

**Deloitte.**

**VALUALLIANCE VALUE FUND**

ANNUAL REPORTS AND FINANCIAL STATEMENTS  
30 June 2019

**VALUALLIANCE VALUE FUND**

*ANNUAL REPORTS AND FINANCIAL STATEMENTS  
For the year ended 30 June 2019*

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**CORPORATE INFORMATION**

<b>Names of Directors of the Fund Manager</b>	Mr. Richard Kramer (American) – Chairman* Mrs. Eno Atoyebi - Managing Mr. Cyril Odu Mr. Sam Oniovosa**  <i>*resigned effective 30 June 2019</i> <i>** appointed February 7, 2019 subject to no objection from the SEC</i>
<b>Registered office</b>	12th Floor Alliance Place 33A Alfred Rewane Road Ikoyi, Lagos Lagos
<b>Auditors</b>	Deloitte & Touché (Chartered Accountants) Civic Towers Plot GA 1 Ozumba Mbadiwe Avenue Lagos
<b>Bankers</b>	Stanbic IBTC Plc Stanbic IBTC Place Walter Carrington Crescent Victoria Island Lagos
<b>Trustees to the Fund</b>	Leadway Capital and Trust Limited 121/123 Funso Williams Avenue Iponri Lagos
<b>Custodian</b>	Stanbic IBTC Plc Stanbic IBTC Place Walter Carrington Crescent Victoria Island Lagos
<b>Company Secretary</b>	Alsec Nominees Limited St. Nicholas House (10 & 13th floors) Catholic Mission Street Ikoyi, Lagos

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**STATEMENT OF FUND MANAGER'S RESPONSIBILITIES IN RELATION  
TO THE FINANCIAL STATEMENTS**

In accordance with the provision of the Companies and Allied Matters Act CAP C20 LFN 2004, the Fund Manager is responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the Fund and of the profit and loss for the financial year.

The responsibilities include ensuring that:

- (a) appropriate internal controls are established both to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities;
- (b) the Fund keeps accounting records which disclose with reasonable accuracy the financial position of the Fund and which ensure that the financial statements comply with the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004 and the Investment and Securities Act CAP S124 LFN 2007;
- (c) the Fund has used suitable accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed;
- (d) it is appropriate for the financial statements to be prepared on a going concern basis.

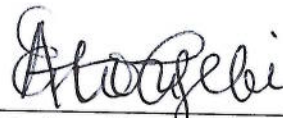
The Fund Manager further accepts responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the Fund Manager determines necessary to enable the preparation of financial statements that are free from material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

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

**SIGNED ON BEHALF OF THE FUND MANAGER BY:**



**Mr. Sam Oniovosa**  
FRC/2013/ICAN/00000004911



**Mrs. Eno Atoyebi**  
FRC/2017/ICAN/00000017680



## VALUALLIANCE VALUE FUND

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### FUND MANAGER'S REPORT

The Fund Manager presents its annual report on the affairs of the ValuAlliance Value Fund together with the audited financial statements for the year ended 30 June 2019.

#### Legal firm and principal activity

The Fund is licensed by the Securities & Exchange Commission and registered as a Collective Investment Scheme.

The principal activity and objective of the Fund is to achieve long-term capital growth by investing in Nigerian equities. The Fund pursues its objective by investing in companies listed on the Exchange, which the Manager considers under-valued, thus enabling Investors gain exposure to a concentrated portfolio of value stocks. The Fund also invests in fixed income securities, money market instruments and unlisted equities.

#### Operating Results

The following is a summary of the Fund's operating results and transfers to reserves for the year ended 30 June 2019.

	2019 #'000	2018 #'000
Net operating (loss)/income before taxation	(242,221)	1,062,388
Withholding tax expense	<u>(16,495)</u>	<u>(18,140)</u>
(Loss)/Profit after taxation transferred to retained earnings	<u>(258,716)</u>	<u>1,044,248</u>

The Fund proposes a distribution of ₦11 per unit for the year ended 30 June 2019. If approved by the unitholders the proposed total distribution for the year will amount to ₦353,064,646.

#### Unit Capital Holdings

The Fund did not purchase its own units during the year. The issued and paid up units of the Fund is currently ₦3,209,678,600 made up of 32,096,786 units of ₦100 each.

#### Analysis of Shareholding:

Unit range analysis as at 30 June 2019	No of subscribers	% Holdings	Number of Holdings
0 - 1,000,000	18	11.45	3,673,859
1,000,000 - 10,000,000	7	88.55	28,422,927
	<u>25</u>	<u>100.00</u>	<u>32,096,786</u>

#### Investment Management

The investment management of the Fund is undertaken by the ValuAlliance Asset Management investment team led by the Chief Investment Officer. The investment process is overseen by a team of experienced members with broad experience of operating in Nigeria. The Investment Committee members are as follows:

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<b>Name</b>	<b>Representing</b>
a) Mr. Richard Kramer*	ValuAlliance Asset Management Limited
b) Mr. Cyril Odu	ValuAlliance Asset Management Limited
c) Mr. Sam Oniovosa	ValuAlliance Asset Management Limited
c) Mr. Femi Akinsanya	Independent Member
d) Mr. Ayodeji Wuraola	Leadway Capital & Trusts Limited
e) Mrs. Eno Atoyebi	ValuAlliance Asset Management Limited

*\*Resigned effective 30 June 2019.*

### **ECONOMIC REVIEW**

#### **Global Review**

The Fund Manager provides a review of the macroeconomic and financial market events that occurred during the period under review (1st July 2018 – 30th June 2019) to provide a context for the performance of the Value Fund.

As at June 2019, the IMF estimates GDP growth rate of 3.2% for 2019. This represents a revision of 50bps from the IMF's October 2018 estimate of 3.7% growth for 2019, highlighting expectations of weakening financial market sentiment, volatile oil prices, trade wars and trade policy uncertainty.

The United States increased its benchmark rate by 25bps to 2% in September and by an additional 25bps to 2.25% and signaled an additional 3 hikes in 2019. The proposed hikes were however paused in response to rising global risks and sluggish inflation, and in July 2019, rates were cut by 25bps to 2%, the first cut since 2008. The rationale for the Fed actions were primarily driven by the need to protect against downside risks that include; weak global growth, international risks (Brexit, trade tensions, etc.) and muted inflationary pressures.

In the Euro area, economic activity for 2019 has been estimated to slow to 1.3% relative to the 1.8% growth recorded in 2018. Factors driving the weaker performance for 2019 include; a slowdown in the Germany's export dependent manufacturing sector as a result of slowing demand for cars, fiscal and political uncertainty in Italy and protests that have disrupted retail sales and weighed on consumption spending in France.

We expect increasing trade tension, geopolitical and domestic strife will remain key risk to global economic growth for the remainder of 2019. Should this be the trend, it could significantly undermine business and financial market sentiment, affecting investment and trade.

#### **Oil Prices**

Oil prices witnessed significant volatility during the period under review, with Brent closing the period at \$67.52/b, a decline of c. 13%. More specifically, oil price was pressured by concerns surrounding global oversupply and softening oil demand, amid high uncertainty about global

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economic growth in H2 2018. This led to a sharp drop in the price of Brent by c. 34.67%. We however witnessed a recovery in prices in Q1 2019 on the back of the re-introduction of OPEC's Declaration of Cooperation actions, limiting output growth for Member Countries & partners like Russia. There however remain uncertainties relating to both demand and supply of crude oil for the rest of 2019.

#### Domestic Review

In the domestic market, the Nigerian National Bureau of Statistics ("NBS") estimated real GDP growth in 2018 at 1.93%. Oil production was stable, with data from OPEC estimating the average crude oil production of Nigeria at c.1.8mb/d during the period under review, ranging between 1.72mb/d and 1.8mb/d. Additionally, external reserves as reported by the Central Bank of Nigeria ("CBN"), closed at c. \$45.06bn in June 2019, down by c.5.69% from June 2018.

The "Investors and Exporters" FX window continues to have a positive impact on foreign exchange liquidity. Total inflow through the window as reported by the FMDQ OTC, was \$35.5bn during the period under review relative to \$30.7bn over the previous period. This reflects a year on year growth of c.15.68%.

Year-on-year headline inflation experienced relative stability ranging between 11.14% and 11.40%. Inflation closed at 11.22% in June 2019, 0.12% lower than 11.23% inflation recorded as at June 2018. Month on Month inflation averaged at 0.86%, ranging between 0.71% to 1.18% during the period under review.

During the period under review, the Monetary Policy Committee ("MPC") voted to reduce the monetary policy rate by 50 bps to 13.50%. The cash reserve ratio and liquidity ratio were however maintained at 22.50% and 30% respectively. Yields on fixed income instruments decreased among the shorter tenured securities but inched up across longer tenured bonds. As reported by the FMDQ OTC, yields for Treasury Bills for 90, 180 and 365 days, closed June 2019 at 11.65%, 12.36% and 12.80% respectively compared to 12.79%, 13.07% and 13.90% a year ago. FGN Bond yields however inched up on the 2, 5 and 10-year tenors closing 30th June 2019 at 13.67%, 14.03% and 14.31% compared 12.61%, 13.51% and 14.00% for the previous period.

The Nigerian Stock Exchange All Share Index ("NSE ASI"), which commenced the period under review at 37,946.92 points, closed at 29,966.87 points, recording a year on year depreciation of 21.71%. All sectors recorded a double-digit negative performance with the industrial, and consumer goods sector indices recording the greatest loss at 45.85% and 32.92% respectively. The listing of MTN Nigeria Communications Plc ("MTNN") in the second quarter of 2019 was a driver of the increase in equity market capitalization by 13.14% to ₦13.206 trillion.

Additionally, the Nigerian Stock Exchange reported total domestic and foreign participation in the equity market for the period at c. N1.8trn, c. 40.88% lower than the previous period's participation of c. N3.2trn. Foreign participation in the equity market was reported at c. N0.89trn, approximately 47.09% of the reported total participation. This also represented a c. 43.43% decrease relative to the previous year.



