

Deloitte.

VALUALLIANCE VALUE FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

30 June 2020

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CORPORATE INFORMATION

Names of Directors of the Fund Manager	Mr. Samuel Oniovosa - Director Dr. Okechukwu Enelamah - Director Mrs. Eno Atoyebi - Managing Director
Registered office	12th Floor Alliance Place 33A Alfred Rewane Road Ikoyi Lagos
Auditors	Deloitte & Touché (Chartered Accountants) Civic Towers Plot GA 1 Ozumba Mbadiwe Avenue Lagos
Bankers	Stanbic IBTC Plc. Stanbic IBTC Place Walter Carrington Crescent Victoria Island Lagos
Trustee to the Fund	Leadway Capital and Trust Limited 121/123 Funsho Williams Avenue Iponri Lagos
Custodian	Stanbic IBTC Plc. Stanbic IBTC Place Walter Carrington Crescent Victoria Island Lagos
Company Secretary	Alsec Nominees Limited St. Nicholas House (10 & 13th floors) Catholic Mission Street Ikoyi, Lagos

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

In accordance with the provision of the Companies and Allied Matters Act, 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.

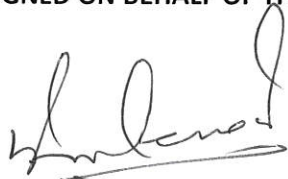
The responsibilities include ensuring that:

- (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 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/0000004911



Mrs. Eno Atoyebi
FRC/2017/ICAN/00000017680

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 2020.

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 Nigerian Stock Exchange, which the Manager considers undervalued, 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 2020.

	2020 ₦'000	2019 ₦'000
Net operating income/(loss) before taxation	70,242	(242,221)
Withholding tax expense	<u>(19,938)</u>	<u>(16,495)</u>
Profit/(Loss) after taxation transferred to retained earnings	<u>50,304</u>	<u>(258,716)</u>

The Fund proposes a distribution of ₦10 per unit for the year ended 30 June 2020. If approved by unitholders, the proposed total distribution for the year will amount to ₦320,967,860.

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 32,096,786 units of ₦100 each.

Analysis of Shareholding:**Unit range analysis as at 30 June 2020**

	No of subscribers	% Holdings	Number of Holdings
1 - 1,000,000	17	11.45	3,673,859
1,000,001 - 10,000,000	7	88.55	<u>28,422,927</u>
	<u>24</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:

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

*Deceased – 17 September 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 2019 to 30th June 2020) to provide a context for the performance of the Value Fund.

The financial year began with the US-China trade war and Brexit dominating headlines. In advanced economies, weakening global growth, risks from trade wars and the imminent Brexit saw monetary authorities take actions to sustain economic expansion. By July 2019, the US Fed had announced a 25bps “insurance” cut to its benchmark rate, while in the Euro area, expectation of lower growth and muted inflationary pressure meant there was no end in sight to the European Central Bank’s ultra-accommodative monetary policy. Towards the end of 2019, US-China relations improved and by January 2020, the US-China Phase-One deal was signed. Nevertheless, the International Monetary Fund (IMF) estimated that in 2019, the global economy recorded its lowest level of growth since the financial crisis, growing at 2.9%. The US Fed ended up announcing two additional rate cuts in H2 2019.

With trade tensions easing and the eventual agreement of a Brexit deal, 2020 began with an expectation of stronger growth with the IMF’s 2020 global economic growth estimate at 3.3%. Optimism very quickly gave way to fear and panic as the COVID-19 outbreak spread globally and governments took restrictive measures to curb its spread. International and domestic travel were restricted, and, in many countries, lockdown measures were adopted. These led to expectations of slower economic growth and by June 2020, the IMF’s 2020 global growth estimate had declined to -4.9%.

In response to the current and potential impacts of key risks including trade tensions and COVID-19, monetary policy became broadly and incrementally accommodative. The US Fed cut its benchmark rate twice in March 2020 to effectively 0% and has so far maintained the rate at this level. Additionally, quantitative easing programs have been deployed across advanced markets including the US and the Euro area.

While COVID-19 remains the paramount risk factor to global and domestic economies, towards the end of the financial year, we saw sentiments improve as economies increasingly reopened. There remains no clear cure or treatment for COVID-19, and while progress is being made on potential vaccines, the trajectory of the outbreak and governments’ responses will continue to have immense impacts on global growth. We expect monetary and fiscal authorities to continue to embrace expansionary measures to cushion and ultimately reverse the economic impacts of COVID-19.

Oil Prices

Brent closed at \$41.64/barrel on 30th June 2020, a decline of c.38.32% from 30th June 2019; driven mostly by price movements in the second half of the period. The impact of slower economic activity, and consequently lower oil demand was temporarily worsened by the brief Saudi-Russia Oil price war at the end of Q1 2020 (Brent closed at \$14.85/barrel on 31st March 2020). While there has been subsequent improvement in demand, and supply also curtailed by organic cuts and the eventually agreed OPEC+ oil production deal, concerns around global economic recovery and oil demand portend a dim outlook for oil prices for the rest of the year.

Domestic Review

The domestic economy grew by 2.27% in 2019 but has since suffered the harsh impacts of COVID-19. As at Q2 2020, annual GDP growth had declined to -6.10%, with reduction in oil production due to lower demand and OPEC cuts playing a key role. Foreign reserves closed at c. \$36.19bn in June 2020, down by c.20% from June 2019, despite the Federal Government's receipt of a \$3.5billion loan from the IMF in Q2 2020. The fall in oil demand and prices, coupled with a significant decline in capital flows contributed to the fall in foreign reserves. Lower oil and non-oil receipts in H1 2020 have significantly increased the need for government borrowing, which is expected to rise significantly over 2020.

