

**Audited Financial Statements  
of  
LankaBangla 1st Balanced Unit Fund  
For the period from 02 December 2015 to  
31 December 2016**

# Hoda Vasi Chowdhury & Co

## Chartered Accountants

### INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF LankaBangla 1st Balanced Unit Fund

We have audited the accompanying financial statements of LankaBangla 1st Balanced Unit Fund (hereinafter referred to as "the Fund"), which comprise the statement of financial position from 02 December 2015 to 31 December 2016, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

The Asset Manager of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards (BASs), Bangladesh Financial Reporting Standards (BFRSs), Securities and Exchange Rules, 1987, Securities and Exchange Commission (Mutual Fund) Rules, 2001 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 and 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 (BSA). 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 judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks 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 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 present fairly, in all material respects, the statement of financial position of the Fund from 02 December 2015 to 31 December 2016 and its financial performance and its cash flows for the period then ended in accordance with Bangladesh Accounting Standards (BASs), Bangladesh Financial Reporting Standards (BFRSs) and comply with Securities and Exchange Rules, 1987, Securities and Exchange Commission (Mutual Fund) Rules, 2001 and other applicable laws and regulations.

We 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) the Fund's statement of financial position and statement of profit or loss and other comprehensive income along with the annexed notes 1 to 20 thereto dealt with by this report are in agreement with books of account of the Fund;
- c) 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; and
- d) all expenditure incurred were for the purposes of the Fund's business.

Dhaka, 28 JAN 2018

  
Chartered Accountants

**LankaBangla 1st Balanced Unit Fund  
Statement of Financial Position  
As at 31 December 2016**

	<u>Notes</u>	<u>2016 Taka</u>
<b>Assets</b>		
Investments at market price	6	208,092,185
Preliminary and issue expenses	7	3,140,530
Deposit and prepayment	8	383,333
Other receivables	9	27,440,000
Cash and cash equivalents	10	57,542,707
		<b>296,598,754</b>
<b>Liabilities</b>		
Accounts payable	11	4,120,312
<b>Net Assets</b>		<b>292,478,442</b>
<b>Owners' Equity</b>		
Unit capital fund	12	273,150,000
Unit premium reserve	13	1,021,800
Retained earnings		3,657,520
Unrealised gain on securities	14	14,649,122
		<b>292,478,442</b>
<b>Net Asset Value (NAV) per unit:</b>		
At cost	15	10.17
At market price	16	10.71

These financial statements should be read in conjunction with annexed notes

  
Trustee

Bangladesh General Insurance Company Limited

  
Asset Manager

LankaBangla Asset Management Company Limited

AUDITORS' REPORT TO THE TRUSTEE  
See annexed report of date

Dhaka, **28 JAN 2018**

  
Chartered Accountants

**LankaBangla 1st Balanced Unit Fund  
Statement of Profit or Loss and Other Comprehensive Income  
For the period from 02 December 2015 to 31 December 2016**

	<u>Notes</u>	<u>02 Dec 2015 - 31 Dec 2016 Taka</u>
<b>Revenue</b>		
Dividend income	17	1,120,000
Interest income	18	4,131,735
		<u>5,251,735</u>
<b>Less : Operating expenses</b>		
Management fees		1,295,212
Amortization of preliminary and issue expenses		72,180
CDBL settlement and demat charges		16,014
CDBL fees		16,667
Custodian fees		16,453
Trustee fees		62,238
Selling agents' commission		31,410
Bank charges and excise duty		42,241
Printing and publication expenses		15,000
Other expenses	19	26,800
<b>Total expenses</b>		<u>1,594,215</u>
<b>Net profit during the period</b>		<u>3,657,520</u>
<b>Add: Other comprehensive income</b>		
Unrealised gain on securities	Annex-A	14,649,122
<b>Total profit including unrealized gain for the period</b>		<u><u>18,306,642</u></u>
<b>Earnings per unit</b>	20	<b>0.13</b>

These financial statements should be read in conjunction with annexed notes

  
Trustee

  
Asset Manager

Bangladesh General Insurance Company Limited LankaBangla Asset Management Company Limited

**AUDITORS' REPORT TO THE TRUSTEE**

See annexed report of date

Dhaka, 28 JAN 2018

  
Chartered Accountants

**LankaBangla 1st Balanced Unit Fund  
Statement of Changes in Equity  
For the period from 02 December 2015 to 31 December 2016**