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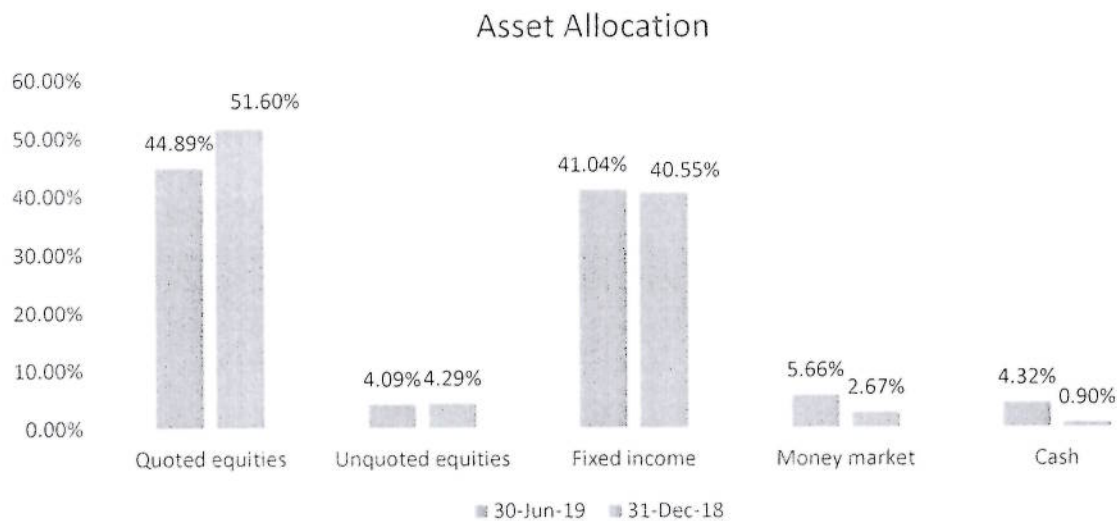
#### The Fund

The ValuAlliance Value Fund ("Value Fund") which commenced operations on the 30th of June 2011 with a Net Asset Value ("NAV") per unit of ₦100 after deductions of the Initial Public Offer expenses, is a closed end collective investment scheme registered and regulated by the Securities & Exchange Commission. The issued and paid up capital of the Fund is ₦3,209,678,600 made up of 32,096,786 units of ₦100 each.

The Value Fund commenced the year under review, its 8<sup>th</sup> financial year, with a NAV per unit of ₦ 171.3081. During the period, a distribution to note holders of ₦13.00/unit was made for the financial year ended 30th June 2018. The NAV per unit of the Value Fund closed at ₦ 149.53 as at 30<sup>th</sup> June 2019 (net of all fees and expenses).

#### Fund Activity

As at 30th June 2019, equity investments accounted for 48.98% of gross asset value. Fixed income securities, money market instruments and cash equivalents accounted for the balance of 51.02% of gross asset value. The chart below summarizes the mix of the portfolio as at 30th June 2019, relative to the previous year:



The fixed income portfolio of the Fund recorded a duration and weighted yield of 1.01 years and 12.82% respectively in comparison to 0.81 years and 13.63% recorded in the previous year. For the equity portfolio, the Fund initiated a position in Dangote Cement Plc based on the Fund Manager's assessment that the company was trading below intrinsic value. The Fund also reduced its exposure to Okomu Oil Palm Plc and Diamond Bank Plc during the period under review. Additionally, following the merger between Access & Diamond Bank, the Fund no longer has an exposure to Diamond Bank Plc.



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**Fund Performance**

The Fund achieved a year on year total return (net of all fees and expenses) of -3.58% in its 8th financial year. The total return is determined by comparing the closing net asset value as at 30th June 2019 (₦152.18) plus distributions made during the year (₦13.00) with the opening net asset value (₦171.32). This performance results in a 121.01% return since inception of the Fund and an 8-year compounded annualized growth ("CAGR") of 10.42%. To date, the Value Fund has made a total distribution of ₦2.209bn (₦68.83/unit).

<b>Financial Year End (5-year)</b>	<b>30-Jun-19</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>	<b>30-Jun-16</b>	<b>30-Jun-15</b>
Opening Net Asset Value (₦'000)	5,498,666	4,846,606	4,071,286	4,337,135	4,883,958
Closing Net Asset Value (₦'000)	4,884,468	5,498,666	4,846,606	4,071,286	4,337,135
Net Income/(Loss) (₦'000)	(258,716)	1,044,248	1,141,399	229,842	(31,715)
Distributions (₦'000) **	353,065	417,258	320,968	320,968	320,968
Net Asset Value/Unit	152.18	171.32	151.00	126.84	135.13
Earnings/Unit	(8.06)	32.53	35.56	7.16	(0.99)
Distribution/Unit**	11.00	13.00	10.00	10.00	10.00
Total Return (Net of fees & expenses)	-3.58%	20.08%	26.93%	1.27%	-4.62%

\*\*Distribution & Distribution/Unit for 30 June 2019 is proposed and subject to shareholders approval

**Conclusion**

In Q2 2019, stable exchange rate, moderate oil prices and sustained domestic production levels supported revenues and the Federal Government's ("FG") finances. Yields on Government securities moderated across all tenors, driven by the slowing inflation rate and sustained demand levels. The interest rate cut by the United States and CBN actions to attract foreign investors (competition among emerging economies for foreign investors) may translate to increased volatility in the domestic yield curve. We additionally note that downside risks to economic activity are becoming more pronounced. Such risks include further reductions in the oil price, low or slow implementation of much needed fiscal policy and stimulus, and insecurity to lives, property, crops and livestock, which may have material implications to business confidence, activity and ultimately the domestic capital markets.

The Fund Manager believes the increased uncertainty will offer attractive entry opportunities in both the listed and unlisted equity markets for long-term value investors and will seek to cautiously take advantage of this by selectively increasing the Fund's equity exposure.

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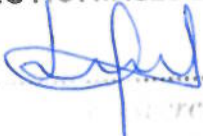
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Additionally, we will continue to review existing holdings of the Fund and will potentially trade out of equity positions that are determined to be trading close to intrinsic value or at a premium to intrinsic value. The Fund will also seek to diversify the fixed income portfolio both from an issue type as well as maturity profile perspective.

#### **Auditors**

The Auditors, Deloitte & Touché, have indicated their willingness to continue in office as auditors. In accordance with Section 357(2) of the Companies and Allied Matters Act CAP C20 LFN 2004, a resolution will be proposed at the Annual General Meeting to authorize the directors to determine their remuneration.

**BY ORDER OF THE BOARD**  
ALSEC NOMINEES LIMITED  
  
.....  
Company Secretary

**ALSEC NOMINEES**  
**Company Secretary**

St Nicholas House  
(10<sup>th</sup> & 13<sup>th</sup> Floors)  
Catholic Mission Street  
Lagos, Nigeria

## VALUALLIANCE VALUE FUND

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#### TRUSTEES' REPORT

For the year ended 30 June, 2019.

#### Principal Activity

The principal activity of this Fund is to achieve long-term capital growth by investing in listed Nigerian equities which the Fund Manager has identified as being undervalued and offering above average growth potential and any other securities as approved by the Securities & Exchange Commission (SEC) from time to time. The Fund may also invest in fixed income securities.

#### Operating Results

The results for the year which are set out on the following pages, have been duly audited in accordance with section 169 (1) of the Investments and Securities Act CAP 124 LFN 2007, Section 354 (1) of the Companies and Allied Matters Act CAP C20 LFN 2004 and the Trust Deed establishing the Fund.

#### Directors

The Directors of ValuAlliance Asset Management Ltd who served during the year under review are:

Mr. Richard Kramer (American)	-	Chairman (Resigned effective June 30, 2019)
Mrs. Eno Atoyebi	-	Managing (Effective June 24, 2019)
Mr. Cyril Odu	-	Director
Mr. Sam Oniovosa	-	Director (Appointed February 7, 2019 subject to no objection from SEC)

#### Responsibilities of the Fund Manager

The Investment and Securities Act, 2007 requires ValuAlliance Asset Management Ltd to keep proper books of account and prepare annual financial statements, which give a true and fair view of the state of affairs of the Fund during the period covered by the financial statements.

ValuAlliance Asset Management Ltd is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any point in time, the financial position of the Fund, and enable ValuAlliance Asset Management Ltd to ensure that the financial statements comply with the Companies & Allied Matters Act, CAP C20, LFN 2004, the Trust Deed, together with the rules and regulations set out by the regulatory bodies established pursuant to the legislation referred to within this paragraph. ValuAlliance Asset Management Ltd is also responsible for taking any reasonable steps for the prevention and detection of fraud and other irregularities.

#### Responsibilities of the Trustees:

The responsibilities of the Trustees as provided by the Securities and Exchange Commission (SEC)'s Rules and Regulations pursuant to the Investment and Securities Act, are as stated below:

- Monitoring activities of ValuAlliance Asset Management Ltd on behalf of and in the interest of unit holders;
- Safe-keeping documents relating to the investments by the Fund;
- Monitoring of the Register of unit holders;
- Ascertaining profitability rationale for investment decision making of ValuAlliance Asset Management Ltd;
- Ascertaining compliance with the provisions of the Trustee Investment Act, CAP T22 LFN 2004, the Investment and Securities Act, 2007, and the Trust Deed by ValuAlliance Asset Management Ltd;
- Ascertaining that monthly and other periodic returns/ reports relating to the Fund are sent by ValuAlliance Asset Management Limited to the Commission.

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Stanbic IBTC Bank Plc was appointed Custodian to the Fund effective July 2011 consequent to new Rules issued by SEC and has since had responsibility for custody of the funds and certain documents relating to investments by the Fund.

**Opinion**

The Trustees are of the opinion that the Fund was administered and managed in line with the provisions of the Trust Deed and the Investment and Securities Act, 2007.

By Order of the Trustees



Leadway Capital & Trusts Limited



## INDEPENDENT AUDITOR'S REPORT

### TO THE UNIT HOLDERS OF VALUALLIANCE VALUE FUND

#### Report on the Financial Statements

##### Opinion

We have audited the accompanying financial statements of **ValuAlliance Value Fund** which comprise Statement of financial position as at **30 June 2019**, the Statement of profit or loss and other comprehensive income, Statement of changes in equity, Statement of cash flows for the year ended, the notes to the financial statements and a summary of significant accounting policies.