The Investors and Exporters FX window experienced a significant reduction in activity during the financial year as capital flows and CBN interventions all but dried up in Q2 2020. Total inflow through the window over the Value Fund's financial year was \$26.53bn, a decline of c.25.27% relative to the previous financial year. More markedly, total inflow in Q2 2020 stood at just \$1.7bn, from \$10.2bn and \$7.7bn in Q1 2020 and Q4 2019 respectively. Consequently, the Naira has come under increased exchange rate pressure. As at 30th June 2020, while the CBN official rate had been devalued by 15% over the first half of 2020 to close at ₦360/\$1, the IEFX rate had depreciated by 5.2% to close at ₦386.50/\$1 and the parallel market rate had declined by 21% to close at ₦460/\$1. In a bid to converge the multiple official FX windows, the CBN further devalued its official exchange rate to ₦381/\$1 in July 2020.

Annual headline inflation increased from 11.22% as at June 2019 to 12.56% in June 2020, with average month on month inflation at 0.86% during the period under review. Continued closure of land borders from August 2019, increased food demand as lockdowns were implemented, as well as exchange rate pressures contributed to rising inflation over the period.

In response to rising inflation, risks to growth, and exchange rate pressures, the CBN took a few policy decisions. In October 2019, to drive more investment in the real sector, the CBN announced a ban on non-bank domestic investors from participating in the primary and secondary OMO Bill markets. The sudden policy change had and continues to have an impact on supply of money market and fixed income assets as affected investors seek alternatives to OMO bills.

During the period under review, the CBN introduced a higher minimum Loan to Deposit Ratio (LDR) requirement for Deposit Money Banks, first at 60% by September 2019 and then 65% by December 2019 to improve the supply of credit to the real sector. It has since retained the 65% LDR requirement. Also, in January 2020, the Monetary Policy Committee (MPC) increased the Cash Reserve Ratio for banks from 22.50% to 27.50% to address inflation concerns.

In response to COVID-19, the CBN introduced a few expansionary interventions, including reducing interest rates on intervention loans from 9% to 5%, and in May 2020, voted to reduce the monetary policy rate by 100 bps to 12.50%. The CBN continues to communicate a pro-growth stance, especially considering current circumstances.

Yields on fixed income instruments drastically declined over the period as domestic investors sought alternatives to OMO bills after years of being participants in the OMO bill market. Yields on 1, 2, 5 and 10-year government securities declined from 12.80%, 13.67%, 14.03% and 14.31% as at 30th June 2019 to 2.96%, 4.84%, 7.35% and 10.97% as at 30th June 2020.

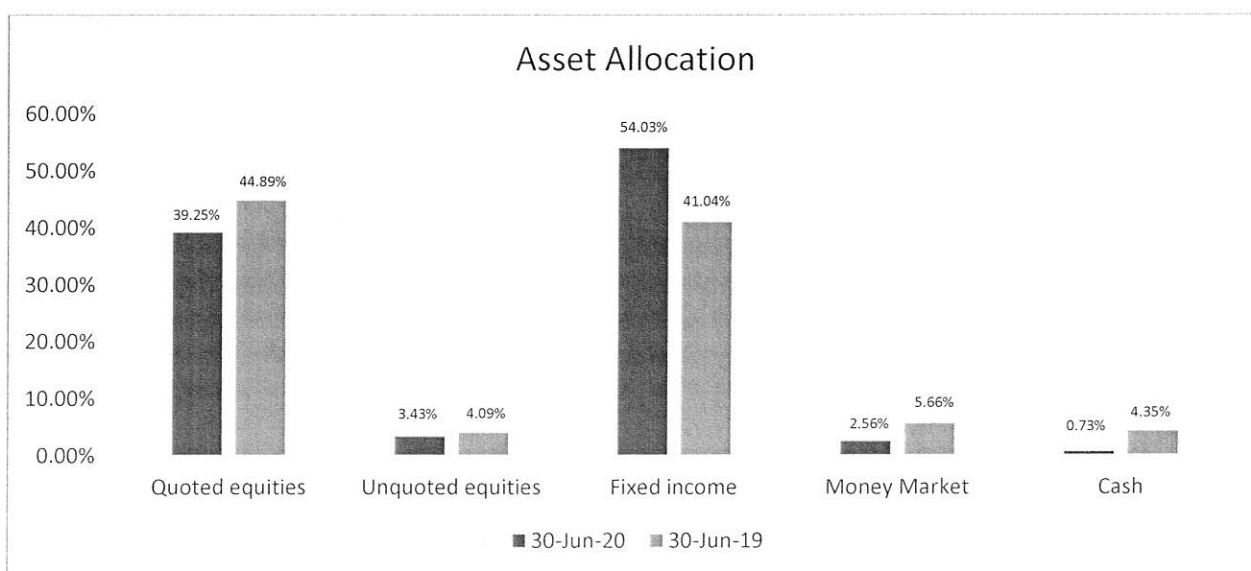
The Nigerian Stock Exchange All Share Index (“NSE ASI”) recorded a decline of 18.31% over the period to close at 24,479.22 points on 30th June 2020. Lower oil prices, exchange rate pressures, poorer macroeconomic and business outlook, and a general flight to safety were some of the factors that drove bearish sentiments over the period. The NSE ASI however recorded a growth of 14.92% in the last quarter of the financial year (Q2 2020), reflecting improvement in investor sentiments.

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 ₦3,209,678,600.00, made up of 32,096,786 units of ₦100 each. The Value Fund commenced the year under review, its 9th financial year, with an NAV per unit of ₦152.18. During the period, a distribution of ₦11.00/unit was made to unitholders for the financial year ended 30th June 2019. The NAV per unit of the Value Fund closed at ₦145.49 as at 30th June 2020 (net of all fees and expenses).

