

**PHP First Mutual Fund**

Trustee: Bangladesh General Insurance Company Limited

42 Dilkusha Commercial Area

Dhaka 1000

**PHP First Mutual Fund**

Auditors' report and financial statements  
for the period from 29 November 2010 to 30 June 2011

**S. F. AHMED & CO**

Chartered Accountants

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Auditors' Report to the Trustee of PHP First Mutual Fund

We have audited the accompanying financial statements of PHP 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 29 November 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 were made 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

PHP First Mutual Fund

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

	<u>Notes</u>	<u>Amounts (Taka)</u>
<b>ASSETS</b>		
Marketable securities -at cost	3	1,042,395,976
Corporate bonds	4	22,500,000
Cash and bank balances	5	911,211,051
Preliminary and issue expenses	6	62,376,120
Other current assets	7	79,709,215
<b>Total Assets</b>		<b><u><u>2,118,192,362</u></u></b>
 <b>CAPITAL AND LIABILITIES</b>		
Capital	8	2,000,000,000
Retained earnings		(97,661,712)
Market risk reserve	2.6	194,096,550
Current liabilities and provisions	9	21,757,524
<b>Total Capital and Liabilities</b>		<b><u><u>2,118,192,362</u></u></b>
 <b>Net Asset Value per Unit</b>		
At Cost		10.48
At Market		9.51

for PHP First Mutual Fund



Asset Manager  
RACE Management PCL

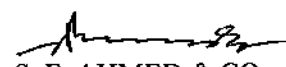


Trustee  
Bangladesh General Insurance Company Limited



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

Signed in terms of our report of even date annexed



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Chartered Accountants

PHP First Mutual Fund  
Statement of Comprehensive Income (Revenue Account)  
for the period from 29 November 2010 to 30 June 2011

INCOME	<u>Notes</u>	<u>Amounts (Taka)</u>
Dividend from investment in shares		7,920,155
Profit on sale of investment		40,155,955
Interest on bank deposits and bonds	10	81,493,576
<b>Total Income (A)</b>		<u>129,569,686</u>
<b>EXPENDITURE</b>		
Amortization of preliminary expenses	2.5	3,884,892
Management fees	2.8	27,124,251
Annual listing fees		100,000
Trustee fees	2.9	1,219,030
Custodian fees	2.10	457,035
Audit fees		34,500
Other operating expenses	11	315,140
<b>Total Expenditure (B)</b>		<u>33,134,848</u>
<u>Less: Market risk reserve</u>	2.6	194,096,550
<u>Less: Provision for taxation</u>	2.4	-
<b>Profit for the Period (C=A-B) transferred to retained earnings</b>		<u>(97,661,712)</u>
 Realised earnings per unit for the period		 (0.49)

See annexed notes

for PHP First Mutual Fund

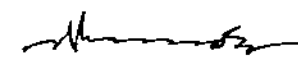
  
Asset Manager  
RACE Management PCL

  
Trustee  
Bangladesh General Insurance Company Limited



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

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Chartered Accountants

PHP First Mutual Fund

Statement of Cash Flows for the period from 29 November 2010 to 30 June 2011

Amounts (Taka)

**Cash Flows from Operating Activities:**

Dividend income	6,548,615
Interest on bank deposits and bonds	70,539,116
Annual listing fees	(200,000)
Other advance deposit and receivables	(3,219,030)
Current liabilities and provisions	(29,248,027)
Other operating expenses	(185,765)
<b>Net Cash from Operating Activities (A)</b>	<b>44,234,909</b>

**Cash Flows from Investing Activities:**

Value of listed securities	(932,362,115)
Fixed deposit	650,000,000
Receivable from sundry securities	15,356,440
Application for investment in shares	(93,518,520)
Issue and preliminary expenses	(59,519,108)
Fixed income instruments	(712,980,556)
<b>Net Cash Used in Investing Activities (B)</b>	<b>(1,133,023,858)</b>

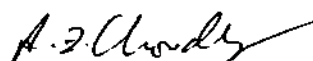
**Cash Flows from Financing Activities:**