In our opinion, the Financial Statements gives a true and fair view of the financial position of **ValuAlliance Value Fund at 30 June 2019** and financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), Companies and Allied Matters Act, CAP C20 LFN 2004, the Investment and Securities Act CAP S124 LFN 2007, and the Financial Reporting Council of Nigeria Act No 6, 2011.

##### Basis for Opinion

We conducted our audit in accordance with the 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 requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audit of financial statements in Nigeria. We have fulfilled our other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Other Information

The Fund Manager are responsible for the other information. The other information comprises the Fund Manager's Report and Trustee's Report, which we obtained prior to the date of the auditor's report. The other information does not include the financial statements and our auditor's 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.

Based on the work we have performed on the other information that we obtained prior to the date of the auditor's report, if we conclude that there is a material misstatement of this information, we are required to report the fact. We have nothing to report in this regard.



## **Responsibility of the Fund Manager for the Financial Statements**

The Fund Manager is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS), Companies and Allied Matters Act, CAP C20 LFN 2004, the Investment and Securities Act CAP S124 LFN 2007, and the Financial Reporting Council of Nigeria Act No 6, 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.

In preparing the financial statements, 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 Fund Manager either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibility For the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and access the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls 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 Fund Manager.
- Conclude on the appropriateness 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 relating 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 Fund's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the 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.

## Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 1\_FN 2004 we expressly state that:

- i. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. The Fund has kept proper books of account, so far as appears from our examination of those books.
- iii. The Fund's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.
- iv. No contravention of any section of the Investment and Securities Act CAP S124 LFN 2007, was brought to our notice during the audit of the financial statements for the year ended 30 June, 2019.



**For: Deloitte & Touche**  
Chartered Accountants  
Lagos, Nigeria  
September, 2019



**Engagement Partner:** Joshua Ojo  
FRC/2013/ICAN/00000000849



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**STATEMENT OF PROFIT OR LOSS**

	Note	30-Jun 2019 N'000	30-Jun 2018 N'000
Interest income	6	294,433	334,014
Dividend income	7	173,825	181,981
Net (loss)/gain from financial instruments at fair value through profit or loss	8	(636,553)	579,745
Other income	9	3,946	51,308
<b>Total revenue</b>		<b>(164,349)</b>	<b>1,147,048</b>
Fund Manager's fees		(50,708)	(53,221)
Trustees fees		(3,550)	(3,726)
Custodian fees		(4,927)	(5,320)
Registrars fees		(483)	(483)
Audit fees		(4,500)	(4,500)
Loss on disposal of Euro Bonds			-
Exchange Loss		(110)	(4,483)
Impairment of financial assets	5.7.2	(5,554)	-
Other operating expenses	10	(8,040)	(11,958)
		<b>(77,872)</b>	<b>(83,691)</b>
Net operating (loss)/income before Fund Manager's incentive fees		(242,221)	1,063,357
Fund Manager's incentive fees	27	-	(969)
Net operating (loss)/income before taxation		(242,221)	1,062,388
Withholding tax expense	11	(16,495)	(18,140)
<b>(Loss)/profit after tax</b>		<b>(258,716)</b>	<b>1,044,248</b>



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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<b>Note</b>	<b>2019 N'000</b>	<b>2018 N'000</b>
<b>(Loss)/ Profit for the year</b>	24	(258,716)	1,044,248
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss in subsequent years:			
Fair value gain/(loss) on unquoted equity investments at FVOCI	17.1	19,191	(37,301)
Fair value gain on fixed income instruments at FVOCI	19.1	42,585	5,308
Items that may be reclassified to profit or loss in subsequent years:			
Cumulative loss reclassified to profit or loss on disposal of available for sale financial assets		-	(39,228)
<b>Other comprehensive income/(loss) net of tax</b>		<b>61,776</b>	<b>(71,221)</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(196,940)</b>	<b>973,027</b>

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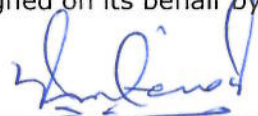
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**STATEMENT OF FINANCIAL POSITION**

	Note	30-Jun 2019 N'000	30-Jun 2018 N'000
<b>ASSETS</b>			
Cash and bank balances	12	12,148	39,404
Due from other financial institutions	13	277,672	144,082
Financial assets at fair value through profit or loss	15	2,202,043	2,939,981
Available-for-sale financial assets - Unquoted Equities	16	-	181,361
Available-for-sale financial assets - Fixed Income Securities	18	-	2,212,599
Financial assets at fair value through other comprehensive income - Unquoted Equities	17	200,552	-
Financial assets at fair value through other comprehensive income - Fixed Income Securities	19	2,013,377	-
Other assets	20	199,706	5,723
<b>TOTAL ASSETS</b>		<b>4,905,498</b>	<b>5,523,150</b>
<b>LIABILITIES</b>			
Payables and accruals	21	21,030	24,484
<b>TOTAL LIABILITIES</b>		<b>21,030</b>	<b>24,484</b>
<b>EQUITY</b>			
Share capital	22	3,209,679	3,209,679
Share premium	22	1,827	1,827
Other reserves	23	70,763	(82)
Retained earnings	24	1,602,199	2,287,242
<b>TOTAL EQUITY</b>		<b>4,884,468</b>	<b>5,498,666</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>4,905,498</b>	<b>5,523,150</b>

The financial statements were approved by the Fund Managers on 26<sup>th</sup> September 2019 and signed on its behalf by:



Samuel Oniovosa  
Director  
FRC/2013/ICAN/00000004911



Eno Atoyebi  
Managing Director  
FRC/2017/ICAN/00000017680

**VALUALLIANCE VALUE FUND**

ANNUAL REPORTS AND FINANCIAL STATEMENTS  
For the year ended 30 June 2019

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Ordinary share capital N'000	Share premium N'000	Available for sale revaluation reserve N'000	Fair Value Reserve N'000	Retained earnings N'000	Total N'000
<b>At 1 July 2017</b>		3,209,679	1,827	71,139	-	1,563,961	4,846,606
Other comprehensive income/(loss) for the year		-	-	(71,221)	-	-	(71,221)
Profit for the year		-	-	-	-	1,044,248	1,044,248
Dividend paid		-	-	-	-	(320,967)	(320,967)
<b>At 30 June 2018 as previously presented</b>		<b>3,209,679</b>	<b>1,827</b>	<b>(82)</b>	<b>-</b>	<b>2,287,242</b>	<b>5,498,666</b>
Impact of change in accounting policy (Note 4)				82	8,987	(9,069)	-
<b>At 1 July 2018 (restated)</b>		<b>3,209,679</b>	<b>1,827</b>	<b>-</b>	<b>8,987</b>	<b>2,278,173</b>	<b>5,498,666</b>
Other comprehensive income for the year		-	-	-	61,776	-	61,776
(Loss) for the year		-	-	-	-	(258,716)	(258,716)
Dividend paid		-	-	-	-	(417,258)	(417,258)
<b>At 30 June 2019</b>		<b>3,209,679</b>	<b>1,827</b>	<b>-</b>	<b>70,763</b>	<b>1,602,199</b>	<b>4,884,468</b>

**VALUALLIANCE VALUE FUND**

*ANNUAL REPORTS AND FINANCIAL STATEMENTS  
For the year ended 30 June 2019*

**STATEMENT OF CASH FLOWS**

	<b>Note</b>	<b>30-Jun 2019 N'000</b>	<b>30-Jun 2018 N'000</b>
<b>Cash flows from operating activities</b>			
Profit for the year		(258,716)	1,044,248
Adjustments for:			
Dividend income	7	(173,825)	(181,981)
Net loss from financial instruments at fair value through profit or loss	8	636,553	(579,745)
		204,012	282,522
Movement in working capital:			
Net (Increase) / decrease in other assets		(193,983)	2,027
Net (decrease) in payables and accruals		(3,454)	(66,273)
Net decrease in financial assets at fair value through profit or loss		101,385	344,935
Net decrease/(increase) in available-for-sale financial assets		2,455,736	(574,412)
Net (increase)/decrease in fair value through other comprehensive income financial assets		(2,213,929)	-
Cash generated from/ (used in) operations		349,768	(11,201)
Dividend received		173,825	181,981
Net cash generated by operating activities		<b>523,592</b>	<b>170,780</b>
<b>Cash flows from financing activities</b>			
Dividend paid	24	(417,258)	(320,967)
Net cash used in financing activities		(417,258)	(320,967)
Net decrease in cash and cash equivalents		106,334	(150,187)
Cash and cash equivalents at start of year		183,485	333,673
	14	<b>289,819</b>	<b>183,486</b>



**NOTES TO THE FINANCIAL STATEMENTS****1 General information**

ValuAlliance Value Fund ('The Fund') (formerly SIM Capital Alliance Value Fund) is a closed-end Unit Trust Scheme established by a Trust Deed dated 6<sup>th</sup> April, 2010 and the supplemental Trust Deeds dated 5<sup>th</sup> February 2013 and 19<sup>th</sup> December 2017. It is under the management of ValuAlliance Asset Management Limited with Leadway Capital and Trusts Limited as the Trustees. It commenced business on 1 July 2011. The units of the Fund are listed on the Nigerian Stock Exchange.

**1.1 Principal activities**

The principal activity of the Fund is to achieve long-term capital growth by investing in listed and unlisted Nigerian equities which the Fund Manager has identified as being undervalued and offering above average growth potential and any other securities as approved by the Securities and Exchange Commission from time to time. The Fund may also invest in fixed income securities.

**1.2 Going concern**

These financial statements have been prepared on a going concern basis. Neither the Trustees nor the Fund manager have any intention or need to reduce substantially the operations of the Fund. The Fund manager and the Trustees believe that the going concern assumption is appropriate for ValuAlliance Value Fund as the Fund's investment objectives are feasible.

**1.3 Asset Allocation**

As at the report date, the Fund's exposure to Zenith Bank Plc stood at 5.29%. This was due to capital appreciation.

In accordance with clause 8.5.8 of the Trust Deed, the Fund Manager notes that the Fund's investment in each security did not exceed 5% of the Fund's value at the time the investment was made.