Fund Activity

As at 30th June 2020, equity investments accounted for 42.68% of gross asset value. Fixed income securities, money market instruments and cash equivalents accounted for the balance of 57.32%. The chart below summarizes the mix of the portfolio as at 30th June 2020, relative to the prior year.



As at 30th June 2020, the fixed income portfolio of the Fund had a duration and weighted yield of 0.99 years and 8.76% respectively relative to 1.01 years and 12.82% at 30th June 2019. The Fund Manager increased its exposure to Dangote Cement Plc as it considered the entity to be trading below intrinsic value at the time. The Fund took advantage of the turmoil in financial markets at the end of Q1 2020 to increase its exposure to FGN Eurobonds at a higher yield. The general fall in equity prices and rise in domestic currency fixed income prices during the period contributed to the significant jump in the Fund’s fixed income allocation by the end of the financial year. The Fund Manager expects that a recovery in equity prices and investment in new equity and money market investments will bring fixed income allocation below 50%. As at 31st August 2020, the fixed income allocation had declined to c.50.30%.

VALUALLIANCE VALUE FUND

Annual Report and Financial Statements
For the year ended 30 June 2020

Fund Performance

The Fund achieved a year on year total return (net of all fees and expenses) of 2.83% in its 9th financial year. The total return is determined by comparing the closing net asset value as at 30th June 2020 (₦145.49) plus distributions made during the year (₦11.00) with the opening net asset value (₦152.18). This performance results in a 125.32% return since inception of the Fund and a 9-year Internal Rate of Return ("IRR") of 12.06%. To date, the Value Fund has made a total distribution of ₦2.562bn (₦79.83/unit).

Financial Year End (5-year)	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16
Opening Net Asset Value (₦'000)	4,884,468	5,498,666	4,846,606	4,071,286	4,337,135
Closing Net Asset Value (₦'000)	4,669,613	4,884,468	5,498,666	4,846,606	4,071,286
Net Income/(Loss) (₦'000)	50,304	(258,716)	1,044,248	1,141,399	229,842
Distributions (₦'000)	320,968	353,065	417,258	320,968	320,968
Net Asset Value/Unit (₦)	145.49	152.18	171.32	151.00	126.84
Earnings/Unit (₦)	1.57	(8.06)	32.53	35.56	7.16
Distribution/Unit (₦)	10.00	11.00	13.00	10.00	10.00
Total Return (Net of fees & expenses)	2.83%	-3.58%	20.08%	26.93%	1.27%

Conclusion

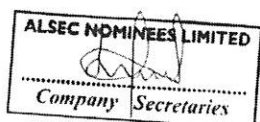
As the Value Fund enters its 10th financial year, COVID-19 remains a key theme in the global operating environment. While governments across the world continue to ease restrictive measures and pursue much needed economic recovery, the possibility of a resurgence in COVID-19 cases, trade tensions, slower-than-expected pace of economic recovery and weak recovery in oil demand present significant risks. In the domestic economy, a host of issues, including rising inflation, negative real fixed income yields, exchange rate pressure, soaring government debt, insecurity and regulatory risks pose an additional challenge to investors.

The Fund Manager expects that global and domestic uncertainties will, at certain points, present attractive investment opportunities in the equities and fixed income markets. Noting the uncertain operating environment, the Fund Manager will cautiously take advantage of equity opportunities by selectively increasing the Fund's equity exposure while trading out of opportunities that are determined to be trading close to, or at a premium to intrinsic value. The Fund Manager will also seek to improve fixed income returns by investing in attractive foreign currency opportunities while ensuring that the Fund remains flexible enough to profitably navigate the evolving domestic fixed income market.

Auditors

The Auditors, Deloitte & Touché, have indicated their willingness to continue in office as auditors. In accordance with the Companies and Allied Matters Act, 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
Company Secretary

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

TRUSTEE'S REPORT

The Trustee presents their annual report for the year ended 30 June 2020.

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, Companies and Allied Matters Act and the Trust Deed establishing the Fund.

Directors:

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

Mrs. Eno Atoyebi	-	Managing Director
Mr. Cyril Odu	-	Director (deceased 17 September 2019)
Mr. Samuel Oniovosa	-	Director
Dr. Okechukwu Enelamah	-	Director (appointed effective 08 November 2019)

DIRCTORS INTEREST IN THE UNITS OF THE FUND

There is no Director of ValuAlliance Asset Management Limited who served during the year under review that has direct interest in the units of the Fund.

Responsibilities of the Trustee:

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

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 UNITHOLDERS OF VALUALLIANCE VALUE FUND Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **ValuAlliance Value Fund** which comprise the statement of financial position as at **30 June 2020**, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year ended **30 June 2020** and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of **ValuAlliance Value Fund as at 30 June 2020** and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. We have determined that there are no such matters to report in relation to our audit of the financial statements of the current year.

Other Information

The Fund Manager and Trustees are responsible for the other information. The other information comprises the Fund Manager and Trustee's Report which we obtained prior to the date of this 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 this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Fund Manager for the Financial Statements

The Fund Manager is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, Financial Reporting Council Act, 2011 and for such internal control as the Fund Manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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 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 2020.

