

**Zenith Ethical Fund
Annual Report
31 December 2017**

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DIRECTORS AND PROFESSIONAL ADVISORS

The Fund has no employees of its own.

Directors of the Fund Manager

Jim Ovia
Joseph Ndidi Onwubuya
Victor Abulele
Elaine Delaney
Jubril Enakele

Fund Manager

Zenith Assets Management Limited
4th floor, Zenith Heights
Plot 87, Ajose Adeogun
Victoria Island
Lagos

Company Secretary

Emeka Anyaeji

Registrars

Meristem Registrars Limited
213 Herbert Macaulay Way
Adekunle Yaba
Lagos.

Trustees

GTL Trustees Limited
5th Floor, St Nicholas
No 2-10 Hospital Road, Lagos Island
Lagos.

Custodian

Citibank Nigeria Limited
27 Kofo Abayomi Street,
Victoria Island,
Lagos.

Auditor

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos.

Fund Manager's Report
for the year ended 31 December 2017

The Fund Manager presents its report on the affairs of Zenith Ethical Fund together with auditor's report and financial statements for the year ended 31 December 2017.

BACKGROUND INFORMATION

Zenith Ethical Fund ("the Fund") is an open-ended unit trust scheme established in September 2008 that invests predominantly in equities and money market assets.

The underlying objective of the Fund is to provide an investment vehicle that will enable its unit holders to achieve consistent capital appreciation over the long term.

OPERATING RESULTS

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|------------------------------|---------------------|---------------------|
| Total revenue/(loss) | 178,071 | (13,458) |
| Profit/(Loss) before tax | 126,978 | (36,857) |
| Withholding tax expense | (560) | (469) |
| Profit/(Loss) for the year | 126,418 | (37,326) |

Proposed distribution

In line with the provisions of the Trust Deed, the Fund Manager has recommended a distribution of 57 kobo per unit holding for the year ended 31 December 2017 (31 December 2016: Nil).

Summary of Fund performance over the period

The Fund's net asset value per unit appreciated by 20.20% over the one year period ended 31 December 2017, above its hurdle rate of 10%. The Fund's performance over the twelve month period was positively affected by the performance of our holdings in Banking and Consumer goods sectors.

| Zenith Ethical Fund | Sep 2016 | Dec 2016 | Mar 2017 | June 2017 | Sept 2017 | Dec 2017 |
|------------------------|----------|----------|----------|-----------|-----------|----------|
| Bid Price (N) per unit | 10.02 | 11.19 | 11.22 | 12.59 | 12.98 | 13.45 |

Review of Investment environment

In 2017, the Nigerian economy returned to growth after enduring four quarters of contraction. The recovery was on the back of rising crude oil prices in the international market and the cessation of attacks on oil installations by militants in the Niger Delta area. The momentum created by the rebound in the oil sector soon snow balled into other sectors of the economy through the exchange rate channel. Major macroeconomic variables like Inflation, GDP growth rate, External reserves and Balance of trade started to show signs of improvement. Reforms in the FX market upturned the negative sentiments that characterised the business landscape, strengthening consumer and investor confidence, and resulting in increased appetite for Nigerian assets by foreign investors. The climax of events on the economic front however, was when Nigeria finally exited recession in the second quarter of 2017.

In this environment, pessimism soon gave way to optimism fuelling a bullish run in the equities market that lasted till the end of the year. The Nigeria Stock Exchange All Share Index (NSE ASI) appreciated by 42.3% year-on-year to close in the positive territory for the first time since 2013. The index gained 11,368.57 points, (the equivalent of N4.36 trillion in market capitalisation) to end the year at 38,243.19 points.

The Index started 2017 on a losing note, down 5.05% by the end of the first quarter. In the second quarter, stocks held up relatively well pushing the benchmark 29.79% higher. The positive trend continued as the NSE ASI gained in the third and fourth quarters by 7.01% and 9.83% respectively.

During the period under review, money market rates continued their upward trajectory across maturities reflecting efforts by the Central Bank of Nigeria (CBN) to attract more foreign portfolio inflows. The average Treasury bills yield on 91-day, 182-day and 364-day benchmarks settled at 17.3%, 18.7% and 20.3% respectively in 2017 against 12.5%, 14.3% and 15.0% in that order recorded in 2016.

Fund Manager's Report Cont'd

Review of fund strategy and performance

On the back of improving macroeconomic conditions in Nigeria, we continued to focus on enhancing the diversification of the Fund across style and sectors in an effort to remain balanced. Broad positioning was slightly changed to take advantage of rising yields in the fixed income market and gains by equities in the banking and consumer goods sectors. We will continue to buy and add to our portfolio companies with good fundamentals, strong balance sheets, free cash flow and experienced management teams.

MARKET OUTLOOK FOR 2018

Equities

Going into 2018, we expect macroeconomic conditions will continue to strengthen. Higher global oil prices, increased domestic crude oil production and greater stability in Nigeria's FX market will continue to buoy stock prices forward. Despite the bull run in 2017, the average trailing multiples for the Nigerian equities market is still lower than that of the MSCI Frontier market index. We will continue to maintain our long-term discipline as several stocks still offer considerable long-term value and we will be seeking to acquire such stocks at the right price.

Fixed income Securities

In 2018, in view of government's plan to refinance its domestic debt from proceeds of its US\$3 billion Eurobond issuance programme which kicked off in November last year. We expect yields for short tenure instruments to moderate in the short end of the curve. Monetary authorities will however, try to find an equilibrium interest rate that continue attract foreign inflows on one hand and encourages economic growth on the other.

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



Victor Abulele
Director
FRC/2013/ICAN/00000004830
29 March 2018

Joseph Onwubuya
Director
FRC/2014/COREN/00000010142
29 March 2018

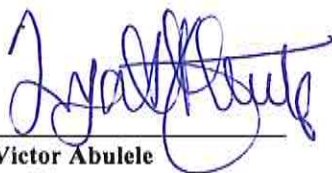
**Statement of Fund Manager's Responsibilities in Relation to the Financial Statements
for the year ended 31 December 2017.**

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

The Fund Manager further accepts responsibility for maintaining adequate accounting records and for such internal control as the Fund Manager determines is 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 have no reason to believe the Fund will not remain a going concern in the year ahead.

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



Victor Abulele
Director

FRC/2013/ICAN/00000004830
29 March 2018



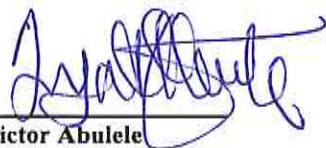
Joseph Onwubuya
Director

FRC/2014/COREN/00000010142
29 March 2018

Certification of accounts by Directors of the Fund Manager

We hereby certify the accounts and that neither the Fund Manager nor any other person acting on its behalf has:

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



Victor Abulele
Director

FRC/2013/ICAN/00000004830
29 March 2018



Joseph Onwubuya
Director

FRC/2014/COREN/00000010142
29 March 2018

Trustees' Report

for the year ended 31 December 2017

The Trustees present their report on the affairs of Zenith Ethical Fund ("the Fund") together with auditor's report and financial statements for the year ended 31 December 2017.

Principal Activities & Business Review

The Zenith Ethical Fund is registered with Securities & Exchange Commission under the Collective Investment Scheme in accordance with the provisions of Section 54 of the Investments and Securities Act, 2007 to enable a variety of investors pool their contribution to invest in large capitalization equities and debt securities quoted on the Nigerian Stock Exchange as well as Investment grade fixed-income securities.

Performance of the Zenith Ethical Fund

The performance of the Zenith Ethical Fund as a function of its Net Asset Value is as follows:

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|------------------------------|---------------------|---------------------|
| Net Asset value | 723,851 | 619,932 |

During the year, there were no additional investments while 63 investors withdrew from the Zenith Ethical Fund. A total of 1,784,020 units were redeemed while none were allocated which resulted in a net outflow of N22,499,752.

