

Bangladesh General Insurance Company Ltd.
42 Dilkusha Commercial Area
Dhaka 1000

Prime Financial First Unit Fund

Auditors' report and financial statements
for the year ended 31 December 2016

S. F. AHMED & CO

Chartered Accountants

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Auditors' Report
For the year ended 31 December 2016

We have audited the accompanying financial statements of Prime Financial First Unit Fund, which comprise the statement of financial position (balance sheet) as at 31 December 2016, and the statement of profit or loss and other comprehensive income (profit and loss statement), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting 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 mis-statements, 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 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 give a true and fair view of the financial position of the Fund's affairs as of 31 December 2016, and of its financial performance and its cash flows for the year 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:

- a. 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;
- 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 profit and loss and other comprehensive income (profit and loss statement) dealt with by this report are in agreement with the books of account;
- d. the investment made by the Fund is as per Rule 56 of Bangladesh 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.


Dhaka, Bangladesh
Dated, 9 February 2017


S. F. AHMED & CO
Chartered Accountants

Prime Financial First Unit Fund

Statement of Financial Position (Balance Sheet)
As at 31 December 2016

	Notes	2016 BDT	2015 BDT
Assets			
Preliminary expenses	4	574,091	1,181,390
Investment in securities at market price	5	138,323,085	132,123,454
Investment in IPO		18,000,000	-
Receivables	6	7,994,014	5,281,471
Other assets	7	31,395	31,396
Cash and cash equivalents	8	44,887,000	77,141,058
Total assets		209,809,585	215,758,769
Less: Liabilities			
Accounts payable	9	1,055,687	2,288,173
Other liabilities	10	702,319	654,906
Total liabilities		1,758,006	2,943,079
Net assets		208,051,579	212,815,690
Equity			
Capital fund	11	193,607,500	197,765,800
Reserve for transaction of unit		-	961,570
Retained earnings		14,444,079	14,088,320
Total equity		208,051,579	212,815,690
Net Asset Value (NAV) per unit:			
At cost	12	109.03	115.33
At market price		107.46	107.61

These financial statements should be read in conjunction with annexed notes

for Prime Financial First Unit Fund


Trustee
Bangladesh General Insurance Company Ltd.


Asset Manager
Prime Finance Asset Management Co. Ltd.

See annexed report to the date



Dhaka, Bangladesh
Dated, 9 February 2017


S. F. AHMED & CO
Chartered Accountants

Prime Financial First Unit Fund

Statement of Profit or Loss and Other Comprehensive Income (Profit and Loss Statement)
For the year ended 31 December 2016

	Notes	2016 BDT	2015 BDT
Income			
Capital gains on sale of securities		-	10,908,105
Interest income		3,166,787	5,167,046
Dividend earned		5,773,535	3,882,325
Interest on bond		255,000	313,572
Other income	13	619,994	1,629
Total income (A)		9,815,316	20,272,677
Expense			
Management fees	14	3,969,419	4,606,668
Preliminary and issue expenses	4	607,299	605,640
Custodian fees		227,605	189,628
Trustee fees		194,964	216,527
CDBL charges		22,792	28,547
Annual fees		220,410	184,559
Audit fees	15	84,662	69,000
Freight and courier		5,550	-
Brokerage commission	16	368,418	346,223
Advertisement		369,230	244,194
Bank charges		19,893	6,381
Realised loss on investment		2,719,542	-
Total expense (B)		8,809,784	6,497,367
Net profit before provision (A - B)		1,005,532	13,775,310
(Provision) / write back of provision against diminution in value of securities	17	12,232,284	(1,071,762)
Net profit for the year		13,237,816	12,703,548
Earnings per unit for the year	18	6.84	6.42

These financial statements should be read in conjunction with annexed notes

for Prime Financial First Unit Fund



Trustee
Bangladesh General Insurance Company Ltd.


Asset Manager
Prime Finance Asset Management Co. Ltd.

