

Vetiva Banking Exchange Traded Fund

Annual Report

31 December 2018

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Fund information

Directors of the Fund Manager

Chuka Eseka
Olaolu Mudasiru
Damilola Ajayi

Chairman
Non Executive Director
Managing Director/CEO

Transfer Agent

Central Securities Clearing
Systems Plc
12th Floor NSE Building
2/4 Customs Street
Lagos

Custodian

UBA Plc
(Global Investor Services)
UBA House (12th Floor)
57 Marina
Lagos

Bankers

UBA Plc
UBA House (12th Floor)
57 Marina Lagos

Fund Manager

Vetiva Fund Managers Limited
Plot 266b Kofo Abayomi Street
Victoria Island
Lagos, Nigeria
Tel: +234 1 461 7251-3,
+234 1 270 9657-8
Email: funds@vetiva.com
Website: www.vetiva.com

Trustee

UTL Trust Management
Services Limited
47, Marina, ED Building
(2nd Floor)
Lagos

Auditor:

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
www.kpmg.com/ng

FUND MANAGER'S REPORT

For the year ended 31 December 2018

The Fund Manager presents its report on the affairs of Vetiva Banking Exchange Traded Fund (the Fund) , together with the financial statements and auditor's report for the year ended 31 December 2018.

BACKGROUND INFORMATION

The Vetiva Banking Exchange Traded Fund (the Fund) is an open-ended exchange traded fund established in July 2015 and registered with the Securities and Exchange Commission ("SEC"). The underlying objective of the Fund is to enable unit holders obtain market exposure to the constituent companies of the NSE Banking Index in an easily tradable form, as listed ETF securities are traded on the floors of the Nigerian Stock Exchange (NSE), or any other licensed exchange on which the Fund may be listed subsequently. The Fund aims to replicate, as practicably as possible, the price and yield performance of the NSE Banking Index.

The Fund invests 100% of its assets in the portfolio of securities that comprise the NSE Banking Index.

The NSE Banking Index is managed by the NSE and was created to provide an investable benchmark to capture the performance of the banking sector of the equities market, this index comprises the most capitalized and liquid banks in Nigeria.

The components are subject to the above rules on a semi-annual basis and rebalanced accordingly.

OPERATING RESULTS

	31 December 2018	31 December 2017
	N	N
Profit before income tax	16,503,465	3,836,526
Income tax expense	(2,390,109)	(957,924)
Profit for the year	14,113,356	2,878,602
Earnings per unit (kobo)	16.66	4.07

MARKET REVIEW

Overview

Real Economy:

Nigeria's post-recession recovery has been slow and below potential. Between 2010 and 2014, the economy grew at a CAGR of 4.8% y/y but has grown just 0.8% y/y and 1.8% y/y in 2017 and 2018E. We attribute this to the structural weakness of our mono-commodity economy and a struggle to recover from the stagflation and foreign exchange (FX) crisis of 2016. Consumer wallets are still severely weak amid a significant loss of spending power since the end of 2015 and industries must still battle high costs and high interest rates. Federal Government spending has been substantial thanks to a series of record budgets, but the fiscal multiplier has been weak due to the lag time of capital expenditure projects and the underperformance of social investment programs. Unsurprisingly, our near-term outlook is muted as the structural weakness meets political uncertainty in early 2019. Overall, we project growth of 2.7% y/y in 2019, just about equal to estimated population growth, and look beyond 2019 for true structural adjustment that can transform Nigeria's economic growth trajectory. Meanwhile, the key economic headwinds in 2019 are currency volatility, policy instability, and severe fiscal strain as a result of excessive spending.

Inflation:

Inflation declined from 15.4% at the end of 2017 to 11.4% in December 2018 supported by a more stable exchange rate environment and a high base effects from the previous year. This trend was evident across both major sub-indices as food inflation fell from 19.4% in 2017 to 13.6% at the end of 2018 while core inflation dropped to 9.8% in December 2018 from 12.2% recorded in 2017. Consequently, average inflation for the year 2018 printed at 12.15% y/y, much lower than the 16.6% average recorded in 2017. This moderation was driven mainly by abating food prices and exchange rate stability enjoyed in 2018.

We expect residual domestic food price pressure in the first half of 2019 (post-2018 harvest) as Nigeria feels some of the effects of the disruption to farming activities caused by recent flooding and herdsmen violence. Likewise, we anticipate an uptick in global food prices, which have been relatively tame in 2018. Thus, we foresee food inflation coming under pressure once again after its recent reprieve—month-on-month food inflation down from 1.6% in June to 0.8% in October. On the core inflation front, we expect election spending to induce greater substantial pressure in Q1'19 even as we note that 2019 inflation would have the weakest base in recent years (as 2018 inflation was relatively mild). However, the deciding factor for 2019 inflation would be the implementation of the proposed minimum wage hike, which has been agreed by the presidency and labour unions but must be adopted by the Nigerian Governors' Forum. Our base scenario includes the effect of a minimum wage hike in H2'19 and brings our 2019 average inflation forecast to 12.6%. In comparison, our bull forecast (no minimum wage hike) is 10.3% and the International Monetary Fund projection is 12.4%.

Currency:

Despite operating a multiple exchange rate system, Nigeria's foreign exchange (FX) market remained in a relatively stable position through 2018. The "Investors & Exporters" (NAFEX) window continued to fare well, with trading volumes remaining sturdy through the year, initially supported by autonomous flows in the first half of the year but later receiving much stronger liquidity support from the CBN through sustained interventions in the market to counter pressure from capital reversals that heightened in H2'18. Thus, despite monetary tightening in the U.S. and consequent capital outflows, the naira has held firm against the dollar in comparison to frontier market peers, thanks to the central bank's unconventional foreign exchange market. Reserves have however expectedly suffered from the apex bank defending the currency, falling from \$48 billion in July to below \$42 billion in November but re-stabilizing at \$43 billion in December.

While the currency is expected to remain stable through the election season, the outlook for the FX market post-elections has become more uncertain since the fourth quarter of 2018 amid an increased volatility in oil prices and sustained outlook of tighter monetary policy across Advanced Economies. While election clouds will begin to dissipate by the end of Q1'19, the outlook for capital inflows remains unimpressive, as the U.S. Federal Reserve's hiking path and the end of QE in Europe will keep capital inflows capped. Given that the CBN's support has kept the naira at its current level, amid substantial depreciation pressure, determining the path of the exchange rate in 2019 is therefore a case of determining whether such CBN support is sustainable. With the sustained volatility in oil prices and expectation of prices averaging \$60/bbl, we anticipate a depreciation by the second half of the year, and forecast a mild year-end depreciation of 7.5%, to bring the closing exchange rate to c.390/\$1. Overall, we believe that currency

depreciation is a matter of when, rather than if, once the demand-supply equation of the currency and inflation differential between the U.S. and Nigeria are accounted for.

Monetary Policy:

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) closed 2018 by maintaining the status quo as all eleven attending committee members voted to hold policy levers at their previous levels. CBN Governor Godwin Emefiele was quick to emphasize that the HOLD decision was not a passive choice but an “expression of confidence in policy choices made so far in light of recent improvements in inflation and the economy”.

We do not foresee any monetary easing in 2019 as price and exchange rate stability would remain atop the CBN agenda. We expect the apex bank to increase its monetary policy rate to 14.5% by year-end in order to maintain positive real interest rates following mild currency depreciation and a minimum wage implementation in H2'19. Finally, we anticipate continued focus of the Monetary Policy Committee on getting commercial banks to extend credit to the real sector on the back of its Real Sector Support Facility (RSSF).

