# VETIVA GRIFFIN 30 EXCHANGE TRADED FUND

## ANNUAL REPORT

## 31 DECEMBER 2017

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## Fund information

**Directors of the Fund Manager**
Chuka Eseka (Chairman)
Olaolu Mudasiru (Non-Executive Director)
Damilola Ajayi (Managing Director/CEO)

**Fund Manager:**
Vetiva Fund Managers Limited
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Email: info@vetiva.com
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Lagos.

**Trustee**
UTL Trust Management Services Ltd
47, Marina, ED Building (2nd Floor)
Lagos

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

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

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

## FUND MANAGER'S REPORT
**For the year ended 31 December 2017**

The Fund Manager presents its report on the affairs of Vetiva Griffin 30 Exchange Traded Fund ("the Fund") together with the financial statements and independent auditor's report for the year ended 31 December 2017

### BACKGROUND INFORMATION

The Vetiva Griffin 30 Exchange Traded Fund ("the Fund") is an open-ended exchange traded fund established in March 2014 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 30 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 30 Index.

The Fund invests 100% of its assets in the portfolio of securities that comprise the NSE 30 Index in proportion to their weightings in the Underlying Index.

The NSE 30 Index is an equity index intended to reflect the performance of the top 30 stocks listed on the Nigerian Stock Exchange based on market capitalization and liquidity.
The composition of the NSE 30 Index is guided by the following rules;
- The number of stocks is fixed at 30
- The Equity Universe is chosen from the most liquid sectors in terms of volume trades (average Daily volume of two (2) million and above);
- No sector should have a weighing of more than 40%
- No sector can have a weighting of less than 2%
- No individual listed equity can have a weighting of more than 20%

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

The Index was rebalanced by the Nigerian Stock Exchange ("NSE") on 30 June 2017, with Fidelity Bank Plc replacing Conoil Plc. As such, the Vetiva Griffin 30 Exchange Traded Fund was rebalanced in line with the Index.

### OPERATING RESULTS

| *In thousands of Naira* | 31 December 17 | 31 December 16 |
|---|---|---|
| Profit/ (loss) before tax | 31,759 | (51,352) |
| Income tax expense | (6,358) | (5,958) |
| Profit for the year | 25,401 | (57,310) |
| Profit per unit (kobo) | 17 | (38) |

**Proposed distribution**
The Board of directors of the Fund Manager has recommended a distribution of 25.00 kobo per unit holding for the year ended 31 December 2017. However, the distribution has not been effected as at 31 December 2017. Withholding tax will be deducted at the time of payment. An interim distribution of 17.50 kobo per unitholding was paid out for the period ended 30 June 2017.

***MARKET REVIEW AND OUTLOOK***

***REVIEW:***

**Real Economy:**

Having taken tentative steps unto the path of economic recovery (9M'17 GDP growth: 0.4% y/y; FY'16 GDP growth -1.6% y/y), the Nigerian economy is set to expand further in 2018, bolstered by increased production in the oil and agriculture sectors. Growth in the real sector should be supported by the tag-team of lower inflation and lower interest rates, as well as continued stability in the foreign exchange (FX) market and another attempt at fiscal stimulus. However, challenges abound, particularly pertaining to persistently weak consumer demand and an itchy investment climate ahead of the 2019 elections. With a base scenario of moderate economic disruption from political activities in the year, we still anticipate growth drivers to be more significant in 2018 – GDP growth forecast: 2.0% y/y. Should the political landscape remain stable for most of the year, and fiscal and monetary stimulus unleashed to a material effect, we estimate a 2.9% y/y growth for the year. On the other hand, our bear scenario projects an FY'18 GDP contraction of 0.3% y/y, under the assumption of high political uncertainty and an adverse shock to oil output. These forecasts compare to International Monetary Fund (IMF) and World Bank forecasts of 1.9% y/y and 2.5% y/y respectively.

**Fund manager's report (cont'd)**

**Inflation:**

Inflation has been stickier than expected in 2017, moderating from 18.6% y/y to 15.9% y/y in the first ten months of the year, and just recording a 35bps decline between May and October. The story is mixed across food and core inflation, however; Food inflation accelerated from 17.4% y/y at the end of 2016 to 20.3% in October, driven by multiple supply shocks from planting and transport costs. In contrast, Core inflation moderated from 18.1% in December 2016 to 12.2% in November 2017. Helped by the onset of the harvest season, food price pressures have receded in recent months – 0.85% m/m rise in October from 2.54% m/m in May – as transport and export diversion issues have been quelled. Development finance initiatives and efforts to increase fertilizer use among farmers would also boost staples production and exert downward pressure on prices. On the core front, we expect a stable currency to reduce imported inflation, and although higher global energy prices are a threat, pump prices of premium motor spirit (PMS) should remain contained by regulation and an implicit subsidy as we approach the 2019 elections. Given our expectation of slightly stronger consumer demand and material election spending in H2'18, the capacity of the economy to absorb these increases in aggregate demand would determine whether inflation alters its current downward trend.

**Currency:**

After struggling through a two-year currency crisis that saw the naira lose 45% of its value against the dollar at the official exchange rate (from ₦167.50 at the end of 2014 to ₦305.00 at the end of 2016), Nigeria's foreign exchange (FX) market experienced some semblance of stability for most of 2017. Higher dollar inflows from improved federal oil earnings buoyed external reserves and in turn its ability to defend the local currency, triggering a series of aggressive injections of dollars into the economy. FMDQ transactions show a significant improvement in liquidity through the year – total market turnover rose from $5.2 billion in January to $14.0 billion in September. Furthermore, the introduction of the "Investors & Exporters" window ("NAFEX" fixing), buoyed market confidence and spurred a mild economic recover. We expect that the health of oil earnings and the market structure are the two key parameters for the 2018 FX market.

**Monetary Policy:**

The Monetary Policy Committee (MPC) maintained monetary policy status quo at its final meeting of 2017. Defending the decision to hold all monetary levels at their previous levels, the MPC highlighted that tightening further may rein in inflation, but would adversely affect economic growth and financial stability. In a similar vein, easing prematurely – as has been advocated in certain quarters – may lower borrowing costs in the economy, but could pose a significant risk to price stability, foreign exchange stability, and external balances. Intent on stimulating economic growth, the CBN has signaled monetary easing in the coming months, pushing down yields in the fixed income market in the process. Lower inflation in 2018 should give the MPC room to cut interest rates. On the back of stronger base effects, we expect inflation to decline faster in H1'18, so foresee a rate cut during that period. Overall, our base assumption is a year-end MPR of 12%

***OUTLOOK:***

Coming off a sustained downtrend (NSE ASI shed 35% between 2014 and 2016), the Nigerian bourse has enjoyed a very good 2017, advancing 42.3%. Chief among the drivers of this surge was the introduction of the "Investors & Exporters" foreign exchange window ("I&E" window) which revived investor confidence and boosted liquidity in the foreign exchange market (FX).