OPERATING RESULTS

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|------------------------------|---------------------|---------------------|
| Total revenue/(loss) | 178,071 | (13,458) |
| Profit/(Loss) before tax | 126,978 | (36,857) |
| Withholding tax expense | (560) | (469) |
| Profit/(Loss) for the year | 126,418 | (37,326) |

Fund Administration

The supplemental Trust deed in respect of Zenith Ethical Fund prescribed Asset Allocation of 0%-5% in cash, 0%-65% in Fixed Income Investments and 35%-100% in Quoted Equities. There was no observed exception to the prescribed Fund's Asset Allocation for the various asset classes. Therefore the Funds have been administered in compliance with the Trust Deed and in accordance with Section 181(f) of ISA, 2007.

The Audited Accounts for the year 2017 was based on the approved Trust Deed and in compliance with the International Financial Reporting Standards (IFRS).

Proposed dividend

The Board of Directors of the fund manager recommended a distribution of 57 kobo per unit holding for the year ended 31 December 2017. However, the distribution has not been effected as at 31 December 2017.

Trustees' Report cont'd

Parties to the Fund:

Fund Manager: Zenith Assets Management Limited
Trustees: GTL Trustees Limited
Registrar: Meristem Registrars Limited
Custodian: Citibank Nigeria Limited

Directors

The Directors of Zenith Asset Management Limited who served on the Board of the Fund Manager during the year up to this date of approving these financial statements are:

| | |
|-----------------------|--------------------------|
| Jim Ovia | - Chairman |
| Elaine Delaney | - Non Executive Director |
| Victor Abulele | - Non Executive Director |
| Joseph Ndidi Onwubuya | - Non Executive Director |
| Jubril Enakele | - Executive Director |

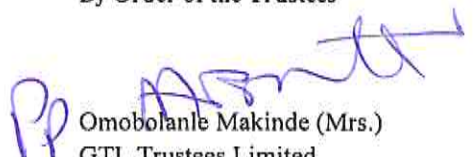
Directors' and related parties interest in the units of the Fund:

No Director of Zenith Asset Management Limited has or holds any direct or indirect beneficial interest in the units of the Fund.

Auditor

Messrs. KPMG Professional Services having satisfied the relevant corporate rules on their tenure have indicated their willingness to continue in office as auditors.

By Order of the Trustees


Omobolanle Makinde (Mrs.)
GTL Trustees Limited
5th Floor, St Nicholas House
No 2-10 Hospital Road, Lagos Island
Lagos
29 March 2018

Statement of Trustees' responsibilities

The Trustees' responsibilities to the Fund are as follows:

- 1 To ensure that the basis on which the sale, issue, repurchase or cancellation, as the case may be, of participatory interests effected by or on behalf of the Fund is carried out in accordance with the Investments and Securities Act and this Trust Deed.
- 2 To ensure that the selling or repurchase price or participatory interests is calculated in accordance with the Investments and Securities Act and this Trust Deed.
- 3 To forward to the Manager without delay all notices of meeting reports and circulars received by it or its nominees as holders of any investment.
- 4 To carry out the instructions of the Manager unless they are inconsistent with the Investments and Securities Act or this Trust Deed.
- 5 To verify that, in transactions involving the assets of the Fund any consideration is remitted to it within time limits which are acceptable market practice in the context of a particular transaction.
- 6 To verify that the income accruals of the Fund are applied in accordance with the Investments and Securities Act and this Trust Deed.
- 7 To enquire into and prepare a report on the administration of the Fund by the Manager during each annual accounting period, in which it shall be stated whether the Fund has been administered in accordance with the provisions of the Investment and Securities Act and this Trust Deed.
- 8 If the Manager does not comply with the limitations and provisions referred to in the Trust Deed, state the reason for the non-compliance and outline the steps taken by the Manager to rectify the situation.
- 9 To consider and grant approval to all advertisements, circulars or other documents of that nature containing any statement with reference to the offer price of the units or yield therefrom or containing an invitation to buy units issued by the manager.
- 10 To send report on the administration of the Fund to the Securities and Exchange Commission and to the Manager in good time to enable the Manager include a copy of the report in its annual report.
- 11 To ensure that there is legal separation of assets held in trust and that the legal entitlement of investors to such assets is assured.
- 12 To ensure appropriate internal control system are maintained and that records clearly identify the nature and value of all assets held in trust, the ownership of each asset and the place where documents of title pertaining to each asset are kept.
- 13 Whenever it becomes necessary for the Trustee to enforce the terms and conditions of this Trust Deed, the Trustee shall do so, within 10 (ten) working days and shall inform the Commission not later than 10 (ten) working days after the breach.
- 14 To satisfy itself that every statement of profit or loss and other comprehensive income, statement of financial position or other return prepared by the Manager in terms of section 169 of the Investments and Securities Act fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Fund administered by the Manager.
- 15 To ascertain that the monthly and other periodic returns/reports relating to the Fund are sent by the Manager to the Commission.
- 16 To ascertain the profitability rationale for investment decision-making of the Manager.
- 17 To monitor the register of the unitholders.
- 18 To generally monitor the activities of the Manager on behalf of and in the interest of the unitholders.
- 19 To maintain custody of funds and documents relating to the investments by the Fund.
- 20 Promotion of investor education.


BY ORDER OF THE TRUSTEES

GTL Trustees Limited
29 March 2018

**KPMG Professional Services**

KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet www.kpmg.com/ng

INDEPENDENT AUDITOR'S REPORT

To the Unit holders of Zenith Ethical Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zenith Equity Fund (the Fund), which comprise the statements of financial position as at 31 December, 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 35.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

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

Key Audit Matters

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

Financial assets at fair value through profit or loss

The assets of the Fund consists primarily of financial assets at fair value through profit or loss, which comprise quoted equities and debt instruments. These assets represent a significant proportion of the Fund's total assets. The changes in fair value of these financial assets have a significant impact on the Fund's financial position and the financial performance for the year. We have therefore identified the valuation of of these financial assets as a key audit matter.

Partners:

| | | | |
|----------------------|------------------------|---------------------|-----------------------|
| Abiola F. Bada | Adebisi O. Lamikanra | Adesunle A. Elebute | Adetola P. Adeyemi |
| Adeleke K. Ajayi | Ajibola O. Olofinla | Ayobami L. Salami | Ayodele H. Othihiwa |
| Ayodele A. Soyinka | Chibuzor N. Anyanachi | Ehile A. Aibangbee | Goodluck C. Obi |
| Ibitomi M. Adepoju | Ijeoma T. Emezie-Ezigo | Joseph O. Tegbe | Kabir O. Okunola |
| Lawrence C. Amadi | Mohammed M. Adama | Nneka C. Eluma | Ogunbayo I. Ogunbento |
| Oludapo R. Okubadejo | Oludimeji I. Salaudeen | Olanike I. James | Olumide O. Olayinka |
| Olusegun A. Sowande | Oluwafemi O. Awotoye | Oluwatoyin A. Gbagi | Termitope A. Onitiri |
| Tolulope A. Oduka | Victor U. Onyenkpa | | |



How the matter was addressed in our audit

Our procedures included amongst others the following:

- We evaluated the design, implementation and operating effectiveness of key controls over the determination and recording of the fair value of the investments in quoted equities and debt instruments;
- We compared the fair values used by management to externally observable market place data; and
- We re-computed the fair value of the investments in quoted equity & debt securities by using the verified market price and compared our calculations to the amount recorded by the Fund.