Yodetayo

For: Deloitte & Touché
Chartered Accountants
Lagos, Nigeria
25 September, 2020



Engagement Partner: Yetunde Odetayo, FCA
FRC/2013/ICAN/00000000823

STATEMENT OF PROFIT OR LOSS

	Note	30-Jun 2020 N'000	30-Jun 2019 N'000
Interest income	6	261,145	294,433
Dividend income	7	196,842	173,825
Net (loss) from financial instruments at fair value through profit or loss	8	(305,792)	(636,553)
Other income	9	62,442	3,946
Total revenue		214,637	(164,349)
Fund Manager fees		(46,802)	(50,708)
Trustee fees		(3,285)	(3,550)
Custodian fees		(4,632)	(4,927)
Registrar fees		(483)	(483)
Audit fees		(4,500)	(4,500)
Exchange loss		(333)	(110)
Impairment of financial assets	5.6.2	(77,085)	(5,554)
Other operating expenses	10	(7,275)	(8,040)
		(144,395)	(77,872)
Net operating income / (loss) before Fund Manager's incentive fees		70,242	(242,221)
Fund Manager's incentive fees	25	-	-
Net operating income/(loss) before taxation		70,242	(242,221)
Withholding tax expense	11	(19,938)	(16,495)
Profit/(loss) after tax		50,304	(258,716)

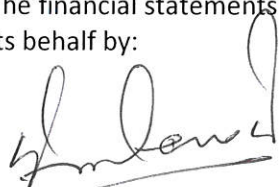
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2020 N'000	2019 N'000
Profit / (loss) for the year		50,304	(258,716)
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent years:			
Fair value gain/(loss) on unquoted equity investments at FVOCI	16.1	(39,835)	19,191
Fair value gain on fixed income instruments at FVOCI	17.1	127,741	42,585
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		-	-
Other comprehensive income net of tax		87,906	61,775
Total comprehensive income/(loss) for the year		138,210	(196,940)

STATEMENT OF FINANCIAL POSITION

	Note	30-Jun 2020 N'000	30-Jun 2019 N'000
ASSETS			
Cash and bank balances	12	29,692	12,148
Due from other financial institutions	13	120,145	277,672
Financial assets at fair value through profit or loss	15	1,840,787	2,202,043
Financial assets at fair value through other comprehensive income - Unquoted Equities	16	160,717	200,552
Financial assets at fair value through other comprehensive income - Fixed Income Securities	17	2,534,224	2,013,377
Other assets	18	4,558	199,706
TOTAL ASSETS		4,690,123	4,905,498
LIABILITIES			
Payables and accruals	19	20,510	21,030
TOTAL LIABILITIES		20,510	21,030
EQUITY			
Share capital	20	3,209,679	3,209,679
Share premium	20	1,827	1,827
Other reserves	21	158,669	70,763
Retained earnings	22	1,299,438	1,602,199
TOTAL EQUITY		4,669,613	4,884,468
TOTAL LIABILITIES & EQUITY		4,690,123	4,905,498

The financial statements were approved by the Fund Managers on 22nd September 2020 and signed on its behalf by:



Samuel Oniovosa
Director

FRC/2013/ICAN/00000004911



Eno Atoyebi
Managing Director

FRC/2017/ICAN/00000017680

Additionally, certified by:



Agbolade Matuluko
Head of Finance

FRC/2020/ICAN/00000020937

STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary share capital N'000	Share premium N'000	Fair Value Reserve N'000	Retained earnings N'000	Total N'000
Balance at 1 July 2018		3,209,679	1,827	8,987	2,278,173	5,498,666
Other comprehensive income for the year	21	-	-	61,776	-	61,776
Profit for the year	22	-	-	-	(258,716)	(258,716)
Dividend paid	22	-	-	-	(417,258)	(417,258)
Balance as at 30 June 2019		3,209,679	1,827	70,763	1,602,199	4,884,468
Balance as at 1 July 2019		3,209,679	1,827	70,763	1,602,199	4,884,468
Other comprehensive income for the year	21	-	-	87,906	-	87,906
Profit for the year	22	-	-	-	50,304	50,304
Dividend paid	22	-	-	-	(353,065)	(353,065)
Balance as at 30 June 2020		3,209,679	1,827	158,669	1,299,438	4,669,613

STATEMENT OF CASH FLOWS

	Note	30-Jun 2020 N'000	30-Jun 2019 N'000
Cash flows from operating activities			
Profit for the year	22	50,304	(258,716)
Adjustments for:			
Dividend income	7	(196,842)	(173,825)
Net loss from financial instruments at fair value through profit or loss	8	305,792	636,553
		159,254	204,012
Movement in working capital:			
Net decrease / (increase) in other assets		195,148	(193,983)
Net (decrease) in payables and accruals		(520)	(3,454)
Net decrease in financial assets at fair value through profit or loss		55,464	101,385
Net decrease in available-for-sale financial assets		-	2,455,736
Net (increase) in fair value through other comprehensive income financial assets		(393,875)	(2,213,929)
Cash generated from operations		15,471	349,768
Dividend received		197,611	173,825
Net cash generated by operating activities		213,082	523,593
Cash flows from financing activities			
Distribution made to Unitholders	22	(353,065)	(417,258)
Net cash used in financing activities		(353,065)	(417,258)
Net (increase) / decrease in cash and cash equivalents		(139,983)	106,335
Cash and cash equivalents at start of year		289,820	183,485
Cash and cash equivalents at end of year	14	149,837	289,820

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 7th July, 2010 and the supplemental Trust Deeds dated 5th February 2013 and 19th December 2017. It is under the management of ValuAlliance Asset Management Limited with Leadway Capital and Trusts Limited as the Trustee. 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 Trustee nor the Fund manager have any intention or need to reduce substantially the operations of the Fund. The Fund manager and the Trustee 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 was not exposed to shares of a Company that exceeded one twentieth (5%) of the total value of the Fund.

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.

Due to price appreciation of fixed income securities held by the Fund as well as diminution in prices of equity securities held by the Fund, the Fund's allocation to Fixed Income securities marginally exceeded its maximum allocation for the asset class.

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 22nd September 2020.

2.2 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except financial instruments 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.

NOTES TO THE FINANCIAL STATEMENTS**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 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.

