

**AUDITORS' REPORT  
AND AUDITED FINANCIAL STATEMENTS  
OF  
TRUST BANK 1ST MUTUAL FUND  
FOR THE YEAR ENDED 30 JUNE 2011**

এম.জে. আবেদীন এন্ড কোং

চার্টার্ড একাউন্টেন্টস  
**M.J. ABEDIN & CO**  
CHARTERED ACCOUNTANTS

Telephone Off : 8629771, 8612203  
Fax : (880-2) 8617681  
Res : 8631678  
E-mail : mjabedin@bangla.net  
mjabedinbd@gmail.com

National Plaza (3rd Floor)  
109, Bir Uttam C.R. Datta Road,  
Dhaka-1205

**AUDITORS' REPORT  
TO THE TRUSTEE OF  
TRUST BANK 1ST MUTUAL FUND**

We have audited the accompanying financial statements of Trust Bank 1st 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 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.

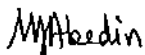
**Opinion**

In our opinion, the financial statements prepared in accordance 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

**Trust Bank 1st Mutual Fund**  
**Balance Sheet**  
**as at 30 June 2011**

	Notes	Amounts in Taka	
		30-Jun-11	30-Jun-10
<b><u>ASSETS</u></b>			
Marketable Securities -at cost	3.00	1,388,456,605	1,332,502,165
Cash and Bank Balances	4.00	924,593,977	150,545,972
Application for IPO & Bond		100,000,000	-
Preliminary and Issue Expenses	5.00	44,009,017	25,094,593
11.5% Prime Bank Bond		120,000,000	120,000,000
Other Current Assets	6.00	32,379,532	489,308,191
<b>Total Assets</b>		<b>2,609,439,131</b>	<b>2,117,450,921</b>
<b><u>CAPITAL AND LIABILITIES</u></b>			
Capital	7.00	2,000,000,000	2,000,000,000
Market Risk Reserve		68,200,000	-
Dividend Equilization reserve		30,000,000	-
Retained Earnings		389,041,573	91,295,163
Current Liabilities and Provisions	8.00	22,197,558	26,155,758
Liabilities to Bond Issuer		100,000,000	-
<b>Total Capital and Liabilities</b>		<b>2,609,439,131</b>	<b>2,117,450,921</b>
Net Asset Value (NAV):			
At Cost per unit	9.00	12.44	10.46
At Market per unit	10.00	13.95	12.33

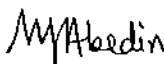
The accompanying notes form an integral part of this financial statement.

  
 \_\_\_\_\_  
 Trustee

  
 \_\_\_\_\_  
 Assets Manager

As per our separate report of even date annexed

Dated, Dhaka  
 07 August 2011

  
 M. J. ABEDIN & CO  
 Chartered Accountants

**Trust Bank 1st Mutual Fund  
Profit and Loss Account  
for the year ended 30 June 2011**

	Notes	Amounts in Taka	
		2011	2010
<b><u>INCOME</u></b>			
Profit on Sale of Investment	11.00	390,010,369	48,845,181
Interest on Bank Deposits and Bonds	12.00	35,690,002	45,676,208
Dividend from Investment in Shares		30,035,076	11,023,730
Other Income		287,359	-
		<b>456,022,806</b>	<b>105,545,119</b>
<b><u>EXPENDITURE</u></b>			
Amortization of Preliminary Expenses		5,501,127	1,799,476
Management Fees		33,070,372	10,575,453
Annual Listing Fees		2,100,000	100,000
Trustee Fees		2,000,000	849,315
Custodian Fees		1,927,823	588,574
Audit Fees		34,500	30,195
Loss on Sale of Securities		-	16,149
Other Operating Expenses	13.00	742,574	290,793
		<b>45,376,396</b>	<b>14,249,956</b>
Net Profit before Tax		<b>410,646,410</b>	<b>91,295,163</b>
Income Tax expenses		<b>(14,700,000)</b>	-
Net Profit after Tax		<b>395,946,410</b>	<b>91,295,163</b>
<b>Profit Transferred to:</b>			
Dividend Equalization Reserve		30,000,000	-
Market Risk Reserve		68,200,000	-
Transferred to Retained Earnings		<b>297,746,410</b>	<b>91,295,163</b>
<b>Earnings per Unit</b>	14.00	<b>1.98</b>	<b>0.46</b>

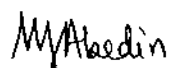
The accompanying notes form an integral part of this financial statements.

