

***ARM AGGRESSIVE GROWTH FUND***  
***Managed by***  
***ARM INVESTMENT MANAGERS LIMITED***  
***FINANCIAL STATEMENTS***  
  
***For the year ended***  
  
***31<sup>ST</sup> DECEMBER, 2019***

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

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**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***Corporate information***

***Trustee to the Fund***

FBNQuest Trustees Limited

***Directors of the Fund Manager***

Mrs. Kai Orga (Managing Director)  
Ms. Jumoke Ogundare  
Mr. Sadiq Mohammed  
Dr. Adedoyin Salami  
Mr. Abayomi Sanni  
Dr. Oladimeji Alo

***Company Secretary and Legal Adviser***

Mrs. Folashade Adeloye

***Independent auditors to the Fund***

Crowe Dafinone  
(Formerly Horwath Dafinone)  
Chartered Accountants  
16, Wharf Road  
Apapa  
Lagos

***Registered office of the Fund Manager***

1, Mekunwen Road  
Ikoyi  
Lagos

***ARM Aggressive Growth Fund Head office***

68c, Coker Road  
Ilupeju  
Lagos

***Bankers***

Access Bank of Nigeria Plc  
Citi Bank (Nigeria) Limited  
First Bank of Nigeria Limited  
Guaranty Trust Bank Plc  
United Bank for Africa Plc  
Zenith Bank Plc

***Custodian to the Fund***

Citi Bank (Nigeria) Limited  
27, Kofo Abayomi Street  
Victoria Island  
Lagos

**ARM AGGRESSIVE GROWTH FUND**  
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***Report of the Trustee***

The Trustee present their report on the affairs of the ARM Aggressive Growth Fund, together with the audited financial statements for the year ended 31<sup>st</sup> December, 2019.

***Principal activity:*** The principal activity of the ARM Aggressive Growth Fund ('the Fund') is the pooling of funds from individual members of the public and companies and the investment of such funds in equities listed on the Nigerian Stock Exchange, fixed income and money market securities as determined by the fund manager in accordance with the Trustee. Investment Act, the Investment and securities Act and the Securities and Exchange Commission's rules and regulations, the Trust Deed and Supplemental Deeds thereto ("the Applicable Regulations").

***Results:*** The results for the year are set out on page 12.

***Distribution:*** The Fund Manager in consultation with the Trustee did not propose dividend for the year (2018: nil).

***Directors:*** The directors of the Fund Manager who served on the board of the Fund Manager during the period under review:

- Mrs. Kai Orga (Managing Director) (Appointed 1<sup>st</sup> January 2019)
- Ms. Jumoke Ogundare
- Mr. Sadiq Mohammed
- Dr. Adedoyin Salami
- Mr. Abayomi Sanni
- Dr. Oladimeji Alo (Appointed 15<sup>th</sup> October, 2019)

***Directors' and related parties interest in the units of the Fund:*** The directors of the Fund Manager who held direct and indirect beneficial interest in the units of the Fund as at 31<sup>st</sup> December, are:

	<b>Units held as at 31<sup>st</sup> December, 2019</b>	<b>Units held as at 31<sup>st</sup> December, 2018</b>
Ms. J. Ogundare	183,369	183,369

None of the directors of FBNQuest Trustees Limited has any direct or indirect beneficial interest in the units of the Fund.

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***Report of the Trustee (continued)***

***Responsibilities of the Fund Manager:***

The Investments and Securities Act, 2007 requires the Fund Manager to keep proper books of accounts and prepare annual financial statements which give a true and fair view of the state of affairs of the unit trust scheme during the period covered by the financial statements.

In preparing the financial statements, the Fund Manager:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- ensured that the applicable International Financial Reporting Standards have been followed, and in the case of any material departure, that it was fully disclosed and explained in the financial statements;
- prepared the financial statements on a going concern basis; since it was appropriate to assume that the Fund shall continue to exist.

The Fund Manager was responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any point in time, the financial position of the Fund, and enable the Fund Manager to ensure that the financial statements comply with the Applicable Regulations.