EQUITIES MARKET

Review and Outlook

2018 began on a positive note as the Nigerian Stock Exchange All-Share Index (NSE ASI) notched a 9% gain in Q1'18 amid significant foreign interest, a trend which surfaced in Q2'17 following the introduction of the NAFEX window (NSE ASI gained 42% in 2017). However, investor uncertainty emerged in subsequent quarters, with the ASI dipping 8% and 14% in Q2'18 and Q3'18 respectively. Subsequently the NSE ASI lost 18% y/y in 2018, driven primarily by pre-election jitters and weak emerging market sentiment.

We see three major drivers for the Nigerian equity market in 2019: the local political landscape, global sentiment towards emerging markets, and domestic macro-economic fundamentals.

BANKING SECTOR OUTLOOK IN 2018

Review and Outlook

2018 began on a positive note as the Nigerian Stock Exchange All-Share Index (NSE ASI) notched a 9% gain in Q1'18 amid significant foreign interest, a trend which surfaced in Q2'17 following the introduction of the NAFEX window (NSE ASI gained 42% in 2017). However, investor uncertainty emerged in subsequent quarters, with the ASI dipping 8% and 14% in Q2'18 and Q3'19 respectively. Subsequently the NSE ASI lost 18% y/y in 2018, driven primarily by pre-election jitters and weak emerging market sentiment.

We see three major drivers for the Nigerian equity market in 2019: the local political landscape, global sentiment towards emerging markets, and domestic macro-economic fundamentals.

BANKING SECTOR

Review and Outlook

The Fund is a passively managed fund that tracks the NSE Banking Index, which constitutes the most capitalized stocks within the Banking Sector listed on the Nigerian Stock Exchange. Hence our outlook for the Fund will be hinged on our overall outlook for the Equities Market and specifically, the Banking sector.

The banking sector dipped 16% in 2018 with banking stocks retaining their status as the top-traded stocks. Nigerian banks are underpriced, with the sector currently trading at a P/E of 4.54x and has the highest dividend yield among key sectors on the domestic bourse at 7.70%.

We expect growth in non-interest income, amid stronger economic activity, while growth interest income will remain subdued as banks remain weary, with flat growth in banks' loan books.

AUDITORS

Messrs KPMG Professional Services, having satisfied the relevant corporate rules on their tenure in office have indicated their willingness to continue in office as auditors to the Fund. Therefore, the auditor will be re-appointed by the Fund Manager and Trustees of the Fund.

BY ORDER OF THE BOARD OF DIRECTORS OF THE FUND MANAGER



Chuka Eseka
Chairman
(FRC/2013/ICAN/00000003262)
Vetiva Fund Manager Limited
29 March, 2019



Damilola Ajayi
MD / CEO
(FRC/2013/ICAN/00000004412)
Vetiva Fund Manager Limited
29 March, 2019

Statement of Fund Manager's responsibilities in relation to the financial statements for the year ended 31 December 2018

The Fund Manager accepts responsibility for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Financial Reporting Council of Nigeria Act, 2011.

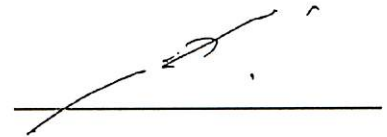
The Fund Manager further accepts responsibility for maintaining adequate accounting records as required by the Financial Reporting Council of Nigeria Act 2011 and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

The Fund Manager has made an assessment of the Fund's ability to continue as a going concern and has no reason to believe the Fund will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS OF THE FUND MANAGER BY:



Chuka Eseka
Chairman
(FRC/2013/ICAN/00000003262)
Vetiva Fund Manager Limited
29 March, 2019



Damilola Ajayi
MD / CEO
(FRC/2013/ICAN/00000004412)
Vetiva Fund Manager Limited
29 March, 2019

Certification of Accounts by Directors of the Fund Manager

The Directors of the Fund Manager accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Financial Reporting Council Act of Nigeria (FRC) Act, 2011 and hereby certify that neither the Fund Manager nor any other person acting on its behalf has:

- i. transferred units to another person for sale, resale or subsequent transfer to the Fund Manager for sale or resale; or
- ii. acquired or disposed of investments for account of the Trust otherwise than through a recognized stock exchange except where such investments consist of money market instruments or cash deposits; or
- iii. disposed of units to another person for a price lower than the current bid price; or
- iv. acquired units for a price higher than the current offer price.



Chuka Eseka
Chairman
(FRC/2013/ICAN/00000003262)
Vetiva Fund Manager Limited
29 March, 2019



Damilola Ajayi
MD / CEO
(FRC/2013/ICAN/00000004412)
Vetiva Fund Manager Limited
29 March, 2019



UTL TRUST
MANAGEMENT SERVICES LIMITED

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TRUSTEE'S REPORT

The Trustee presents its report on the affairs of the Vetiva Banking Exchange Traded Fund ("the Fund"), together with the audited financial statements for the year ended 31 December 2018.

Principal Activity:

The Fund was registered under the collective Investment Scheme by the Securities and Exchange Commission in accordance with the provisions of section 160 of the Investment and Securities Act (2007). The Fund was designed to replicate the price and yield performance of the NSE Banking Index as far as is practicable, by holding a portfolio of securities that substantially represents all of the component securities of the NSE Banking Index in the same weighting as the NSE Banking Index as specified in clause 14.1 of the Trust Deed dated 7 July 2015.

The Fund is listed on the floor of the Nigerian Stock Exchange and maintains its assets separate from the assets of the manager. The Scheme has been administered in accordance with provisions of the Investment and Securities Act (2007) and the Fund's Trust Deed.

Results:

The results for the year are extracted from the financial records prepared by the Fund Manager and duly audited in accordance with the provision of section 169(2) of the Investment and Securities Act of 2007.

The Net Asset Value of the Fund as at 31 December 2018 is as follows;

In thousands of Naira	31 December 18	31 December 17
Net Assets Value	328,242,191	306,901,387

The operating result for the year ended 31 December 2018, is as follows;

In thousands of Naira	31 December 18	31 December 17
Profit/ (Loss) for the year	14,113,356	2,878,602

Directors' and related parties' interest in the units of the Fund:

None of the Directors of Vetiva Fund Managers Limited held any direct or in direct beneficial interest in the units of the Fund as at 31 December 2018.

None of the directors of UTL Trust Management Services Limited has any direct or indirect beneficial interest in the units of the Fund.

Olufunke Aiyepola (Mrs.)

FRC/2013/NBA/00000003285

UTL Trust Management Services Limited

29 March 2019

Abuja
Plot 75, Ralph Shodeinde Street,
4th Floor, Room 4-12 Edo House
Central Business District, Abuja
Phone: 09067839945,
08188075476

Port-Harcourt
UPDC Office Complex,
26, Aba Road, Port-Harcourt
Phone: 09077793542
D/L: 08123927001

BOARD OF DIRECTORS

Dr Shamsudeen Usman (Chairman)
Danladi Verheijen, Ehimare Eric Idiahi, Olawunmi Abiodun
Olufunke Oluwaseyi Aiyepola (Mrs.) (MD/CEO)

... committed to trust



UTL TRUST
MANAGEMENT SERVICES LIMITED

Statement of Trustee's responsibilities

The Trustee's responsibilities to the Fund are as follows:

- To ensure that the basis on which the sale, issue repurchase or cancellation, as case may be, of participatory interests effected by or on behalf of the Fund is carried out in accordance with the investment and Securities Act, SEC Rules and Regulations and the Trust Deed.
- To ensure that the selling or repurchase price or participatory interest is calculated in accordance with the Investment and Securities Act, SEC Rules and Regulations and the Trust Deed.
- To carry out the instructions of the Manager unless they are inconsistent with the Investment and Securities Act, any applicable law or the Trust Deed.
- To verify that the income accruals of the Fund are applied in accordance with the Investments and Securities Act, SEC Rules and Regulations and the Trust Deed.
- To verify that in transactions involving the underlying portfolio any consideration is remitted to it within time limits which are acceptable market practice in the context of a particular transaction.
- To enquire into and prepare a report on the administration of the Fund by the Manager during each annual accounting period in which it shall be stated whether the Fund has been administered in accordance with the provisions of the Investment and Securities Act, Custody Agreement and Trust Deed.
- To state the reason for non-compliance and outline the steps taken by the Manager to rectify the situation where the Manager does not comply with the limitations and provisions referred to in the Trust Deed.
- To send report on the administration of the Fund to the Commission and to the Manager in good time to enable the Manager include a copy of the report in its annual report of the Fund.
- To ensure that there is legal separation of underlying portfolio and that the legal entitlement of investors to such underlying portfolio is assured.
- To ensure that the underlying portfolio are properly safeguarded and administered in accordance with relevant laws of the Commission
- Whenever it becomes necessary for the Trustee to enforce the terms and condition of the Trust Deed, the Trustee shall do so, within ten (10) working days and shall inform the Commission not later than ten (10) working days after the breach.
- To ascertain that the monthly and other periodic returns/reports relating to the Fund are sent by the manager to the commission.
- To monitor the register of the holders.
- To generally monitor the activities of the Manager on behalf of and in the interest of the holders.
- To take all steps and execute all documents which are necessary to secure acquisition or disposal properly made by the Manager in accordance with the Trust Deed and the Custody Agreement.

BY ORDER OF THE TRUSTEE

UTL Trust Management Services Limited


Olufunke Aiyepola (Mrs.)

FRC/2013/NBA/00000003285

UTL Trust Management Services Limited

29 March 2019



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INDEPENDENT AUDITOR'S REPORT

To the Unit holders of Vetiva Banking Exchange Traded Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Vetiva Banking Exchange Traded Fund ("the Fund"), which comprise the statement of financial position as at 31 December, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 14 to 38.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of quoted equity securities at fair value through other comprehensive income

The Fund's investment in quoted equity securities measured at fair value through other comprehensive income make up 92.3% of the total assets of the Fund (2017: 99.6%). In addition, the income earned on these equity securities account for 90.6% of the Fund's total revenue for the year (2017:12%). Therefore due to the significance of the account balance, any potential misstatements could have a material impact on the Fund's financial position and performance. This made the audit of these financial instruments a significant audit focus area.



Procedures

Our audit procedures included but were not limited to the following:

- We checked the existence of investments in quoted equity securities at year end by agreeing the portfolio investment holdings to confirmation of the Fund's investment holdings received from the custodian;
- We checked the prices applied by the Fund in measuring the fair value of quoted equity securities to externally available quoted prices; and
- We recalculated the fair value of the Investments In quoted equity securities and compared our calculation to the amount recorded by the Fund.

The Fund's accounting policy on financial assets at fair value through other comprehensive income and related disclosures and risks are shown in Notes 3 (a) and 4 respectively.

Other Information

The Board of Directors of the Trustee and the Board of Directors of the Fund Manager are responsible for the other information which comprises the Fund information, Fund manager's report, Statement of Fund Manager's Responsibilities in relation to the financial statements, Certification of accounts by the Directors of the Fund Manager, Trustees report, Statement of Trustee's responsibilities and other National disclosures but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors of the Fund Manager for the Financial Statements

The Board of Directors of the Fund Manager are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Financial Reporting Council of Nigeria Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with The Board of Directors of the Trustee and the Board of Directors of the Fund Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide The Board of Directors of the Trustee and the Board of Directors of the Fund Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with The Board of Directors of the Trustee and the Board of Directors of the Fund Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Kabir O. Okunlola
FRC/ICAN/2012/00000000428
For: KPMG Professional Services
Chartered Accountants
29 March 2019
Lagos, Nigeria



Statement of financial position

As at 31 December 2018

	Note	31-Dec-18 N	31-Dec-17 N
Assets			
Cash and cash equivalents	14	625,108	1,235,837
Investment securities	15	333,537,536	313,700,008
Accounts receivable	17	-	166,667
Total assets		334,162,644	315,102,512
Liabilities			
Accounts payable	18	5,920,453	7,551,620
		5,920,453	7,551,620
Net assets attributable to unitholders		328,242,191	307,550,892
Represented by:			
Unitholders' equity	19(b)(ii)	309,653,124	227,725,736
Retained earnings/(deficit)	19(b)(ii)	(7,246,071)	(1,062,821)
Fair value reserve	19(b)(ii)	25,835,138	80,238,472
Total		328,242,191	306,901,387

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Directors of the Fund Manager on 29 March, 2019 and signed on its behalf by:



Chuka Eseka
(FRC/2014/ICAN/00000003262)
Chairman
Vetiva Fund Managers Limited



Damilola Ajayi
(FRC/2013/ICAN/00000004412)
Managing Director/CEO
Vetiva Fund Managers Limited

Additionally certified by:



Ayodeji Oshin
(FRC/2013/ICAN/00000003264)
Chief Financial Officer
Vetiva Fund Managers Limited

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	31-Dec-18	31-Dec-17
Dividend income	7	23,864,950	10,172,781
Interest income	8	2,474,492	1,396,755
Other income	9	-	115,618
Total revenue		26,339,442	11,685,154
Expenses			
Other operating expenses	10	(9,835,977)	(7,848,628)
Total expenses		(9,835,977)	(7,848,628)
Profit before tax		16,503,465	3,836,526
Income tax expense	11	(2,390,109)	(957,924)
Profit for the year		14,113,356	2,878,602
Other comprehensive income			
Fair value reserves (fair value through other comprehensive income)			
Net change in fair value	18(b)	(70,528,130)	89,630,325
Total comprehensive (loss)/profit for the year		(56,414,774)	92,508,927
Basic and diluted earnings per unit (kobo)		16.66	4.07

The accompanying notes are an integral part of these financial statements.

Statements of changes in net assets attributable to unitholders

As at 31 December 2018

	Note	Unitholders' equity	Retained earnings	Fair value reserves	Total equity
<i>In naira</i>					
Balance as at 1 January 2018		227,725,736	(1,062,821)	80,238,472	306,901,387
Total comprehensive income for the year:					
Profit for the year		-	14,113,356	-	14,113,356
Fair value changes on FVTOCI financial assets					
- net change	18(b)(ii)	-	-	(70,528,130)	(70,528,130)
Total comprehensive income for the year		-	14,113,356	(70,528,130)	(56,414,774)
Transactions with owners, recorded directly in equity:					
Additions to unitholders' equity	18(b)(ii)	166,008,489	-	-	166,008,489
Redemptions of unitholders' equity	18(b)(ii)	(84,081,101)	(4,171,810)	-	(88,252,911)
Total contribution and distributions to equity holders		81,927,388	(4,171,810)	-	77,755,578
Balance at 31 December 2018		309,653,124	8,878,725	9,710,342	328,242,191

As at 31 December 2017

	Note	Unitholders' equity	Retained earnings	Fair value reserves	Total equity
<i>In naira</i>					
Balance as at 1 January 2017		104,687,997	(3,941,423)	(9,391,853)	91,354,721
Total comprehensive income for the year:					
Profit for the year	18(b)(ii)	-	2,878,602	-	2,878,602
Fair value changes on FVTOCI financial assets					
- net change	18(b)(ii)	-	-	89,630,325	89,630,325
- transfer to profit or loss on disposal	18(b)(ii)	-	-	-	-
Total comprehensive income for the year		-	2,878,602	89,630,325	92,508,927
Transactions with owners, recorded directly in equity:					
Additions to unitholder's equity	18(b)(ii)	123,037,739	-	-	123,037,739
Redemptions of unitholder's equity	18(b)(ii)	-	-	-	-
Total contribution and distributions to equity holders		123,037,739	-	-	123,037,739
Balance at 31 December 2017		227,725,736	(1,062,821)	80,238,472	306,901,387

The accompanying notes are an integral part of these financial statements.