  
Trustee

  
Assets Manager

As per our separate report of even date annexed

Dated, Dhaka  
07 August 2011

  
M. J. ABEDIN & CO  
Chartered Accountants

**Trust Bank 1st Mutual Fund**  
**Statement of Changes in Equity**  
**for the year ended 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	2,000,000,000	107,051,019	-	-	2,107,051,019
Interest income from escrow account		(15,755,856)	-	-	(15,755,856)
Restated Balance at 30 June 2010	2,000,000,000	91,295,163	-	-	2,091,295,163
Earnings during the period	-	395,946,410	-	-	395,946,410
Dividend Equalization Reserve	-	(30,000,000)	-	30,000,000	-
Market Risk Reserve	-	(68,200,000)	68,200,000	-	-
<b>Balance at 30 June 2011</b>	<b>2,000,000,000</b>	<b>389,041,573</b>	<b>68,200,000</b>	<b>30,000,000</b>	<b>2,487,241,573</b>

**Trust Bank 1st Mutual Fund  
Cash Flow Statements  
for the year ended 30 June 2011**

	Amounts in Taka	
	2011	2010
<b>A. Cash Flows from Operating Activities:</b>		
Interest on Bank Deposits and Bonds	20,639,166	55,949,873
Dividend Income	30,998,588	7,697,730
Advance Deposit and Receivable	(3,100,000)	(500,000)
Expenses	(68,256,992)	(28,928,497)
<b>Net Cash from Operating Activities</b>	<b>(19,719,238)</b>	<b>34,219,106</b>
<b>B. Cash Flows from Investing Activities:</b>		
Investment in Marketable Securities	(589,521,561)	(1,367,466,272)
Investment in Bonds and Other Securities	-	(600,000,000)
Sale on Marketable Securities	1,383,288,804	83,793,138
<b>Net Cash Used in Investing Activities</b>	<b>793,767,243</b>	<b>(1,883,673,134)</b>
<b>C. Cash Flows from Financing Activities</b>		
Capital Fund	-	2,000,000,000
<b>Net Cash from Financing Activities (C)</b>	<b>-</b>	<b>2,000,000,000</b>
<b>Net Increase in Cash (D = A+B+C)</b>	<b>774,048,005</b>	<b>150,545,972</b>
<b>Opening Cash and Bank Balances (E)</b>	<b>150,545,972</b>	<b>-</b>
<b>Closing Cash and Bank Balances (F = D+E)</b>	<b>924,593,977</b>	<b>150,545,972</b>

**Trust Bank 1st Mutual Fund  
Notes to Financial Statements  
for the year ended 30 June 2011**

**1.00 Legal Status and Nature of Business**

Trust Bank First Mutual Fund (here-in after called as "Fund") was established under a Trust Deed signed on 03 September 2009 between Trust Bank Limited as 'Sponsor' and the Investment Corporation of Bangladesh (ICB) as "Trustee". The Fund was registered with the Securities and Exchange Commission (SEC) on 07 September 2009 under the Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001. The operations of the Fund was commenced on 27 January 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 and registered with Securities and Exchange Commission on 24 September 2008.

Trust Bank First Mutual Fund is a close ended 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.

**2.00 Significant Accounting Policies**

**2.01 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. The disclosures of information made in accordance with the requirements of Trust Deed, Securities and Exchange Rules 1987 and other applicable Rules and regulations.

**2.02 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.

**2.02.1 Valuation of Investment**

- (a) Investment is recorded in the Balance Sheet at cost.
- (c) 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. 68,200,000.00 has been made for the year 2010-2011 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 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.

### 2.05 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.

### 2.06 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

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.

### 2.08 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 Trust Deed @ 1.05% of the weekly average NAV per annum.

### 2.09 Trusteeship fee

The Trustee is entitled to get an annual Trusteeship fee of Taka 20 (twenty) lac, payable semi-annually 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 month end 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.



Amounts in Taka	
as at	
30-Jun-11	30-Jun-10
1,388,456,605	1,332,502,165
<b>1,388,456,605</b>	<b>1,332,502,165</b>

### 3.00 Marketable Securities (At Cost)

Sector/Category	Amount in Taka						
	Share	Cost	Market	Difference	Cost	Market	Difference
Bank	2,072,349	81,781,464	117,140,269	35,358,804	115,249,622	140,322,782	25,073,160
Cement	158,996	54,265,371	63,129,824	8,864,451	94,268,835	84,381,450	(9,887,385)
Ceramic	28,605	1,386,673	3,005,365	1,618,692	1,421,843	4,452,100	3,030,257
Corporate Bond	5,380	4,027,468	4,325,520	298,052	5,034,335	5,242,138	207,803
Engineering	36,850	50,656,341	48,521,242	(2,135,099)	35,408,303	45,220,750	9,812,447
Food and Allied	84,550	44,748,734	52,634,470	7,885,736	34,236,431	35,748,650	1,512,219
Fuel and Power	1,887,551	356,385,338	414,170,339	57,785,001	196,438,154	267,116,900	70,678,746
Insurance	347,713	62,575,846	117,218,561	54,642,715	104,634,123	133,556,418	28,902,295
Information Technolog	-	-	-	-	67,334	57,100	(10,234)
Miscellaneous	7,750	4,332,763	3,281,920	(1,050,843)	-	-	-
Mutual Funds	3,798,140	139,089,640	138,773,563	(316,077)	138,374,485	141,698,125	3,323,640
NBFI	228,959	223,969,095	260,981,916	37,012,821	193,594,283	262,550,693	68,956,410
Pharma	102,897	211,341,422	250,008,250	38,666,829	176,653,977	171,932,921	(4,721,056)
Services and Real Estat	6,125	1,069,384	495,513	(573,872)	43,677,895	39,221,910	(4,455,985)
Tannery	41,820	111,736,246	123,959,100	12,222,854	110,788,436	109,558,245	(1,230,191)
Telecommunication	360,200	25,781,127	59,036,780	33,255,653	74,494,000	250,831,940	176,337,940
Textile	432,885	15,309,694	35,143,698	19,834,004	8,140,109	14,474,009	6,333,900
	<b>9,600,770</b>	<b>1,388,456,605</b>	<b>1,691,826,328</b>	<b>303,370,102</b>	<b>1,332,502,165</b>	<b>1,706,366,131</b>	<b>373,863,966</b>