The Fund Manager is also responsible for maintaining adequate financial resources to meet its commitments and to manage the risks to which the Fund is exposed.

***Responsibilities of the Trustee:***

The responsibilities of the Trustee as provided by Securities and Exchange Commission's Rules and Regulations made pursuant to the Investment and Securities Act, 2007 are as stated below:

- Monitoring of the activities of the Fund Manager and the custodian on behalf of and in the interest of the Unit Holders;
- Ensuring that the Custodian takes into custody all of the scheme's assets and holds it in trust for the holders in accordance with the Trust Deed and the Custodial Agreement;
- Monitoring the register of Unitholders or contributors;
- Ascertaining the Fund Manager's compliance with the Applicable Regulations;
- Ascertaining that the monthly and other periodic returns/reports relating to the Fund are sent by the Fund Manager to the Commission;
- Taking all steps and executing all documents which are necessary to secure acquisitions or disposals properly made by the Fund Manager in accordance with the Trust Deed and Custodial Agreement;

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

*Report of the Trustee (continued)*

**Responsibilities of the Trustee: (continued)**

- Exercising any right of voting conferred on it as the registered holder of any investment and/or forward to the fund manager within a reasonable time all notices of meetings, reports, circulars, proxy solicitations and any other document of a like nature for necessary action;
- Ensuring that fees and expenses of the fund are within the prescribed limits; and
- Acting at all times in the interest and for the benefit of unit holders of the scheme.

**Administration of the fund**

During the year under review, the fund was administered in accordance with the applicable regulations, taking into cognisance prevailing market conditions as well as preserving and minimising possible losses to unitholders' funds.

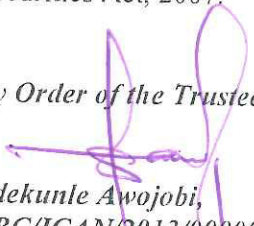
**Charitable donations:**

The Fund did not make any charitable donations during the year. (2018: nil).

**Auditors:**

Messrs Crowe Dafinone (formerly Horwath Dafinone), Chartered Accountants, having indicated their willingness to continue in office, shall do so in accordance with Section 169(1) of the Investment and Securities Act, 2007.

*By Order of the Trustee*

  
Adekunle Awojobi,  
FRC/ICAN/2013/000000002442  
Managing Director  
FBNQuest Trustees Limited  
16 Keffi Street  
Off Awolowo Road, Ikoyi  
Lagos, Nigeria  
3<sup>rd</sup> March, 2020

**ARM AGGRESSIVE GROWTH FUND**  
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***Report of the fund manager***

**Global**

Over 2019, the global economy was poised to grow at a rate of 3% (FY'18: 3.6% YoY), stemming from a slowdown in both the advanced and emerging markets. For the Advanced economies, the ongoing US-China trade tensions, sustained uncertainty over BREXIT and other geopolitical tensions formed the basis for a slowdown as business sentiment and investment dampened throughout the year. Accordingly, growth in advanced economies slowed over the period. In the US, economic growth slowed over 2019, hinged on an interplay between the trade war rhetoric and the diminishing effects of fiscal stimulus – which invariably led to a drag in the private sector investment and weakness in external trade. The slowdown stemmed largely from a deceleration in both public sector investment (1.6% YoY vs. 2.1% YoY in Q3'18) and private sector investment (-0.1% YoY vs. +13.7% YoY in Q3'18). On a positive front, public sector spending increased over the first half of 2019 – reflecting efforts by the U.S government to spur consumption. And after six consecutive quarters of contraction, real estate investments expanded at an annualized rate of 5.1% (-4.0% in Q3'18).