Going forward, we anticipate continued progress on this front amidst a positive outlook for FX earnings on the back of stable oil prices and production levels. Supplementing this, recent regulation points towards a more significant role for domestic institutions in the Nigerian market which would inevitably support demand. Amidst these, an improving economic environment would buoy company earnings and risk appetite in the market, especially given our expectation of lower interest rates in 2018. The commencement of election cycle by mid-2018 poses a risk to our outlook of a stronger 2018 as electioneering is likely to generate more volatility in policy and the economy, which may induce greater market uncertainty. We expect some investors (mainly foreign) to sit on the sidelines in the second half of the year as the political landscape evolves, but are cautiously optimistic that the likelihood of controversy-free elections would minimize market volatility.

**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 auditor 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 Managers Limited
29 March 2018

**Damilola Ajayi**
MD / CEO
(FRC/2013/ICAN/00000004412)
Vetiva Fund Managers Limited
29 March 2018

**Statement of Fund Manager's responsibility in relation to the financial statements for the year ended 31 December 2017**

The Fund Manager accepts responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) 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.

BY ORDER OF THE BOARD OF DIRECTORS OF THE FUND MANAGER:

**Chuka Eseka**
Chairman
(FRC/2013/ICAN/00000003262)
Vetiva Fund Managers Limited
29 March 2018

**Damilola Ajayi**
MD / CEO
(FRC/2013/ICAN/00000004412)
Vetiva Fund Managers Limited
29 March 2018

**Certification of Accounts by Directors of the Fund Manager**

The directors of the Fund Managers 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 Managers Limited
29 March 2018

**Damilola Ajayi**
MD / CEO
(FRC/2013/ICAN/00000004412)
Vetiva Fund Managers Limited
29 March 2018

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MANAGEMENT SERVICES LIMITED
...Since 1966

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## Trustee's Report

The Trustees present their report on the affairs of the Vetiva Griffin 30 Exchange Traded Fund ("the Fund"), together with the audited financial statements for the year ended 31 December 2017.

### 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 30 Index as far as is practicable, by holding a portfolio of securities that substantially represents all of the component securities of the NSE 30 Index in substantially the same weighting as the NSE 30 Index as specified in clause 14.1 of the Trust Deed dated 16 December 2013.

The Fund is listed and quoted 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 Amended and Restated Trust Deed for the Fund.

### 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 2017 is as follows;

| In thousands of Naira | 31 December 17 | 31 December 16 |
|---|---|---|
| Net Assets Value | 2,677,210 | 1,827,580 |

The operating result for the year ended 31 December 2017, is as follows;

| In thousands of Naira | 31 December 17 | 31 December 16 |
|---|---|---|
| Profit / (Loss) for the year | 25,401 | (57,310) |

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

None of the Directors of Vetiva Fund Managers Limited held any direct or indirect beneficial interest in the units of the Fund as at 31 December 2017.

None of the directors of Union Trustees Limited has any direct or indirect beneficial interest in the units of the Fund as at 31 December 2017.

OLUFUNKE AIYEPOLA (Mrs.)
FRC/2013/NBA/00000003285
UTL Trust Management Services Limited
26 March 2018

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**Port-Harcourt**
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**BOARD OF DIRECTORS**
Dr Shamsudeen Usman (Chairman)
Danladi Verheijen, Ehimare Eric Idiahi, Olawunmi Abiodun
Olufunke Oluwaseyi Aiyepola (Mrs.) (MD/CEO)

... committed to trust

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MANAGEMENT SERVICES LIMITED
...Since 1966

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**Statement of Trustees' responsibilities**

The Trustees' responsibilities to the Fund are as follows:

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. To ensure that there is legal separation of underlying portfolio and that the Legal entitlement of investors to such underlying portfolio is assured.
10. To ensure that the underlying portfolio are properly safeguarded and administered in accordance with relevant laws of the Commission.
11. 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.
12. To ascertain that the monthly and other periodic returns / reports relating to the Fund are sent by the manager to the commission.
13. To monitor the register of the holders.
14. To generally monitor the activities of the Manager on behalf of and in the interest of the holders.
15. 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 TRUSTEES
UTL Trust Management Services Limited
26 March 2018

..............................
**OLUFUNKE AIYEPOLA (Mrs.)**
FRC/2013/NBA/00000003285
UTL Trust Management Services Limited
26 March 2018

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



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## INDEPENDENT AUDITOR'S REPORT

To the unit holders of **Vetiva Griffin 30 Exchange Traded Fund**

### *Opinion*

We have audited the accompanying financial statements of Vetiva Griffin 30 Exchange Traded Fund ("the Fund"), which comprise the statements of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, statements of changes in net assets attributable to unit holders and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 13 to 30.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December, 2017, 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 Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and 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 ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our ethical responsibilities in accordance with these requirements. 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 makes up 96% of the total assets of the Fund (2016: 96%). 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 quoted equity securities a significant audit focus area.

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Registered in Nigeria No BN 986925

Partners:

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Oladapo R. Okubadejo
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Ajibola O. Olomola
Chibuzor N. Anyanechi
Ijeoma T. Emezie-Ezigbo
Mohammed M. Adama
Oladimeji I. Salaudeen
Oluwafemi O. Awotoye
Victor U. Onyenkpa
Adekunle A. Elebute
Ayobami L. Salami
Ehile A. Aibangbee
Joseph O. Tegbe
Nneka C. Eluma
Olanike I. James
Oluwatoyin A. Gbagi
Adetola P. Adeyemi
Ayodele H. Othihiwa
Goodluck C. Obi
Kabir O. Okunlola
Oguntayo I. Ogungbenro
Olumide O. Olayinka
Temitope A. Onitiri

Procedures

- 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 agreed the prices applied by Management in valuation of the portfolio 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. The other information comprises the Trustees' Report, for which the Board of Directors of the Trustees is responsible; and the following for which the Board of Directors of the Fund Manager is responsible - Fund Information, Fund Manager's Report, Statement of Fund Manager's Responsibilities in relation to the financial statements, Certification by the Fund Manager 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 in accordance with IFRSs, and for such internal control as the Board of Directors of the Fund Manager 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 Board of Directors of the Fund Manager 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 Board of Directors of the Fund Manager either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

***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
- 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 of the Fund Manager.
- Conclude on the appropriateness of Directors of the Fund Manager's 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 Board of Directors of the Trustee and 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 Board of Directors of the Trustee and 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.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1372055

Signed:

Kabir

Kabir O. Okunlola, FCA
FRC/ICAN/2012/00000000428
For: KPMG Professional Services
Chartered Accountants
29 March 2018
Lagos, Nigeria