See annexed report to the date



Dhaka, Bangladesh
Dated, 9 February 2017


S. F. AHMED & CO
Chartered Accountants

Prime Financial First Unit Fund

Statement of Changes in Equity
For the year ended 31 December 2016

Particulars	Capital fund	Reserve for transaction of unit	Retained earnings	Total
	BDT	BDT	BDT	BDT
Year 2015				
Balance as at 1 January 2015	196,709,300	429,549	28,924,074	226,062,923
Unit subscribed	1,056,500	-	-	1,056,500
Reserve made during the year	-	532,021	-	532,021
Dividend paid during the year	-	-	(27,539,302)	(27,539,302)
Net profit for the year	-	-	12,703,548	12,703,548
Balance as at 31 December 2015	197,765,800	961,570	14,088,320	212,815,690
Year 2016				
Balance at 1 January 2016	197,765,800	961,570	14,088,320	212,815,690
Unit surrendered	(4,158,300)	-	-	(4,158,300)
Reserve transferred to retained earnings	-	(961,570)	961,570	-
Dividend paid during the year	-	-	(13,843,627)	(13,843,627)
Net profit for the year	-	-	13,237,816	13,237,816
Balance at 31 December 2016	193,607,500	-	14,444,079	208,051,579

for Prime Financial First Unit Fund

A. Z. Chowdhury
Trustee
Bangladesh General Insurance Company Ltd.

[Signature]
Asset Manager
Prime Finance Asset Management Co. Ltd.

Dhaka, Bangladesh
Dated, 9 February 2017



Prime Financial First Unit Fund

Statement of Cash Flows
For the year ended 31 December 2016

	Notes	2016 BDT	2015 BDT
A. Cash flows from operating activities			
Capital gains on sale of securities		-	10,908,105
Interest received		1,271,243	6,280,618
Dividend received		5,211,537	3,882,325
Paid for operating expenses		(9,369,253)	(5,045,594)
Financial expenses		(19,893)	(6,381)
Transfer charge received		400	1,629
Net cash from/ (used in) operating activities		(2,905,966)	16,020,702
B. Cash flows from investing activities			
Cash received from/(used for) investment in securities		6,034,241	(25,947,668)
Cash refunded from/(used) in IPO		(18,000,000)	45,175,000
Net cash from/ (used in) investing activities		(11,965,759)	19,227,332
C. Cash flows from financing activities			
Cash on account of (surrender)/sale of unit		(4,158,300)	1,056,500
Cash received from transaction of unit		619,594	532,020
Dividend paid		(13,843,627)	(27,534,139)
Net cash used in financing activities		(17,382,333)	(25,945,619)
D. Net changes in cash and cash equivalents (D=A+B+C)		(32,254,058)	9,302,415
E. Opening cash and cash equivalents		77,141,058	67,838,643
F. Closing cash and cash equivalents (D+E)		44,887,000	77,141,058
Net operating cash flow per unit for the year	19	(1.50)	8.10

These financial statements should be read in conjunction with annexed notes

for Prime Financial First Unit Fund


Trustee
Bangladesh General Insurance Company Ltd.



Dhaka, Bangladesh
Dated, 9 February 2017


Asset Manager
Prime Finance Asset Management Co. Ltd.

Prime Financial First Unit Fund

Notes to the Financial Statements
For the year ended 31 December 2016

1. The Fund and Legal Status

Prime Financial First Unit Fund is an open-ended fund established as a Trust, under the Trust Act 1882 and registered with Sub-Registrar's Office under the Registration Act 1908 on 2 June 2010. Bangladesh Securities and Exchange Commission also approved the Fund on 13 June 2010 vide Registration Code No. SEC/Mutual Fund/2010/24. The initial size of the Fund is Taka 200,000,000 (Taka two hundred million) only divided into 2,000,000 units of Taka 100 each. Subsequently the size of the Fund has been increased to Taka 1,000,000,000 (Taka one billion) divided into 10,000,000 units of Taka 100 each on 10 November 2010.

Prime Finance & Investment Limited is the sponsor of the Fund and subscribed an amount of Taka 30,000,000 (Taka thirty million) only.

2. Basis of preparation

2.1 Statement of compliance

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

2.2 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.

2.3 Functional currency and presentational currency

These financial statements are presented in Bangladesh Taka, which is also the Fund's functional currency. All financial information presented in Taka have been rounded off to the nearest taka.

2.4 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 recognized 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.

2.5 Reporting period

These financial statements are prepared for the period from 01 January 2016 to 31 December 2016.

2.6 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 of tax is required.