Regarding the Emerging Markets, a myriad of country-specific issues – such as consumption reduction in India, trade tensions and a reduced propensity to spend in China and a contraction in the growth of Mexico's industrial sector – led to a slowdown of growth in the region at 3.9% YoY (FY18: 4.5%). In Europe, in a bid to boost growth, the European Central Bank ('ECB') lowered its deposit facility rate by 10 basis points to -0.50%, while leaving the rates on the main refinancing operations and the marginal lending facility unchanged at 0.00% and 0.25%, respectively. Additionally, the asset purchase programme ('APP') was restarted on November 1 at a monthly pace of €20 billion and will continue to run, as per ECB's discretion. To enable more favorable bank lending conditions, the ECB reduced the interest rate on its targeted long-term refinancing operation to match the average rate applied on Euro system's Main refinancing operations and extended the maturity to by one year to three years. With the ongoing Sino-US trade war clouding exports and weakening industrial production, growth in the Eurozone is contracted by 70bps to 0.4% in Q4 2019. Over Q3'19, the UK economy expanded by 1.1% YoY (Q3'18: 1.6%), the country's slowest growth in nine years. Services, which accounts for approximately 80% of UK's GDP, fell to 1.6% YoY (Q3'18: 2.4%) mirroring a slowdown in household spending to 1.1% (Q3'18: 1.6%) as wage growth moderated. After a mixed array of economic data releases for emerging and developing economies ('EMDE') at the start of the year, growth across the majority of the EMDEs declined in the second half of the year. At the heart of the frail growth was the lingering Sino-US trade rift which led to weak global demand and tepid investments.

**ARM AGGRESSIVE GROWTH FUND**  
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***Report of the fund manager (continued)***

**Domestic Economy**

Nigeria's growth momentum remained positive over 2019, with Q3'19 GDP growth of 2.28% augmenting the trend over the first half of the year. Consequently, the economic output expanded by 2.2% YoY over the first nine months in 2019, with support stemming from both the oil and non-oil sectors. Specifically, improved average crude production at 2.02mbpd (9M'18: 1.92mbpd) drove the expansion in the oil sector (+4.1% YoY) while growth in the non-oil sector (+2.0% YoY) mirrored improved output from both the agriculture and services sectors. Over the last quarter of 2019, crude production is projected to print at 2.06mbpd (Q4'18: 1.91mbpd), which translates to 7.9% YoY growth in oil-related GDP.

For the rest of the economy, excluding oil, an improvement in the services, agriculture and manufacturing sectors produced a 1.9% YoY growth in non-oil GDP. Hence, we expect the economy to grow by 2.4% YoY in Q4'19 which translates to a FY'19 real GDP growth rate of 2.2%.

Regarding inflation, toward the latter part of August the Federal Government ('FG') announced a formal closure of the Nigerian borders in a bid to curb the smuggling of illicit items into the country. Consequently, the influx of food products – rice, vegetable oil, frozen foods, etc. – into the country was adversely impacted, thereby sending food prices higher. Against this backdrop, food inflation ascended 30bps to 13.88% over H2'19, transcending a 45bps decline in core inflation to 8.94% over similar period. On that note, headline inflation ticked 14bps higher to average 11.46% over the second half of 2019 (H1'19 averaged 11.40%).

Across the various windows, the naira remained stable over H2'19. Particularly, the Bureau de Change ('BDC') and parallel rates held steady at ₦359/\$1 and ₦360.5/\$1, while the NAFEX rate depreciated slightly by 1% to ₦364.2/\$1. Once again, the apex bank continued to manage stability of the naira despite significant pressures faced over H2'19. To expand, the Foreign Exchange ('FX') space experienced a turnaround over the second half of the year as foreign inflows slowed, coupled with an exodus of foreign flows over the same period. In turn, CBN became a net seller at the Investors Exporters Window ('IEW'), net selling \$4.7 billion over H2'19 compared to a net purchase of \$6.0 billion in H1'19. Overall, the FX reserve depleted by \$6.5 billion over H2'19, compared to an accretion of \$2.2 billion over the prior half of the year.