*Amount in Taka*

<b>Particulars</b>	<b>Unit capital fund</b>	<b>Unit premium</b>	<b>Retained earnings</b>	<b>Unrealised gain on securities</b>	<b>Total equity</b>
Unit fund raised during the period	273,150,000	-	-	-	273,150,000
Unit premium reserve	-	1,021,800	-	-	1,021,800
Net profit during the period	-	-	3,657,520	-	3,657,520
Unrealised gain on securities	-	-	-	14,649,122	14,649,122
<b>Balance as at 31 December 2016</b>	<b>273,150,000</b>	<b>1,021,800</b>	<b>3,657,520</b>	<b>14,649,122</b>	<b>292,478,442</b>

  
Trustee

Bangladesh General Insurance Company Limited

  
Asset Manager

LankaBangla Asset Management Company Limited

**LankaBangla 1st Balanced Unit Fund  
Statement of Cash Flows  
For the period from 02 December 2015 to 31 December 2016**

	<u>02 Dec 2015 - 31 Dec 2016 Taka</u>
<b>A. Cash flows from operating activities</b>	
Interest income realized in cash	6,857,068
Deposit and prepayment	(400,000)
Payment made for expenses	(6,023,099)
<b>Net cash from operating activities</b>	<u>433,969</u>
<b>B. Cash flows from investing activities</b>	
Acquisition of shares from secondary market	(190,743,063)
Investment in IPO	(26,320,000)
<b>Net cash used in investing activities</b>	<u>(217,063,063)</u>
<b>C. Cash flows from financing activities</b>	
Proceeds from issuance of units	274,171,800
<b>Net cash used in financing activities</b>	<u>274,171,800</u>
<b>Net cash flows (A+B+C)</b>	57,542,707
Cash and cash equivalents at the beginning of the period	-
<b>Cash and cash equivalents at the end of the period</b>	<u><u>57,542,707</u></u>
<b>Net operating cash flow per unit (NOCFU)</b>	<b>0.02</b>



Trustee



Asset Manager

Bangladesh General Insurance Company Limited    LankaBangla Asset Management Company Limited

**LankaBangla 1st Balanced Unit Fund  
Notes to the Financial Statements  
For the period from 02 December 2015 to 31 December 2016**

**1 Introduction**

LankaBangla 1st Balanced Unit Fund (hereafter called as "the Fund") was established under a Trust Deed signed on December 02, 2015 between LankaBangla Finance Limited as a 'Sponsor' and Bangladesh General Insurance Company Limited (BGIC) as a "Trustee". The Fund was registered under the Trust Act 1882 and subsequently registered with Bangladesh Securities and Exchange Commission (BSEC) on January 12, 2016 vide Registration code no. SEC/Mutual Fund/2016/59 under Bangladesh Securities and Exchange Commission (Mutual Fund) Rules, 2001. The operations of the Fund was commenced on November 01, 2016 with paid-up capital of Taka 250,000,000 divided into 25,000,000 units of Taka 10 each.

LankaBangla Finance Limited is the Sponsor of the Fund while Bangladesh General Insurance Company Limited (BGIC) is the Trustee and BRAC Bank Limited is the Custodian of the Fund. LankaBangla Asset Management Company Limited is managing the operations of the Fund.

**2 Closure of Accounting year of the Fund**

The fund has closed its books of accounts for the first period as at 31 December 2016. Although the fund was established on 02 December 2015, the operation of the fund started from 01 November 2016.

**3 Objectives**

The objective of the fund is to generate capital appreciation and income by investing in the permissible markets at appropriate percentages as determined by the Asset Manager.

**4 Significant accounting policies**

**4.1 Basis of accounting**

These financial statements are prepared under historical cost convention and in conformity with the Generally Accepted Accounting Principles (GAAP) following Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS).

**4.2 Valuation policy**

a) Listed securities (other than mutual Fund) are valued on a conservative basis at lower of cost or market value deviating from BAS-39' Financial Instruments: Recognition and Measurement'. Mutual Fund securities are valued at lower of 85% of Net Asset Value (NAV), cost price and market price as per SRO No. SEC/CMRRCD/2009-193/172 dated 30 June 2015.

b) Stock dividend (Bonus shares) are added with existing shares with at zero cost which results in decrease of per unit cost price of the existing shares. However, bonus shares are shown at fair value on the statement of financial position date.

**4.3 Income recognition**

i) Gains / losses arising on sale of investment are included in the Statement of Profit or Loss and Other Comprehensive Income on the date at which the transaction takes place. Capital gains / losses are recognized or being realized based on weighted average cost basis.

ii) Dividend income will recognize on the declaration of dividend and subsequent approval by Annual General Meeting (AGM).

iii) Interest income is recognized on accrual basis.