**2 Basis of preparation****2.1 Statement of Compliance**

The financial report of the Fund is a general purpose financial report which has been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). International Financial Reporting Standards (IFRS) are Standards and Interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were authorized for issue by the Board of Directors of the Fund on 26<sup>th</sup> September 2019.

**NOTES TO THE FINANCIAL STATEMENTS**

**2.2 Basis of Measurement**

The financial statements have been prepared on a historical cost basis, except financial instruments measured at fair value through profit or loss and those measured at fair value through other comprehensive income.

The Fund applies the accrual method of accounting where all income is recognized when earned and all expenses recognized once incurred.

**2.3 Functional and Presentation Currency**

These financial statements are presented in Naira which is the Fund's functional currency. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest thousand.

**2.4 Use of Estimates and Judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that can 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 on-going basis. Revision to accounting estimates are recognized in the period which the estimate is revised and in any future periods affected. Revisions to estimates are recognized prospectively.

**Standards Issued, Adopted and Significant Policies**

**3.1 Standards Adopted**

The accounting standards below have been adopted in preparation of the prospective financial information;

**(a) IFRS 9 Financial instruments**

IFRS 9 Financial Instruments (IFRS 9) replaced the previous standard dealing with the accounting treatment for financial instruments IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) from 1 January 2018.

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

As a result of the adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require:

- impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Under IAS 39, impairment was recognized when losses were incurred.

**NOTES TO THE FINANCIAL STATEMENTS**

- separate presentation in the statement of comprehensive income of interest revenue calculated using the effective interest method.

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

**(b) IFRS 16 Leases**

The standard replaces 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 recognize all rights and obligations arising from leasing arrangements on the 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 with a right of use (ROU) asset together with a liability for the future payments is to be recognized 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 at operating leases or finance leases and accounts for these as it currently does 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 standard is effective for Annual periods beginning on or after 1 January 2019. While the Fund has adopted the standard and opted for the retrospective application, the Fund does not anticipate it would enter into any finance or operating lease contract as a lessor or lessee.

**(c) IFRIC 23 – Uncertainty over income tax treatments**

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined.

The standard is effective for Annual periods beginning on or after 1 January 2019. While the Fund has adopted the standard and opted for the retrospective application, the Fund does not anticipate it would encounter transactions that would give rise to uncertainties over Income tax treatments. See note 11 for details about taxation as it relates to the Fund.



**NOTES TO THE FINANCIAL STATEMENTS****3.2 Significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied by the Fund to all periods presented in the financial report. The Fund has adopted IFRS 9. See Note 4 on the impact of adoption of IFRS 9. There was no impact to the Fund on the adoption of IFRIC 23 and IFRS 16. The accounting policies relating to financial instruments are described below.

**A Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were initially recognized or included in a previous financial report, are recognized in the income statement in the period in which they arise.

Translation differences on non-monetary items, such as derivatives measured at fair value through profit or loss, are reported as part of the fair value gain or loss on these items.

Translation differences on non-monetary items measured at fair value through equity, such as equities classified as fair value through other comprehensive income financial assets, are included in the fair value through other comprehensive income reserve in equity.

**B Interest**

Interest income and expense 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 asset or liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability. 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.

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

Interest income and expense presented in the statement of comprehensive income include:



**NOTES TO THE FINANCIAL STATEMENTS**

- Interest on financial assets measured at amortized cost calculated on an effective interest basis.

**C Fair value changes**

**i Net gains from financial instruments at fair value through profit or loss**

Net gains from financial instruments at fair value through profit or loss comprises gains less losses relating to trading assets and includes all realized and unrealized fair value changes during the year on financial instruments categorized as being at fair value through profit or loss.

**ii Net gains from financial instruments classified as fair value through other comprehensive income**

**D Fees and commission**

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission expense including Fund Manager fees, Trustees fees, Custodian fees, Registrar fees, Fund Manager's incentive fees etc., are recognized as the related services are performed.

**E Dividend distribution**

Dividend distributions are at the discretion of the Fund. A dividend distribution to the Fund's unit holders is accounted for as a deduction from retained earnings. A proposed dividend is recognized as a liability in the period in which it is approved by the annual general meeting of unit holders.

**F Dividend income**

Dividend income is recognized when the right to receive income is established. Usually, this is the ex-dividend date for equity securities. Dividends are reflected as a component of net trading income, net income from other financial instruments at fair value through profit or loss or other operating income based on the underlying classification of the equity investment.

**G Segment information**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Investment committee of the Fund that makes strategic decisions.

**NOTES TO THE FINANCIAL STATEMENTS****H Financial Assets and Financial Liabilities****i Initial recognition and measurement of financial assets**

Financial assets are recognized when the entity becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognized on trade-date, the date on which the Fund commits to purchase or sell the asset.

At initial recognition, Value Fund measures a financial asset at its fair value plus transaction costs (such as fees and commissions) that are incremental and directly attributable to the acquisition or issue of the financial asset (where the financial asset is not at fair value through profit or loss).

Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an Expected Credit Loss Allowance ("ECL") is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI which may result in an accounting loss being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets differ from the transaction price on initial recognition, the entity recognizes the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

**ii De-recognition of financial assets**

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset 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 risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Fund is recognized as a separate asset in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

**iii Classification and initial recognition of financial liabilities**

The Fund will classify all financial liabilities at amortized cost using the effective interest rate method except when specifically designated by the Fund as being at fair value through profit or loss.

Financial liabilities are initially measured at fair value, minus transaction costs, except for those financial liabilities classified as fair value through profit or loss, which are initially recognized at fair value alone (i.e. transaction costs are immediately expensed in the profit or loss).

**iv De-recognition of financial liabilities**

The Fund derecognizes financial liabilities when, and only when its obligations are discharged, cancelled or expire.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

**v Financial assets*****Classification and subsequent measurement***

From 1 July 2018, the Fund has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Amortized cost.
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL);

The classification requirements for debt and equity instruments are described below:

**vi Debt instruments**

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as, government treasury bills and bonds, corporate bonds and trade receivables.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Fund's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative

**NOTES TO THE FINANCIAL STATEMENTS**

gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Based on these factors, the Fund classifies its debt instruments at Fair value through other comprehensive income (FVOCI).

**Business Model:** The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

**Solely payments of principal and interest (SPPI):** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

**vii Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

All equity investments in scope of IFRS 9 are to be measured at fair value in the statement of financial position, with value changes recognized in profit or loss, except for those equity investments for which the entity has elected to present value changes in 'other comprehensive income'. There is no 'cost exception' for unquoted equities.



**NOTES TO THE FINANCIAL STATEMENTS**

Value Fund subsequently measures all equity instruments at fair value through profit or loss, except for unquoted equity instruments where management has elected, at initial recognition, to irrevocably designate at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Fund's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the Net gain/ (loss) on financial instruments at fair value through profit or loss line in the statement of comprehensive income.

**viii Financial liabilities**

***Classification and subsequent measurement***

In future periods, financial liabilities of the Fund will be classified as and subsequently measured at amortized cost.

***Derecognition***

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

**ix Measurement of Expected Credit Losses**

Value Fund assesses on a forward-looking basis the Expected Credit Losses ('ECL') associated with its debt instrument assets carried at FVOCI. The Fund recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

**x** **Presentation of allowance for ECL in the statement of financial position**

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

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

**xi** **Write-off**

Debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Fund determines that the counterparty does not have assets or sources of income that could generate sufficient cash flow to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Fund's procedures for recovery of amounts due.

**xii** **Interest income**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Financial assets that are credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability. 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.

**I** **Provisions**

Provision are recognized if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Fund from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Fund recognizes any impairment loss on the assets associated with that contract.

**NOTES TO THE FINANCIAL STATEMENTS**

Contingent liabilities are possible obligations that arise from past events 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 present obligations that have arisen from past events but are not recognized because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognized in the financial statements but are disclosed unless the probability of settlement is remote.

**J Taxation**

The Fund is domiciled in Nigeria. Under the current income tax laws of Nigeria, the Fund is liable to withholding tax on certain income. Such income or gains are recorded gross of withholding taxes in the statement of profit or loss. Withholding taxes are shown as a separate item in the statement of profit or loss.

**K Payables and accruals**

Accrued expenses are recognized initially at fair value and subsequently stated at amortized cost using the effective interest method.

**3.3 Early adoption of standards**

The Fund did not early adopt any standard.



## NOTES TO THE FINANCIAL STATEMENTS

**4 Changes in accounting policies – IFRS 9**

ValuAlliance Value Fund (or "Fund") has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 July 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Fund did not early adopt IFRS 9 (and any amendments) in previous periods.

As permitted by the transitional provisions of IFRS 9, the Fund elected not to restate comparative information but differences in the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings of the current period. The Fund does not currently apply hedge accounting.

The adoption of IFRS 9 has resulted in changes in the Fund's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Fund:

	Note	Impact of adopting IFRS 9 on opening equity #'000
Increase in impairment allowance (expected credit losses) for debt financial assets at FVOCI	4.3	9,069
Adjustment to retained earnings on 1 July 2018		9,069



**NOTES TO THE FINANCIAL STATEMENTS**

The following tables summarizes the impact, net of tax, of transition to IFRS 9 for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. There was no impact on the statement of cash flows as a result of adopting the new standards.

**4.1 Classification and measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 July 2018 are compared as follows:

	IAS 39 Measurement category	IFRS 9 Measurement category	Carrying amount #’000	Carrying amount #’000
<b>Financial assets</b>				
Cash and bank balances				
	Loans and receivables - Amortized cost	Amortized cost	39,404	39,404
	Loans and receivables - Amortized cost	Amortized cost	144,082	144,082
<b>Due from other financial institution:</b> Placements with Financial Institutions				
	Available for sale FVTPL	FVOCI	181,361	181,361
	Available for sale	FVTPL	2,939,981	2,939,981
	Available for sale	FVOCI	2,212,599	2,212,599
<b>Investment securities:</b> Equity securities (unquoted) Equity securities (quoted) Fixed income securities				
	Loans and receivables - Amortized cost	Amortized cost	5,723	5,723
<b>Other assets:</b> Dividends receivable				

NOTES TO THE FINANCIAL STATEMENTS

**Financial liabilities**

There is no change in the classification and measurement rules of financial liabilities between IAS 39 and IFRS 9, except in the recognition of fair value gains or losses due to changes in the Fund's own credit risk for financial liabilities measured at fair value through profit or loss. The Fund does not have any financial liabilities measured at fair value through profit or loss, hence no impact on adoption of the new Standard.