Statement of cashflows

For the year ended 31 December 2018

	Note	31-Dec-18 N	31-Dec-17 N
Cash flows from operating activities			
Profit for the year		14,113,356	2,878,602
Income tax expense	11	2,390,109	957,924
Profit before tax		16,503,465	3,836,526
<i>Adjustments for:</i>			
Interest income	8	(2,474,492)	(1,396,755)
Other income	9	-	(115,618)
Dividend income	7	(23,864,950)	(10,172,781)
		(9,835,977)	(7,848,628)
<i>Changes in:</i>			
Accounts payable	17	(1,631,167)	4,812,864
Accounts receivable	16	166,667	-
Investment securities	14	(91,430,937)	(130,708,355)
Cash used in operations		(102,731,414)	(133,744,119)
Interest received on treasury bills	14(e)	2,836,483	751,848
Interest received- Placements	14(f)	53,783	39,946
Dividend received	7	23,864,950	10,172,780
Withholding tax paid	11	(2,390,109)	(957,924)
Net cash used in operating activities		(78,366,307)	(123,737,469)
Cash flows from financing activities			
Inflows from subscription	18(b)(ii)	166,008,489	123,037,739
Outflow from redemption	18(b)(ii)	(88,252,911)	-
Net cash flow generated from financing activities		77,755,578	123,037,739
Net increase in cash and cash equivalents		(610,729)	(699,730)
Cash and cash equivalents at 1 January		1,235,837	1,935,567
Cash and cash equivalents at 31 December	13	625,108	1,235,837

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1 Reporting entity

Vetiva Banking Exchange Traded Fund (the "Fund") is an open ended exchange traded Fund that operates in Nigeria. The address of the Fund's registered office is 266b Kofo Abayomi Street, Victoria Island Lagos. It was approved by the Securities and Exchange Commission ("SEC") in July 2015. The Fund commenced operations and units of the Fund were first traded on the Nigerian Stock Exchange in October 2015. The Fund is not a legal entity but is constituted and exists under the Trust Deed with UTL Trust Management Services Limited as its Trustees. The Fund tracks the NSE Banking Index.

The Vetiva Banking ETF is designed to track the performance of the constituent companies of the NSE Banking Index and to replicate the price and yield performance of the Index. The NSE Banking Index comprises of the top 10 companies in the Banking sector listed on the Nigerian Stock Exchange ("NSE") in terms of market capitalization and liquidity and is a price index weighted by adjusted market capitalization.

2 Basis of Preparation

(a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Financial Reporting Council of Nigeria Act, 2011. The financial statements were authorized for issue by the Board of Directors of the Fund Manager on 29 March, 2019.

(b) *Basis of measurement*

The financial statements have been prepared using appropriate accounting policies, supported by reasonable judgements and estimates. The Fund Managers have a reasonable expectation, based on an appropriate assessment of a comprehensive range of factors, that the Fund has adequate resources to continue to continue as going concern for the foreseeable future.

The financial statements have been prepared on a historical cost basis, except financial instruments measured at fair value through profit or loss, other financial instruments that are initially measured at fair value and subsequently at amortised cost. The Fund applies the accrual method of accounting where all income is recognized when earned and all expenses recognized once incurred.

Historical cost is generally based on the amount of cash and cash equivalent paid or received or fair value of consideration received or paid in exchange for assets and liabilities.

- **(c) Functional and presentation currency**

The financial statements are presented in Naira which is the functional currency of the Fund..

- **(d) Reporting period**

The financial statements have been prepared for the 12 months period ended 31 December 2018

- **(e) Use of estimates and judgements**

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 5 to the financial statements.

Notes to the Financial Statements

3 Statement of significant accounting policies

(a) Changes in accounting policies

The Fund has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements, except for:

(i) IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is control-based and is recognised when performance obligation in the contract are met.

The Fund adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Interest income: This is computed based on the effective interest method.

Dividend income: This is recognised when the right to receive income has been established.

IFRS 15 did not have a significant impact on the Fund's accounting policies with respect to revenue recognition.

(ii) IFRS 9

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial Statements which require impairment allowance of financial assets to be presented in a separate line item in the statement of profit or loss and OCI.

The transition to IFRS 9 has no impact on the opening balance of retained earnings as investment securities, measured at FVTPL (Fair Value Through Profit or Loss), are not subject to ECL impairment under IFRS 9.

(1) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and its contractual cashflow characteristics. IFRS 9 replaces the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities and derivative financial instruments.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of the financial assets at 1 January 2018 relates solely to the new impairment requirements.

Notes to the Financial Statements

FS Line	Original classification under IAS 39	New Classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Transition Adjustments
Accounts receivable	Loans and receivables	Amortised Cost	166,667	166,667	-
Equity investments	Available for Sale	Fair Value Through OCI	301,434,442	301,434,442	-
Debt investment	Loans and receivables	Fair Value through OCI	11,616,061	11,616,061	-
Cash and Cash equivalents	Loans and receivables	Amortised Cost	1,235,837	1,235,837	-
Total financial assets			314,453,007	314,453,007	-
Account payable	Amortised Cost	Amortised Cost	7,551,620	7,551,620	-
Net assets available for unitholders	Amortised Cost	Amortised Cost	306,901,387	306,901,387	-
Total financial liabilities			314,453,007	314,453,007	-

(2) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to financial assets at FVTPL. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Fund has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in no additional allowance for impairment as investment securities, measured at FVTPL (Fair Value Through Profit or Loss), are not subject to ECL impairment under IFRS 9.

(3) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

The Fund has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

Financial assets at fair value through profit or loss are recognised and measured initially at fair value with transaction costs recognised immediately in profit or loss. Financial assets and financial liabilities not at fair value through profit or loss are recognised and measured initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(i) Classification**Policy applicable from 1 January 2018****Financial assets measured at amortised cost:**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Financial assets measured at FVOCI:

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Notes to the Financial Statements

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial liabilities at amortised cost:

Other financial liabilities: retirement benefits payable, deposit for accounting units and other liabilities.

Business Model Assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund’s stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(ii) Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Policy applicable before 1 January 2018

The Fund classified its financial assets into one of the following categories:

- loans and receivables;
- held-to-maturity;
- available-for-sale; and
- at FVTPL, and within this category as:
held-for-trading; or designated as at FVTPL

Financial liabilities at amortised cost:

Other financial liabilities: retirement benefits payable, deposit for accounting units and other liabilities.

(iii) Derecognition of Financial Assets

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of an asset, the difference between the carrying amount of the asset and the consideration

Notes to the Financial Statements

received is recognised in statement of changes in net assets available for benefits.

Derecognition of Financial Liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

*(iv) Modification of Financial Assets/Liabilities***Applicable from 1 January 2018***Financial Assets*

If the terms of a financial asset are modified, then the Fund evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Fund plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Fund first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Fund derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Policy applicable before 1 January 2018*Financial assets*

If the terms of a financial asset were modified, then the Fund evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was

Notes to the Financial Statements

derecognised and a new financial asset was recognised at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate .

Financial Liabilities

The Fund derecognised a financial liability when its terms were modified and the cash flows of the modified liability were substantially different. In this case, a new financial liability based on the modified terms was recognised at fair value. The difference between the carrying amount of the financial liability extinguished and consideration paid was recognised in profit or loss.

Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Fund of similar transactions such as in the Fund's trading activity.

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value of the financial instruments have been determined as follows:

Market quoted financial instruments

When one is available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis (for example, Nigerian Stock Exchange) and broker quotes from Bloomberg and Reuters.

Unquoted financial instruments

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Fund determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Notes to the Financial Statements

Impairment

Policy applicable after 1 January 2018

The Fund recognises loss allowances for Expected Credit Loss on the following financial assets that are debt instruments and are not measured at FVTPL.

No impairment loss is recognised on equity investments.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for debt investment securities that are determined to have low credit risk at the reporting date for which they are measured as 12-month ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit Impaired Financial Assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Policy applicable before 1 January 2018

Objective evidence of impairment

At each reporting date, the Fund assessed whether there was objective evidence that financial assets not carried at

Notes to the Financial Statements

FVTPL were impaired. A financial asset of the Fund is 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

Objective evidence that financial assets were impaired included:

- significant financial difficulty of a borrower or issuer;
- default or delinquency by a borrower;
- indications that a borrower or issuer would enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to the Funds assets, such as adverse changes in the payment status of borrowers or issuers in the Fund, or economic conditions that correlated with defaults in the Fund.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment.

The Fund considered evidence of impairment for held-to-maturity investment securities at both a specific asset and a collective level. All individually significant held-to-maturity investment securities were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified (IBNR). Held-to-maturity investment securities that were not individually significant were collectively assessed for impairment by holding together held-to-maturity investment securities with similar credit risk characteristics.

In making an assessment of whether an investment in sovereign debt was impaired, the Fund considered the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This included an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there was the capacity to fulfil the required criteria.

Individual or collective impairment

An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgements about a debtor's financial situation. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable were independently approved by the Credit Risk function.

The collective allowance for Funds of homogeneous debt securities was established using a formula approach based on historical loss rate experience. Management applied judgement to ensure that the estimate of loss arrived at on the basis of historical information was appropriately adjusted to reflect the economic conditions and product mix at the reporting date.

In assessing the need for collective loss allowance, management considered factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions were made to define how inherent losses were modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depended on the model assumptions and parameters used in determining the collective allowance.

Reversal of Impairment

For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

- For available-for-sale debt security: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI.

Notes to the Financial Statements

Presentation

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continued to be recognised through the unwinding of the discount.

Impairment losses on available-for-sale investment securities were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to the application of the effective interest method were reflected as a component of interest income.

(ix) Write off

The Fund writes off an investment debt security, either partially or in full, and any related allowance for impairment losses, when Fund Credit determined that there are no realistic prospect of recovery.

Specific financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and call deposits with original maturities of three months or less, which are subject to insignificant risk of changes in their fair value, and are used by the Fund in the management of its short-term retirement benefits payments and other similar commitments.

Financial assets carried at redemption value

These are securities with fixed redemption value that have been acquired to match the obligations of the Fund, or specific part thereof. In accordance with the requirements of IAS 26: Accounting and Reporting by Retirement Benefit Plan, these securities are carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity. This measurement is similar to amortised cost.

Retirement benefits payables

Retirement benefits payable comprises the entitlements of members who ceased employment with the employer during the year end, but have not been paid by that date. Other payables are payable on demand or short time frames of less than 30 days. They are measured at amortised cost.

Deposit for accounting units

Deposits for accounting units represent contributions received but not yet unitised and are deferred. It is credited as contribution once it is unitised less administrative charges.

(b) Revenue

(i) Investment income

Interest income

Policy applicable from 1 January 2018

Interest income are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any

Notes to the Financial Statements

expected credit loss allowance.

Calculation of interest income

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortised cost; and

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Fund's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

*Policy applicable before 1 January 2018**Interest Income*

Interest income is recognised in the statement of changes in net assets as it accrues, using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, when appropriate, a shorter period) to the gross carrying amount of the financial instrument. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

(c) Dividend income

Dividend income is recognised in profit or loss on the date on which the right to receive the payment is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income from equity securities are recognised in profit or loss as separate line item.

(d) Net gains/(losses) from financial assets at fair value through profit or loss

Net gain from financial assets at fair value includes all realised and unrealised fair value changes and is determined as the difference between the fair value at year end or consideration received (if sold during the period) and the fair value as at the prior year end or cost (if the investment was acquired during the period). It does not include interest or dividend income.

(e) Expenses

Expenses comprising management fee, custodian fees, registrar fees, trustee's fees, auditor's fees, and other expenses are recognised over the period in which the services are rendered, in accordance with the substance of the Trust Deed and relevant agreements.

(f) Transaction costs

Transaction costs are incurred to acquire financial assets or liabilities. They include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges. Transaction costs incurred on financial assets or liabilities other those designated at fair value through profit or loss are capitalised as part of the carrying amount of the financial asset or financial liability on initial recognition, and amortised over the life of the financial instrument.

Transaction costs incurred for financial assets and liabilities classified as fair value through profit or loss are expensed when incurred.

Notes to the Financial Statements

(g) Taxation

The Fund is exempt from paying income taxes under the current system of taxation in Nigeria. However, dividend income and interest income on fixed interest and dividend income received by the Fund are subject to withholding tax in Nigeria and represent final income tax on the profit for the period. During the period, the withholding tax rate was 10%.

(h) Capital

Equity attributable to unitholders

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund's units in issue are financial instruments issued by the Fund and on liquidation of the Fund, the Unitholders are entitled to the residual net assets. They rank *pari passu* in all material respects and have identical terms and conditions. The units provide the investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date and also in the event of the Fund's liquidation.

A puttable financial instrument that includes a contractual obligation for the Fund to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all the of the following conditions

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- It is in the class of instruments that is subordinate to all other classes of assets of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial assets, the instruments does not include any other features that would require classification as a liability; and
- The total expected cash flows attributable to the instruments over its life are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognised net assets of the Fund over the life of the instrument.

The Fund's units meet these conditions and are classified as equity.

(ii) Repurchase of units

When units recognised as equity are redeemed, the par value of the units is presented as a deduction from capital. Any premium or discount to par value is recognised as an adjustment to retained earnings.

(i) Earnings per unit

The Fund present basic and diluted earnings per unit data for its units. Basic earning per unit is calculated by dividing the profit or loss attributable to unit holders of the Fund by the total number of units outstanding during the period.

(j) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Fund. Contingent liabilities are disclosed in the financial statements.

(k) Standards and interpretations issued but not yet effective

The Fund has consistently applied the accounting policies set out in notes 3(a) - 3(i) to all periods presented in these financial statements.

Notes to the Financial Statements

4 Financial risk management and fair value disclosures

Introduction and overview

The Fund has exposure to the following risks from financial instrument:

- Market risk
- Credit risk
- Liquidity risk

Risk management framework

The Fund Manager has discretionary authority to manage the asset of the Fund in line with the Fund's investment objectives and in compliance with the target asset allocation and composition of the portfolio as stipulated by the investment committee quarterly.

In instances where the portfolio has diverged from the target asset allocation, the Fund Manager is obliged to take actions to rebalance the composition of the portfolio in line with established targets and within the prescribed time limit.

The Fund uses different methods to measure the various types of risks and the means of managing them are documented below:

a Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices, will adversely affect the Fund's income or the fair value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Fund's market risk is affected by changes in actual market prices.

The Fund does not have transactions in any other currency except the Fund's functional currency in Naira. Hence, it is not exposed to foreign exchange risk.

The Fund's investment in interest linked financial assets is limited to fixed rate instruments like placements and bank balances; hence it is not exposed to fluctuations in market interest rate.