3 Standards Issued, Adopted and Significant Policies**3.1 Standards Adopted**

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

(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 recognised when losses were incurred.
- 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 recognise all rights and obligations arising from leasing arrangements on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

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 recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lessor accounting requirements in IAS 17 has not changed substantially in terms of this standard as a result a lessor continues to classify its leases 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 recognise 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 & 23 for details about taxation as it relates to the Fund.

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 and to all periods presented in the financial report. The Fund has adopted IFRS 9 and the prior year audited financial statement (for the year ended 30 June 2019) has details 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.

NOTES TO THE FINANCIAL STATEMENTS

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:

- Interest on financial assets measured at amortised 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

Net gains from financial assets classified as fair value through other comprehensive income comprises gains less losses relating to unrealized fair value changes during the year from unquoted equity investments. This is reported under the other comprehensive income and accumulated under the heading of other reserves

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, Trustee fees, Custodian fees, Registrar fees, Fund Manager's incentive fees etc., are recognized as the related services are performed.

E Distributions

Distributions are at the discretion of the Fund. A distribution to the Fund's unit holders is accounted for as a deduction from retained earnings. A proposed distribution 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. Dividend income is stated on the face of the profit or loss statement.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 differs from the transaction price on initial recognition, the Fund 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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:

- Amortised 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 derecognised, the cumulative 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

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

viii Financial liabilities**Classification and subsequent measurement**

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

Derecognition

Financial liabilities are derecognised 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;

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 amortised cost: as a deduction from the gross carrying amount of the assets;

Debt instruments measured at FVOCI: as a deduction from the gross carrying amount of the assets;

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).

NOTES TO THE FINANCIAL STATEMENTS

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 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with other financial institutions, other short-term, highly liquid investments with original terms to maturity of less than six months that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

J 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.

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.

K 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.

L Payables and Accruals

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

NOTES TO THE FINANCIAL STATEMENTS

4 Standards, Amendments and Interpretations Issued and Effective but not Adopted

The following new or revised standards, amendments and interpretations were effective for the period beginning 01 January 2019.

Standard/ Interpretation	Summary of Requirements	Assessment of impact on Financial statements
Amendments to IAS 1 and IAS 8; Definition of Material	<p>The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.</p> <p>The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments</p> <p>"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."</p> <p>The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.</p>	The Fund Manager of the Fund do not anticipate that the application of the amendments in the future will have an impact on the Fund's financial statements.
Amendments to IFRS 9, IAS 39 and IFRS 7; Interest Rate Benchmark Reform	<p>Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.</p> <p>The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.</p> <p>The amendments are effective from 1 January 2020. Early application is permitted.</p>	The Fund Manager of the Fund do not anticipate that the application of the amendments in the future will have an impact on the Fund's financial statements.

Early Adoption of Standards

The Fund did not early adopt any standards

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
- v) 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, 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 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

NOTES TO THE FINANCIAL STATEMENTS

each grade are determined based on realized default rates over the prior 12 months, as published by the rating agency.

Credit Rating of Counterparty/Obligor

Counterparties are subject to the Fund's internal rating process as part of its review and approval 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.

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

	30-Jun 2020 N'000	30-Jun 2019 N'000
Counterparties with international credit rating (S&P, Fitch, Moody's)		
Investment grade (AAA to B-)	2,534,224	2,013,377
Others (CCC+ to D)	-	-
	2,534,224	2,013,377
Total unimpaired nor past due debt securities	2,534,224	2,013,377
Past due but not impaired	-	-
Total debt securities	2,534,224	2,013,377

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 IFRS 9.

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 Lifetime 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.

NOTES TO THE FINANCIAL STATEMENTS

- 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

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

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

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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, watchlist, 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 securities flagged as forbearance are classified as Stage 2. However, if the Fund has evidence that not all these securities' credit risk has significantly increased since initial recognition, then these securities 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.

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 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:

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- 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 securities that have defaulted by the total number of securities for each obligor rating. For the purposes of this model, to be point-in-time estimates; however, 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 amortising 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:
$$\text{Downturn LGD} = 0.92 \times \text{Average LGD} + 0.08$$

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.

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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.

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 2020 are set out below. The scenarios "base", "optimistic" and "downturn" were used for the Fund.

		2020	2021	2022	2023	2024
GDP growth rate	Base	-6.10	0.70	3.30	3.40	3.50
	Optimistic	2.90	3.30	3.80	3.90	4.00
	Downturn	-7.20	0.10	2.80	2.90	3.00

Source:

2020 Base Data - Nigeria Bureau of Statistics (NBS)

2020 Optimistic & Downturn Data – AFDB's publication on Africa's Economic Performance & Outlook Amid COVID-19

2021 Base, Optimistic & Downturn Data – AFDB's publication on Africa's Economic Performance & Outlook Amid COVID-19

2022-2024 Base, Optimistic & Downturn Data – The Economic Intelligence Unit (EIU) Country Forecast Report

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 use position limits to ensure that the Fund is not overly exposed to any single security particularly those considered to be illiquid.

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Maturity analysis for financial liabilities

The following are the contractual maturities of financial liabilities.

In thousands of Naira	Carrying amount	(outflow)	Gross nominal inflow/outflow	Less than 1month	3 months	3months to 1 year
30-Jun-20						
Balances due to:						
Fund Parties	14,282	-	-	14,282	-	-
Other payables	6,228	-	-	6,228	-	-
	20,510	-	-	20,510	-	-
30-Jun-19						
Balances due to:						
Fund Parties	15,392	-	-	15,392	-	-
Other payables	5,639	-	-	5,639	-	-
	21,031	-	-	21,031	-	-

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.