**Statement of financial position**
**As at 31 December 2017**

| *In thousands of Naira* | Note | 31-Dec-17 | 31-Dec-16 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 15 | 24,730 | 14,021 |
| Investment Securities | 16 | 2,686,610 | 1,837,560 |
| Accounts receivable | 18 | 58 | 133 |
| **Total assets** | | 2,711,398 | 1,851,714 |
| **Liabilities** | | | |
| Accounts payable | 19 | (34,187) | (24,134) |
| | | (34,187) | (24,134) |
| **Net assets attributable to unitholders** | | 2,677,211 | 1,827,580 |
| Represented by: | | | |
| Unitholders' equity | 20(b) | 2,753,148 | 2,753,148 |
| Retained earnings | 20(b) | (162,595) | (139,441) |
| Fair value deficit | 20(b) | 86,658 | (786,127) |
| **Total** | | 2,677,211 | 1,827,580 |

*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 2018 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 2017**

| *In thousands of Naira* | Note | 31-Dec-17 | 31-Dec-16 |
|---|---|---|---|
| Dividend income | 7 | 84,369 | 82,963 |
| Other income | 8 | 5,074 | - |
| Interest income | 9 | 15,187 | 6,945 |
| Net gain/ (loss) from financial assets at fair value through profit or loss | 10 | 526 | (783) |
| Losses on disposal of investment securities | 11 | (53,735) | (123,841) |
| **Total revenue** | | 51,421 | (34,716) |
| Other operating expenses | 12 | (19,662) | (16,636) |
| **Total expenses** | | (19,662) | (16,636) |
| **Profit before tax** | | 31,759 | (51,352) |
| Tax expense | 13 | (6,358) | (5,958) |
| **Profit for the year** | | 25,401 | (57,310) |
| **Other comprehensive income** | | | |
| **Items that are or may be reclassified to profit or loss** | | | |
| Fair value reserve (available-for-sale assets) | | | |
| - Net change in fair value | 16(c) | 805,091 | (130,937) |
| - Transfer to profit or loss on disposal | 16(c) | 67,694 | 111,502 |
| Total comprehensive income/ (loss) for the year | | 898,185 | (76,745) |
| Basic and diluted earnings/ (loss) per unit (kobo) | 14 | 17 | (38) |

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

**Statements of changes in net assets attributable to Unitholders**
**As at 31 December 2017**

| **31 December 2017** *In thousands of Naira* | Note | Unit holder's equity | Retained earnings | Fair value reserves | Total equity |
|---|---|---|---|---|---|
| Balance as at 1 January 2017 | | 2,753,148 | (139,441) | (786,127) | 1,827,580 |
| Total comprehensive income for the year: | | | | | |
| Profit for the year | | - | 25,401 | - | 25,401 |
| Fair value changes on available for sale financial assets | | | | | |
| - net change in fair value | 16(c) | - | - | 805,091 | 805,091 |
| - transfer to profit or loss on disposal | 11 | | - | 67,694 | 67,694 |
| **Total comprehensive income for the year** | | - | 25,401 | 872,785 | 898,186 |
| Transactions with owners, recorded directly in equity: | | | | | |
| Additions to unitholder's equity | 20(b) | - | - | - | - |
| Redemptions of unitholder's equity | 20(b) | - | - | - | - |
| Distributions to unitholders | 20(c) | - | (48,555) | - | (48,555) |
| **Total contribution and distributions to equity holders** | | - | (48,555) | - | (48,555) |
| **Balance at 31 December 2017** | | 2,753,148 | (162,595) | 86,658 | 2,677,211 |

| *In thousands of Naira* | Note | Unit holder's equity | Retained earnings | Fair value reserves | Total equity |
|---|---|---|---|---|---|
| Balance as at 1 January 2016 | | 2,771,576 | (42,496) | (766,692) | 1,962,388 |
| **Total comprehensive income for the year:** | | | | | |
| Loss for the year | | - | (57,310) | - | (57,310) |
| Fair value changes on available for sale financial assets | | | | | |
| - net change in fair value | 16(c) | - | - | (130,937) | (130,937) |
| - transfer to profit or loss on disposal | | - | - | 111,502 | 111,502 |
| **Total comprehensive income for the year** | | - | (57,310) | (19,435) | (76,745) |
| **Transactions with owners, recorded directly in equity:** | | | | | |
| Additions to unitholder's equity | 20(b) | - | - | - | - |
| Redemptions of unitholder's equity | 20(b) | (18,428) | 5,335 | - | (13,093) |
| Distributions to unitholders | 20(c) | - | (44,970) | - | (44,970) |
| **Total contribution and distributions to equity holders** | | (18,428) | (39,635) | - | (58,063) |
| **Balance at 31 December 2016** | | 2,753,148 | (139,441) | (786,127) | 1,827,580 |

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

**Statement of cash flows**
**For the year ended 31 December 2017**

| *In thousands of Naira* | Note | 31-Dec-17 | 31-Dec-16 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit/ (loss) for the year | | 25,401 | (57,310) |
| Income tax expense | 13 | 6,358 | 5,958 |
| Loss before tax | | 31,759 | (51,352) |
| *Adjustment for:* | | | |
| Interest income | 9 | (15,187) | (6,945) |
| Dividend income | 7 | (84,369) | (82,963) |
| Fair value loss on financial assets | 10&11 | 67,168 | 112,285 |
| | | (629) | (28,975) |
| *Changes in:* | | | |
| -Accounts payable | 19(b) | 10,053 | 7,658 |
| -Accounts receivable | 18(b) | 75 | 379 |
| -Investment securities | 16(d) | (43,433) | (41,457) |
| **Cash used in operations** | | (33,934) | (62,395) |
| Interest received | 9 | 15,187 | 6,945 |
| Dividend received | 7 | 84,369 | 82,963 |
| Withholding tax paid | 13 | (6,358) | (5,958) |
| **Net cash generated from operating activities** | | 59,264 | 21,555 |
| **Cash Flows from financing activities** | | | |
| Distribution paid to unitholders | 20(b)(ii) | (48,555) | (44,970) |
| Inflows from subscription | 20(b)(ii) | - | - |
| Outflows on redemption of units | 20(b)(ii) | - | (13,093) |
| **Net Cash flow used in financing activities** | | (48,555) | (58,063) |
| **Net decrease/(increase) in cash and cash equivalents** | | 10,709 | (36,508) |
| **Cash and Cash equivalents as at 1 January** | | 14,021 | 50,529 |
| **Cash and Cash equivalents as at 31 December** | 15 | 24,730 | 14,021 |

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

**Notes to the financial statements**
**For the year ended 31 December 2017**

## 1 Reporting entity

The Vetiva Griffin 30 Exchange Traded Fund ("the Fund") is a company domiciled in Nigeria. The address of the Fund's registered office is 266b Kofo Abayomi Street, Victoria Island Lagos.
The Fund is an open ended investment fund. It was approved by the Securities and Exchange Commission ("SEC") in January 2014. The Fund commenced operations and units of the Fund were first traded on the Nigerian Stock Exchange in March 2014. The Fund is not a legal entity but is constituted and exists under the Trust Deed with Union Trustees Limited as its Trustees. The Fund tracks the NSE 30 index. The NSE 30 index comprises the top 30 Companies listed in the Nigerian Stock Exchange in terms of market capitalization and liquidity (high frequency of trading of the shares).