(i) Market price risk

The Fund's strategy for the management of market risk is driven by the Fund's investment objectives. The Fund's investment objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risks in the Fund. The Fund's market position are monitored on a periodic basis by the investment committee. The investments of the Fund are subject to normal market fluctuations and the risk inherent in investment in financial instruments. The market risk is managed and reduced through a careful selection of securities within the limits of investment objectives and strategy. In addition, the risk is managed through diversification of assets held while the rebalancing policy in place allows for bringing within limit any security which may have exceeded its limit as a result of market established limits.

An overview of the Fund's investment portfolio as at 31 December 2018 is shown in note 16

The sensitivity analyses set out below show the impact of a 1%, 2% and 5% increase and decrease in the value of equities carrying value based on the exposure to equity price risk at the reporting date.

	31 December 2018	31 December 2017
Carrying value	333,537,536	313,050,503
Impact of price movement on profit and net assets attributable to unitholders:		
Percentage change/impact	Impact	Impact
1	3,335,375	3,130,505
2	6,670,751	6,261,010
5	16,676,877	15,652,525
(1)	(3,335,375)	(3,130,505)
(2)	(6,670,751)	(6,261,010)
(5)	(16,676,877)	(15,652,525)

Notes to the Financial Statements**b Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment it has to the Fund resulting in a financial loss.

The Fund is subject to credit risk from its holdings in money market placements. The Fund limits this exposure to credit loss by placing funds with banks and investing in securities issued by entities with high credit quality and by diversifying among a number of issuers.

All transactions in securities conducted on the Exchange are settled within T+2 days, and settlements are made through regulated brokers. The risk of default is considered minimal given that the transactions are executed on an exchange.

The Fund's cash is held with the custodian, UBA Global Investor Services, a subsidiary of United Bank for Africa PLC which is rated 'Aa-' (2016: 'Aa-') based on Agusto & Co ratings.

Outstanding dividends are due from highly rated companies whose stocks are presently trading on the floor of the Nigerian Stock Exchange ('NSE'). The Exchange ensures that all declared dividends declared are paid.

In line with the Trust Deed, the Fund is not authorized to engage in securities lending.

c Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's Trust Deed provides for daily creation and cancellation of units and it is therefore exposed to liquidity risk of meeting unit holders' redemptions. Liquidity risk is managed by investing the Fund's assets in investments that are traded in an active market and can be easily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity.

As at 31 December 2018, the Fund's investments are considered readily realizable and highly liquid; therefore, the Fund's exposure to liquidity risk is considered minimal. The following were the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

31 December 2018		<u>Contractual cashflow</u>				
	Note	Carrying amount	Total	Less than 3 months	3 - 6 months	6 months - 1 year
Cash and cash equivalents	13	625,108	625,108	625,108		-
Accounts receivable	16	-	-	-		-
Investment securities	14	333,537,536	333,537,536	-		333,537,536
Total financial assets		334,162,644	334,162,644	625,108		333,537,536
Accounts payable	17	5,920,453	5,920,453	5,920,453		-
Total financial liabilities		5,920,453	5,920,453	5,920,453		-
Gap (assets - liabilities)		328,242,191	328,242,191	(5,295,345)		333,537,536

31 December 2017		<u>Contractual cashflow</u>				
	Note	Carrying amount	Total	Less than 3 months	3 - 6 months	6 months - 1 year
Cash and cash equivalents	13	1,235,837	1,235,837	1,235,837		-
Accounts receivable	16	166,667	166,667	-		166,667
Investment securities	14	313,050,503	313,050,503	-		313,050,503
Total financial assets		314,453,007	314,453,007	1,235,837		313,217,170
Accounts payable	17	7,551,620	7,551,620	7,551,620		-
Total financial liabilities		7,551,620	7,551,620	7,551,620		-
Gap (assets - liabilities)		306,901,387	306,901,387	(6,315,783)		313,217,170

Notes to the Financial Statements

d Concentration risk

Concentration risk refers to any single exposure or group of exposures large enough to cause credit losses which threaten the fund's capital adequacy or ability to maintain its core operations. It is the risk that common factors within a risk type or across risk types cause credit losses or an event occurs within a risk type which results to credit losses.

A breakdown of the Fund's investment portfolio as at 31 December 2018 is shown in note 16.

5 Uses of estimates and judgments

(a) Critical accounting judgment in applying the Fund's accounting policies

(i) Financial asset and liability classification

The Fund's accounting policies guide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

- The unit holders interest is classified as equity, as the Fund has determined that it has met the criteria for this designation set out in note 3(g)(i).

(ii) Valuation of financial instruments

The Fund's accounting policy on fair value measurement is discussed in note 3(a)(iv).

The Fund measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

(i) Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

(ii) Level 2 : Valuation techniques based on observable inputs, either directly; (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using : quoted market prices in active markets for similar instruments ; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

(iii) Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or dealer price quotations. For all other financial instruments the Fund determines fair values using valuation techniques. Valuation techniques include net present value and discounted cashflow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bonds and equity prices, foreign currency exchange rates, equity and equity index prices volatilities and correlations. The objective of valuation technique is to arrive at a fair value determination that reflects the price of the financial instruments at reporting date that would have been determined by market participants acting at arm's length.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with determination of fair value. Availability of observable market prices and inputs varies depending on the produce and market and is prone to changes based on specific events and general conditions in the financial markets.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised.

Notes to the Financial Statements

31 December 2018

	Note	Level 1	Level 2	Level 3	Total
Investment securities	14	333,537,536	-	-	333,537,536
		<u>333,537,536</u>	<u>-</u>	<u>-</u>	<u>333,537,536</u>

31 December 2017

	Note	Level 1	Level 2	Level	Total
Investment securities	14	313,050,503	-	-	313,050,503
		<u>313,050,503</u>	<u>-</u>	<u>-</u>	<u>313,050,503</u>

(b) Financial instruments not measured at fair value

The financial instruments not measured at fair value include cash and cash equivalent, receivables and payables. These are short-term financial assets and financial liabilities whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties.

6 Classification of financial assets and liabilities

The table below shows the categories into which the line items of financial instruments have been classified:

31 December 2018

	Note	At fair value through other comprehensive income	Amortized cost	Other financial liabilities	Total carrying amount
Cash and cash equivalents	13	-	625,108	-	625,108
Investment securities	14	333,537,536	-	-	333,537,536
Accounts receivable	16	-	-	-	-
		<u>333,537,536</u>	<u>625,108</u>	<u>-</u>	<u>334,162,644</u>
Accounts payable	17	-	-	5,920,453	5,920,453
		<u>333,537,536</u>	<u>625,108</u>	<u>(5,920,453)</u>	<u>328,242,191</u>

31 December 2017

	Note	At fair value through other comprehensive income	Amortized cost	Other financial liabilities	Total carrying amount
Cash and cash equivalents	13	-	1,235,837	-	1,235,837
Investment securities	14	313,050,503	-	-	313,050,503
Accounts receivable	16	-	166,667	-	166,667
		<u>313,050,503</u>	<u>1,402,504</u>	<u>-</u>	<u>314,453,007</u>
Accounts payable	17	-	-	7,551,620	7,551,620
		<u>313,050,503</u>	<u>1,402,504</u>	<u>(7,551,620)</u>	<u>306,901,387</u>

Notes to the Financial Statements**7 Dividend income**

	31-Dec-2018	31-Dec-2017
Income from equity investments	23,864,950	10,172,781
	<u>23,864,950</u>	<u>10,172,781</u>

8 Interest income

	31-Dec-2018	31-Dec-2017
Interest income on financial instruments carried at amortised cost		
Bank balances	47,546	39,945
Interest income on financial instrument carried at fair value through profit or loss		
Treasury bills	2,426,946	1,356,810
	<u>2,474,492</u>	<u>1,396,755</u>

9 Other income

	31-Dec-2018	31-Dec-2017
Other income	-	115,618
	<u>-</u>	<u>115,618</u>

10 Other operating expenses

	31-Dec-2018	31-Dec-2017
Auditors fees	660,000	630,000
Custodian fees	141,230	84,397
Bank charges	1,133	18,360
Trustees fees	420,000	420,000
Registrars/ transfer agent fees	306,672	446,020
NSE listing fees	646,947	-
NSE index licensing fees (see note (i) below)	5,580,963	4,971,394
Other miscellaneous fees	527,309	434,710
Management fees	1,551,723	843,747
	<u>9,835,977</u>	<u>7,848,628</u>

(i) NSE index licensing fees is a quarterly charge of US\$3,500. for index licensing on the Nigerian Stock Exchange.