The Fund's accounting policy on financial assets at fair value through profit or loss and related disclosure and risks are shown in notes 3c, 3f, 5b and 14 respectively

Other Information

The Board of Directors of the Fund Manager are responsible for the other information which comprise the Fund Manager's report, Statement of Fund Manager's responsibility, Certification of accounts by Directors of the Fund Manager and Other national disclosures, while the Fund's Trustees is responsible for the Trustees' report and Statement of Trustees' responsibilities but does not include the financial statements and our audit report thereon.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



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

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

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

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

Nneka C. Eluma
FRC/2013/ICAN/00000000785
For: KPMG Professional Services
Chartered Accountants
29 March 2018
Lagos, Nigeria

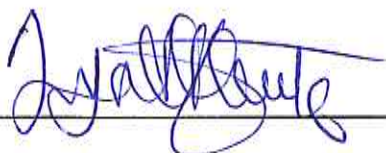


Statements of financial position

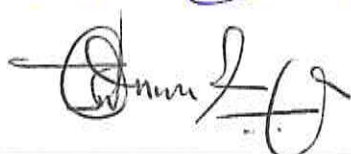
As at 31 December

| <i>In thousands of Naira</i> | Note | 2017 | 2016 |
|---|------|----------------|----------------|
| Assets | | | |
| Cash and cash equivalents | 13 | 9,764 | 61,204 |
| Other assets | 17 | 10,025 | - |
| Investment securities | 14 | 736,848 | 564,456 |
| Total assets | | 756,637 | 625,660 |
| Liability | | | |
| Accounts payable | 16 | 32,786 | 5,728 |
| Net assets attributable to unitholders | | 723,851 | 619,932 |
| Represented by: | | | |
| Equity attributable to unitholders | 18b | 551,843 | 569,754 |
| Retained earnings | 18b | 172,008 | 50,178 |
| Unitholders' funds | | 723,851 | 619,932 |

These financial statements were approved by the Board of Directors of the Fund Manager on 29 March 2018 and signed on its behalf by:



Victor Abulele
Director
FRC/2013/ICAN/00000004830



Joseph Onwubuya
Director
FRC/2014/COREN/00000010142

Additionally certified by



Joshua Bayode
FRC/2014/MULTI/00000006804
Chief Financial Officer

The accompanying notes and significant accounting policies are an integral part of these financial statements.

Statements of profit or loss and other comprehensive income

For the year ended

| <i>In thousands of Naira</i> | Note | 31 December 2017 | 31 December 2016 |
|--|------|---------------------|---------------------|
| Interest income | 7 | 69,735 | 47,265 |
| Dividend income | 8 | 9,943 | 9,321 |
| Net gain/(loss) from financial instruments at fair value through profit or loss | 9 | 98,393 | (70,044) |
| Total revenue/(loss) | | 178,071 | (13,458) |
| Operating expenses | 10 | (51,093) | (23,399) |
| Profit/(Loss) before tax | | 126,978 | (36,857) |
| Withholding tax expense | 11 | (560) | (469) |
| Profit/(Loss) for the year | | 126,418 | (37,326) |
| Earnings per unit (kobo) | 12 | 237 | (68) |

The accompanying notes and significant accounting policies are an integral part of these financial statements.

Statements of changes in equity

As at 31 December 2017

| <i>In thousands of Naira</i> | Note | Unit holder's equity | Retained earnings | Total equity |
|---|------|----------------------|-------------------|--------------|
| <i>Balance as at 1 January 2017</i> | | 569,754 | 50,178 | 619,932 |
| Total comprehensive income for the year: | | | | |
| Profit for the year | | - | 126,418 | 126,418 |
| Total comprehensive income for the year | | - | 126,418 | 126,418 |
| Transactions with owners, recorded directly in equity: | | | | |
| Redemption of unit holder's equity | 18b | (17,911) | (4,588) | (22,499) |
| Total contribution and redemption by equity holders | | (17,911) | (4,588) | (22,499) |
| Balance at 31 December 2017 | | 551,843 | 172,008 | 723,851 |

As at 31 December 2016

| <i>In thousands of Naira</i> | Note | Unit holder's equity | Retained earnings | Total equity |
|---|------|----------------------|-------------------|--------------|
| <i>Balance as at 1 January 2016</i> | | 581,638 | 89,021 | 670,659 |
| Total comprehensive income for the year: | | | | |
| Loss for the year | | - | (37,326) | (37,326) |
| Total comprehensive income for the year | | - | (37,326) | (37,326) |
| Transactions with owners, recorded directly in equity: | | | | |
| Redemption of unit holder's equity | 18b | (11,884) | (1,517) | (13,401) |
| Total contribution and redemption by equity holders | | (11,884) | (1,517) | (13,401) |
| Balance at 31 December 2016 | | 569,754 | 50,178 | 619,932 |

The accompanying notes and significant accounting policies are an integral part of these financial statements.

Statements of cash flows

For the year ended 31 December 2017

| <i>In thousands of Naira</i> | Note | 31 December 2017 | 31 December 2016 |
|--|---------|---------------------|---------------------|
| Profit/(Loss) for the year | | 126,418 | (37,326) |
| Add: Withholding tax expense | 11 | 560 | 469 |
| Profit/(Loss) before tax | | 126,978 | (36,857) |
| <i>Adjustments for non-cash items:</i> | | | |
| Interest income | 7(a) | (69,735) | (47,265) |
| Dividend income | 8 | (9,943) | (9,321) |
| Fair value (gain)/loss on financial assets | 9(a)(i) | (89,233) | 83,395 |
| Operating profit before changes in working capital | | (41,933) | (10,048) |
| Changes in working capital | | | |
| Changes in financial assets at fair value through profit or loss | 14(e) | (65,718) | 15,599 |
| Change in accounts payable | 16(a) | 27,058 | (648) |
| Change in receivables | 17 | (10,025) | - |
| | | (90,618) | 4,903 |
| Cash flow from operating activities: | | | |
| Interest income received | 7(a)(i) | 52,294 | 31,889 |
| Dividend income received | 8 | 9,943 | 9,321 |
| Withholding tax paid | 11 | (560) | (469) |
| Net cash (used in)/generated from operating activities | | (28,941) | 45,644 |
| Cash flow from financing activities: | | | |
| Cash paid on redemption of units | 20 | (22,499) | (13,401) |
| Net cash flows used in financing activities | | (22,499) | (13,401) |
| Net (decrease)/increase in cash and cash equivalents | | (51,440) | 32,243 |
| Cash and cash equivalents at beginning of year | | 61,204 | 28,961 |
| Cash and cash equivalents at end of year | 13 | 9,764 | 61,204 |

The accompanying notes and significant accounting policies are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2017

1 Reporting entity

Zenith Ethical Fund ("the Fund") is an open-ended unit trust scheme that operates in Nigeria. The address of the Fund's registered office is Zenith Heights, Plot 87 Ajose Adesogan Street, Victoria Island Lagos. The Fund invests predominantly in equities and in money market assets. The Fund is not a legal entity but is constituted and exists under the Trust Deed. Units of the Fund were first allotted to subscribers on 10 September 2008.

In line with the directives of the Securities and Exchange Commission that capital market operators should not have multiple licenses to operate within the market, the fund/portfolio manager license formerly registered with Zenith Capital Limited was transferred to Zenith Assets Management Limited in September 2013.

The underlying objective of the Fund is to achieve superior return in the medium to long term through exposure to a selected portfolio of equities and fixed income securities.

2 Basis of preparation

(a) Statement of compliance

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

The financial statements also comply with the Financial Reporting Council of Nigeria Act, 2011.

The financial statements were authorized for issue by the Directors of the Fund Manager on 29 March 2018.

(b) Basis of measurement

These financial statements are prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of financial statements in conformity with the International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual result may differ from these estimates.

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

Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5 of the financial statements.

3 Significant accounting policies

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

(a) Interest income

Interest income and expenses, including income from non-derivative financial assets at fair value profit or loss, are recognised in the statement of profit or loss, using 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 instruments (or, when appropriate, a shorter period) to the carrying amount of the financial instruments. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instruments, but not future credit losses. Interest received or receivable and interest paid or payable are recognised in the statement of profit or loss as interest income and interest expense, respectively.

(b) Dividend income

Dividend income is recognised in the statement of profit or loss on the date that the right to receive payment is established. For quoted equity securities this is usually the ex-dividend date. For unquoted equity securities this is usually the date when the shareholders have approved the payment of a dividend. Dividend income from equity securities designated as at fair value through profit or loss is recognised in the statement of profit or loss as a separate line item.