The investment activities of the Fund are managed by Vetiva Fund Management Limited (the investment manager).

The underlying objective of the Fund is to enable unit holders obtain market exposure to the securities of the constituent Companies of the NSE 30 Index and to replicate the price and yield performance of the NSE 30 Index

## 2 Basis of preparation

### (a) Statement of compliance with IFRS

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements comply with 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 2018.

### (b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except financial instruments measured at fair value through OCI. 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. All financial information presented in Naira have been rounded to the nearest thousand unless otherwise indicated.

Functional currency is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Fund's investments and transactions are denominated in Naira. Investor subscriptions and redemptions are determined based on net asset value, and received and paid in Naira. The expenses (including management fees, custodian fees and administration fees) are denominated and paid mostly in Naira. Accordingly, management has determined that the functional currency of the Fund is Naira.

### (d) Reporting period

The financial statements have been prepared for the 12 months period ended 31 December 2017

### (e) Use of estimates and judgments

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 recognised 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 (cont'd)**

### 3 Statement of significant accounting policies

#### (a) Financial assets and liabilities

#### (i) Introduction

Financial instruments include all financial assets and liabilities. These instruments are typically held for liquidity, investment, or trading purposes. All financial instruments are initially recognized at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognized immediately in profit or loss.

The Fund recognises loans and receivables on the date when they are originated. All other financial assets and liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

#### (ii) Classification, initial and subsequent measurement

The Fund classifies its financial assets and liabilities into the following categories:
• Available-for-sale financial assets - Investment securities
• Fair value through profit or loss financial assets - Investment securities
• Loans and receivables - Cash and cash equivalents and accounts receivable
• Other liabilities - Accounts payable

**Available-for-sale financial assets**
Financial assets classified by the Fund as available-for-sale financial assets are generally those that are not designated as another category of financial assets, or strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The Fund's policy requires the Investment Manager and the Board of Directors to regularly evaluate information about these financial assets measured at fair value together with other related financial information.

Available-for-sale financial assets are subsequently measured at fair value with the exception of unquoted equity investments whose fair value cannot be reliably measured which are carried at cost. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and accumulated in fair value reserve until the financial asset is derecognised or impaired. When available-for-sale financial assets are derecognised, the fair value adjustments accumulated in fair value reserve are reclassified to profit or loss as realised gain or loss.

**Fair value through profit or loss financial assets**

Financial assets designated at fair value through profit or loss at inception are financial assets that are not classified as held for trading but are managed, and their performance is evaluated, on a fair value basis in accordance with the Fund's documented investment strategy. These assets are managed, evaluated and reported internally on a fair value basis.

The Fund's policy requires the Investment Manager and the Board of Directors to regularly evaluate information about these financial assets measured at fair value together with other related financial information. These financial assets are expected to be realised within 12 months of the statement of financial position date.

Financial assets at fair value through profit or loss are subsequently measured at fair value with changes in fair value recorded in profit or loss.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Fund intends to sell immediately or in the short term, which are classified as held for trading and those that the Fund upon initial recognition, designates as fair value through profit or loss;
- those that the Fund upon initial recognition designates as available for sale;
- or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration

- **Cash and cash equivalents**

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of less than ninety days from the acquisition date. These financial instruments can be converted to a known amount of cash, are subject to an insignificant risk of changes in their fair value, and are used by the Fund in the management of short-term commitments.

- **Accounts receivable**

Accounts receivable comprises dividend income earned but not yet received by the Fund .

**Subsequent measurement**
Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

**Notes to the financial statements (cont'd)**

**Other liabilities**

Other liabilities are financial liabilities that are not classified as held-for- trading or designated at fair value through profit or loss. These financial liabilities are measured initially at fair value and subsequently at other amortised cost. Other liabilities comprise balances due to the Fund Manager, Trustees, Registrars, Custodians, Auditors to the Fund, and other creditors.

**(iii) Amortised cost measurement and effective interest**

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 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.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the 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. Interest received or receivable, and interest paid or payable, are recognized in profit or loss as interest income and interest expense, respectively.

Origination transaction costs and origination fees received that are integral to the effective rate are capitalized to the value of the loan and amortized through interest income as part of the effective interest rate.

**(iv) 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 an asset or liability reflects its non-performance risk.

When 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.

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 at 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 at 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 that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis during 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.

**(v) Impairment of financial assets**

A financial asset not classified at fair value through profit or loss is assessed at each reporting date, to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is impaired and impairment losses are recognized if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of the amount due on terms that the Fund would not otherwise consider, indications that a borrower or issuer will enter bankruptcy or adverse changes in the payment status of the borrower.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flow discounted at the assets original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on impaired assets continue to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. The Fun considers a decline of 20% to be significant, and a period of nine months to be prolonged. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognized in profit or loss. If any loss on the financial asset was previously recognized directly in equity as a reduction in fair value, the cumulative net loss that had been recognized in equity is transferred to profit or loss and is recognized as part of the impairment loss. The amount of the loss recognized in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

If in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

**Notes to the financial statements (cont'd)**

**(vi) Derecognition**

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

On derecognition of a financial asset, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

The Fund enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfer of assets with retention of all or substantially all risks and rewards include securities lending and repurchase transactions.

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

**(vii) Offsetting**

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

Incomes and expenses are presented on a net basis only when permitted under International Financial Reporting Standards (IFRS)

**(b) Interest income and expense**

Interest income and expense, including interest income from non-derivative financial assets at fair value through profit or loss, are recognized in profit or loss, using the effective interest 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 instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition. 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 recognized in profit or loss on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income from equity securities are recognized in profit or loss as a separate line item.

**(d) Expenses**

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

**(e) Transaction costs**

Transaction costs are costs 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 recorded at amortised cost are part of the amortised cost value and amortised over the life of the financial instrument.

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

**(f) 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%

**(g) Capital**

*(i) 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.

**Notes to the financial statements (cont'd)**

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.