**ARM AGGRESSIVE GROWTH FUND**  
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***Report of the fund manager (continued)***

**Fixed Income Strategy**

Contrary to our expectations, average fixed income yields suffered massive compression in 2019. While this was, in part, fueled by fewer paper issuances and less liquidity sterilization by the CBN, it was the CBN's policy directive in October that served as the primary catalyst. This directive restricted local non-bank investors from participating in Open Market Operation ('OMO') auctions. In our view, this policy was aimed at reducing CBN's liabilities and interest expense. Consequently, OMO redemptions, which would previously have been reinvested in the same market post-maturity, had little choice but to resort to investments in Federal Government of Nigeria ('FGN') securities, thereby compressing local fixed income yields by 540bps to 7.72%.

At the short end of the curve, Nigerian Treasury Bills ('NTB') have served as the primary substitute destination for the domestic funds barred from the OMO space. This has been particularly evident during subsequent PMAs following the directive. For context, while mean subscription rate over H1'19 was 2.72x, the rate increased to an average of 3.21x in H2'19. Given the additional demand, stop rates at NTB PMAs fell 634bps to 4.83%. However, despite the large demand and the opportunity to ramp up short-end borrowings, the FG rolled over a smaller portion of the maturing treasury bills (₦1.72 trillion).

Similarly, demand was also strong for secondary market NTBs, evidenced by the precipitous drop in yields by 742bps to 4.85%. Elsewhere, at the long end of the curve, to finance the N1.9 trillion deficits in the 2019 budget, the FG proposed domestic borrowing of ₦802.82 billion and, as of the end of H1'19, had made some traction to meeting that target with a net issuance of ₦345.6 billion. However, in the second half of the year the FG's borrowing was heavily increased, net issuing N742.2 billion – greater than the FG's total borrowing in FY18 (₦610.9 billion). The majority of the H2'19 borrowings in the last two months of the year (₦540.3 billion) clearly reflects CBN's objective to capitalize on higher demand and lower rates at the PMAs. Regarding the higher demand, subscription increased from 1.59x in the first nine months of the year to 1.80x in the last three of months of the year, while average stop rates declined to 12% by year-end. In the secondary market, bond yields declined 338bps in the second half of the year (decline of 129bps in H1'19). The bullish sentiment in secondary market bond yields was primarily driven by investor interest in the Feb-2020 bonds; the issuance was viewed as an attractive substitute for the one-year paper.

Given our expectation for lower rates and higher rates in midyear and latter part of the year, short term instruments have been over-weighted to lock in attractive rates that we believe will be on offer in the near term. Underpinning our strategy is our expectation for the naira, market liquidity, fiscal and external environment.

**ARM AGGRESSIVE GROWTH FUND**  
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***Report of the fund manager (continued)***

**Equity Strategy**

We are less bearish for Nigerian Equities in 2020. The massive selloffs over the last two years have in turn made Nigerian share prices quite attractive relative to its intrinsic value. Furthermore, we expect the lower fixed income yields to spur on private sector investments, as the environment has become more conducive for private sector borrowing. While expected market activity and volatility will provide opportunities for short term plays, the overarching strategy for 2020 is to discern amongst companies with solid fundamentals in sectors poised for growth.

**Appendix**

**AGF Fund Performance (2019)**

The AGF returned -8.31% in the 12 months ended December 2019.

**DF Fund Performance**

The DF returned -3.65% in the 12 months ended December 2019.

**Ethical Fund Performance**

The Ethical Fund returned 2.84% in the 12 months ended December 2019.

***REPORT OF THE INDEPENDENT AUDITORS TO THE UNIT HOLDERS OF ARM AGGRESSIVE GROWTH FUND (MANAGED BY ARM INVESTMENT MANAGERS LIMITED)***

***Opinion***

We have audited the financial statements of ARM Aggressive Growth Fund which comprise, statement of financial position as at 31<sup>st</sup> December, 2019, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, other explanatory notes, statement of value added and five year financial summary. These financial statements are set out on pages 12 to 35 and have been prepared using the significant accounting policies set out on page 18 to 23.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31<sup>st</sup> December, 2019 and of its financial performance and its cash flows for the year ended on that date, and comply with the applicable International Financial Reporting Standards in the manner required by the Financial Reporting Council of Nigeria Act No. 6, 2011, the Trustee Investment Act, CAP T22 LFN 2004, the Investments and Securities Act, 2007 and the Provision of the Trust Deed.