Notes to the financial statements

(c) Net gain from financial instruments at fair value through profit and loss

Net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes, but excludes interest and dividend income.

The realised gain from financial instruments at fair value through profit or loss is computed as the difference between the carrying amount of a financial instrument at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and its sale or settlement price while the unrealised gain is calculated as the difference between the carrying amount of a financial instrument at the beginning of the period, or the transaction price if it was purchased in the current reporting period, and its fair value at the end of the period.

(d) Fees and commission expenses

(i) Management fees

Management fees are charged at a rate not exceeding 5% of the Net Asset Value of the Fund. They are accrued daily, but paid quarterly in arrears, based on portfolio valuation.

(ii) Incentive fees

An annual incentive fee is calculated as 30% of total returns in excess of 10% of the Net Asset Value of the Fund and is accounted for on an accrual basis or as soon as this condition is met.

The total expenses charged to the Fund, excluding incentive fees, are not to exceed 5% of the Net Asset Value of the Fund.

(iii) Other expenses

Other expenses comprising trustees fees, custodian fees, registrar fees, and auditors fees are recognized as the related services are rendered, in accordance with the substance of the Trust Deed and relevant agreements. All other expenses are recognised in the statement of profit or loss on an accrual basis.

(e) Tax

Under the current system of taxation in Nigeria, the Fund is exempted from paying taxes on income, profit and capital gain. Dividend income and certain interest income received by the Fund is however subject to withholding tax. Such income is therefore recognised gross of tax with the corresponding withholding tax recognised as tax expense. The withholding tax borne on dividend and interest income is treated as final tax.

(f) Financial assets and financial liabilities

(i) (a) Initial recognition and measurement

Financial instruments at fair value through profit or loss are recognised at fair value with transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, being recognised immediately through profit or loss. Financial instruments that are not carried at fair value through the statement of profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Financial instruments are recognised or de-recognised on the date the Company commits to purchase or sell the instruments (trade day accounting).

(b) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortized cost depending on their classification.

(ii) Classification

The Fund classifies financial assets and financial liabilities into the following categories:

Financial assets at fair value through profit and loss:

- Designated as at fair value through profit or loss- debt securities and equity investments

Financial assets at amortised cost:

- Loans and receivables - cash and cash equivalents and receivables.

Financial liabilities at amortised cost:

- Accounts payable.

A financial instrument is classified as held for trading, if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio that is managed together and for which there is evidence of a recent pattern of short-term profit taking; or
- It is a derivative, other than a designated and effective hedging instrument

Notes to the financial statements

The Fund has designated certain financial assets as at fair value through profit or loss when the assets are managed, evaluated and reported internally on a fair value basis and the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A non-derivative financial asset with fixed or determinable payment may be classified as loan and receivables unless it is quoted in an active market, or it is an asset for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Note 6 provides a reconciliation of the items in the statement of financial position to the categories of financial instruments, as defined by IAS 39.

(iii) *Amortized cost measurement*

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

(iv) *Fair value measurement*

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

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at a mid price.

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

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(v) *Impairment*

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

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

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

(vi) *Derecognition*

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

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

Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

Notes to the financial statements

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

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

(vii) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRSs, e.g. for gains and losses from financial instruments at fair value through profit or loss.

(g) Cash and cash equivalents

Cash and cash equivalents comprises deposits with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments.

(h) Capital

(i) Equity attributable to unit holders

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

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

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

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

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

Incremental costs directly attributable to the issue or redemption of units are recognised directly in equity as a deduction from the proceeds or part of the acquisition cost.

(ii) Repurchase of units

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

(i) Contingent liabilities

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

Notes to the financial statements

(j) New and amended standards that are not yet effective

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2018 and early application is permitted; however, the Fund has not applied the new or amended standards in preparing these financial statements. Those standards, amendments to standards, and interpretations which may be relevant to the Fund are set out below:

| Standard not yet effective as at 31 December 2017 | | Date issued by IASB | Effective date | Summary of requirements and impact assessment |
|---|---------------------------------------|---------------------|--|--|
| IFRS 9 | Financial Instruments | July 2014 | 1 January 2018 <i>Early adoption is permitted</i> | <p>On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.</p> <p>This standard is not likely to have a significant impact on the Fund, which will include changes in the measurement bases of the Fund's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different.</p> <p>The Fund is yet to carry-out an assessment to determine the impact that the initial application of IFRS 9 could have on its financial statement; however, given the nature of the Fund's operation, this standard is not likely to have a significant impact on the Fund's financial statements. The Fund will adopt amendments for the year ending 31 December 2018.</p> |
| IFRS 15 | Revenue from contracts with customers | May 2014 | 1 January 2018 | <p>This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.</p> <p>The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.</p> <p>This new standard will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.</p> <p>The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.</p> |
| IFRS 16 | Leases | February 2016 | 1 January 2019 <i>Early adoption is permitted only for entities that asop IFRS 15 Revenue from Contracts with Customers, at or before the date of initial application of IFRS 16.</i> | <p>IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.</p> <p>The Fund is yet to carry-out an assessment to determine the impact that the initial application of IFRS 16 could have on the financial statements.</p> <p>The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.</p> |

Early Adoption of Standards

The Fund did not early adopt new or amended standards in 2017.

Notes to the financial statements

4 Financial risk management

(a) Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Fund's exposure to each of the above risks, the Funds objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

(i) Risk Management framework

The Fund maintains position in a variety of non-derivative financial instruments in accordance with its investment management strategy. A maximum of 5% of the Fund shall be invested in cash and cash equivalents, 35% in fixed income investments and a range between 35% to 100% in equities under normal market conditions. However, the Fund's investment portfolio comprises listed equity and fixed income securities.

The Fund's investment manager has been given a discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the investment committee on a quarterly basis.

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

(b) Credit risk

Credit risk is defined as the likelihood that a customer or counterparty is unable to meet the contracted financial 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 cash and cash equivalents.

(i) Management of credit risk

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties meeting the Fund's credit standards.

Credit risk is monitored on a periodic basis by the Fund Manager in accordance with policies and procedures in place. Where the credit risk is not in accordance with the investment policy or guidelines of the Fund, the Fund Manager is obliged to rebalance the portfolio in compliance with the stated investment parameter.

(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.

(iii) Investment in debt securities

The Fund's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position. They are neither past due nor impaired.

As at 31 December 2017, the Fund's investment in debt securities was N373 million (31 December 2016: N340 million).

(iv) Cash and cash equivalents

The Fund held cash and cash equivalents of N9.8 million as at 31 December 2017 (31 December 2016: N61.2 million). The cash and cash equivalent are held with Citibank Nigeria Limited. The Fund managers monitors the financial position of Citibank Nigeria Limited on a quarterly basis. They are neither past due nor impaired.

(v) The table below shows the exposure of credit risk based on financial assets held by the Fund:

| <i>In thousands of Naira</i> | Note | 31 December 2017 | 31 December 2016 |
|-------------------------------|------|---------------------|---------------------|
| Cash and Cash equivalents | 13 | 9,764 | 61,204 |
| State bonds | 14 | 32,065 | - |
| Treasury bills - listed | 14 | 341,436 | 340,118 |
| Investment in other funds | 14 | 60,000 | - |
| Total exposure to credit risk | | 443,265 | 401,322 |

Notes to the financial statements

(vi) Analysis of credit exposure limit by counterparty:

| <i>In thousands of Naira</i> | Note | 31 December 2017 | 31 December 2016 |
|--------------------------------------|------|---------------------|---------------------|
| Banking institutions | 13 | 9,764 | 61,204 |
| Government and Central Bank | 14 | 373,501 | 340,118 |
| Others | 14 | 60,000 | - |
| Total exposure to credit risk | | 443,265 | 401,322 |

These instruments are neither past due nor impaired. Hence, no impairment has been recognised in the financial statements.