**(h) Earnings per unit**

The Fund presents 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 perioc

Diluted earnings per unit is determined by adjusting the profit or loss attributable to unit holders and the total number of units outstanding for the effects of all dilutive potential units

**(i) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund or the Fund has a present obligation as a result of past events which is not recognised because it is not probable that an outflow of resources will be required to settle the obligation, or the amount cannot be reliably estimated. Contingent liabilities are disclosed in the financial statements.

**(j) 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.

*New standards, amendment and interpretations issued but not yet effective*

A number of new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted, however, the Fund has not early applied these new or amended standards in preparing these financial statements The one standard potentially relevant to the Fund is IFRS 9 Financial Instruments, which is discussed below:

*(a) Financial Instruments (IFRS 9)*

The Fund is required to adopt IFRS 9 Financial Instruments from 1 January 2018 IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

*Classification of financial assets and financial liabilities*

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The standard includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and FVTPL. It eliminates the existing 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 bifurated Instead, the whole hybrid instrument is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss

Based on the Fund's assessement, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities

- the financial instruments currently classified as held-to-maturity under IAS 39 *Financial Instruments: Recognition and Measurement* will continue to be classified as such under IFRS 9

**Notes to the financial statements (cont'd)**

- financial instruments currently measured at amortised cost: cash balances and receivables from reverse sale and repurchased agreements. These instruments meet the solely payments of principal and interest (SPPI) criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.

- financial instruments currently measured at AFS under IAS 39 will be measured at FVOCI under IFRS 9. Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal.

***Impairment of financial assets***

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changed in economic factors affects ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets at amortised cost of FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

***Hedge accounting***

The fund does not apply hedge accounting; therefore, IFRS 9 hedge accounting-related changes do not have an impact on the financial statements of the Fund

***Disclosures***

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs.

***Transition***

Changes in accounting policies resulting from adoption of IFRS 9 will generally be applied retrospectively, except as described below.
- The Fund will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement Including impairment changes) Differences in carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018

- The following assessments have to be made by the Fund on the basis of the facts and circumstances that exist at the date of initial application.
  - the determination of the business model within which a financial asset is held
  - the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL

***(b) Revenue from Contracts with Customers (IFRS 15)***

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods and services. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition.
The standard is not expected to have a significant impact on the Fund as the Fund's revenue is mainly interest incom

***(c) Leases (IFRS 16)***

This standard will replace the existing standard IAS 17 *Leases* as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).
The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet.
The most significant change pertaining to the accounting treatment of operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a right of use (ROU) as set together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.
The lessor accounting requirements in IAS 17 has not changed substantially in terms of this standard as a result a lessor continues to classify its leases as operating leasesor finance leases and accounts for these as it currently done in terms of IAS 17. In addition, the standard requires lessor to provide enhanced disclosures about its leasing activities and in particular about its exposure to residual value risk and how it is managed.

The Fund is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on the Func

**Notes to the financial statements (cont'd)**

**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 discretional authority to manage the asset in line with the Fund's investment objectives in compliance with target asset allocation and composition of the portfolio is monitored by the investment committee on a regular basis

In instances where the portfolio has diverged from the target asset composition the Fund Manager is obliged to take actions to rebalance the portfolio in line with established targets within the prescribed time limits

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, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuers credit standing) - will affect the Fund's income or the fair value of its holding of financial instruments. The Fund's strategy for the management of market risk is driven by the Fund's investment objective. 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

*Other price risk*

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market

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 2017 is shown in note 17

The sensitivity analysis 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-Dec-17 | 31-Dec-16 |
|---|---|---|
| Carrying value (in thousands of Naira) | 2,599,022 | 1,779,102 |
| Impact of price movement on profit and net assets of unitholders | | |
| + 1% | 25,990 | 17,791 |
| + 2% | 51,980 | 35,582 |
| + 5% | 129,951 | 88,955 |
| - 1% | (25,990) | (17,791) |
| - 2% | (51,980) | (35,582) |
| - 5% | (129,951) | (88,955) |

**b Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, balances due from brokers and receivables from reverse sale and repurchase agreements. For risk management reporting purposes, the Fund considers and aggregates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk)

The Fund is subject to credit risk from its holdings in money market placements The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the Fund's prospectus and by taking collateral 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 As at 31 December 2017, the Fund had placements totaling N24 2million (2016 N4 million) with banks

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

Notes to the financial statements (cont'd)

**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 2017, 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 2017*

| *In thousands of Naira* | Note | Carrying amount | Contractual cash flows Total | Less than 3 months | 3 - 6 months | 6 months - 1 year |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 15 | 24,730 | 24,730 | 24,730 | - | - |
| Account receivables | 18 | 58 | 58 | 58 | - | - |
| Investment Securities | 16 | 2,686,610 | 2,686,610 | 2,686,610 | | |
| Total financial assets | | 2,711,399 | 2,711,399 | 2,711,399 | - | - |
| Account payable | 19 | 34,187 | 34,187 | 34,187 | - | - |
| Net assets attributable to unitholders | 20(b)(ii) | 2,677,211 | 2,677,211 | 2,677,211 | - | - |
| Total financial liabilities | | 2,711,398 | 2,711,398 | 2,711,398 | - | - |
| Gap (assets-liabilities) | | 0 | 0 | 0 | - | - |
| Cumulative liquidity gap | | | | 0 | 0 | 0 |

*31 December 2016*

| *In thousands of Naira* | Note | Carrying amount | Total | Less than 3 months | 3 - 6 months | 6 months - 1 year |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 15 | 14,021 | 14,021 | 14,021 | - | - |
| Account receivables | 18 | 133 | 133 | 133 | - | - |
| Investment Securities | 16 | 1,837,560 | 1,837,560 | 1,837,560 | | |
| Total financial assets | | 1,851,714 | 1,851,714 | 1,851,714 | - | - |
| Account payable | 19 | 24,134 | 24,134 | 24,134 | - | - |
| Net assets attributable to unitholders | 20(b)(ii) | 1,827,580 | 1,827,580 | 1,827,580 | - | - |
| Total financial liabilities | | 1,851,714 | 1,851,714 | 1,851,714 | - | - |
| Gap (assets-liabilities) | | - | - | - | - | - |
| Cumulative liquidity gap | | | | - | - | - |

**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 2017 is shown in note 17.

**5 Uses of estimates and judgments**

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

*(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.