11 Income tax expense

The Fund is exempt from paying income taxes under the current system of taxation in Nigeria. However, dividend income and interest income on fixed deposits received by the Fund are subject to withholding tax in Nigeria and represent final income tax on the profit for the year. During the year, the withholding tax rate was 10%.

	31-Dec-2018	31-Dec-2017
Withholding tax on dividend and interest income	2,390,109	957,924
	<u>2,390,109</u>	<u>957,924</u>

12 Earnings per unit

Profit per unit is calculated by dividing the profit for the year by the number of units as at year end.

	31-Dec-2018	31-Dec-2017
Profit for the year	14,113,356	2,878,602
Number of units as at year end (see note 18(b)(i))	84,704,193	70,704,193
Earnings per unit (kobo)	<u>16.66</u>	<u>4.07</u>

The Fund does not have any dilutive potential units. Therefore, basic earnings per unit and diluted earnings per

Notes to the Financial Statements
unit are the same for the Fund.

13 Cash and cash equivalents

Cash and cash equivalents comprise:

	31-Dec-2018	31-Dec-2017
Cash balances with banks	625,108	729,673
Placements with banks	-	506,164
	<u>625,108</u>	<u>1,235,837</u>

14 Investment securities

(a) Analysis of investment securities

	31-Dec-2018	31-Dec-2017
At fair value through other comprehensive income		
Quoted investments (see note (b) and note 15 below)	308,530,893	301,434,442
At fair value through profit or loss:		
Treasury bills	25,006,643	11,616,061
	<u>333,537,536</u>	<u>313,050,503</u>

	31-Dec-2018	31-Dec-2017
Current	25,006,643	11,616,061
Non current	308,530,893	301,434,442
Balance, end of year	<u>333,537,536</u>	<u>313,050,503</u>

	31-Dec-2018	31-Dec-2017
(b)(i) Quoted investments comprise:		
Quoted equity securities (Cost)	298,820,551	221,195,971
Fair value changes	9,710,342	80,238,471
Net carrying amount	<u>308,530,893</u>	<u>301,434,442</u>

	31-Dec-2018	31-Dec-2017
(b)(ii) Treasury bills:		
Treasury bills (Cost)	24,719,129	10,966,556
Interest income receivable	287,514	649,505
Net carrying amount	<u>25,006,643</u>	<u>11,616,061</u>

(c) The movement in fair value changes were as follows;

	31-Dec-2018	31-Dec-2017
Balance, beginning of the year	80,238,472	(9,391,853)
Change in the year:		
- net change	(70,528,130)	89,630,325
Balance, end of year	<u>9,710,342</u>	<u>80,238,472</u>

(d) Cashflow movement

	31-Dec-2018	31-Dec-2017
Opening balance	313,050,503	92,106,862
Net fair value changes in OCI	(70,528,130)	89,630,325
Interest income earned	2,474,492	1,356,810
Interest income received (see note (e) and (f))	(2,890,266)	(751,849)
Closing balance	<u>(333,537,536)</u>	<u>(313,050,503)</u>
Movement in investment securities	<u>(91,430,937)</u>	<u>(130,708,355)</u>

Notes to the Financial Statements

(e) Interest income received- Treasury bills

	31-Dec-2018	31-Dec-2017
Interest income	2,474,492	1,356,810
Opening interest receivable	649,505	44,543
Interest income receivable during the year	(287,514)	(649,505)
Interest income received	2,836,483	751,848

(f) Reconciliation of cash and cash equivalent to statement of cash flows

	31-Dec-2018	31-Dec-2017
Opening interest income	6,237	6,238
Interest income from UBA Account	36,138	26,633
Interest on Fixed Deposit/Call Place	11,408	13,312
Interest income receivable during the year	-	(6,237)
Interest income received	53,783	39,946

15 Investment portfolio

The concentration of the investment portfolio of the Fund was as follows:

		31-Dec-2018		
Equities	Sector	Market Value	% of quoted securities	% of total investments
Access Bank of Nigeria Plc	Financial Services	21,632,697	7.01	6.49
Diamond Bank Plc	Financial Services	5,552,466	1.80	1.66
Ecobank Transnational Incorporated	Financial Services	28,251,216	9.16	8.47
Fidelity Bank Plc	Financial Services	6,468,451	2.10	1.94
Guaranty Trust Bank	Financial Services	111,501,490	36.14	33.43
Sterling Bank Plc	Financial Services	6,015,687	1.95	1.80
United Bank of Africa	Financial Services	28,948,158	9.38	8.68
Union Bank of Nigeria	Financial Services	17,902,752	5.80	5.37
Wema Bank	Financial Services	2,672,135	0.87	0.80
Zenith International Bank Plc	Financial Services	79,585,841	25.80	23.86
Total quoted equities		308,530,893	100	92.50
Treasury bills				
Treasury bills- 12.60% 17JAN2019	Financial Services	17,337,654	69	5.20
Treasury bills- 14.70% 10JAN2019	Financial Services	7,668,989	31	2.30
		25,006,643	100	7.50
Total investments		333,537,536		100

		31-Dec-2017		
Equities	Sector	Market value	% of quoted securities	% of total investments
Access Bank of Nigeria Plc	Financial Services	27,764,156	9.21	8.85
Diamond Bank Plc	Financial Services	3,190,771	1.06	1.02
Ecobank Transnational Incorporated	Financial Services	28,651,511	9.51	9.14
Fidelity Bank Plc	Financial Services	6,546,454	2.17	2.09
Guaranty Trust Bank	Financial Services	110,149,084	36.54	35.13
Sterling Bank Plc	Financial Services	2,855,914	0.95	0.91
United Bank of Africa	Financial Services	34,321,186	11.39	10.95
Union Bank of Nigeria	Financial Services	12,132,869	4.03	3.87
Wema Bank	Financial Services	1,885,199	0.63	0.60
Zenith International Bank Plc	Financial Services	73,937,298	24.53	23.58

Notes to the Financial Statements**Total quoted securities**

	301,434,442	100	96.16
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Treasury bills

Treasury bills- 17.00% 4JAN2018

Financial Services

3,493,479	30	1.11
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Treasury bills- 16.00% 14JUN2018

Financial Services

6,029,863	52	1.92
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Treasury bills- 17.45% 12APR2018

Financial Services

2,092,718	18	0.67
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Total treasury bills

11,616,061	100	3.70
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Cash and cash equivalent- placements

506,164		0.16
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Total investments

313,556,667		100
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16 Accounts receivable

Other receivables

-	166,667
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Total

-	166,667
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17 Accounts payable

Management fees payable

1,551,723	843,747
-----------	---------

Audit fee payable

660,000	630,000
---------	---------

Custodian fee payable

209,126	67,896
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Trustee fee payable

943,562	523,562
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NSE Index licensing Fees