(vii) Concentration risk

There were no significant concentrations in this portfolio to any individual issuer or group of issuers in the identified industry as at 31 December 2017 (31 December 2016: Nil). The concentration of the investment portfolio of the Fund is disclosed in Note 15.

(viii) Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

(i) Management of liquidity risk

The Trust Deed and the Fund Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of units, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund is exposed to liquidity risk because of the need to meet unitholder's redemption of units at any date.

As part of its management of liquidity risk, the Fund has primarily invested in listed securities which are considered to be readily realisable as they are actively traded on the Nigeria Stock Exchange which can easily meet the Fund's liquidity requirements.

The Fund's overall liquidity risk is monitored on a periodic basis by the Fund Manager.

(ii) Residual contractual maturities of financial assets

The table below shows the undiscounted cash flows on the Fund's financial assets and liabilities on the basis of their earliest possible contractual maturity. The gross amount for financial assets and liabilities include interest receivables and interest payable respectively when appropriate.

31 December 2017

| <i>In thousands of Naira</i> | Note | Carrying amount | Gross nominal inflow/(outflow) | Less than 3 months | 3 - 6 months | 6 months - 1 year |
|---|------|--------------------|-----------------------------------|-----------------------|----------------|----------------------|
| Cash and cash equivalents | 13 | 9,764 | 9,764 | 9,764 | - | - |
| Financial assets at cost: | | | | | | |
| Investment in other funds | 14 | 60,000 | 60,000 | - | - | 60,000 |
| Deposit for shares | 17 | 10,000 | 10,000 | 10,000 | - | - |
| Financial assets at fair value through profit or loss: | | | | | | |
| Equity investments | 14 | 303,347 | 303,347 | 303,347 | - | - |
| Treasury bills | 14 | 341,436 | 355,000 | 195,000 | 110,000 | 50,000 |
| Held to maturity: | | | | | | |
| State bonds | 14 | 32,065 | 32,050 | - | - | 32,050 |
| Total financial assets | | 756,612 | 770,161 | 518,111 | 110,000 | 142,050 |
| Accounts payable | 16 | 32,786 | 32,786 | 32,786 | - | - |
| Total financial liabilities | | 32,786 | 32,786 | 32,786 | - | - |
| Liquidity Gap (assets-liabilities) | | 723,826 | 737,375 | 485,325 | 110,000 | 142,050 |
| Cummulative liquidity gap | | | | 485,325 | 595,325 | 737,375 |

31 December 2016

| <i>In thousands of Naira</i> | Note | Carrying amount | Gross nominal inflow/(outflow) | Less than 3 months | 3 - 6 months | 6 months - 1 year |
|--|------|-----------------|--------------------------------|--------------------|----------------|-------------------|
| Cash and cash equivalents | 13 | 61,204 | 61,204 | 61,204 | - | - |
| Financial assets at fair value through profit or loss: | | | | | | |
| Equity investments | 14 | 224,338 | 224,338 | 224,338 | - | - |
| Treasury bills | 14 | 340,118 | 375,000 | 100,000 | 85,000 | 190,000 |
| Total financial assets | | 625,660 | 660,542 | 385,542 | 85,000 | 190,000 |
| Accounts payable | 16 | 5,728 | 5,728 | 5,728 | - | - |
| Total financial liabilities | | 5,728 | 5,728 | 5,728 | - | - |
| Liquidity Gap (assets-liabilities) | | 619,932 | 654,814 | 379,814 | 85,000 | 190,000 |
| Cummulative liquidity gap | | | | 379,814 | 464,814 | 654,814 |

The amounts in the table above have been compiled as follows:

| Type of financial instrument | Basis on which amounts are compiled |
|--|--|
| Financial assets and financial liabilities | Undiscounted cash flows, which include estimated interest payments |

The table above shows the Fund's expected cashflows on the financial assets which do not vary significantly from the contractual cashflows.

As part of the Fund management of liquidity risk arising from redemption of units by unitholders, the Fund holds liquid assets comprising of cash and cash equivalent and treasury bills issued by Federal Government of Nigeria which can easily meet the Fund's liquidity requirements.

(d) 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 holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Management of the market risk

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The Fund's investment objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risks in the Fund. The Fund's market position are monitored on a periodic basis by the investment committee. An overview of the Fund's investment portfolio as at 31 December 2017 is as shown in note 15.

(ii) 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. In respect of the Fund's interest-bearing financial instruments the Fund's policy is to transact in financial instruments that mature or reprice in the short term, i.e. no longer than 12 months. Accordingly, the Fund would be subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The table below summarizes the Fund's interest rate gap position analysed by maturity date is as follows:

31 December 2017

| <i>In thousands of Naira</i> | Note | Carrying amount | Less than 3 months | 3 - 6 months | 6 months - 1 year | Total |
|--|------|-----------------|--------------------|---------------|-------------------|----------------|
| Cash and cash equivalents | 13 | 9,764 | 9,764 | - | - | 9,764 |
| Financial assets at fair value through profit or loss: | | | | | | |
| Treasury bills - listed | 14 | 341,436 | 186,185 | 99,869 | 40,775 | 326,829 |
| State bonds | 14 | 32,065 | - | - | 30,000 | 30,000 |
| | | 383,265 | 195,949 | 99,869 | 70,775 | 366,593 |

31 December 2016

| <i>In thousands of Naira</i> | Note | Carrying amount | Less than 3 months | 3 - 6 months | 6 months - 1 year | Total |
|--|------|-----------------|--------------------|--------------|-------------------|---------|
| Cash and cash equivalents | 13 | 61,204 | 61,204 | - | - | 61,204 |
| Financial assets at fair value through profit or loss: | | | | | | |
| Treasury bills - listed | 14 | 340,118 | 97,351 | 77,800 | 165,967 | 341,118 |
| | | 401,322 | 158,555 | 77,800 | 165,967 | 402,322 |

The sensitivity analysis reflects how changes in net assets attributed to unitholders would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. The assessed impact has not been significant on capital or earnings of the Fund. The impact of a change of 100 basis points in the average interest rate is analysed below for cash, treasury bills and bonds. The analysis assumes all other variables remain constant.

| | 31 December 2017 | 31 December 2016 |
|---|------------------|------------------|
| Increase in basis points | | |
| Sensitivity of interest rate on cash and cash equivalents | 98 | 612 |
| Sensitivity of interest rate on treasury bills and bonds | 3,735 | 3,401 |
| Decrease in basis points | | |
| Sensitivity of interest rate on cash and cash equivalents | (98) | (612) |
| Sensitivity of interest rate on treasury bills and bonds | (3,735) | (3,401) |

(iii) Foreign exchange risk

Foreign Exchange risk is the exposure of the Fund's financial condition to adverse movements in exchange rates. Where the Fund invests in financial instruments that are denominated in currencies other than its functional currency, it is exposed to foreign exchange risk. In this scenario the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of that portion of the Fund's financial assets and liabilities denominated in currencies other than the Naira.

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

(iv) Other market price risk

Other market price risk is the risk that the fair value of the financial instruments will fluctuate as a result of changes in market prices (other than arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market. Note 15 sets out concentration of the investments held by the Fund as at the reporting date.

The table below shows the impact of likely movement in market prices of financial instruments at fair value through profit or loss on the statement of profit or loss if prices increase or decrease by 100 basis points as at 31 December 2017.

| <i>Impact on profit or loss and equity</i> | | | | |
|--|------|----------------|--|--|
| 31 December 2017 | Note | Carrying Value | Impact of 100 basis points increase in price | Impact of 100 basis points decrease in price |
| Equity investments | 14 | 303,347 | 3,033 | (3,033) |
| Treasury bills | 14 | 341,436 | 3,414 | (3,414) |
| State bonds | 14 | 32,065 | 300 | (300) |
| Investment in other funds | 14 | 60,000 | 600 | (600) |
| Total | | 736,848 | 7,348 | (7,348) |
| 31 December 2016 | Note | Carrying Value | Impact of 100 basis points increase in price | Impact of 100 basis points decrease in price |
| Equity investments | 14 | 224,338 | 2,243 | (2,243) |
| Treasury bills | 14 | 340,118 | 3,401 | (3,401) |
| Total | | 564,456 | 5,645 | (5,645) |

Notes to the financial statements

(e) Operational risk

Operational risk is the risk of direct and indirect loss arising from a wide variety of causes associated with the process, 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 investments management behaviour.