**4.2 Reconciliation of statement of financial position balances from IAS 39 to IFRS 9**

The Fund performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 July 2018:

	IAS 39 carrying amount #'000	Reclassifi- cations #'000	IFRS 9 carrying amount #'000
<b>Loans and receivables (IAS 39) / Financial assets at amortized cost (IFRS 9)</b>			
Cash and bank balances	39,404	-	39,404
Due from other financial institutions:	144,082	-	144,082
<b>Total financial assets measured at amortized cost</b>	<b>183,486</b>	<b>-</b>	<b>183,486</b>
<b>Fair value through profit or loss (FVTPL)</b>			
Equity securities (quoted)	2,939,981	-	2,939,981
<b>Total financial assets measured at FVTPL</b>	<b>2,939,981</b>	<b>-</b>	<b>2,939,981</b>
<b>Available for sale (IAS 39) / Financial assets at fair value through OCI (IFRS 9)</b>			
Fixed income securities	-	2,212,599	2,212,599
Equity securities (unquoted)	-	181,361	181,361
<b>Total financial assets measured at FVOCI</b>	<b>-</b>	<b>2,393,961</b>	<b>2,393,961</b>

## NOTES TO THE FINANCIAL STATEMENTS

The Fund has applied the irrevocable option to measure unquoted equity securities at fair value through other comprehensive income. This implies that fair value changes cannot be recycled to profit or loss but can be transferred within equity.

**Reclassification from retired categories with no change in measurement**

Some instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

- (i) Those previously classified as available for sale are now classified as measured at fair value through other comprehensive income (FVOCI); and
- (ii) Those previously classified as loans and receivables are now classified as measured at amortized cost. No financial assets and liabilities were reclassified to the amortized cost category from the fair value category as part of the transition to IFRS 9.

**4.3****Reconciliation of impairment allowance balance from IAS 39 to IFRS 9**

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 July 2018:

Measurement category	Impairment allowance under IAS 39	Remeasurement	Impairment allowance - IFRS 9
<b>Financial assets at fair value through other comprehensive income (IFRS 9)</b>			
Fixed income securities	-	9,069	9,069
<b>Total</b>	-	9,069	9,069



**NOTES TO THE FINANCIAL STATEMENTS****5 Financial risk**

This note presents information about Value Fund's exposure to risks and how they are mitigated. The following are the key risks the Fund is exposed to:

- i) Credit risk
- ii) Liquidity risk
- iii) Market risk
- iv) Interest rate risk
- iv) Operational risk

**Risk Management Framework**

The Fund's investment portfolio comprises listed and unlisted equity and debt securities including government issued bonds and treasury bills.

**5.1 Credit risk**

Credit 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 repurchase agreements. For risk management reporting purposes, the Fund considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

**(i) Management of credit risk**

Value Fund's policy on credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the credit standards set out in the Fund's investment strategy document. The Fund's exposure to the corporate bonds sector will be restricted to investment grade issues. High yield issues will be considered provided sufficient compensation for additional risk is obtainable. Overall, the Fund will not allocate more than 10% of the portfolio to any one issuer.

Credit risk is monitored on a weekly basis by the investment manager in accordance with policies and procedures in place. The balances held in instruments that are exposed to credit risk are measured against the asset value of the portfolio to ensure it is within the limits. If it is found to be outside of the limit, steps are taken to bring the holding in line with policy. In addition, on an annual basis, credit rating of the financial institutions the Fund invests in, is monitored on a regular basis by the investment committee. Where the credit risk is not in accordance with the investment policy or guidelines of the Fund, the investment manager is obliged to rebalance the portfolio within 30 to 90 days of each determination that the portfolio is not in compliance with the stated investment parameters.

**(ii) Exposure to credit risk**

The Fund's maximum credit risk exposure at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

**5.1.1 Credit quality analysis****Credit risk grading**

For debt securities in the Fund, external rating agency credit grades are used. These published grades are continuously monitored and updated. The Probability of Default (PD) associated with each grade are determined based on realized default rates over the prior 12 months, as published by the rating agency.

## NOTES TO THE FINANCIAL STATEMENTS

**Credit rating of counterparty/obligor**

Counterparties are subject to the Fund's internal rating process as part of its credit approval and review process. All risk ratings for counterparties are reviewed and validated periodically to ensure relevance to business realities. External ratings may also be obtained where such is available. There were no changes to the risk rating process in the financial year.

The credit quality of the debt securities that are neither past due nor impaired is detailed below:

	<b>30-Jun 2019</b>	<b>30-Jun 2018</b>
	#'000	#'000
Counterparties with international credit rating (S&P, Fitch, Moody's)		
Investment grade (AAA to BBB-)	1,689,819	1,861,937
Others (BB+, BB, BB-, B+, B, B-)	323,558	350,662
	<b>2,013,377</b>	<b>2,212,599</b>
Total unimpaired nor past due debt securities	2,013,377	2,212,599
Past due but not impaired	-	-
<b>Total debt securities</b>	<b>2,013,377</b>	<b>2,212,599</b>



**NOTES TO THE FINANCIAL STATEMENTS**

**5.1.2 Expected credit loss measurement**

From 1 July 2018, in accordance with IFRS 9, Value Fund records the allowance for expected credit losses for all debt securities not classified as held at FTVPL. Equity instruments are not subject to impairment under IFRS9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss. The Fund's policies for determining if there has been a significant increase in credit risk are set out in Note 5.1.2.2.

The 12-month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both Life time ECL and 12 months ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying financial instruments.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by Value Fund.
- If a Significant Increase in Credit Risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 5.1.2.1 for a description of how Value Fund determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 5.1.2.1 for a description of how Value Fund defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 5.1.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 5.1.2.4 includes an explanation of how Value Fund has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Further explanation is also provided of how the Fund determines appropriate groupings when ECL is measured on a collective basis.

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets).

**Change in credit quality since initial recognition**

<b>Stage 1</b> (initial recognition)	<b>Stage 2</b> (Significant increase in credit risk since initial recognition)	<b>Stage 3</b> (Credit-impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses



**NOTES TO THE FINANCIAL STATEMENTS****5.1.2.1 Significant increase in credit risk**

Value Fund considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following qualitative or backstop criteria have been met:

**Qualitative criteria:****Forward transitions: Credit Ratings**

Value Fund allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of counterparty. Notch differences between the current rating grade and initial rating grade can be indicative of significant increase in credit risks.

The Fund specifies that a two-notch deterioration in speculative grade and a deterioration in investment grade to speculative grade will be viewed as a significant increase in credit risk since origination. Assuming an instrument is currently classified as Stage 1, if the current credit rating for speculative deteriorates by two or more notches and deteriorates from investment grade to speculative grade since origination, the instrument is classified as Stage 2. An instrument that is non-performing is classified as Stage 3.

**Forward transitions: Classification**

Transition to various stages is based on its classification of performing, watch list, substandard, doubtful and lost. The table below summarizes the Stage classification based on the days past due.

Stage	Days Past Due
1	0 to 30
2	30 to 90
3	90+

**Forward transitions: Restructure**

All debt securities that have been restructured or the term extended, are assumed to have significantly increased credit risk since origination and are thus classified as Stage 2, if not already classified as Stage 2 or Stage 3. Thus, all accounts flagged as forbearance are classified as Stage 2. However, if the Fund has evidence that not all of these accounts' credit risk has significantly increased since initial recognition, then these accounts can be re-classified as Stage 1.

**5.1.2.2 Definition of default**

Value Fund considers a financial asset to be in default which is fully aligned with the credit-impaired, when it meets one or more of the following criteria:

**Quantitative criteria**

The counterparty is more than 90 days past due on its contractual payments.

**NOTES TO THE FINANCIAL STATEMENTS****Qualitative criteria**

The counterparty meets unlikeliness to pay criteria, which indicates the counterparty is in significant financial difficulty. These are instances where:

- The counterparty is in long-term forbearance
- The counterparty is deceased
- The counterparty is insolvent
- The counterparty is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the counterparty's financial difficulty
- It is becoming probable that the counterparty will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by Value Fund and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout Value Fund's expected loss calculations.

**5.1.2.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques**

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a counterparty defaulting on its financial obligation (as per "definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the instrument.
- EAD is based on the amounts Value Fund expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents Value Fund's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

**12-month PD**

The 12-month PDs utilized are aligned to the credit ratings generated by the Fitch credit rating system, which is derived by dividing the number of accounts that have defaulted by the total number of accounts, for each obligor rating. For the purpose



**NOTES TO THE FINANCIAL STATEMENTS**

of this model and in order to apply the point-in-time estimates, a macro-economic adjustment is applied to account for differences in the current economic conditions and those underlying the PDs.

As IFRS 9 requires PDs to allow for macro-economic expectations as at the reporting date, the PDs were adjusted to allow for macro-economic forecasts.

**Lifetime PD**

Lifetime PD curves are required to calculate expected credit losses for Stage 2 accounts. The Lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile should ordinarily look at how defaults develop from the point of initial recognition throughout the lifetime of the securities. It should be based on historical observed data. Alternatively, lifetime PD curves can be obtained from external credit rating agencies. Lifetime PD's from Fitch's "2016 Annual Global Corporate Transition and Default Study" have been used in the Fund's "ECL" model.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by instrument.

For amortizing debt instruments products, this is based on the contractual repayments owed by the counterparty over a 12-month or lifetime basis.

The LGDs were estimated based on Moody's recovery rate for senior secured bonds. The LGD determined from Moody's recovery rate was deemed to be the average LGD. For the downturn scenario, the Fund's LGDs are transformed through the use of the Federal Reserve Formula:  $\text{Downturn LGD} = 0.92 \times \text{Average LGD} + 0.08$

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 5.1.2.4 for an explanation of forward- looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation (such as how the maturity profile of the PDs and how collateral values change etc.) are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

**5.1.2.4 Forward-looking information incorporated in the ECL models**

The assessment of Significant increase in Credit Risk ("SICR") and the calculation of ECL both incorporate forward-looking information. Value Fund has performed historical analysis and identified a key economic variable impacting credit risk and expected credit losses for its investment securities. The economic variable used is GDP growth rate.

