<u>Rate of fee</u>										
On weekly average NAV up to BDT 5 crore	2.5%										
On next 20 crore of weekly average NAV	2%										
On next 25 crore of weekly average NAV	1.5%										
On rest of weekly average NAV	1%										
16. BSEC annual fee	<u>4,000,000</u>										
<p>Annual fee of BDT 4,000,000 (at the rate of 0.10% of the fund size) was paid to BSEC as per Rules 11(1) of Bangladesh Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001.</p>											
17. Trustee fee	<u>2,496,983</u>										
<p>Investment Corporation of Bangladesh, the trustee of the fund 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.</p>											
18. Custodian fee	<u>123,770</u>										
<p>Investment Corporation of Bangladesh, the custodian of the fund is entitled to receive a safekeeping fee @ 0.10% on the balance of securities calculated on average month end value per annum as per trust deed.</p>											
19. CDBL charges	<u>97,041</u>										
<p>CDBL charge of BDT 97,041 was paid to Central Depository Bangladesh Limited (CDBL) as per Annexure A-1 of CDBL Bye Laws (3.7).</p>											
20. Earnings per unit for the period											
Net Income for the period (numerator)	127,548,349										
Number of units (denominator)	100,000,000										
Earnings per unit	<u>1.28</u>										
21. Events after the reporting period											
<p>The Trustee of the Fund has approved dividend at the rate of 12% for the period ended 30 June 2014 at the meeting held on 14 August 2014.</p>											



EXIM Bank 1st Mutual Fund

Notes to financial statements

For the period from 16 July 2013 to 30 June 2014

Sector-wise break up of investment in shares

Sector/category	Number of shares	Cost	Market value	Difference
		BDT	BDT	BDT
Bank	10,732,932	168,012,008	151,971,686	(16,040,322)
Cement	188,700	19,008,354	20,693,550	1,685,196
Corporate bond	40,265	40,161,922	39,691,224	(470,698)
Engineering	1,750	399,665	312,550	(87,115)
Food and allied	59,539	6,451,311	6,471,218	19,907
Fuel and power	311,724	39,492,921	39,112,555	(380,367)
Insurance	54,000	500,040	3,196,800	2,696,760
Miscellaneous	300	279,195	338,220	59,025
Mutual funds	31,900	2,282,520	2,395,640	113,120
NBFI	28,179	17,589,677	22,758,917	5,169,240
Pharma	164,040	55,969,433	65,475,048	9,505,615
Tannery	1,700	1,579,470	1,653,930	74,460
Telecommunication	115,100	26,178,357	32,820,780	6,642,423
Textile	194,100	14,394,963	13,940,635	(454,328)
Travel and leisure	126,730	8,265,331	8,579,621	314,290
Total value of listed securities	12,050,959	400,565,166	409,412,373	8,847,207