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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	2020		2019	
	% of Net Assets	Weighted Yield (%)	% of Net Assets	Weighted Yield (%)
< 1 Year	30.95%	4.44%	29.65%	14.12%
1 - 3 Years	19.92%	11.31%	5.47%	9.87%
> 3 Years	3.40%	7.63%	6.10%	7.84%
	<u>54.27%</u>		<u>41.22%</u>	

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	Up to 85% of net assets
Unlisted equity investments	Up to 20% of net assets

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

No exposure to any individual issuer exceeded 10% of the net assets attributable to the unit holders. No exposure to any sector exceeded 35% of 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:

	2020 % of net assets	2019 % of net assets
Equity investments:		
Quoted equity investments	39.42%	45.08%
Unlisted equity investments	3.44%	4.11%
Total equity investments	42.86%	49.19%
Total debt securities	54.27%	41.22%
Total investment assets	97.13%	90.41%
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:

	2020	2019
	%	%
Banking sector	21.10%	23.94%
Building materials	1.91%	0.02%
Oil & Gas	4.46%	6.07%
Breweries	0.00%	0.00%
Conglomerates	1.10%	0.87%
Food and beverages	3.43%	4.09%
Real Estate	0.00%	0.00%
Road transport	0.00%	0.00%
Insurance	3.91%	7.69%
Foreign listing	0.00%	0.00%
Maritime	0.00%	0.00%
Agric	6.77%	6.30%
Telecommunications	0.00%	0.00%
Others	0.00%	0.00%
	42.67%	48.98%

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 16 on fair value through other comprehensive income investments.

At 30 June 2020, 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 N16.07million, while a decrease of 10% in the value of unquoted equity investments would result to an immediate charge to other comprehensive income of N16.07million.

It is also estimated that at 30 June 2020 an increase of 10% in quoted equity prices would result in an immediate credit to Profit or loss of N184million, while a decrease of 10% in quoted equity prices would result to an immediate charge to Profit or loss of N184million.

5.5 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.

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:

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- 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.

5.6 Credit risk exposure**5.6.1 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 recognised. The gross carrying amount of financial assets below also represents the Value Fund's maximum exposure to credit risk on these assets.

ECL staging	Fixed income securities					30 June
	30 Jun 2020					2019
	Stage 1 12-month ECL N'000	Stage 2 Lifetime ECL N'000	Stage 3 Lifetime ECL N'000	Purchased credit- impaired N'000	Total N'000	Total N'000
Credit grade						
Investment grade	2,534,224	-	-	-	2,534,224	2,013,377
Speculative grade	-	-	-	-	-	-
Carrying amount	2,534,224	-	-	-	2,534,224	2,013,377
Loss allowance	(77,085)	-	-	-	(77,085)	(14,623)

5.6.2 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 recognised during the period, as well as releases for financial instruments derecognised 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;

NOTES TO THE FINANCIAL STATEMENTS

- Impact on the measurement of ECL due to changes made to models and assumptions;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	₦'000	₦'000	₦'000	
Corporate Eurobonds	14,619	-	-	14,619
Sovereign Eurobond	-	-	-	-
Treasury bills	-	-	-	-
Federal Government of Nigeria Bonds	-	-	-	-
Lagos State Government Bond	4	-	-	4
Loss allowance as at 1 July 2019	14,623	-	-	14,623
Movements with P&L impact				
Based on changes in forward looking information:				
Corporate Eurobonds	10,664	-	-	10,664
Sovereign Eurobonds	12,036	-	-	12,036
Treasury bills	28,844	-	-	28,844
Federal Government of Nigeria Bonds	25,541	-	-	25,541
Total net P&L charge during the period	77,085	-	-	77,085
Other movements with no P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Financial assets that settled during the period	(4)	-	-	(4)
Write-offs	-	-	-	-
Loss allowance as at 30 June 2020	91,704	-	-	91,704

5.6.3 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 2020.

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	30-Jun 2020 ₦'000	30-Jun 2019 ₦'000
6 Interest income		
Interest on bonds	85,733	96,390
Interest on treasury bills	161,466	194,316
Interest on commercial papers	4,518	-
Interest on promissory notes	2,009	-
Interest on short term placements	7,419	3,727
Interest income	261,145	294,433
7 Dividend income		
Listed securities	184,635	161,901
Unlisted securities	12,207	11,924
Total dividend income	196,842	173,825
8 Net (loss) from financial instruments at fair value through profit or loss		
Access Bank Plc	1,184	(78,252)
Continental Reinsurance Plc	-	42,228
Custodian & Allied Plc	(18,359)	31,043
Dangote Cement Plc	(31,265)	(42)
Diamond Bank Plc	-	21,587
FCMB Plc	4,500	(8,250)
FBN Holdings Plc	(25,445)	(79,269)
Fidelity Bank	2,078	(31,176)
Guaranty Trust Bank Plc	(80,260)	(56,219)
Okomu Oil Palm	30,143	(77,219)
Presco Plc	(21,422)	(72,994)
Seplat Petroleum Dev. Co. Plc	(54,000)	(45,000)
Stanbic IBTC Holdings	(39,459)	(46,365)
Total Nigeria Plc	(34,598)	(39,540)
UAC of Nigeria Plc	8,671	(47,209)
UBA Plc	950	(81,700)
Zenith Bank Plc	(48,511)	(68,177)
Net fair value changes	(305,792)	(636,553)
9 Other income		
Exchange gain	8,280	-
Gain on disposal of fair value through profit or loss asset	-	3,946
Realised income from disposal of Continental Reinsurance shares following delisting	54,162	-
Total	62,422	3,946