***Basis of our opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs) in the manner required by the Nigerian Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

***Independence***

We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA) Code. We have fulfilled our other ethical responsibilities in accordance with the IESBA code.

***Information other than the financial statements and auditors' report***

The fund manager's report and other information contained therein are the responsibility of management. Our opinion does not cover these reports and accordingly we do not express any form of assurance conclusion thereon. It is our responsibility to read the other information and in doing so, consider whether the information is materially inconsistent with the financial statements or with the knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work we conclude that there is material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

***REPORT OF THE INDEPENDENT AUDITORS TO THE UNIT HOLDERS OF ARM AGGRESSIVE GROWTH FUND (MANAGED BY ARM INVESTMENT MANAGERS LIMITED)***  
***(continued)***

***Responsibilities of the Fund Managers and those charged with governance for the financial statements***

The fund managers and those charged with governance are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards in the manner required by the Financial Reporting Council of Nigeria Act No. 6, 2011, the Trustee Investment Act, CAP T22 LFN 2004, the Investment and Securities Act, 2007 and the Provision of the Trust Deed and any Supplemental Deeds. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

***Auditors' responsibilities for the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error and to issue an auditor's report that include 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 scepticism 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 significant accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**REPORT OF THE INDEPENDENT AUDITORS TO THE UNIT HOLDERS OF ARM AGGRESSIVE GROWTH FUND (MANAGED BY ARM INVESTMENT MANAGERS LIMITED) (continued)**

***Auditors' responsibilities for the financial statements (continued)***

- Conclude on the appropriateness of management'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 the manner that achieves fair presentation.


We communicate with those charged with governance 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.

***Report on other legal and regulatory requirements***

In accordance with Section 169 (1) of the Investments and Securities Act 2007, we confirm that the financial statements are in agreement with the accounting records, which have been properly kept.

In accordance with Section 169(3) of the Investments and Securities Act 2007, we confirm that the fund has been operated within the provisions of the Act.

Lagos, Nigeria  
3<sup>rd</sup> March, 2020

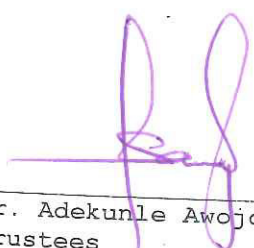
  
Omolola Samuel  
Engagement Partner  
FRC/2012/ICAN/00000000358  
For: Crowe Dafinone  
(Formerly Horwath Dafinone)  
Chartered Accountants




**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

*Statement of financial position as at 31<sup>st</sup> December 2019*

	Notes	2019 N '000	2018 N '000
<b>Current assets</b>			
Cash and cash equivalents	7	437,092	54,275
Financial assets at fair value through profit or loss	8	1,905,377	2,203,630
Financial assets at amortised cost	9	82,233	497,785
Other receivables	10	42,247	35,462
<b>Current liabilities</b>		<b>2,466,949</b>	<b>2,791,152</b>
Trade and other payables	11	(21,294)	(63,869)
<b>Net assets</b>		<b>2,445,655</b>	<b>2,727,283</b>
<b>Financed by</b>			
Members' funds		2,445,655	2,727,283
<b>Net assets per unit</b>	12	16.43	16.93

  
 Mr. Adekunle Awojobi  
 Trustees  
 FRC/ICAN/2013/00000002442

  
 Ms. Jumoke Ogundare  
 Fund Manager  
 FRC/2013/IODN/00000003767

3<sup>rd</sup> March, 2020

*The statement of the significant accounting policies and notes to the financial statements set out on pages 16 to 33 form an integral part of these financial statements.*

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Statement of profit or loss and other comprehensive income for the year ended 31<sup>st</sup> December, 2019**