- In designating financial assets at fair value through profit or loss, the Fund has determined that it has met one of the criteria for this designation set out in note 3(a)(ii).
- 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:

**Notes to the financial statements (cont'd)**

(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 cash flow 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 product 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

*31 December 2017*

| *In thousands of Naira* | *Note* | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Quoted investments | 16 | 2,599,022 | - | - | 2,599,022 |
| Treasury bills | 16 | 87,588 | - | - | 87,588 |
| | | 2,686,609 | - | - | 2,686,609 |

*31 December 2016*

| *In thousands of Naira* | *Note* | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Quoted investments | 16 | 1,779,102 | - | - | 1,779,102 |
| Treasury bills | 16 | 58,458 | - | - | 58,458 |
| | | 1,837,560 | - | - | 1,837,560 |

**(b) Financial instruments not measured at fair value**

The financial assets 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 2017*

| *In thousands of Naira* | Note | At available for sale | At fair value through profit or loss | Loans and receivables | Financial liabilities | Total carrying |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 15 | - | - | 24,730 | - | 24,730 |
| Quoted investments | 16 | 2,599,022 | - | - | - | 2,599,022 |
| Treasury bills | 16 | - | 87,588 | - | - | 87,588 |
| Accounts receivable | 18 | - | - | 58 | - | 58 |
| | | 2,599,022 | 87,588 | 24,788 | - | 2,711,398 |
| Accounts payable | 19 | - | - | - | 34,187 | 34,187 |
| | | - | - | - | 34,187 | 2,677,211 |

*31 December 2016*

| *In thousands of Naira* | Note | At available for sale | At fair value through profit or loss | Loans and receivables | Financial liabilities | Total carrying |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 15 | - | - | 14,021 | - | 14,021 |
| Quoted investments | 16 | 1,779,102 | - | - | - | 1,779,102 |
| Treasury bills | 16 | - | 58,458 | - | - | 58,458 |
| Accounts receivable | 18 | - | - | 133 | - | 133 |
| | | 1,779,102 | 58,458 | 14,154 | - | 1,851,714 |
| Accounts payables | 19 | - | - | - | 24,134 | 24,134 |
| | | - | - | - | 24,134 | 1,827,580 |

**Notes to the financial statements (cont'd)**

**7 Dividend Income**

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Income from equity investments | 84,369 | 82,963 |
| Total | 84,369 | 82,963 |

**8 Other income**

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Gain on sale of right issue | 5,074 | - |
| Total | 5,074 | - |

**9 Interest Income**

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| *Income on financial instruments designated at fair value through profit or loss:* | | |
| Treasury bills | 14,446 | 4,780 |
| *Interest income on financial instruments carried at amortised cost:* | | |
| Cash and Cash equivalent | 740 | 2,165 |
| Total | 15,187 | 6,945 |

**10 Net loss on financial assets at fair value through profit or loss**

| In thousands of Naira | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Fair value Gain/ (Loss) on Treasury bills | 526 | (783) |
| Total | 526 | (783) |

**11 Losses on disposal of investment securities**

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| *Net loss from financial assets designated as at fair value through other comprehensive income:* | | |
| Equity investments | | |
| Gain/ (Loss) from sale | 13,176 | (12,084) |
| Transfer from other comprehensive income to profit or loss on disposal | (67,694) | (111,502) |
| | (54,518) | (123,586) |
| Gain/ (Loss) on disposal of treasury bills | 783 | (255) |
| Total | (53,735) | (123,841) |

**12 Other operating expenses**

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Other sundry expenses | 489 | 890 |
| CSCS fees | - | - |
| Auditor's remuneration | 1,800 | 1,575 |
| Custodian fees | 2,375 | 2,311 |
| Trustee's fees | 2,310 | 1,872 |
| Management fees | 4,620 | 3,784 |
| Registrars/Transfer Agent Fees | 548 | 487 |
| Trading expenses | - | - |
| NSE licensing fees | 7,520 | 4,764 |
| NSE listing fees | - | 953 |
| Total | 19,662 | 16,636 |

**13 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% (2015: 10%)

| | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Withholding tax on dividend and interest income | 6,358 | 5,958 |
| Total tax expense | 6,358 | 5,958 |

Notes to the financial statements (cont'd)

**14 Earnings per unit (Basic and diluted)**

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

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Profit/ (Loss) for the year | 25,401 | (57,310) |
| Number of units as at year end ('000) (see note 20(b)) | 149,400 | 149,400 |
| Profit per unit (kobo) | 17 | (38) |

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

**15 Cash and cash equivalents**

Cash and cash equivalents comprise:

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Cash balances with banks | 553 | 5,079 |
| Placements with banks | 24,177 | 8,942 |
| Total | 24,730 | 14,021 |

**16 Investment securities**

| | *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|---|
| (a) | Analysis of investment securities | | |
| | *At fair value through other comprehensive income:* | | |
| | Quoted investments (see note (b) below and note 17) | 2,599,022 | 1,779,102 |
| | *At fair value through profit or loss:* | | |
| | Treasury bills | 87,588 | 58,458 |
| | Total | 2,686,610 | 1,837,560 |

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Current | 2,686,610 | 1,837,560 |
| Non Current | - | - |
| Balance, end of year | 2,686,610 | 1,837,560 |

| | *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|---|
| (b) | Equity investments comprise | | |
| | Quoted equity securities at cost | 1,793,931 | 2,565,229 |
| | Fair value changes (see note (c) below) | 805,091 | (786,127) |
| | Net carrying amount | 2,599,022 | 1,779,102 |
| (c) | The movement in fair value changes was as follows; | | |
| | Balance, beginning of the year | (786,127) | (766,692) |
| | Change in the year | | |
| | - net change | 805,091 | (130,937) |
| | - transfer to profit or loss on disposal | 67,694 | 111,502 |
| | Balance, end of year | 86,658 | (786,127) |

(d) Cashflow movement

*At fair value through other comprehensive income:*

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Opening balance | 1,779,102 | 1,927,823 |
| Fair value changes reclassified to profit or loss | (67,694) | (111,502) |
| Net fair value changes in other comprehensive income | 872,785 | (19,435) |
| Changes in financial assets | 14,829 | (17,784) |
| Closing | 2,599,022 | 1,779,102 |

*At fair value through profit or loss:*

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Opening balance | 58,458 | - |
| Fair value changes reclassified to profit or loss | - | - |
| Net fair value changes in Profit or Loss | 526 | (783) |
| Changes in financial assets | 28,604 | 59,241 |
| Closing | 87,588 | 58,458 |

*Total changes in investment securities*

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| - through other comprehensive income | 14,829 | (17,784) |
| - through profit or loss | 28,604 | 59,241 |
| | 43,433 | 41,457 |