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 Fund Manager. 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:

- requirement for appropriate segregation of duties between various functions, roles and responsibilities;
- requirement for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirement 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.

Substantially all the assets of the Fund are held by Citibank Nigeria Limited. Bankruptcy or insolvency of the Fund's custodian may cause the Fund's rights with respect to the securities held by the custodian to be delayed or limited. The Fund manager monitors credit ratings and capital adequacy of its custodian on a periodic basis.

The Fund has provided the custodian a general lien over the financial assets held in custody for the purpose of covering the exposure from providing custody services. The general lien is part of the standard contractual terms of the custody agreement.

There was no significant operational risk incidence during the financial year.

(f) Capital management

The units issued by the Fund provide an investor with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each monthly redemption date and are classified as equity. The Fund's objectives in managing the units are to ensure a stable base to maximise returns to all investors, and to manage liquidity arising from redemptions. The total unit holders funds as at 31 December 2017 was N723,851,000 (2016: N619,932,000).

Notes to the financial statements

5 Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 4)

(a) Key sources of estimation uncertainty

(i) *Determining fair value*

The determination of fair value for financial assets and liabilities for which there is no observable market prices requires the use of valuation techniques as described in note 3(f)(iv). 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 judgements in applying the Fund's accounting policies

(i) *Financial asset and liability classification*

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

- (i) In designating financial assets at fair value through profit or loss, the Fund has determined that it has met one of the criteria for this designation set out in note 3(f)(ii).
- (ii) The unitholders interest in the Fund is classified as equity. The Fund has determined that it has met the criteria for this designation set out in note 3(h)(i).

Details of the Fund's classification of financial assets and liabilities are given in note 6.

(ii) *Valuation of financial instruments*

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

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

- (i) Level 1 : Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- (ii) Level 2 : Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- (iii) Level 3 : Inputs that are unobservable. 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 but 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. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bonds and equity prices, foreign currency exchange rates, equity and equity index prices volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instruments at the reporting date that would have been determined by market participants acting at arm's length.

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

Notes to the financial statements

(iii) Fair value hierarchy - Financial instruments measured at fair value

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

31 December 2017

| <i>In thousands of Naira</i> | Note | Level 1 | Level 2 | Level 3 | Total |
|---|------|---------|---------|---------|---------|
| Financial assets at fair value through profit or loss:- | | | | | |
| Equity investments | 14 | 303,347 | - | - | 303,347 |
| Treasury bills | 14 | 341,436 | - | - | 341,436 |
| Investment in other funds | 14 | - | 60,000 | - | 60,000 |
| Financial assets at held to maturity: | | | | | |
| State bonds | 14 | 32,065 | - | - | 32,065 |
| | | 676,848 | 60,000 | - | 736,848 |

31 December 2016

| <i>In thousands of Naira</i> | Note | Level 1 | Level 2 | Level 3 | Total |
|---|------|---------|---------|---------|---------|
| Financial assets at fair value through profit or loss:- | | | | | |
| Equity investments | 14 | 224,338 | - | - | 224,338 |
| Treasury bills | 14 | 340,118 | - | - | 340,118 |
| | | 564,456 | - | - | 564,456 |

6 Classification of financial assets and liabilities

The table below provides a reconciliation of line items in the Fund's statement of financial position to the categories of financial instruments.

31 December 2017

| <i>In thousands of Naira</i> | Note | Designated at fair value through profit or loss | Held to maturity | Loans and receivables | Other financial liabilities | Total carrying amount |
|---|------|--|------------------------|-----------------------------|-----------------------------------|-----------------------------|
| Cash and cash equivalents | 13 | - | - | 9,764 | - | 9,764 |
| Deposit for shares | 17 | - | - | 10,000 | - | - |
| Investment in other funds | 14 | 60,000 | - | - | - | 60,000 |
| Financial assets at fair value through profit or loss | 14 | 644,783 | - | - | - | 644,783 |
| Financial assets at held to maturity: | | | | | | |
| State bonds | 14 | - | 32,065 | - | - | - |
| | | 704,783 | 32,065 | 19,764 | - | 714,547 |
| Accounts payable | 16 | - | - | - | 32,786 | 32,786 |
| | | - | - | - | 32,786 | 32,786 |

Notes to the financial statements

31 December 2016

| <i>In thousands of Naira</i> | Note | Designated at fair value through profit or loss | Loans and receivables | Other financial liabilities | Total carrying amount |
|--|------|--|-----------------------------|-----------------------------------|-----------------------------|
| Cash and cash equivalents | 13 | - | 61,204 | - | 61,204 |
| Financial assets at fair value through profit or loss | 14 | 564,456 | - | - | 564,456 |
| | | 564,456 | 61,204 | - | 625,660 |
| Accounts payable | 16 | - | - | 5,728 | 5,728 |
| | | - | - | 5,728 | 5,728 |

* Fair valuation methods and assumptions

(i) Cash and cash equivalents

Cash and cash equivalents represent bank balances and short term deposit with varying periods of between one day and three months depending on the immediate requirements of the Company. The fair value of these balances is their carrying amounts.

(ii) Investment securities

Investment securities consist of treasury bills, bonds, commercial papers and quoted equities. Treasury bills represent short term instruments issued by the Central Bank of Nigeria. The fair value of treasury bills are determined with reference to quoted prices (unadjusted) in active markets for identical assets. The estimated fair value of treasury bills at amortized cost represents the discounted amount of estimated future cash flows expected to be received. Expected cashflows are discounted at current market rates to determine fair value.

The fair values of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for identical instruments. Commercial papers represents balances with local banks. The fair value of commercial papers are their carrying amount.

Notes to the financial statements

7 Interest income

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|---|---------------------|---------------------|
| (a) Interest income on financial instruments designated at fair value through profit or loss: | | |
| Treasury bills | 65,540 | 31,577 |
| Commercial papers | - | 15,361 |
| State bonds | 2,065 | - |
| Interest income on other money market instruments: | | |
| Fixed deposit | 1,902 | 38 |
| Call deposit | 228 | 289 |
| | <u>69,735</u> | <u>47,265</u> |
| (i) The analysis of interest income is as below | | |
| Interest income received | 52,294 | 31,889 |
| Interest income receivable on treasury bills and bonds | 17,441 | 15,376 |
| | <u>69,735</u> | <u>47,265</u> |

8 Dividend income

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|---------------------------------------|---------------------|---------------------|
| Dividend income on equity investments | 9,943 | 9,321 |
| | <u>9,943</u> | <u>9,321</u> |

9 Net gain/(loss) from financial instruments at fair value through profit or loss

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|--|---------------------|---------------------|
| (a) Net loss from financial instruments at fair value through profit or loss | | |
| Fair value gain/(loss) on equity securities (see note 14(c)) | 86,395 | (77,738) |
| Fair value gain/(loss) on treasury bills (see note 14(e)) | 2,838 | (5,657) |
| | <u>89,233</u> | <u>(83,395)</u> |
| Gain on disposal of equity securities | 9,160 | 13,351 |
| | <u>98,393</u> | <u>(70,044)</u> |
| (i) Net loss from financial instruments at fair value through profit or loss is analysed as follows; | | |
| Realised gain on disposal of financial instruments (see note (b) below) | 9,160 | 13,351 |
| Unrealised gain/(loss) on financial instruments (see note (c) below) | 89,233 | (83,395) |
| | <u>98,393</u> | <u>(70,044)</u> |
| (b) The realised loss on the sale of financial instruments at fair value through profit or loss represents the difference between the carrying amount of a financial instrument and or transaction price when purchased in the current reporting period and its sale/settlement price. | | |
| (c) The unrealised loss represents the difference between the fair value of a financial instrument and or transaction price when purchased in the reporting period and its fair value at the end of the period. | | |