2,008,048	4,971,394
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Other liabilities

547,994	515,021
---------	---------

5,920,453	7,551,620
------------------	------------------

Current

5,920,453	7,551,620
-----------	-----------

Non current

-	-
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Balance, end of year

5,920,453	7,551,620
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(b) Cashflow movement

Management fees payable

1,551,723	843,747	707,976
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Audit fee payable

660,000	630,000	30,000
---------	---------	--------

Custodian fee payable

209,126	67,896	141,230
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Trustee fee payable

943,562	523,562	420,000
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NSE Index licensing Fees

2,008,048	4,971,394	(2,963,346)
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Other liabilities

547,994	515,021	32,973
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Net cash movement

5,920,453	7,551,620	(1,631,167)
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(ii) Movement in account payable

Opening balance

7,551,620	2,324,267
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Reversal of over provision

-	(115,618)
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Closing balance

(5,920,453)	(7,551,620)
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Change in account payable

(1,631,167)	5,342,971
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Notes to the Financial Statements

18 Unitholder's equity

(a) The Vetiva Banking ETF is authorised and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act (ISA). The Fund is governed by a Trust Deed with UTL Trust Management Services Limited as Trustees. The Fund's total unit capital as at year ended 31 December 2018 was 84,704,193 units (2017: 70,704,193 units).

The rights accruing to unitholders of the Fund are as follows:

- * The units may be redeemed at any time by the unitholders at the net asset value per unit less expenses directly attributable to redemption of units.
- * Redeemable units carry a right to receive notice of, attend and vote at meetings of unitholders.
- * All units rank pari-passu with the same rights and benefits at meetings of the Fund.

(b) The analysis of movements in the number of units and net assets attributable to unitholders during the year were as follows:

(i) Number of units

	2018	2017
Balance at beginning of year	70,704,193	36,604,193
Net movement during the year	14,000,000	34,100,000
Balance at 31 December	84,704,193	70,704,193

(ii) Net assets attributable to unitholders**31 December 2018**

	Unitholders' equity	Retained earnings	Fair value reserves	Total
Opening balance	227,725,736	(1,062,821)	80,238,472	306,901,387
Subscription during the year	166,008,489	-	-	166,008,489
Redemption of units by unitholders	(84,081,101)	(4,171,810)	-	(88,252,911)
Fair value changes due to FVTOCI equities	-	-	(70,528,130)	(70,528,130)
Profit for the year	-	14,113,356	-	14,113,356
As at 31 December 2018	309,653,124	8,878,725	9,710,342	328,242,191
Net asset value per unit (Naira)				3.88

31 December 2017

	Unitholders' equity	Retained earnings	Fair value reserves	Total
Opening balance	104,687,997	(3,941,423)	(9,391,853)	91,354,721
Subscription during the year	123,037,739	-	-	123,037,739
Fair value changes due to FVTOCI equities	-	-	89,630,325	89,630,325
Profit for the year	-	2,878,602	-	2,878,602
As at 31 December 2017	227,725,736	(1,062,821)	80,238,472	306,901,387
Net asset value per unit (Naira)				4.34

(c) Distribution paid to unitholders

There was no distribution paid to unitholders during the year (2017: Nil).

Notes to the Financial Statements

19 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. The Fund's key related party is its Fund Manager; Vetiva Fund Managers Limited. Other related parties include the entities in the Vetiva Group and the key management personnel of the Fund Manager.

The following summarizes the total unit holding of related parties:

Name	Unit held as at 31-Dec-2018
Vetiva Capital Management Limited	160
Vetiva Securities Limited	427,420
Vetiva Fund Managers Limited	5,169,230
Vetiva Nominees	59,050
Vetiva Exxon Mobil -ESP	64,293,489

Key management personnel

Nil

(a) *Transaction with related parties*

i. Management fees

The Fund is managed by Vetiva Fund Managers Limited ("the Fund Manager"), an investment management company incorporated in Nigeria and domiciled in Lagos. Under the terms of the management agreement, the Fund appointed Vetiva Fund Managers Limited as an Investment Manager to provide fund management services to the Fund. Vetiva Fund Managers Limited receives a fee based on an annual rate of 0.4% of the net asset value of the Fund accrued daily and payable quarterly. Under the Trust deed, the annual management fees and other fees and expenses of each of the Fund, should not exceed 5% of the Net Asset Value of the Fund or any other limit as may be set by the commission from time to time. Total management fee for the year amounted to N1,551,723 (2017: N843,747).

ii. UBA Plc (Global Investors Services)

UBA Plc (Global Investors Services) remains the Fund's Custodian. Under the custodial service agreement, the custodian fees shall be 0.0375% of the assets under custody. These fees shall be paid out of the Fund. Total Custodian fees for the the year was N141,230 (2017: N84,397).

iii. UTL Trust Management Services Limited

UTL Trust Management Services Limited remains the Fund's Trustee. Under the Trust deed, the trustee is entitled to an annual fee of 0.0375% of the value of the assets under custody, accrued on a daily basis, and payable semi-annually in arrears but subject to a minimum of N400, 000, exclusive of VAT. The annual fees shall accrue on a daily basis. Total Trustees fees for the year was N420,000 (2017: N420,000).

20 Contingencies

There were no contingent assets and liabilities as at 31 December 2018.

21 Claims and litigations

There were no claims and litigations as at 31 December 2018.

22 Events after the reporting date

There are no events after the reporting that require recognition and/or disclosure in the financial statements.

23 Capital commitments after reporting date

The Fund had no capital commitments as at 31 December 2018

Other National Disclosures

Value Added Statement

	<u>31-Dec-18</u>	%	<u>31-Dec-17</u>	%
	N		N	
Total Revenue	26,339,442		11,685,154	
	<u>26,339,442</u>		<u>11,685,154</u>	
Applied to pay:				
- Government as taxes	2,390,109	9	957,924	8
- Fund Manager and other parties to the Fund	9,835,977	37	7,848,628	67
- Retained in the Fund to augment reserves	14,113,356	54	2,878,602	25
Value (added)	<u>26,339,442</u>	<u>100</u>	<u>11,685,154</u>	<u>100</u>

**Four-Year Financial Summary
Year Ended 31 December**

Statement of financial position

	2018	2017	2016	2015
	N	N	N	N
Cash and cash equivalents	625,108	1,235,837	1,935,567	2,201,950
Investment securities	333,537,536	313,050,503	92,106,862	86,906,103
Accounts receivable	-	166,667	166,667	166,667
Total assets	334,162,644	314,453,007	94,209,096	89,274,720
Accounts payable	(5,920,453)	(7,551,620)	(2,854,375)	(1,676,411)
Net assets	328,242,191	306,901,387	91,354,721	87,598,309
Unitholders' funds	328,242,191	306,901,387	91,354,721	87,598,309

Statement of profit or loss and other comprehensive income

	2018	2017	2016	2015
	N	N	N	N
Interest income	2,474,492	1,396,755	337,640	65,651
Dividend Income	23,864,950	10,172,781	7,199,164	1,315,149
Other income	-	115,618	-	260,859
Total revenue	26,339,442	11,685,154	7,536,804	1,641,659
Operating expenses	(9,835,977)	(7,848,627)	(3,805,163)	(9,696,248)
Total expenses	(9,835,977)	(7,848,627)	(3,805,163)	(9,696,248)
Profit/(loss) before tax	16,503,465	3,836,527	3,731,641	(8,054,589)
Income tax expense	(2,390,109)	(957,924)	(737,378)	(137,978)
Profit/(loss) for the year	14,113,356	2,878,603	2,994,263	(8,192,567)

The financial information presented above reflects historical summaries based on International Financial Reporting Standards. .