Prime Financial First Unit Fund

Notes to the Financial Statements
For the year ended 31 December 2016

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Investment policy

- 3.1.1 The Fund shall invest subject to the Rules and only in those securities, deposits and investments approved by Bangladesh Securities and Exchange Commission and/or the Bangladesh Bank and/or the Insurance Development & Regulatory Authority (IDRA) of Bangladesh or any other competent authority in this regards.
- 3.1.2 Not less than 60% of the total assets of the Scheme of the Fund shall be invested in capital market instruments out of which at least 50 per cent shall be invested in listed securities.
- 3.1.3 Not more than 25% of the total asset of the Scheme of the Fund shall be invested in Fixed Income Securities (FIS).
- 3.1.4 Not more than 15% of the total asset of the Scheme of the Fund shall be invested in pre-IPOs at one time.
- 3.1.5 All money collected under the Fund shall be invested only in encashable/transferable instruments, securities whether in money market or capital market or privately placed pre-IPO equity, preference shares, debentures or securitized debts.
- 3.1.6 The Fund shall get the securities purchased or transferred in the name of the Fund.
- 3.1.7 Only the Asset Management Company will make the investment decisions and place orders for securities to be purchased or sold for the Scheme's portfolio.

3.2 Valuation policy

- 3.2.1 For listed securities, the average quoted market price on the stock exchanges on the date of valuation shall form the basis of any calculation of Net Asset Value of such securities in the portfolio of the Fund.
- 3.2.2 For securitized debts, debentures, margin or fixed deposits, the accrued interest on such instruments on the date of valuation shall be taken into account in any calculation of Net Asset Value of such securities in the portfolio of the Fund.
- 3.2.3 The valuation of non-listed securities will be made by the Asset Management Company with their reasonable value and approved by the Trustee and commented upon by the Auditors in the annual report of the Scheme.
- 3.2.4 Net Asset Value (NAV) calculation

The Fund will use the following formula to derive NAV per unit:

$$\text{Total NAV} = V_A - L_T$$

$$\text{NAV per unit} = \text{Total NAV} / \text{No. of units outstanding}$$

$V_A =$ Value of all securities in vault + Value of all securities placed in lien + Cash in hand and at bank + Value of all securities receivables + receivables of proceeds of sale of investments + Dividend receivables net of tax + Interest receivables net of tax + Issue expenses amortized as on date + Printing, publication and stationery expenses amortized as on date.

$L_T =$ Value of all securities payable + Payable against purchase of investments + Payable as brokerage and custodial charges + Payable as Trustee fees + 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.



Prime Financial First Unit Fund

Notes to the Financial Statements
For the year ended 31 December 2016

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, balance with BO account and investment in FDR.

3.4 Provisions

A provision is recognized 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 balance sheet date.

3.5 Revenue recognition

3.5.1 Capital gains

This is recognised on being realised.

3.5.2 Dividend income

Dividend income is recognised on being declared by the investee company and if the record date is within the balance sheet date.

3.5.3 Finance income

Finance income comprises interest income on fund kept at the bank account. Interest income is recognized as it accrues.

3.6 Cash flow statement

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



Prime Financial First Unit Fund

Notes to the Financial Statements
For the year ended 31 December 2016

4. Preliminary expenses

Preliminary expenses will be amortised within seven years from the date of initiation.

	2016 BDT	2015 BDT
Opening balance	1,181,390	1,787,030
Less: Amortised during the period	607,299	605,640
Closing balance	574,091	1,181,390

5. Investment in securities at market price

Investment at cost price (Annex 1)	141,353,631	147,386,284
Less: Reserve for unrealised loss (Annex 1)	3,030,546	15,262,830
Investment at market price	138,323,085	132,123,454

6. Receivables

	Notes	2016	2015
Dividend receivable	6.1	561,998	-
Interest receivable	6.2	7,432,016	5,281,471
		7,994,014	5,281,471

6.1 Dividend receivable

Active Fine Chemicals Ltd.	54,660	-
Agni System Ltd.	29,925	-
Appolo Ispat Coplex Ltd.	40,000	-
Baraka Power Ltd.	128,521	-
Bata Shoe Company (Bangladesh) Ltd.	110,964	-
Envoy Textiles Ltd.	20,457	-
Khulna Power Company Ltd.	59,500	-
M.I. Cement Factory Ltd.	59,646	-
MJL Bangladesh Ltd.	5,925	-
Olympic Industries Ltd.	22,400	-
Titas Gas T and D Co. Ltd.	30,000	-
	561,998	-

6.2 Interest receivable

Receivable from PFI Securities Ltd.	6,995,764	5,281,471
Term deposits (FDR)	436,252	-
	7,432,016	5,281,471

7. Other assets

Tax deducted at source	31,395	31,396
	31,395	31,396

8. Cash and cash equivalents

STD and BO Accounts with

Dutch-Bangla Bank Limited (STD account)	21,046,828	56,171,512
PFI Securities Ltd. (BO account)	12,666,117	19,448,616
Fareast Stocks and Bonds Ltd. (BO account)	1,174,055	1,520,930
	34,887,000	77,141,058