Notes to the financial statements

10 Operating expenses

(a) Operating expenses comprise:

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|-------------------------------------|---------------------|---------------------|
| Management fees (see note 23(b)(i)) | 46,466 | 19,093 |
| Trustee's fees | 750 | 750 |
| Registrar's fees | 427 | 356 |
| Custodian fee (see note 24) | 1,184 | 1,016 |
| VAT expenses | 1,197 | 1,114 |
| Auditor's remuneration | 1,059 | 1,059 |
| AGM Expenses | - | - |
| Other expenses | 10 | 11 |
| | 51,093 | 23,399 |

(b) In line with the provisions of the Trust Deed as amended which provides that the Fund Manager's fee, other fees and expenses cannot be more than 5% of the Fund's Net Asset Value. The Fund Manager's fee, other fees and expenses excluding incentive fee for the year are calculated at a maximum of 5% of the Fund's Net Asset Value over the year and amounted to N51.1 million (2016: N23.39 million). The fees were below the maximum threshold.

The Fund Manager is also entitled to an annual incentive fee equivalent to 30% of the excess of the Net Assets Value per unit over the target return where the target return is the opening Net Assets Value (NAV) per unit plus 10% of the opening NAV per unit. The Fund manager earned an incentive fee of N5.9 million during the year (2016: Nil).

11 Withholding tax expense

The Fund is exempt from paying income taxes under the current system of taxation in Nigeria. Certain dividend and interest income received by the Fund are subject to withholding tax imposed in the country of origin. During the year, the average withholding tax rate was 10% (2016 :10%).

The total withholding tax expense paid during the year is N560,000 (2016: N469,000).

12 Earnings per unit

Earnings per unit is calculated by dividing the Profit/(Loss) for the year by the number of units as at year end.

| | 31 December 2017 | 31 December 2016 |
|--|---------------------|---------------------|
| Profit/(Loss) for the year (N'000) | 126,418 | (37,326) |
| Number of units as at year end ('000) (see note 18(a)) | 53,355 | 55,139 |
| Earnings per unit (kobo) | 237 | (68) |

13 Cash and cash equivalents

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|------------------------------|---------------------|---------------------|
| Balances with banks | 9,764 | 61,204 |
| | 9,764 | 61,204 |

14 Investment securities

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|------------------------------|---------------------|---------------------|
|------------------------------|---------------------|---------------------|

(a)i A breakdown of financial asset at held to maturity is disclosed below:

| | | |
|-------------|--------|---|
| State bonds | 32,065 | - |
|-------------|--------|---|

(a)ii A breakdown of financial assets at fair value through profit or loss are disclosed below:

| | | |
|---|---------|---------|
| Equity investments (see note (b) and note 15) | 303,347 | 224,338 |
| Treasury bills (see note 15) | 341,436 | 340,118 |
| Investment in other funds | 60,000 | - |
| | 736,848 | 564,456 |

Notes to the financial statements

| | | | | | |
|--|------------------------------|---------------------|-----------------------|----------------|----------|
| Current | 341,436 | 340,118 | | | |
| Non current | 395,412 | 224,338 | | | |
| | 736,848 | 564,456 | | | |
| | 31 December 2017 | 31 December 2016 | | | |
| <i>In thousands of Naira</i> | | | | | |
| (b) Equity investments comprise: | | | | | |
| Quoted equity securities at cost (see note (d) below) | 261,411 | 268,796 | | | |
| Fair value changes (see note (c) below) | 41,936 | (44,458) | | | |
| Net carrying amount | 303,347 | 224,338 | | | |
| | 31 December 2017 | 31 December 2016 | | | |
| <i>In thousands of Naira</i> | | | | | |
| (c) The movement in fair value changes was as follows: | | | | | |
| Balance, beginning of year | (44,458) | 33,280 | | | |
| Increase/(decrease) for the year (see note (e) below and 9 (a)) | 86,395 | (77,738) | | | |
| Net gain/(loss) from equity investments | 41,937 | (44,458) | | | |
| | 31 December 2017 | 31 December 2016 | | | |
| <i>In thousands of Naira</i> | | | | | |
| (d) The movement in cost of quoted equity was as follows: | | | | | |
| Balance, beginning of year | 268,796 | 186,609 | | | |
| Additions | 5,913 | 145,580 | | | |
| Disposals | (13,298) | (63,393) | | | |
| Balance, end of year | 261,411 | 268,796 | | | |
| (e) Cashflow movement | | | | | |
| <i>31 December 2017</i> | | | | | |
| | Investment in other funds | State bonds | Equity investments | Treasury bills | Total |
| Opening balance | - | - | 224,338 | 340,118 | 564,456 |
| Fair value gain on financial assets - unrealised | - | - | 86,395 | 2,838 | 89,233 |
| Interest receivable | - | 2,065 | - | 15,376 | 17,441 |
| Changes in financial assets at fair value through profit or | 60,000 | 30,000 | (7,386) | (16,896) | 65,718 |
| Closing balance | 60,000 | 32,065 | 303,347 | 341,436 | 736,848 |
| <i>31 December 2016</i> | | | | | |
| | | | Equity investments | Treasury bills | Total |
| Opening balance | | | 219,889 | 428,185 | 648,074 |
| Fair value loss on financial assets - unrealised | | | (77,738) | (5,657) | (83,395) |
| Interest receivable | | | - | 15,376 | 15,376 |
| Changes in financial assets at fair value through profit or loss | | | 82,187 | (97,786) | (15,599) |
| Closing balance | | | 224,338 | 340,118 | 564,456 |

Notes to the financial statements

15 Investment portfolio

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

| <i>In thousands of Naira</i> | 31 December 2017 | | | 31 December 2016 | | |
|---------------------------------|------------------|------------------------------|------------------------|------------------|------------------------------|------------------------|
| | Market value | % of total quoted securities | % of total investments | Market value | % of total quoted securities | % of total investments |
| | N'000 | | | N'000 | | |
| Quoted equity securities | | | | | | |
| Food and beverages | 199,463 | 65.76% | 27.07% | 75,441 | 33.63% | 13.37% |
| Conglomerates | 8,796 | 2.90% | 1.19% | 32,760 | 14.60% | 5.80% |
| Building materials | 46,000 | 15.16% | 6.24% | 69,382 | 30.93% | 12.29% |
| Healthcare | 17,288 | 5.70% | 2.35% | 12,600 | 5.62% | 2.23% |
| Petroleum (marketing) | 31,800 | 10.48% | 4.32% | 34,155 | 15.22% | 6.05% |
| Total trading securities | 303,347 | 100.00% | 41.17% | 224,338 | 100.00% | 39.74% |
| Treasury bills | 341,436 | | 46.34% | 340,118 | | 60.26% |
| State bonds | 32,065 | | 4.35% | - | | |
| Investment in other funds | 60,000 | | 8.14% | - | | |
| Total Investments | 736,848 | 100.00% | 100.00% | 564,456 | | 100.00% |

16 Accounts payable

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|---|------------------|------------------|
| Management fee payable (see note 23(b)(ii)) | 32,786 | 5,728 |
| | 32,786 | 5,728 |
| Current | 32,786 | 5,728 |
| Non-current | - | - |
| | 32,786 | 5,728 |

(a) Cashflow movement

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 | Changes |
|------------------------------|------------------|------------------|---------|
| Management fee payable | 32,786 | 5,728 | 27,058 |

17 Other assets

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|---|------------------|------------------|
| Deposit for shares (see note (a) below) | 10,000 | - |
| Other receivables | 25 | - |
| | 10,025 | - |

(a) This amount represents deposit made by the Fund for right issue of shares by Lafarge Africa PLC. These shares were yet to be allotted to shareholders as at the reporting date.