Amounts in Taka	
as at	
30-Jun-11	30-Jun-10
624,593,977	136,667,307
-	4,493,356
-	9,385,309
200,000,000	-
100,000,000	-
<b>924,593,977</b>	<b>150,545,972</b>

### 4.00 Cash and Bank Balances

Sponsor Account	624,593,977	136,667,307
Escrow Account	-	4,493,356
IPO Account	-	9,385,309
Fixed deposit with:		
Premier Bank	200,000,000	-
Janata Bank	100,000,000	-
	<b>924,593,977</b>	<b>150,545,972</b>

### 5.00 Preliminary & Issue expenses

Opening Balance	25,094,593	-
Addition during the year	24,423,523	42,649,925
Interest income from escrow account	(7,972)	(15,755,856)
Amortization of Preliminary Expenses	(5,501,127)	(1,799,476)
	<b>44,009,017</b>	<b>25,094,593</b>

### 6.00 Other Current Assets

Share application Money (unit capital)	-	480,000,000
Receivable from Sundry Securities (Note-6.01)	5,884,017	-
Securities Deposits to SEC	500,000	500,000
Advance, deposits and Prepayments (Note-6.02)	3,100,000	-
Dividend Receivables (Note-6.03)	2,362,488	3,326,000
Interest Receivable (Note-6.04)	20,533,027	5,482,191
	<b>32,379,532</b>	<b>489,308,191</b>

### 6.01 Receivable from Sundry Securities

LRK Securities Ltd.	5,882,872	-
PHP Securities Ltd.	1,145	-
	<b>5,884,017</b>	<b>-</b>

		Amounts in Taka	
		as at	
		30-Jun-11	30-Jun-10
<b>9.00</b>	<b>Net Asset Value per unit at Cost</b>		
	Net asset Value	2,487,241,573	2,091,295,163
	Number of Units	200,000,000	200,000,000
	NAV per Unit at Cost	<u>12.44</u>	<u>10.46</u>

<b>10.00</b>	<b>Net Asset Value per Unit at Market Value</b>		
	Net Asset Value	2,790,611,296	2,465,159,129
	Number of Units	200,000,000	200,000,000
	NAV per Unit at Market Value	<u>13.95</u>	<u>12.33</u>

		Amounts in Taka	
		for the year	
		2011	2010
<b>11.00</b>	<b>Profit on Sale of Investment</b>		
	Bank	59,633,554	55,339
	Cement	20,955,828	21,428
	Ceramic	574,279	37,201,819
	Corporate Bond	338,273	-
	Engineering	10,273,809	18,986
	Food and Allied	9,738,322	44,133
	Fuel and Power	805,447	182,341
	Insurance	47,944,710	-
	IT	6,181	-
	Miscellaneous	26,618,464	24,236
	Mutual Funds	1,372,541	8,303,725
	NBFI	16,946,487	2,954,198
	Pharma	41,329,783	-
	Services and Real Estate	4,939,918	-
	Tannery	583,597	-
	Telecommunication	117,304,463	-
	Textile	30,644,714	38,976
		<u>390,010,369</u>	<u>48,845,181</u>

<b>12.00</b>	<b>Interest on Bank Deposits and Bonds</b>		
	Interest on :		
	Short Notice Deposits	19,905,587	35,254,017
	Fixed Deposits	2,022,222	4,940,000
	11.5% Prime Bank Bonds	13,762,193	5,482,191
		<u>35,690,002</u>	<u>45,676,208</u>

<b>13.00</b>	<b>Other Operating Expenses</b>		
	Bank Charges	11,733	30,575
	Other Expenses	433,394	-
	CDBL Charges	297,447	260,218
		<u>742,574</u>	<u>290,793</u>

Amounts in Taka	
for the year	
2011	2010

**14.00 Earnings per Unit**

Retained earnings	395,946,410	91,295,163
Number of units	200,000,000	200,000,000
Earnings per Unit	<u>1.98</u>	<u>0.46</u>

**15.00 Post Closing Events**

Following events have occurred since the balance sheet date:

- (a) The Trustee recommended 18% 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

Dated, Dhaka  
07 August 2011



Assets Manager