Term deposit with

Prime Finance & Investment Limited	10,000,000	-
	44,887,000	77,141,058



Prime Financial First Unit Fund

Notes to the Financial Statements
For the year ended 31 December 2016

	2016	2015	
	BDT	BDT	
9. Accounts payable			
Management fees	798,150	2,080,458	
Custodian fees	75,450	68,127	
Trustee fees	95,837	-	
Audit fees	86,250	139,588	
	1,055,687	2,288,173	
10. Other liabilities			
Tax deducted at source	126	175	
VAT deducted at source	695,987	648,525	
Dividend payable	6,206	6,206	
	702,319	654,906	
11. Capital fund	No. of Unit	Face value Per Unit	Total Capital Fund
		BDT	BDT
Subscribed by Resident Bangladeshis	1,636,075	100	163,607,500
Subscribed by Sponsor	300,000	100	30,000,000
	1,936,075		193,607,500
12. Net asset value (NAV) per unit			
	2016	2015	
	BDT	BDT	
At cost			
Value of net asset at cost	211,082,125	228,078,520	
Number of units	1,936,075	1,977,658	
Net Asset Value per unit	109.03	115.33	
At market value			
Value of net asset at market price	208,051,579	212,815,690	
Number of units	1,936,075	1,977,658	
Net Asset Value per Unit	107.46	107.61	
13. Other income			
Income from transaction of Units	619,594	-	
Transfer charge	400	300	
Adjustment of excess provision for expenses	-	1,329	
	619,994	1,629	
14. Management fee	3,969,419	4,606,668	

Management fees is payable to Prime Finance Asset Management Company Limited. The Fund has to pay management fee to Prime Finance Asset Management Company Limited at the rates mentioned below as per Securities and Exchange Commission (Mutual Fund) Rules, 2001:

Slab	Rate of fee
On weekly average NAV Upto Taka 5 crore	2.5%
On next 20 crore of weekly average NAV	2.0%
On next 25 crore of weekly average NAV	1.5%
On rest of weekly average NAV	1.0%



Prime Financial First Unit Fund

Notes to the Financial Statements
For the year ended 31 December 2016

15. Audit fees	2016	2015
	BDT	BDT
Audit fees for the year	86,250	69,000
Less: Adjustment of excess provision of last year	1,588	-
	<u>84,662</u>	<u>69,000</u>

16. Brokerage commission

Brokerage commission is paid on account of transaction of securities. In previous year, it was adjusted with capital gains. For the purpose of presentation capital gains and brokerage commission of 2015 have been rearranged.

17. (Provision) / write back of provision against diminution in value of securities	2016	2015
	BDT	BDT
Opening balance of reserve for unrealised loss on investment	15,262,830	14,191,068
Less: Closing balance of reserve for unrealised loss on investment	3,030,546	15,262,830
(Provision) / write back of provision	<u>12,232,284</u>	<u>(1,071,762)</u>

The investment in marketable securities is designated as Held for Trading in accordance with BAS 39 Financial Instruments: Recognition and Measurement and measured at market value, and any gains or losses are recognised in the statement of profit and loss and other comprehensive Income.

18. Earnings per unit

Earnings per unit is calculated on the basis of unit held as at 31 December 2016.

Net profit for the year - (numerator)	13,237,816	12,703,548
Number of units - (denominator)	1,936,075	1,977,658
Earnings per unit	<u>6.84</u>	<u>6.42</u>

19. Cash flows from operating activities per unit

Cash flows from operating activities per unit is calculated on the basis of unit held as at 31 December 2016.

Net cash from/ (used in) operating activities - (numerator)	(2,905,966)	16,020,702
Number of units - (denominator)	1,936,075	1,977,658
Cash flows from operating activities per unit	<u>(1.50)</u>	<u>8.10</u>

20. Even after reporting period

The Trustee of the Fund has approved cash dividend at the rate of 7% i.e., Taka 7 (Taka seven) only per unit for the year ended 31 December 2016 at the Meeting held on 9 February 2017.

21. Others

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

21.2 Figures of previous year have been rearranged wherever considered necessary, to conform the current year's presentation.

for Prime Financial First Unit Fund

A. F. Chowdhury
Trustee
Bangladesh General Insurance Company Ltd.

[Signature]
Asset Manager
Prime Finance Asset Management Co. Ltd.

Dhaka, Bangladesh
Dated, 9 February 2017