The economic variable and its associated impact on the PD, EAD and LGD vary by financial instrument. Judgment has also been applied in this process.



**NOTES TO THE FINANCIAL STATEMENTS**

The assessment of SICR is performed using qualitative and backstop indicators (see note 5.1.2.1). This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, Value Fund measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

**Economic variable assumptions**

The most significant period-end assumptions used for the ECL estimate as at 30 June 2019 are set out below. The scenarios "base", "optimistic" and "downturn" were used for the Fund.

		2019	2020	2021	2022	2023
GDP growth rate	Base	1.90	2.20	3.20	3.30	3.40
	Optimistic	2.40	2.70	3.70	3.80	3.90
	Downturn	1.40	1.70	2.70	2.80	2.90

\*Source: The Economist Intelligence Unit (EIU)

**NOTES TO THE FINANCIAL STATEMENTS**

**5.2**

**Liquidity risk**

Liquidity risk is the risk that a financial instrument cannot be purchased or sold without a significant concession in price because of the market's potential inability to efficiently accommodate the desired trading size.

**Management of liquidity risk**

The Fund's policy and the investment manager's approach to managing liquidity is to ensure the Fund uses position limits to ensure that the Fund is not overly exposed to any single security particularly those considered to be illiquid.

**Maturity analysis for financial liabilities**

The following are the contractual maturities of financial liabilities, including estimated interest payments.

In thousands of Naira	Carrying amount	(outflow)	Gross nominal inflow/ outflow	Less than 1 month	3 months	3 months to 1 year
<b>30-Jun-19</b>						
Balances due to:						
Fund Parties	15,392	-		15,392	-	-
Other payables	5,637	-		5,637	-	-
	<b>21,029</b>	-	-	<b>21,029</b>	-	-

In thousands of Naira	Carrying amount	(outflow)	Gross nominal inflow/ outflow	Less than 1 month	3 months	3 months to 1 year
<b>30-Jun-18</b>						
Balances due to						
Fund Parties	17,275	-		17,275	-	-
Other payables	7,209	-		7,209	-	-
	<b>24,484</b>	-	-	<b>24,484</b>	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

**5.3 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/issuer's credit standing) will affect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**Management of market risk**

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The Fund's market positions are monitored on a regular basis by the Investment Committee.

**5.4 Interest rate risk**

The Fund is exposed to the risk that the fair value or future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates.

The distribution of the Fund's Fixed income portfolio is shown below:

Tenor	2019		2018	
	% of Net Assets	Weighted Yield (%)	% of Net Assets	Weighted Yield (%)
< 1 Year	29.65%	14.12%	31.42%	13.45%
1 - 3 Years	5.47%	9.87%	5.72%	11.49%
> 3 Years	6.10%	7.84%	3.10%	7.23%
	<b>41.22%</b>		<b>40.24%</b>	

**5.5 Equity price risk**

The Fund's policy for concentration of its investment portfolio profile is as follows:

Equity investments listed on the Nigerian stock exchange  
Unlisted equity investments

Up to 85% of net assets  
Up to 20% of net assets

The internal procedures require the investment manager to manage price risk on a daily basis. The Fund's policy requires price risk to be monitored on a regular basis by the Investment Committee.



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No exposure to any individual issuer or to any single sector exceeded 10% and 35% respectively of the net assets attributable to the unit holders.

Where the price risk is not in accordance with the investment policy or guidelines of the Fund, the Portfolio manager is required to rebalance the portfolio within 60 days of the determination of such occurrence.

The following table sets out concentration of the investment assets and liabilities of the Fund

	2019 % of net assets	2018 % of net assets
Equity investments:		
Quoted equity investments	45.08%	53.47%
Unlisted equity investments	4.11%	3.30%
Total equity investments	49.19%	56.77%
Total debt securities	41.22%	40.24%
Total investment assets	90.41%	97.00%
Total investment liabilities	(0.00)	(0.00)

**NOTES TO THE FINANCIAL STATEMENTS**

The investment manager further monitors concentration of risk based on counterparties and industries. The Fund's equity investments are concentrated in the following industries:

	<b>2019</b>	<b>2018</b>
	<b>% of</b>	<b>% of</b>
	<b>Total</b>	<b>Total</b>
	<b>Assets</b>	<b>Assets</b>
Banking sector	23.94%	29.62%
Building materials	0.02%	0.00%
Oil & Gas	6.07%	6.92%
Breweries	0.00%	0.00%
Conglomerates	0.87%	1.63%
Food and beverages	4.09%	3.28%
Real Estate	0.00%	0.00%
Road transport	0.00%	0.00%
Insurance	7.69%	5.50%
Foreign listing	0.00%	0.00%
Maritime	0.00%	0.00%
Agric	6.30%	9.56%
Telecommunications	0.00%	0.00%
Others	0.00%	0.00%
	<b>48.98%</b>	<b>56.51%</b>

No impairment losses have been recognized for the years presented relating to listed equities classified as fair value through profit or loss and unlisted equities investments classified as fair value through other comprehensive income investments. For more information see note 17 on fair value through other comprehensive income investments.

At 30 June 2019, it is estimated that an increase of 10% in value of unquoted equity investments would result in an immediate credit to other comprehensive income of N20.05million, while a decrease of 10% in the value of unquoted equity investments would result to an immediate charge to other comprehensive income of N20.05 million.

It is also estimated that at 30 June 2019 an increase of 10% in quoted equity prices would result in an immediate credit to Profit or loss of N220.2million, while a decrease of 10% in quoted equity prices would result to an immediate charge to Profit or loss of N220.2million.

**5.6 Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior.

**NOTES TO THE FINANCIAL STATEMENTS**

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Investment Committee. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- Requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- Contingency plans;
- Ethical and business standards; and
- Risk mitigation, including insurance if this is effective.

The Fund Manager's and Investment Committee's assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via ad-hoc discussions with the service providers.

**5.7 Credit risk exposure**

**5.7.1 Maximum exposure to credit risk – Financial instruments subject to impairment**

For ECL purposes, the Fund's debt securities are segmented into sub-portfolios as listed below:

- Fixed income securities
- Bank balances
- Due from financial institutions

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents Value Fund's maximum exposure to credit risk on these assets.

	<b>Fixed income securities</b>					<b>30 Dec 2018</b>
	<b>30 June 2019</b>					
<b>ECL staging</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Purchased credit-impaired</b>	<b>Total</b>	<b>Total</b>
	12-month ECL	Lifetime ECL	Lifetime ECL			
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
<b>Credit grade</b>						
Investment grade	1,689,819	-	-	-	1,689,819	-
Speculative grade	323,558	-	-	-	323,558	-
<b>Carrying amount</b>	<b>2,013,377</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,013,377</b>	<b>-</b>
<b>Loss allowance</b>	<b>(14,623)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,623)</b>	<b>-</b>



**NOTES TO THE FINANCIAL STATEMENTS**

**5.7.2 Loss allowance**

Loss allowance is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impact on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

## NOTES TO THE FINANCIAL STATEMENTS

The following tables explain the changes in the loss allowance between the beginning and the end of the current period due to these factors:

Investment securities	Stage 1	Stage 2	Stage 3	Total
	12-	Lifetime	Lifetime	
	month	ECL	ECL	
	ECL			
	₦'000	₦'000	₦'000	₦'000
Eurobonds	9,065	-	-	9,065
Treasury bills	-	-	-	-
Federal Government of Nigeria Bonds	-	-	-	-
Lagos State Government Bond	4	-	-	4
<b>Loss allowance as at 1 July 2018</b>	<b>9,069</b>	<b>-</b>	<b>-</b>	<b>9,069</b>
<b>Movements with P&amp;L impact</b>				
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-
Changes to model assumptions and methodologies	-	-	-	-
Changes in forward looking information	5,554	-	-	5,554
Modification of contractual cash flows of financial assets	-	-	-	-
Unwind of discount <sup>(a)</sup>	-	-	-	-
FX and other movements	-	-	-	-
<b>Total net P&amp;L charge during the Year</b>	<b>5,554</b>	<b>-</b>	<b>-</b>	<b>5,554</b>
<b>Other movements with no P&amp;L impact</b>				
Transfers:				
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Financial assets derecognized during the period	-	-	-	-
Write-offs	-	-	-	-
<b>Loss allowance as at 30 June 2019</b>	<b>14,623</b>	<b>-</b>	<b>-</b>	<b>14,623</b>

### 5.7.3 Write-off policy

Value Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where Value Fund's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

There were no assets written off during the year ended 30 June 2019.