	Notes	2019 ₹ '000	2018 ₹ '000
<b>Income</b>			
Investment income	13	206,153	229,351
Loss from security trading	14.1	(21,513)	(9,285)
Fair value loss on investments at fair value through profit or loss	14	(280,275)	(412,063)
<b>Loss from investing activities</b>		<b>(95,635)</b>	<b>(191,997)</b>
Other income		82	118
Loss for the year		(95,553)	(191,879)
<b>Expenses</b>			
Management fee and other expenses	15	(62,963)	(68,507)
Loss before taxation		(158,516)	(260,386)
Taxation	16	(11,752)	(17,273)
<b>Loss for the year</b>		<b>(170,268)</b>	<b>(277,659)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>(170,268)</b> =====	<b>(277,659)</b> =====
<b>Basic loss per unit</b>		(1.14) =====	(1.72) =====

*The statement of the significant accounting policies and notes to the financial statements set out on pages 16 to 33 form an integral part of these financial statements.*

**ARM AGGRESSIVE GROWTH FUND**  
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**Statement of changes in equity for the year ended 31<sup>st</sup> December, 2019**

	Unit holder capital balances 2019 ₹ '000	Unit holder capital balances 2018 ₹ '000
As at 1 <sup>st</sup> January,	2,727,283	3,130,278
Total comprehensive income for the year	(170,268)	(277,659)
	<hr/> 2,557,015	<hr/> 2,852,619
<b>Transactions with unit holders:</b>		
Value of additional units purchased	214,205	10,694
Value of units liquidated during the year	(325,565)	(136,030)
Distributions paid as dividend	-	-
	<hr/> (111,360)	<hr/> (125,336)
<b>Members' funds at 31<sup>st</sup> December,</b>	<hr/> <b>2,445,655</b> =====	<hr/> <b>2,727,283</b> =====

*The statement of the significant accounting policies and notes to the financial statements set out on pages 16 to 33 form an integral part of these financial statements.*



**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Statement of cash flows for the year ended 31<sup>st</sup> December 2019**

	Notes	2019 N '000	2018 N '000
<b>Cash flows from operating activities</b>			
Loss before taxation		(158,516)	(260,386)
Adjustments for:			
Fair value loss on investment	14	280,275	412,063
Loss on sale of quoted securities	14.1	21,513	9,285
<b>Changes in working capital</b>		<b>143,272</b>	<b>160,962</b>
(Increase)/decrease in other receivables		(6,785)	23,534
Decrease in trade and other payables		(42,575)	(95,211)
<b>Cash generated from operations</b>		<b>93,912</b>	<b>89,285</b>
Tax paid	16	(11,752)	(17,273)
<b>Net cash inflows from operating activities</b>		<b>82,160</b>	<b>72,012</b>
<b>Cash flows from investing activities</b>			
Proceed from sale of quoted securities	14.1	622,563	1,861,535
Movement in financial assets at amortised cost		415,552	(106,710)
Purchase of quoted securities	8	(626,098)	(1,692,774)
<b>Net cash inflows from investing activities</b>		<b>412,017</b>	<b>62,051</b>
<b>Cash flows from financing activities</b>			
Transaction with the unit holders		(111,360)	(125,336)
<b>Net cash outflows from financing activities</b>		<b>(111,360)</b>	<b>(125,336)</b>
<b>Net increase in cash and cash equivalents</b>		<b>382,817</b>	<b>8,727</b>
Cash and cash equivalents at the beginning of the year		54,275	45,548
Cash and cash equivalents at the end of the year	7	437,092	54,275
		=====	=====

*The statement of the significant accounting policies and notes to the financial statements set out on pages 16 to 33 form an integral part of these financial statements.*

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019***

**1. General**

**1.1 Reporting entity**

ARM Aggressive Growth Fund (“the Fund”) is an open-ended unit trust scheme authorised and registered by the Securities and Exchange Commission. The Fund was established by Assets & Resources Management Company Limited now ARM Investment Managers Limited on 1<sup>st</sup> April, 2004 as a private investment fund. The Fund was converted to a public fund in accordance with the trust deed dated 21<sup>st</sup> October 2007. The Fund’s principal office is located at ARM Investment Managers Limited 1, Mekunwen Road, Off Oyinkan Abayomi Drive, Ikoyi, Lagos.