**Notes to the financial statements (cont'd)**

**17 Investment portfolio**

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

*In thousands of Naira* — 31 December 2017

| | Sector | Market value | % of total quoted securities | % of total investments |
|---|---|---|---|---|
| 7-UP BOTTLING PLC | Consumer Goods | 16,180.40 | 0.62% | 0.60% |
| ACCESS BANK OF NIGERIA PLC | Financial Services | 74,092.05 | 2.85% | 2.73% |
| CONOIL | Oil and Gas | - | 0.00% | 0.00% |
| DANGOTE CEMENT PLC | Industrial Goods | 499,023.87 | 19.20% | 18.41% |
| DANGOTE SUGAR REFINERY PLC | Consumer Goods | 59,449.40 | 2.29% | 2.19% |
| DIAMOND BANK PLC | Financial Services | - | 0.00% | 0.00% |
| ECOBANK TRANSNATIONAL INCORPORATEC | Financial Services | 76,456.04 | 2.94% | 2.82% |
| FBN HOLDING PLC | Financial Services | 77,420.77 | 2.98% | 2.86% |
| FIDELITY BANK PLC | Financial Services | 17,470.00 | 0.67% | 0.64% |
| FLOUR MILLS PLC | Consumer Goods | 18,851.13 | 0.73% | 0.70% |
| FORTE OIL PLC | Oil and Gas | 14,028.04 | 0.54% | 0.52% |
| GUARANTY TRUST BANK | Financial Services | 293,949.43 | 11.31% | 10.84% |
| GUINNESS NIGERIA PLC | Consumer Goods | 35,063.60 | 1.35% | 1.29% |
| INTERNATIONAL BREWRIES PLC | Consumer Goods | 44,472.27 | 1.71% | 1.64% |
| JULIUS BERGER PLC | Construction/Real Estate | 29,341.51 | 1.13% | 1.08% |
| MOBIL OIL NIG. PLC | Oil and Gas | 17,382.06 | 0.67% | 0.64% |
| NIGERIAN BREWERIES PLC | Consumer Goods | 264,954.93 | 10.19% | 9.77% |
| NESTLE FOODS PLC | Consumer Goods | 305,512.41 | 11.75% | 11.27% |
| OANDO PLC | Oil and Gas | 18,445.20 | 0.71% | 0.68% |
| THE OKOMU OIL PALM | Agriculture | 21,328.17 | 0.82% | 0.79% |
| PRESCO PLC | Agriculture | 22,626.24 | 0.87% | 0.83% |
| P.Z. INDUSTRIES PLC | Consumer Goods | 20,260.31 | 0.78% | 0.75% |
| SEPLAT PETROLEUM DEVELOPMENT COMPAN | Oil and Gas | 87,400.27 | 3.36% | 3.22% |
| STANBIC IBTC HOLDINGS PLC | Financial Services | 101,715.09 | 3.91% | 3.75% |
| TOTALFINAELF NIGERIA PLC | Oil and Gas | 19,339.25 | 0.74% | 0.71% |
| STERLING BANK PLC | Financial Services | - | 0.00% | 0.00% |
| TRANSNATIONAL CORPORATION OF NIG PLC | Conglomerates | 28,194.87 | 1.08% | 1.04% |
| U A C NIGERIA PLC | Conglomerates | 15,419.31 | 0.59% | 0.57% |
| UNITED BANK FOR AFRICA | Financial Services | 91,587.49 | 3.52% | 3.38% |
| UNION BANK OF NIGERIA | Financial Services | 32,377.09 | 1.25% | 1.19% |
| UNILEVER NIGERIA PLC | Consumer Goods | 38,422.90 | 1.48% | 1.42% |
| LAFARGE AFRICA PLC | Industrial Goods | 60,953.30 | 2.35% | 2.25% |
| ZENITH INTERNATIONAL BANK PLC | Financial Services | 197,304.26 | 7.59% | 7.28% |
| **Total quoted securities** | | **2,599,022** | **100%** | **95.88%** |
| VG30 N8M 16% 182DTM 220318 MAT | | 7,784 | | 0.29% |
| TBILL N10.1M 17.45% 189DTM 12 April 18 VG | | 9,683 | | 0.36% |
| Tbill 287DTM 16AUG18 15.65% N18M VG30 | | 16,368 | | 0.60% |
| TBILL 181DTM 17% N26.7M 17112017 VG30 | | 25,388 | | 0.94% |
| Tbill 29.5M 98DTM 13% 05042018 VG30 | | 28,365 | | 1.05% |
| **Total treasury bills** | | **87,588** | | **3.23%** |
| Cash and cash equivalents - Placement | | 24,177 | | 0.89% |
| **Total investments** | | **2,710,787** | | **100.00%** |

The distribution of the Fund's investment in quoted equities by sector was as follows:

*In thousands of Naira* — 31-Dec-17

| Sector | Market value | % of total quoted securities |
|---|---|---|
| Consumer Goods | 803,167 | 30.90% |
| Oil and Gas | 156,595 | 6.03% |
| Financial Services | 962,372 | 37.03% |
| Industrial Goods | 559,977 | 21.55% |
| Infrastructure/Heavy Construction | 29,342 | 1.13% |
| Agriculture | 43,954 | 1.69% |
| Conglomerates | 43,614 | 1.68% |
| Total | 2,599,022 | 100.00% |

Notes to the financial statements (cont'd)

**18 Accounts receivable**

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Dividend receivable | 58 | 133 |
| Total | 58 | 133 |

**(b)** Cashflow movement

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 | Changes |
|---|---|---|---|
| Dividend receivable | 58 | 133 | 75 |
| Net cash movement | 58 | 133 | 75 |

**19 Accounts payable**

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Management fees payable | 4,154 | 3,217 |
| Professional fee payable | 7,959 | 6,028 |
| Other account payable | 9,697 | 9,344 |
| NSE licensing fee | 11,460 | 3,940 |
| NSE listing fee | - | 953 |
| Unclaimed Distribution | 917 | 652 |
| | 34,187 | 24,134 |

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Current | 34,187 | 24,134 |
| Non Current | - | - |
| Balance, end of year | 34,187 | 24,134 |

**(b)** Cashflow movement:

| *In thousands of Naira* | 31-Dec-17 | 31-Dec-16 | Changes |
|---|---|---|---|
| Management fees payable | 4,154 | 3,217 | 937 |
| Professional fee payable | 7,959 | 6,028 | 1,931 |
| Other account payable | 9,697 | 9,344 | 353 |
| NSE listing fee | 11,460 | 3,940 | 7,520 |
| NSE licensing fee | - | 953 | (953) |
| Unclaimed Distribution | 917 | 652 | 265 |
| Net cash movement | 34,187 | 24,134 | 10,053 |

**20 Unitholders' interest**

**(a)** The Vetiva Griffin 30 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 Union Trustees Nigeria Limited as Trustees. The Fund's total unit capital as at year ended 31 December 2017 is 149,400,000 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

| *In thousands of Units* | 31-Dec-17 | 31-Dec-16 |
|---|---|---|
| Balance at 1 January | 149,400 | 150,400 |
| Subscription of units during the year | - | - |
| Redemption of units during the year | - | (1,000) |
| Balance at 31 December | 149,400 | 149,400 |