## NOTES TO THE FINANCIAL STATEMENTS

	<b>30-Jun 2019 #'000</b>	<b>30-Jun 2018 #'000</b>
<b>6 Interest income</b>		
Interest on bonds	96,390	89,714
Interest on treasury bills	194,316	232,101
Interest on short term placements	3,727	12,199
<b>Interest income</b>	<b>294,433</b>	<b>334,014</b>
<b>7 Dividend income</b>		
Listed securities	170,082	163,367
Unlisted securities	3,743	18,614
<b>Total dividend income</b>	<b>173,825</b>	<b>181,981</b>
<b>8 (Loss) from financial instruments at fair value through profit or loss</b>		
Access Bank Plc	(78,252)	21,342
Continental Reinsurance Plc	42,228	58,732
Custodian & Allied Plc	31,043	42,474
Dangote Cement Plc	(42)	-
Diamond Bank Plc	21,587	4,512
FCMB Plc	(8,250)	13,950
FBN Holdings Plc	(79,269)	82,597
Fidelity Bank	(31,176)	51,441
Guaranty Trust Bank Plc	(56,219)	42,016
Okomu Oil Palm	(77,219)	105,569
Presco Plc	(72,994)	6,347
Seplat Petroleum Dev. Co. Plc	(45,000)	69,375
Stanbic IBTC Holdings	(46,365)	89,067
Total Nigeria Plc	(39,540)	(46,130)
UAC of Nigeria Plc	(47,209)	(48,493)
UBA Plc	(81,700)	33,060
Zenith Bank Plc	(68,177)	53,886
<b>Net fair value changes</b>	<b>(636,553)</b>	<b>579,745</b>
<b>9 Other Income</b>		
Gain on disposal of available for sale financial assets	-	39,228
Gain on disposal of fair value through profit or loss asset	3,946	12,080
<b>Total</b>	<b>3,946</b>	<b>51,308</b>



## NOTES TO THE FINANCIAL STATEMENTS

	<b>30-Jun 2019 #’000</b>	<b>30-Jun 2018 #’000</b>
<b>10 Other operating expenses</b>		
Listing fees to Nigerian Stock Exchange	1,072	1,072
Domiciliary and other fees to CSCS	447	447
VAT on fees	3,184	3,338
Brokerage Fees	239	1,467
Stamp Duties	72	268
NSE & CSCS Fees	571	2,142
Sitting Allowance	400	200
Dividend Payment Expense	235	288
Nominees Fees - MTN	-	157
Audit Recoverable Expenses	195	171
AGM Related Cost	971	741
Facts behind the Figures Expenses	632	-
Bank Charges	22	1,667
	<b>8,040</b>	<b>11,958</b>
<b>11 Withholding Tax expense</b>		
Withholding Tax on interest income earned	262	514
Withholding Tax on dividend income earned	16,233	17,626
<b>Total tax expense</b>	<b>16,495</b>	<b>18,140</b>
<b>12 Bank balances</b>		
Bank balance	12,148	39,404
Bank balance of the Fund represents balance in the Call account with Stanbic IBTC Bank Plc which qualify for recognition as cash & cash equivalents in accordance with IAS 7. The Call account is an interest earning account with Stanbic IBTC Bank Plc.		
	<b>30-Jun 2019 #’000</b>	<b>30-Jun 2018 #’000</b>
<b>13 Due from other financial institutions</b>		
Union Bank Plc	-	144,082
Stanbic IBTC Bank Plc	277,672	-
	<b>277,672</b>	<b>144,082</b>

This amount represents monies placed in various Nigerian banks. The tenors of the placements vary between 30 to 90 days and at different rates.

## NOTES TO THE FINANCIAL STATEMENTS

	<b>30-Jun 2019 #'000</b>	<b>30-Jun 2018 #'000</b>
<b>14 Cash and cash equivalent</b>		
Bank balance	12,147	39,404
Due from other financial institutions	277,672	144,082
	<b>289,819</b>	<b>183,486</b>
<b>15 Financial assets at fair value through profit or loss</b>		
Investment in quoted equity instruments:		
Access Bank Plc	153,926	210,367
Continental Reinsurance Company Plc	175,338	133,110
Custodian & Allied Plc	201,945	170,902
Dangote Cement	959	-
Diamond Bank	-	33,955
FCMB Plc	24,450	32,700
FBN Holdings Plc	128,201	207,471
Fidelity Bank	88,332	119,509
Guaranty Trust Bank Plc	243,368	299,587
Okomu Oil Palm	143,964	289,835
Presco Plc	165,029	238,023
Seplat	198,750	243,750
Stanbic IBTC Holdings	158,824	205,189
Total	98,850	138,390
UACN Plc	42,713	89,922
UBA	117,800	199,500
Zenith Bank Plc	259,594	327,771
<b>Total</b>	<b>2,202,043</b>	<b>2,939,981</b>

Quoted equity securities are securities that are traded on the Nigerian Stock Exchange. These securities which were identified as undervalued with an above growth potential when purchased, are carried at fair value with fair value changes recorded in the statement of profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

	<b>30-Jun 2019 N'000</b>	<b>30-Jun 2018 N'000</b>
<b>16 Financial assets available for sale – Unquoted Equity Securities</b>		
Investment in unquoted equity securities:		
MTN Nigeria linked notes	-	-
Friesland Campina WAMCO Nigeria Plc	-	181,361
<b>Total</b>	<b>-</b>	<b>181,361</b>

Unquoted equity securities were classified as available for sale. Differences in fair valuation of available-for-sale securities were reported in the investments revaluation reserve.

Unquoted equity securities were carried at fair value as required by IAS 39. Fair value is determined as the latest transaction price at which the most recent trade on the Over-the-Counter platform was carried out. The Fund Manager believes this captures the fair value of these holdings at the reporting date.

<b>16.1 Gain or losses on financial assets classified as available for sale (AFS)</b>		
Opening balance for AFS financial assets – Unquoted equities	181,361	437,381
Additions /(sales) during the year	-	(179,491)
Transfer from AFS to FVOCI – note 17.1	(181,361)	-
Net gain/(loss) on revaluation of AFS	-	(76,529)
<b>Fair value of unquoted equity investments at year end</b>	<b>-</b>	<b>181,361</b>

<b>17 Financial assets classified as fair value through other comprehensive income (FVOCI) - Unquoted Equity Securities</b>		
Investment in unquoted equity securities:		
Friesland Campina WAMCO Nigeria Plc	200,552	-
<b>Total</b>	<b>200,552</b>	<b>-</b>

Unquoted equity securities are classified as financial assets classified as fair value through other comprehensive income. Differences in fair valuation of financial assets classified as fair value through other comprehensive income securities are reported in the fair value through other comprehensive income reserve.

Unquoted equity securities are carried at fair value as required by IFRS 9. Fair value is determined as the latest transaction price at which the most recent trade on the Over the Counter platform was carried out. The Fund Manager believes this captures the fair value of these holdings at the reporting date.



## NOTES TO THE FINANCIAL STATEMENTS

**17.1 Gain or losses on financial assets classified as fair value through other comprehensive income**

	<b>30-Jun 2019 N'000</b>	<b>30-Jun 2018 N'000</b>
Transfer from financial assets available for sale – note 16.1	181,361	-
Additions /(Sales) during the year	-	-
Net gain/(loss) arising on revaluation of available-for-sale financial assets - Unquoted Equities	19,191	-
Cumulative (gain)/loss reclassified to profit or loss on sale of available for sale financial assets	-	-
<b>Fair value of unquoted equity investments at year end</b>	<b>200,552</b>	<b>-</b>

**18 Financial Assets available for sale - Fixed Income Securities**

Eurobonds	-	350,662
Treasury bills	-	1,433,931
Federal Government of Nigeria Bonds	-	360,851
Lagos State Government Bonds 7 years (14.5%)	-	67,155
<b>Total</b>	<b>-</b>	<b>2,212,599</b>

Fair Value Through Other Comprehensive Income - Fixed Income Securities of the Fund as at the reporting date consist of Treasury bills issued by the Federal Government of Nigeria as short-term debt instruments and Bonds. The Treasury bills are discounted debt securities purchased through licensed institutions (majorly banks). The interest earned on the treasury bills are tax free and payable upfront in form of discount on the bills. The Treasury Bills bought from the primary and secondary markets have tenors of 365 days or less.

The Fund holds bonds issued by Federal Government of Nigeria, Lagos State Government and Eurobonds issued by Nigerian Corporates. Coupon for all bonds held by the Fund are paid bi-annually. While principal for the FGN Bonds and Eurobonds held by the Fund is to be repaid at maturity, the Lagos State Government Bond is an amortizing bond, with a portion of principal repaid semi-annually.

**18.1 Gain or losses on financial assets classified as available for sale (AFS)**

Opening balance for AFS financial assets – Fixed income securities	2,212,599	1,453,388
Additions /(sales) during the year	-	753,903
Net fair value change during the year	-	5,308
Transfer of Assets to FVTOCI	(2,212,599)	
<b>Fair value through OCI - Fixed Income Securities</b>	<b>-</b>	<b>2,212,599</b>

## NOTES TO THE FINANCIAL STATEMENTS

<b>19</b>	<b>Financial assets at fair value through other comprehensive income - Fixed Income Securities</b>		
	Eurobonds	323,558	-
	Treasury bills	1,335,525	-
	Federal Government of Nigeria Bonds	330,170	-
	Lagos State Government Bonds 7 years (14.5%)	24,124	-
		<b>2,013,377</b>	<b>-</b>
<b>19.1</b>	<b>Gain or losses on financial assets classified as fair value through other Comprehensive Income</b>		
	Opening balance for unquoted equity investments	2,212,599	-
	Additions /(sales) during the year	(241,807)	-
	Net fair value change during the year	(42,585)	-
	<b>Fair value of assets at year end - Fixed Income Securities</b>	<b>2,013,377</b>	<b>-</b>
<b>20</b>	<b>Other assets</b>		
	Dividend receivable from: Stanbic IBTC Holdings	5,327	-
	Dividend receivable from: Seplat	-	5,723
	Interest and Principal Receivable from: Federal Government of Nigeria Bonds	194,379	-
		<b>199,706</b>	<b>5,723</b>
<b>21</b>	<b>Payables &amp; accruals</b>		
	Due to Fund Manager	12,382	13,860
	Trustee fees payable	1,737	1,951
	Custody fees payable	1,273	1,464
	Audit fees	4,500	4,500
	VAT on fees payable	994	1,089
	Unclaimed dividend	144	-
	Incentive fee payable	-	1,620
		<b>21,029</b>	<b>24,484</b>

These account balances represent fees payable to entities that rendered various services to the Fund during the year. They are unpaid portion of cost of services rendered. The fees are computed monthly. The fee due to the Trustees is payable semi-annually while that of the Fund Manager is payable quarterly. The Custodian Fees is payable monthly based on the term of the safe custody agreement. Financial liabilities of the Fund are measured at amortized cost except when specifically designated as being at fair value through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

	<b>30-Jun 2019 N'000</b>	<b>30-Jun 2018 N'000</b>
<b>22 Share capital</b>		
<b>Authorized, issued and fully paid:</b>		
32,096,786 units of N100 each	3,209,679	3,209,679
Premium on issue of units	1,827	1,827
<b>Net proceeds from sale of units</b>	<b>3,211,506</b>	<b>3,211,506</b>
<b>23 AFS Revaluation Reserves</b>		
At 1 July	(82)	71,139
Net (loss) arising on revaluation of available-for-sale financial assets - Unquoted Equities		(37,301)
Net gain arising on revaluation of available-for-sale financial assets - Fixed Income Securities		5,308
Cumulative loss reclassified to profit or loss on sale of available		(39,228)
<b>Transfer to Fair Value Through Other Comprehensive Income Reserves</b>	<b>82</b>	
<b>At 30 June</b>	<b>-</b>	<b>(82)</b>
<b>Fair Value Through Other Comprehensive Income Reserves</b>		
Transfer from AFS Reserves	(82)	-
Opening impairment adjustment - note 4	9,069	-
Net gain arising on revaluation of FVOCI assets - Unquoted Equities - note 17.1	19,191	-
Net gain arising on revaluation of FVOCI - Fixed Income Securities - note 19.1	42,585	-
	<b>70,763</b>	<b>-</b>
<b>24 Retained earnings</b>		
At 1 July	2,287,242	1,563,961
Opening impairment adjustment	(9,069)	-
(Loss)/profit for the year	(258,716)	1,044,248
Dividend payment during the year	(417,258)	(320,967)
<b>At 30 June</b>	<b>1,602,199</b>	<b>2,287,242</b>
<b>25 Tax matters for Unitholders' attention</b>		
The Fund Manager reported in the Financial Statements for year-end June 2017 regarding the full scale tax audit exercise of the Fund's financial records from 2013 to 2015. The Fund Manager is still in consultation with the FIRS through the tax consultants.		