**4.4 Preliminary and issue expenses**

Preliminary and issue expenses are being written off over a period of seven years on a straight-line method.

**4.5 Management fees**

The management fee of the Fund is to be paid to the asset management company per annum on weekly average net asset value (NAV) accrued and payable semi-annually. As per the Prospectus and the provisions of the Securities & Exchange Commission (Mutual Fund) Rules, 2001, the fee is calculated using the following slabs:

<u>NAV (Taka)</u>	<u>Percentage</u>
On weekly average NAV up to Taka 50 million	2.5
On next 200 million of weekly average NAV	2.0
On next 250 million of weekly average NAV	1.5
On rest of weekly average NAV	1.0

**4.6 Trustee fees**

The Trustee is entitled to an annual Trusteeship Fee @ 0.10% of the Net Asset Value (NAV) of the Fund only payable semi-annually during the life of the Fund as per Trust Deed.

**4.7 Selling agent commission**

The Fund pays commissions to the authorized selling agent(s) appointed by the Asset Management Company at 0.15% on both the subscription and surrender amount.

**4.8 Custodian fees**

BRAC Bank Limited, the custodian of the Fund is entitled to receive a safekeeping fee @ 0.05% on the balance of securities held by the Fund calculated on the average month end value per annum and also receives trade settlement fees of Taka 200 per trade as per Trust Deed. A fee cap schedule is applicable as per the fee cap schedule provided by the custodian which is in this case 0.06% per annum on balance securities held by the Fund.

**4.9 Taxation**

The income of the Fund is fully 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 has been made.

**4.10 Dividend policy**

Pursuant to the Securities and Exchange Commission (Mutual Fund) Rules 2001 or any amendments of the Rules by Bangladesh Securities and Exchange Commission time to time, the Fund shall distribute by way of dividend in quarterly, semi-annually and / or annually as decided in the trustee meeting to the holders of the units after the closing of the annual accounts an amount which shall minimum 70% of the realised income. However, in accordance with Rule 63 of Bangladesh Securities and Exchange Commission (Mutual Fund) Rules, 2001 no dividend was declared for the accounting year 2016 since the Fund was operational for less than three months.

**4.11 Profit available for distribution**

The Fund has recognised Tk. 14,649,122 unrealized gain as other comprehensive income during the period and showed the amount on the Statement of profit or loss and other comprehensive income and profit available for distribution is calculated as:

<b>Particulars</b>	<b>Taka</b>
Profit as per profit & loss	18,306,642
Less: Unrealized gain	<u>14,649,122</u>
<b>Profit available for distribution</b>	<b><u><u>3,657,520</u></u></b>

**4.12 Earnings per unit**

Earnings per unit has been calculated in accordance with BAS-33 "Earnings per Share" and shown on the face of the Statement of profit or loss and other comprehensive income.

**5 General**

- i. Figures appearing in these financial statements have been rounded off to nearest Taka.

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	<u>2016</u> <u>Taka</u>
<b>6 Investments</b>	
Investments at market price (Annexure-A)	<u><u>208,092,185</u></u>
<b>7 Preliminary and issue expenses</b>	
Total preliminary and issue expenses incurred	5,938,043
Less: Interest on escrow account	(2,725,333)
Amortization made during the period	(72,180)
	<u><u>3,140,530</u></u>
<b>8 Deposit and prepayment</b>	
<b>Deposit</b>	
Security deposit-Central Depository Bangladesh	300,000
<b>Prepayment</b>	
Annual fees - Central Depository Bangladesh	83,333
	<u><u>383,333</u></u>
<b>9 Other receivables</b>	
IPO receivable (Note-9.1)	26,320,000
Dividend receivables (Note-9.2)	1,120,000
	<u><u>27,440,000</u></u>
9.1 Tk.26,320,000 represents the amount receivables against IPO application for investment in IPO shares of Pacific Denims Limited.	
<b>9.2 Dividend receivables</b>	
Jamuna Oil Company Limited	1,000,000
Envoy Textiles Limited	120,000
	<u><u>1,120,000</u></u>
<b>10 Cash and cash equivalents</b>	
<b>Cash at bank - SND Account with:</b>	
One Bank Ltd. (Banani branch)	55,872,821
One Bank Ltd. (Banani branch)	1,666,008
	<u><u>57,538,830</u></u>
<b>Cash at bank - CD Account with:</b>	
One Bank Ltd. (Banani branch)	3,878
	<u><u>57,542,707</u></u>
<b>11 Accounts payable</b>	
Management fees	1,295,212
Custodian fees	16,453
Trustee fees	62,238
Selling agents' commission	31,410
Printing and publication expenses	15,000
Right share application	2,700,000
	<u><u>4,120,312</u></u>