(ii) Net assets attributable to unitholders
2017

| *in thousands of naira* | Unitholders' equity | Retained earnings | Fair value deficit | Total |
|---|---|---|---|---|
| Balance as at 1 January 2017 | 2,753,148 | (139,441) | (786,127) | 1,827,580 |
| Subscription during the year | - | - | - | - |
| Redemption of units by unit holders | - | - | - | - |
| Fair value changes due to investment securities | - | - | 805,091 | 805,091 |
| Reclassification to profit or loss on disposal | - | - | 67,694 | 67,694 |
| Distributions to unit-holders | - | (48,555) | - | (48,555) |
| Profit for the year | - | 25,401 | - | 25,401 |
| As 31 December 2017 | 2,753,148 | (162,595) | 86,658 | 2,677,211 |
| **Net asset value per unit (Naira)** | | | | 17.92 |

Notes to the financial statements (cont'd)

| 2016 *in thousands of naira* | Unitholders' equity | Retained earnings | Fair value deficit | Total |
|---|---|---|---|---|
| Balance as at 1 January 2016 | 2,771,576 | (42,496) | (766,692) | 1,962,388 |
| Subscription during the year | - | - | - | - |
| Redemption of units by unit holders | (18,428) | 5,335 | - | (13,093) |
| Fair value changes due to investment securities | - | - | (19,435) | (19,435) |
| Distributions to unit-holders | - | (44,970) | - | (44,970) |
| Profit for the year | - | (57,310) | - | (57,310) |
| As 31 December 2016 | 2,753,148 | (139,441) | (786,127) | 1,827,580 |
| **Net asset value per unit (Naira)** | | | | 12.23 |

**(c) Distribution paid to unitholders**

The amount paid to unitholders of the fund is payable semi-annually in accordance with the Trust Deed of the Fund. The amount paid in 2017 was N48.56 million comprising N22.41 million for 2016 final dividend and N26.15 million for 2017 interim dividend (2016 interim: N22.41 million).

**21 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. Others are 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 | Units held as at 31-Dec-17 | Units held as at 31-Dec-16 |
|---|---|---|
| Vetiva Capital Management Limited | 105 | - |
| Vetiva Exxon Mobil - ESP | 6,830,000 | - |
| Vetiva Nominees | 238,400 | - |
| Vetiva Securities Limited | 9,127 | 55,101 |
| Vetiva Trustees Limited | 200,000 | - |
| Vetiva Fund Managers Limited | 5,000,000 | 5,000,000 |

No units were held by Key management personnel of the Fund Manager as at 31 December 2017.

**a) *Transactions 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 0.2% of the net asset value of the Fund accrued daily and payable quarterly. Total management fees for the year amounted to N4.62 million (2016: N3.78 million) of which N4.15 million (2016: N3.22 million) has not been paid as at year end.

*ii. Custodian fees*

UBA plc (Global Investors Services) remains the Funds' custodian. Under the custodial service agreement, the custodian fees shall be 10 basis points of the value of the assets under custody. These fees shall be paid out of the Fund. Fees due to the custodian during the year was N2.38 million (2016: N2.31 million)

*iii. Trustee fees*

UTL Trust Management Services Limited remains the Funds' trustees. Under the Trust deed, The Trustee shall be paid an annual fee of 0.1% of the Net Asset Value of the ETF, but subject to a minimum of N900,000, payable semi-annually in arrears. The annual fees shall accrue on a daily basis. Fees due to the Trustees during the year was N2.3million (2016: N1.87million).

**22 Contingencies**

There were no contingent assets and liabilities as at 31 December 2017 (2016: Nil).

**23 Claims and litigations**

There were no claims and litigations as at 31 December 2017 (2016: Nil).

**24 Events after the reporting period**

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

**25 Capital commitments after reporting date**

The Fund had no capital commitments as at 31 December 2017 (2016: Nil)

# OTHER NATIONAL DISCLOSURES

**Other National Disclosures**

**Value added statement**

| *In thousands of Naira* | 31-Dec-17 | % | 31-Dec-16 | % |
|---|---|---|---|---|
| Total revenue | 99,556 | | 89,908 | |
| Net trading loss on financial assets at fair value through profit or loss | (53,209) | | (124,624) | |
| Bought in goods and services- Local | (9,809) | | (8,182) | |
| | 36,538 | | (42,898) | |
| **Applied to pay:** | | | | |
| Government as taxes | 6,358 | 15 | 5,958 | (14) |
| Fund Manager and other parties to the Fund | 9,854 | 24 | 8,454 | (20) |
| (Depletion)/Retained in the Fund to (deplete)/augment reserves | 25,401 | 61 | (57,310) | 134 |
| Value (eroded)/added | 41,613 | 100 | (42,898) | 100 |

**Financial Summary**

The Fund was established in January 2014. Therefore, this is its fourth set of financial statements.

## FOUR-YEAR FINANCIAL SUMMARY
## YEAR ENDED 31 DECEMBER

| | 2017<br>N'000 | 2016<br>N'000 | 2015<br>N'000 | 2014<br>N'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 24,730 | 14,021 | 50,529 | 1,141 |
| Investment securities | 2,686,610 | 1,837,560 | 1,927,823 | 2,357,328 |
| Accounts receivable | 58 | 133 | 512 | 558 |
| Total assets | 2,711,399 | 1,851,714 | 1,978,864 | 2,359,027 |
| Accounts payable | (34,187) | (24,134) | (16,477) | (20,715) |
| Net assets | 2,677,212 | 1,827,580 | 1,962,387 | 2,338,312 |
| Unitholders' funds | 2,677,212 | 1,827,580 | 1,962,387 | 2,338,312 |

**Statement of profit or loss and other comprehensive income**

| | 2017<br>N'000 | 2016<br>N'000 | 2015<br>N'000 | 2014<br>N'000 |
|---|---|---|---|---|
| Interest income | 15,187 | 6,945 | 4,225 | 1,965 |
| Dividend income | 84,369 | 82,963 | 89,438 | 119,593 |
| Other income | 5,074 | - | - | - |
| Net gain/ (loss) from financial assets at fair value through profit or loss | 526 | (783) | - | - |
| Losses on disposal of investment securities | (53,735) | (123,841) | (105,001) | 14,153 |
| **Total revenue** | **51,421** | **(34,716)** | **(11,338)** | **135,711** |
| Other operating expenses | (19,662) | (16,636) | (20,178) | (76,915) |
| **Total expenses** | **(19,662)** | **(16,636)** | **(20,178)** | **(76,915)** |
| **Profit before tax** | **31,759** | **(51,352)** | **(31,516)** | **58,796** |
| Income tax expense | (6,358) | (5,958) | (8,944) | (11,903) |
| **Profit for the year** | **25,401** | **(57,310)** | **(40,460)** | **46,893** |

The financial information provided above reflects historical summary based on International Financial Reporting Standards.