**NOTES TO THE FINANCIAL STATEMENTS**

Due to this uncertainty, it is unclear the extent of tax liability, if any, the Fund may be exposed to, as this will be based on the determination of the appropriate tax framework for CIS. Consequently, no provision has been made in these financial statements.

**26 Use of estimates and judgments****(a) Key sources of estimation uncertainty****(i) Determining fair values**

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

**(b) Critical accounting judgments in applying the Fund's accounting policies****(i) Valuation of financial instruments**

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

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument.
- 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 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 for which all significant inputs are directly or indirectly observable from market data.
- 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 instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which 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 or obtains market values of the assets in OTC markets. Valuation techniques include net present value and discounted cash flow models, and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premier used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length. The Fund uses widely recognized valuation models for determining the fair value of common and more simple financial instruments that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity investments.

## NOTES TO THE FINANCIAL STATEMENTS

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

For more complex instruments the Fund uses proprietary valuation models, which usually are developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain over the counter securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and selection of appropriate discount rates. 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 categorized:

	Level1	Level2	Level3	Total
30-Jun-19				
<b>Financial assets at fair value</b>				
Equity investments	2,202,043	200,552	-	2,402,595
Debt Instruments	2,013,377	-	-	2,013,377
	<b>4,215,420</b>	<b>200,552</b>	-	<b>4,415,972</b>
<b>Financial liabilities at fair value</b>				
Securities sold short	-	-	-	-
	-	-	-	-
<i>In thousands of Naira</i>				
30-Jun-18				
<b>Financial assets at fair value</b>				
Equity investments	2,939,981	181,361	-	3,121,342
Debt Instruments	2,212,599	-	-	2,212,599
	<b>5,152,580</b>	<b>181,361</b>	-	<b>5,333,942</b>
<b>Financial liabilities at fair value</b>				
Securities sold short	-	-	-	-
	-	-	-	-



## NOTES TO THE FINANCIAL STATEMENTS

	<b>30-Jun 2019 N'000</b>	<b>30-Jun 2018 N'000</b>
<b>27 Fund Manager's incentive fees</b>		
Opening net asset	5,498,666	4,846,606
Closing NAV before incentive fees	4,884,468	5,499,635
Dividend paid during year	417,258	320,967
Growth in NAV (%)	-3.58%	20.10%
Excess above 20%	0.00%	0.10%
Return in excess of 20% benchmark (₺)	-	4,847
Incentive fee due to the Fund Manager	-	969
Incentive fee charged to profit or loss	-	969
<b>Closing net asset after incentive fee (audited)</b>	<b>4,884,468</b>	<b>5,498,666</b>

The Fund Manager is entitled to an incentive fee of 20% of the total return in excess of 20% of the Fund's net asset value per annum. Total return is determined based on growth in NAV. For the FYE June 2019, no incentive fee was earned by the fund manager.



## NOTES TO THE FINANCIAL STATEMENTS

## 28 Segment information

The Investment Committee of the Fund manager makes the strategic resource allocations on behalf of the Fund.

The Committee considers the business along the lines of asset classes stated in the Trust Deed, which are managed by the investment manager. These classes are cash represented by call deposit; money market securities represented by due from other financial institutions and loans and receivable; fixed income securities measured at fair value through other comprehensive income; unquoted equities measured at fair value through other comprehensive income and quoted equities measured at fair value through profit or loss.

The reportable operating segments derive their income by seeking investments to achieve targeted returns commensurate with an acceptable level of risk within each portfolio. These returns consist of interest, dividends and gains on the appreciation in the value of investments.

The segment information for the reportable segments is as follows

## For the year ended 30 June 2019

	Cash		Money Market		Fixed Income		Unquoted Equities		Quoted Equities		Total	
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Interest income	2,616	1,111	290,706	-	-	-	-	-	-	-	-	294,433
Dividend Income	-	-	-	-	-	3,743	-	170,082	-	-	-	173,825
Fair value gain/(loss)	-	-	42,585	-	-	19,191	-	(636,553)	-	-	-	(574,778)
Transaction cost	-	-	-	-	-	-	-	(904)	-	-	-	(904)
Withholding taxes	(262)	(0)	-	-	-	(374)	-	(15,859)	-	-	-	(16,495)
<b>Total net segment income</b>	<b>2,354</b>	<b>1,111</b>	<b>333,291</b>	<b>22,559</b>	<b>(483,234)</b>	<b>22,552</b>	<b>2,202,043</b>	<b>4,705,792</b>	<b>(123,919)</b>	<b>-</b>	<b>-</b>	<b>4,705,792</b>
Total segment assets	12,148	277,672	2,013,377	200,552	-	-	-	-	-	-	-	-
Total segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-

**VALUALLIANCE VALUE FUND**

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**NOTES TO THE FINANCIAL STATEMENTS**

Segment Information (Continued)

**For the year ended 30 June 2018**

	Cash	Money Market	Fixed Income	Unquoted Equities	Quoted Equities	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Interest income	1,275	10,924	321,815	-	-	334,014
Dividend Income	-	-	-	18,614	163,367	181,981
Fair value gain/loss	-	-	5,308	(76,529)	579,745	508,524
Transaction cost	-	-	-	-	(5,544)	(5,544)
Withholding taxes	(127)	(387)	-	(1,289)	(16,337)	(18,140)
<b>Total net segment income</b>	<b>1,148</b>	<b>10,537</b>	<b>327,123</b>	<b>(59,204)</b>	<b>721,231</b>	<b>1,000,835</b>
Total segment assets	39,404	144,082	2,212,599	181,361	2,939,981	5,517,427
Total segment liabilities	-	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

**29 Segment information (Continued)**

There were no transactions between reportable segments.

The Fund's Management fees and other administrative expenses are not considered to be segment expenses.

A reconciliation of total net segmental income to net operating profit/ (loss) is provided as follows.

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Net segment income	(123,919)	1,000,835
Other income	3,946	51,308
Fair value gain/loss from fair value through other comprehensive income	(60,871)	71,221
Other fees and expenses	(77,872)	(79,116)
<b>Operating profit/(loss)</b>	<b>(258,716)</b>	<b>1,044,248</b>

The Fund's other asset are not considered to be segment assets and are managed by the administration function.

Reportable segments' assets are reconciled to total assets as follows.

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Segment assets for reportable segments	4,705,792	5,517,427
Other assets	199,706	5,723
<b>Total assets</b>	<b>4,905,498</b>	<b>5,523,150</b>

The Fund's accrual and payables are not considered to be segment liabilities.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Segment liabilities for reportable segments:		
Accruals and payables	21,030	24,484
<b>Total accrual and payables</b>	<b>21,030</b>	<b>24,484</b>

The Fund is domiciled in Nigeria. All of the Fund's income from investments is from entities incorporated in Nigeria.



**NOTES TO THE FINANCIAL STATEMENTS****30 Related parties and other key contracts**

A number of transactions were entered into with related parties of the Fund in the normal course of business. The volume of related-party transactions and outstanding balances at the year-end are as follows:

**Fund manager and other parties**

The Fund is managed by ValuAlliance Asset Management Limited formerly SIM Capital Alliance Limited, an investment management company incorporated in Nigeria, to implement the investment strategy as specified in the prospectus. Under the Trust deed, the Fund Manager receives a management fee at an annual rate of 1% of the net asset value of the Fund. In addition, the Fund Manager earns an incentive fee of 20% of the excess of return for the year over 20% (see note 27).

The Trustees, Leadway Capital and Trusts Limited, under the Trust deed receives 0.07% of net asset value of the Fund per annum as Trustees' fee.

Under the safe custody agreement, the Custodian, Stanbic IBTC Bank Plc, receives a fee of 0.125% of the value of securities in its custody if the value of securities is between Nil and N5 billion; a fee of 0.10% if the value of securities is between N5 billion and N10 billion and a fee of 0.075% if the value of securities exceeds N10 billion.

The fees earned by the Fund Manager and other parties to the Fund during the year are disclosed on the face of the statement of profit or loss. The amount payable as at the end of year on these fees to these related parties are disclosed in note 21.

**Unit holding**

One of the requirements of the Securities and Exchange Commission of Nigeria, regarding collective investment schemes is for the Fund manager to invest 5% of the offer size. ValuAlliance Asset Management Limited complied with this law by virtue of its investment in the Value Fund.

Stanbic IBTC Pension Managers Limited is an investor in the Value Fund, whilst Stanbic IBTC Bank Plc provides custodian and banking services to the Value Fund.

**31 Events after the end of the reporting period**

Subsequent to the end of the reporting period, the Fund manager proposed a dividend of ₦11 each on the 32,096,786 units of N100 each issued capital as at 30 June 2019. There are no other post balance sheet events that required disclosure in these financial statements.

**32 Approval of financial statements**

The financial statements were approved by the board of directors of the Fund Manager and authorized for issue on 26<sup>th</sup> September 2019.