Capital contribution	2,000,000,000
<b>Net Cash from Financing Activities (C)</b>	<b>2,000,000,000</b>
<b>Net Increase in Cash (D = A+B+C)</b>	<b>911,211,051</b>
<b>Opening cash and bank balances (E)</b>	<b>-</b>
<b>Closing cash and bank balances (F = D+E)</b>	<b>911,211,051</b>

for PHP First Mutual Fund



Asset Manager  
RACE Management PCL

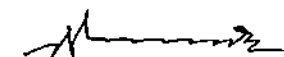


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Dated, 11 August 2011



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**General**

1. Legal Status and Nature of Business

PHP First Mutual Fund (hereinafter called as "Fund") was established under a Trust Deed signed on 20 May 2010 between PHP Power Generation Plant Limited as 'Sponsor' and the Bangladesh General Insurance Company Limited (BGIC) as "Trustee". The Fund was registered under the Trust Act 1882 and subsequently listed with the Securities and Exchange Commission (SEC) on 17 June 2010 under the Securities and Exchange Commission (Mutual Fund) Bidhimala (Rules) 2001. The operations of the Fund was commenced on 29 November 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.

PHP 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 20 May 2010 under the Trust Act, 1882 and subsequently on 29 November 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 20 May 2010 to 29 November 2010. Therefore, no financial statements have been prepared for that period. However, the financial statements are prepared and presented covering the period from 29 November 2010 to 30 June 2011 and the transactions before the listing date were 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 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 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 194,096,550. 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 profit 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 of 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

BRAC Bank Limited 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)	1,042,395,976
	<u>1,042,395,976</u>

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	1,008,570	259,773,117	199,832,620	(59,940,497)
Cement	8,065	25,873,165	24,517,600	(1,355,565)
Ceramic	4,400	783,244	462,000	(321,244)
Corporate Bond	1,980	1,920,798	1,899,810	(20,988)
Engineering	12,427	16,125,888	14,186,129	(1,939,759)
Food and Allied	37,200	23,944,896	23,469,480	(475,416)
Fuel and Power	830,905	177,824,189	145,795,899	(32,028,290)
Insurance	9,838	3,834,014	2,693,673	(1,140,341)
Miscellaneous	38,350	25,292,003	24,493,220	(798,783)
Mutual Funds	2,877,720	117,879,194	90,240,310	(27,638,884)
NBFI	87,126	193,381,779	149,436,194	(43,945,585)
Pharma	82,427	78,444,670	79,928,635	1,483,965
Services and Real Estate	11,875	1,728,328	955,588	(772,740)
Tannery	14,880	18,091,579	18,242,080	150,501
Telecommunication	328,800	76,268,448	53,890,320	(22,378,128)
Textile	246,700	21,230,665	18,255,870	(2,974,795)
<b>Total</b>	<b>5,601,263</b>	<b>1,042,395,976</b>	<b>848,299,426</b>	<b>(194,096,550)</b>

4 Corporate Bonds

BRAC Bank Bonds	22,500,000
	<u>22,500,000</u>

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 PHP First Mutual Fund.

5. Cash and Bank Balances

Fixed deposits	650,000,000
Short term deposits with:	
Sponsor Account- BRAC Bank Ltd (A/C-1501101738427001)	133,648,660
Sponsor Account- EBL (A/C-1011220139908)	10,361,702
Sponsor Account- Dhaka Bank Ltd (A/C-0201311000048702)	110,899,435
Sponsor Account- EXIM Bank Ltd (A/C-00713100188497)	5,801,254
Escrow account- BRAC Bank Ltd (A/C-1501101738427001)	500,000
	<u>911,211,051</u>

5.1 Bank accounts having nil balance

IPO-BDT account (A/C-1501101738427003)	-
IPO-USD account (A/C-1501201738427001)	-
IPO-GBP account (A/C-1501201738427003)	-
IPO-EURO account (A/C-1501201738427002)	-



PHP First Mutual Fund

Notes to financial statements for the period from 29 November 2010 to 30 June 2011

**Revenue Account**

Amounts (Taka)

**10. Interest on Bank Deposits and Bonds**

Interest on	
Short term deposits	46,788,964
Fixed deposits	33,665,553
Corporate bonds	1,039,059
	<u>81,493,576</u>

**11. Other Operating Expenses**


Bank charges	34,666
Other expenses	280,474
	<u>315,140</u>

**12 Others**

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 PHP First Mutual Fund

  
Asset Manager  
RACE Management PCL

  
Trustee  
Bangladesh General Insurance Company Limited

Dhaka, Bangladesh  
Dated, 11 August 2011