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	30-Jun 2020 N'000	30-Jun 2019 N'000
10 Other operating expenses		
Listing fees to Nigerian Stock Exchange (NSE)	-	1,072
Domiciliary and other fees to CSCS	459	447
VAT on fees	3,625	3,184
Brokerage Fees	300	239
Stamp Duties	90	72
NSE fees for acquisition/disposal of shares	360	571
Sitting Allowance	400	400
Dividend Payment Expense	234	235
Audit Recoverable Expenses	125	195
AGM Related Cost	1,265	971
Facts behind the Figures Expenses	-	632
Bank Charges	417	22
	7,275	8,040
11 Withholding Tax expense		
Withholding Tax on interest income earned	389	262
Withholding Tax on dividend income earned	19,549	16,233
Total tax expense	19,938	16,495
12 Bank balances		
Bank balance	29,692	12,148
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.		
13 Due from other financial institutions		
Union Bank Plc	120,145	-
Stanbic IBTC Bank Plc	-	277,672
	120,145	277,672

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

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	30-Jun 2020 N'000	30-Jun 2019 N'000
14 Cash and cash equivalent		
Bank balance	29,692	12,148
Due from other financial institutions	120,145	277,672
	149,837	289,820
15 Financial assets at fair value through profit or loss		
Investment in quoted equity instruments:		
Access Bank Plc	155,111	153,926
Continental Reinsurance Company Plc	-	175,338
Custodian & Allied Plc	183,587	201,945
Dangote Cement	89,562	959
FCMB Plc	28,950	24,450
FBN Holdings Plc	102,757	128,201
Fidelity Bank	90,411	88,332
Guaranty Trust Bank Plc	163,109	243,368
Okomu Oil Palm	174,107	143,964
Presco Plc	143,607	165,029
Seplat	144,750	198,750
Stanbic IBTC Holdings	119,365	158,824
Total	64,253	98,850
UACN Plc	51,384	42,713
UBA	118,750	117,800
Zenith Bank Plc	211,084	259,594
Total	1,840,787	2,202,043

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.

16 Financial assets measured at fair value through other comprehensive income (FVOCI) - Unquoted Equity Securities

Investment in unquoted equity securities:		
Friesland Campina WAMCO Nigeria Plc	160,717	200,552
Total	160,717	200,552

Unquoted equity securities are classified as financial assets measured at fair value through other comprehensive income. Differences in fair valuation of financial assets measured at 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.

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	30-Jun 2020 N'000	30-Jun 2019 N'000
16.1 Gain or losses on financial assets measured at fair value through other comprehensive income		
Balance brought forward	200,552	181,361
Additions /(Sales) during the year	-	-
Net (loss)/gain arising on revaluation of FVOCI financial assets - Unquoted Equities	(39,835)	19,191
Cumulative (gain)/loss reclassified to profit or loss on sale of FVOCI financial assets	-	-
Fair value of unquoted equity investments at year end	160,717	200,552
17 Financial Assets at fair value through other comprehensive income - Fixed Income Securities		
Eurobonds	564,531	323,558
Treasury bills	1,006,897	1,335,525
Federal Government of Nigeria Bonds	524,326	330,170
Lagos State Government Bonds 7 years (14.5%)	-	24,124
Commercial Papers	302,112	-
Promissory Notes	136,358	-
	2,534,224	2,013,377

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 also holds bonds issued by the Federal Government of Nigeria, Eurobonds, Promissory Notes and Commercial Papers issued by Nigerian Corporates. Coupon for all bonds held by the Fund are paid bi-annually. Principal for the FGN Bonds and Eurobonds held by the Fund is to be repaid at maturity.

	30-Jun 2020 N'000	30-Jun 2019 N'000
17.1 Gain or losses on financial assets measured at fair value through other comprehensive income		
Opening balance of fixed income securities	2,013,377	2,212,599
Net addition/(sales) during the year	393,106	(241,807)
Net fair value gain/(loss) during the year	127,741	42,585
Fair value of assets at year end - Fixed Income Securities	2,534,224	2,013,377

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	30-Jun 2020 ₦'000	30-Jun 2019 ₦'000
18 Other assets		
Dividend receivable from Stanbic IBTC Holdings	-	5,327
Dividend receivable from Total Nigeria Plc	3,980	-
Dividend receivable from UACN Plc	578	-
Interest and Principal Receivable from Federal Government of Nigeria Bonds	-	194,379
	4,558	199,706
19 Payables & accruals		
Due to Fund Manager	11,434	12,382
Trustee fees payable	1,664	1,737
Custody fees payable	1,184	1,273
Audit fees	4,838	4,725
VAT on fees payable	1,062	769
Unclaimed dividend	328	144
	20,510	21,030
<p>These account balances represents 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 Trustee 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 amortised cost except when specifically designated as being at fair value through profit or loss.</p>		
20 Share capital		
Authorized, issued and fully paid:		
32,096,786 units of ₦100 each	3,209,679	3,209,679
Premium on issue of units	1,827	1,827
Net proceeds from sale of units	3,211,506	3,211,506
21 Fair value through other comprehensive income reserves		
Balance brought forward	70,763	(82)
Opening impairment adjustment	-	9,069
Net (loss)/gain arising from revaluation of FVOCI financial assets - Unquoted Equities - note 16.1	(39,835)	19,191
Net gain/(loss) arising from revaluation of FVOCI financial assets - Fixed Income Securities - note 21.1	127,741	42,585
	158,669	70,763

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	30-Jun 2020 N'000	30-Jun 2019 N'000
21.1 Net gain/(loss) arising from revaluation of FVOCI financial assets - Fixed Income Securities		
Unrealised gain/(loss)	204,826	48,139
Expected credit loss allowance	(77,085)	(5,554)
	127,741	42,585
22 Retained earnings		
At 1 July	1,602,199	2,287,242
Opening impairment adjustment	-	(9,069)
Profit/(Loss) for the year	50,304	(258,716)
Dividend payment during the year	(353,065)	(417,258)
At 30 June	1,299,438	1,602,199

23 Tax matters for Unitholders' attention

The Fund Manager reported in the Financial Statements for the year-end June 2017 regarding the 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.

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.

24 Use of estimates and judgments**(a) Key sources of estimation uncertainty****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**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

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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.