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	<u>2016</u> <u>Taka</u>
<b>12 Unit capital fund</b>	
250,000,00 units of Taka 10 each	250,000,000
Add: New subscription of 23,15,000 units of Tk 10 each	23,150,000
	<u>273,150,000</u>
<b>13 Unit premium reserve</b>	<u>1,021,800</u>
<b>14 Unrealised gain on securities</b>	
Investments in securities - at market price	208,092,185
Investments in securities - at cost price	(193,443,063)
<b>Total unrealised gain on securities</b>	<u>14,649,122</u>
<b>15 Net Asset Value (NAV) per unit at cost</b>	
Total net asset value at market	292,478,442
Less: Unrealised gain on securities	(14,649,122)
	<u>277,829,321</u>
Number of units	27,315,000
<b>NAV per unit at cost</b>	<u>10.17</u>
<b>16 Net Asset Value (NAV) per unit at market price</b>	
Total net asset value at market price	292,478,442
Number of units	27,315,000
<b>NAV per unit at market price</b>	<u>10.71</u>
<b>17 Dividend income</b>	
Jamuna Oil Company Limited	1,000,000
Envoy Textiles Limited	120,000
	<u>1,120,000</u>
<b>18 Interest income</b>	
Short notice deposit (SND)	6,857,068
Interest income from Escrow account adjusted	2,725,333
	<u>4,131,735</u>
<b>19 Other expenses</b>	
Eligible investor registration fees	25,000
BO account maintenance charges	1,800
	<u>26,800</u>
<b>20 Earnings per unit</b>	
Total profit including unrealized gain for the period	18,306,642
Less: Unrealised gain on securities	(14,649,122)
<b>Net profit for the period</b>	<u>3,657,520</u>
Number of units	27,315,000
<b>Earnings per unit</b>	<u>0.13</u>



Trustee

Bangladesh General Insurance Company Limited



Asset Manager

LankaBangla Asset Management Company Limited

**Annexure-A: Investment in securities**  
**LankaBangla 1st Balanced Unit Fund**  
**As at 31 December 2016**

*Amount in Taka*

Sector Name	Name of the Companies	No. of Shares	Cost per unit	Total acquisition cost	Market price per unit	Total Market Value	Deficit (Excess)
Bank	Bank Asia Ltd	67,474	18.10	1,221,560	17.90	1,207,785	(13,775)
	Mutual Trust Bank Limited	250,000	22.49	5,623,514	23.10	5,775,000	151,486
Financial Institutions	IDLC Finance Ltd	405,000	47.38	19,187,816	57.00	23,085,000	3,897,184
	MIDAS Financing Limited	1,000,000	21.55	21,553,750	28.00	28,000,000	6,446,250
Insurance	Mercantile Insurance Co. Ltd	500,000	13.82	6,908,948	16.50	8,250,000	1,341,052
	Popular Life Insurance Co. Ltd	150,000	68.75	10,312,516	69.80	10,470,000	157,484
	Green Delta Insurance Ltd	100,000	49.17	4,917,357	49.70	4,970,000	52,643
	Rupali Insurance Company Ltd	500,000	16.82	8,408,024	18.50	9,250,000	841,976
Pharmaceuticals & Chemicals	Beximco Pharmaceuticals Ltd.	150,000	83.81	12,571,218	80.80	12,120,000	(451,218)
Textile	Envoy Textiles Limited	103,000	36.69	3,779,215	38.80	3,996,400	217,185
Fuel & Power	Jamuna Oil Company Limited	100,000	195.59	19,558,625	181.60	18,160,000	(1,398,625)
	Summit Power Limited	250,000	34.67	8,666,721	37.00	9,250,000	583,279
Cement	Lafarge Surma Cement Ltd	250,000	77.74	19,435,633	82.10	20,525,000	1,089,367
	Heidelberg Cement Bangladesh Ltd	40,000	552.26	22,090,344	552.30	22,092,000	1,656
Telecommunication	Grameenphone Ltd	60,000	282.35	16,940,997	284.10	17,046,000	105,003
Ceramic	RAK Ceramics (Bangladesh) Limited	50,000	63.96	3,197,975	61.90	3,095,000	(102,975)
Mutual Funds	Popular Life First Mutual Fund	2,000,000	4.53	9,068,854	5.40	10,800,000	1,731,146
				<b>193,443,063</b>		<b>208,092,185</b>	<b>14,649,122</b>