(b) Cashflow movement

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 | Changes |
|---|------------------|------------------|---------|
| Deposit for shares (see note (a) below) | 10,000 | - | 10,000 |
| Other receivables | 25 | - | 25 |
| Recognised in cash flow | 10,025 | - | 10,025 |

Notes to the financial statements

18 Net assets attributable to unitholders

The rights attached to unitholders of the Fund for holding redeemable units are as follows:

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

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

(a) Number of units

| <i>In thousands of units</i> | 31 December 2017 | 31 December 2016 |
|-------------------------------------|---------------------|---------------------|
| Balance at 1 January | 55,139 | 56,327 |
| Redemption of units during the year | (1,784) | (1,188) |
| Balance at 31 December | 53,355 | 55,139 |

(b) Net assets attributable to unitholders

| <i>In thousands of Naira</i> | Unitholders equity | Retained earnings | Total |
|--|-----------------------|----------------------|----------|
| Balance at 1 January 2017 | 569,754 | 50,178 | 619,932 |
| Redemption of units during the year | (17,911) | - | (17,911) |
| Premium paid upon redemption during the year | - | (4,588) | (4,588) |
| Profit for the year | - | 126,418 | 126,418 |
| Balance at 31 December 2017 | 551,843 | 172,008 | 723,851 |
| Net assets value per units (Naira) (See note 19) | | | 13.57 |

| <i>In thousands of Naira</i> | Unitholders equity | Retained earnings | Total |
|--|-----------------------|----------------------|----------|
| Balance at 1 January 2016 | 581,638 | 89,021 | 670,659 |
| Redemption of units during the year | (11,884) | - | (11,884) |
| Premium paid upon redemption during the year | - | (1,517) | (1,517) |
| Loss for the year | - | (37,326) | (37,326) |
| Distribution to unitholders (see note (c) below) | - | - | - |
| Balance at 31 December 2016 | 569,754 | 50,178 | 619,932 |
| Net assets value per units (Naira) (See note 19) | | | 11.24 |

Notes to the financial statements

19 Net asset value per unit

The value of an accounting unit of the Zenith Ethical Fund is based on the net assets value of N723,851,000 as at 31 December 2017 (31 December 2016: N619,932,000) and the total number of accounting units being managed as at 31 December 2017 of 53,355,000 (31 December 2016: 55,139,025). The net asset per unit for the year is N13.57 (2016: N11.24).

20 Cash paid on redemption of units

This comprises:

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|--|---------------------|---------------------|
| Cash paid for redemption of units during the year (See note 18(b)) | (17,911) | (11,884) |
| Cash paid for premium granted upon redemption during the year (see note 18(b)) | (4,588) | (1,517) |
| | (22,499) | (13,401) |

21 Contingencies

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

22 Claims and litigations

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

23 Related parties and other key contacts

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both.

(a) Key related parties and holdings in the Fund

The Fund's key related party is its fund manager, Zenith Assets Management Limited. Another key party is Quantum PE Advisory Limited, who is the parent and ultimate controlling party of the Fund manager. The table below shows the total unit holding of the related parties:

| Related parties | 31 Dec 2017 Unit holdings | 31 Dec 2016 Unit holdings |
|---------------------------------|------------------------------|------------------------------|
| Zenith Asset Management Limited | 3,024,153 | 3,024,153 |
| Quantum PE Advisory Limited | - | - |
| | 3,024,153 | 3,024,153 |

(b) Transactions with related parties

A number of transactions were entered into with related parties in the normal course of business. These transactions predominantly relates to fund management activities. The volume of related party transactions and outstanding balances as at year end are as follows:

(i) Management fee

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|---|---------------------|---------------------|
| Zenith Asset Management Limited - Management fee (see note 10(a)) | 46,466 | 19,093 |
| | 46,466 | 19,093 |

Notes to the financial statements

(ii) Payables to related parties

| <i>In thousands of Naira</i> | 31 December 2017 | 31 December 2016 |
|--|---------------------|---------------------|
| Zenith Asset Management Limited - Management fee (see note 16) | 32,786 | 5,728 |
| | 32,786 | 5,728 |

All the related party transactions were done at arms' length.

24 Other key contracts

(i) Citibank Nigeria Limited

Citibank Nigeria Limited remains the Fund's custodian and bank. Under the Fund's custodial service agreement, the Custodian fees shall be agreed by the Fund manager and the Custodian from time to time, provided that the transaction fees shall not exceed 0.25% of the value of the assets under custody. These fees shall be paid out of the Fund. The Custodian fees paid during the year was N1,184,000 (31 December 2016: N1,016,000).

25 Events after the end of the reporting period

There are no events after the reporting date that require adjustment or disclosure in these financial statements.

Other National Disclosures

Other National Disclosures

Value Added Statement

| <i>In thousand of Naira</i> | 31 December 2017 | % | 31 December 2016 | % |
|--|---------------------|-----|---------------------|------|
| Total revenue/(loss) | 178,071 | | (13,458) | |
| Bought in goods and services - Local | (1,069) | | (1,070) | |
| Value added/(eroded) | 177,002 | 100 | (14,528) | 100 |
| Applied to pay: | | | | |
| Government as taxes: | | | | |
| Withholding tax expense | 560 | 0 | 469 | -3 |
| VAT expenses | 1,197 | 1 | 1,114 | -8 |
| Fund Manager and other parties to the Fund | 48,827 | 28 | 21,215 | -146 |
| Retained in the Fund to augment/(deplete) reserves | 126,418 | 71 | (37,326) | 257 |
| Value added/(eroded) | 177,002 | 100 | (14,528) | 100 |

Other National Disclosures

Five-year financial Summary

Statements of financial position as at

| <i>In thousands of naira</i> | 31 December 2017 | 31 December 2016 | 31 December 2015 | 31 December 2014 | 31 December 2013 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets | | | | | |
| Cash and cash equivalent | 9,764 | 61,204 | 28,961 | 59,301 | 41,531 |
| Investment securities | 736,848 | 564,456 | 648,074 | 679,150 | 906,515 |
| Other assets | 10,025 | - | - | 1,525 | 717 |
| Total assets | 756,637 | 625,660 | 677,035 | 739,976 | 948,763 |
| Liability | | | | | |
| Accounts payable | 32,786 | 5,728 | 6,376 | 6,901 | 55,623 |
| Net assets attributable to unitholders | 723,851 | 619,932 | 670,659 | 733,075 | 893,140 |
| Represented by: | | | | | |
| Equity attributable to unitholders | 551,843 | 569,754 | 581,638 | 607,050 | 585,658 |
| Retained earnings | 172,008 | 50,178 | 89,021 | 126,025 | 307,482 |
| Unitholders' funds | 723,851 | 619,932 | 670,659 | 733,075 | 893,140 |

Statements of profit or loss and comprehensive income

| <i>In thousands of naira</i> | 31 December 2017 | 31 December 2016 | 31 December 2015 | 31 December 2014 | 31 December 2013 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Interest income | 69,735 | 47,265 | 41,954 | 34,277 | 31,555 |
| Dividend income | 9,943 | 9,321 | 11,950 | 16,665 | 11,552 |
| Net gain/(loss) from financial instruments at fair value through profit or loss | 98,393 | (70,044) | (37,809) | (192,810) | 237,713 |
| Other income | - | - | - | 956 | - |
| Total revenue/(loss) | 178,071 | (13,458) | 16,095 | (140,912) | 280,820 |
| Operating expenses | (51,093) | (23,399) | (26,284) | (29,179) | (80,449) |
| Profit/(loss) for the year before tax | 126,978 | (36,857) | (10,189) | (170,091) | 200,371 |
| Withholding tax expense | (560) | (469) | (742) | (1,467) | (1,031) |
| Profit/(loss) for the year | 126,418 | (37,326) | (10,931) | (171,558) | 199,340 |
| Earnings/(loss) per unit (kobo) | 237 | (68) | (19) | (291) | 342 |