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:

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	Level1	Level2	Level3	Total
30-Jun-20				
Financial assets at fair value				
Equity investments	1,840,787	160,717	-	2,001,504
Debt Instruments	2,534,224	-	-	2,534,224
	4,375,011	160,717	-	4,535,728
Financial liabilities at fair value				
Securities sold short	-	-	-	-

<i>In thousands of Naira</i>	Level1	Level2	Level3	Total
30-Jun-19				
Financial assets at fair value				
Equity investments	2,202,043	200,552	-	2,402,595
Debt Instruments	2,013,377	-	-	2,013,377
	4,215,420	200,552	-	4,415,972
Financial liabilities at fair value				
Securities sold short	-	-	-	-

	30-Jun 2020 N'000	30-Jun 2019 N'000
25 Fund Manager's incentive fees		
Opening net asset	4,884,468	4,846,606
Closing NAV before incentive fees	4,669,613	4,884,468
Dividend paid during the year	353,065	417,258
Growth in NAV %	2.83%	-3.58%
Excess above 20%	0.00%	0.00%
Return in excess of 20% benchmark (₦)	-	-
Incentive fee due to the Fund Manager	-	-
Incentive fee charged to profit or loss	-	-
Closing net asset after incentive fee (audited)	4,669,613	4,884,468

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 2020, no incentive fee was earned by the Fund Manager (2019: Nil)

26 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.

NOTES TO THE FINANCIAL STATEMENTS

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 2020

	Cash	Money	Fixed	Unquoted	Quoted	Total
	N'000	Market	Income	Equities	Equities	N'000
		N'000	N'000	N'000	N'000	N'000
Interest income	1,321	6,098	253,726	-	-	261,145
Dividend income	-	-	-	12,207	184,635	196,842
Fair value gain/(loss)	-	-	127,741	(39,835)	(305,792)	(217,886)
Transaction cost	-	-	-	-	(807)	(807)
Withholding taxes	(132)	(257)	-	(1,221)	(18,328)	(19,938)
Total net segment income	1,189	5,841	381,467	(28,849)	(140,292)	219,356
Total segment assets	29,692	120,145	2,534,224	160,717	1,840,787	4,685,565
Total segment liabilities	-	-	-	-	-	-

For the year ended 30 June 2019

	Cash	Money	Fixed	Unquoted	Quoted	Total
	N'000	Market	Income	Equities	Equities	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)	(574,777)
Transaction cost	-	-	-	-	(904)	(904)
Withholding taxes	(262)	(0)	-	(374)	(15,859)	(16,495)
Total net segment income	2,354	1,111	333,291	22,560	(483,234)	(123,918)
Total segment assets	12,148	277,672	2,013,377	200,552	2,202,043	4,705,792
Total segment liabilities	-	-	-	-	-	-

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:

	2020	2019
	N'000	N'000
Total net segment income	219,356	(123,918)
Other income	62,442	3,946
Fair value gain/(loss) from fair value through other comprehensive income	(87,099)	(60,871)
Other fees and expenses	(144,395)	(77,872)
Operating profit/(loss)	50,304	(258,715)

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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:

	2020	2019
	N'000	N'000
Segment assets for reportable segments	4,685,565	4,705,792
Other assets	4,558	199,706
Total assets	4,690,123	4,905,498

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

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

	2020	2019
	N'000	N'000
Segment liabilities for reportable segments:		
Accruals and payables	20,510	21,030

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

28 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 25).

The Trustee, Leadway Capital and Trusts Limited, under the Trust deed receives 0.07% of the net asset value of the Fund per annum as Trustee 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 is disclosed in note 19.

NOTES TO THE FINANCIAL STATEMENTS**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.

29 Events after the end of the reporting period

Distribution: Subsequent to the end of the reporting period, the Fund manager proposed a distribution of ₦10 each on the 32,096,786 units of ₦100 each issued capital as at 30 June 2020.

Restructuring of the Fund: The Fund has faced some challenges due to its closed-end nature. Challenges such as market liquidity, widening gap between market price and NAV/unit and growth being limited to only investment returns.

In order to address these challenges, during the financial year ended 30th June 2020, the Fund Manager sought and obtained the approval of the SEC and the Trustee to restructure the Fund from a listed Closed-End to an unlisted Closed-End fund (which is also known as an Interval Fund).

An Interval Fund is an unlisted Closed-End Fund that continuously issues units but periodically offers to repurchase a predetermined percentage of outstanding units from Unitholders at predetermined intervals. Subsequent to the end of the year end of the Value fund, the Fund Manager has begun the process to complete the transition of the Fund from a Closed-End Fund to an Interval Fund subject to receiving the necessary approvals from the regulators and unitholders.

COVID-19: The impact of Corona Virus ("COVID-19" or "the Virus") pandemic has evidently affected the global and local macroeconomic and investment landscape. Furthermore, the operations of Collective Investment Schemes ("CIS") as well as the overall Fund Management Industry have not been spared.

Fund Management with due considerations for the COVID-19 pandemic requires a cautious approach given the elevated risks and threats in the operating environment. The Fund Manager therefore continues to follow its clearly defined governance and risk management policies/frameworks in managing the Fund.

Disruptions to the operations of the Fund have been minimal as the Fund Manager, Trustee, Custodian, and other counterparties activated their Business Continuity Plans ("BCP") and are able to execute the Fund's transactions from remote locations.

As at the date that the financial statements were authorized for issue, the Fund Manager is of the view that, whilst the risk in the operating environment remains elevated due to the impact of the COVID-19 pandemic and other factors such as rising inflation, these are not expected to significantly affect the going concern of the Fund.

30 Approval of financial statements

The financial statements were approved by the board of directors of the Fund Manager and authorized for issue on 22nd September 2020.