The Fund is primarily involved in investments in well-diversified portfolio comprised of high quality equities listed on the Nigerian Stock Exchange.

The Fund is managed by ARM Investment Managers Limited (“the Fund Manager”) and the trustee to the Fund is FBNQuest Trustees Limited (“the Trustees”).

**1.2 Basis of preparation**

**1.2.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (“IASB”) in the manner required by the Financial Reporting Council of Nigeria.

The financial statements were authorised for issue by the Trustee and Fund Manager on 3<sup>rd</sup> March, 2020.

**1.2.2 Functional and presentation currency**

These financial statements are presented in Nigerian Naira, which is the Fund’s functional currency.

**1.2.3 Basis of measurement**

These financial statements are prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value;
- Financial assets and financial liabilities measured at amortized cost.

**1.2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments are discussed in note 5.

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)**

**2 New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31<sup>st</sup> December, 2019, and have not been applied in preparing these financial statements:

The Fund plans to adopt the standards below on their respective effective dates. Management is in the process of assessing the impact of the standards on the Fund.

<b>Pronouncement</b>	<b>Nature of change</b>	<b>Effective date</b>
<b><i>IFRS 17 Insurance Contracts</i></b>	<p>IFRS 17 was issued in May 2017 as replacement for IFRS 4 <i>Insurance Contracts</i>. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:</p> <ul style="list-style-type: none"> <li>• discounted probability-weighted cash flows</li> <li>• an explicit risk adjustment, and</li> <li>• a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.</li> </ul> <p>The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the ‘variable fee approach’ for certain contracts written by life insurers where policy holders share in the returns from underlying items. When applying the variable fee approach the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features</p>	1 January 2021

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)***

**3. Significant accounting policies**

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

**3.1 Foreign currency transactions**

Transactions denominated in foreign currencies are recorded in Naira at the rate of exchange ruling at the date of each transaction. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate ruling at the balance sheet date; the resulting foreign exchange gain is recognised in the income statement while those on non-monetary items are recognised in other comprehensive income.

**3.2 Net gain/loss from financial instruments at fair value through profit or loss**

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

**3.3 Dividend income**

Dividend income is recognised when the right to receive income is established. Dividend income from equity securities designated at fair value through profit or loss and available-for-sale is recognised in the “dividend income” line in the statement of comprehensive income.

**3.4 Fees and other expenses**

Fees and other expenses are recognised in the statement of comprehensive income on an accrual basis

**3.5 Taxation**

Dividend income and income from financial instruments received by the Fund is subject to withholding tax. Dividend income and income from financing and investing are therefore recorded gross of such taxes and the corresponding withholding tax is recognised as tax expense.

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)**

**3. Significant accounting policies (continued)**

**3.6 Financial assets and liabilities**

**(i) Recognition**

The Fund classifies its financial instruments based on the following categories: at fair value through profit and loss, at fair value through other comprehensive income and financial assets at amortised cost.

Management determines the classification at initial recognition. All financial instruments are initially recognised at fair value, which includes transaction costs for financial instruments not classified as at fair value through profit or loss. Financial instruments are derecognised when the rights to receive cash flows from the financial instruments have expired or where the Fund has transferred substantially all risks and rewards of ownership.

**(ii) Subsequent measurement**

Subsequent to initial measurement, financial instruments are measured either at fair value through profit or loss, at fair value through other comprehensive income or financial assets at amortised cost, depending on their classification:

**(a) Financial assets at amortised cost**

Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss. Financial assets at amortised cost investments are carried at amortised cost, using the effective return method, less any provisions for impairment.

**(b) Financial assets held at fair value through profit or loss**

Financial assets may be designated at fair value through profit or loss when:

- The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or
- A group of financial assets is managed and its performance evaluated on a fair value basis.

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in profit or loss in 'trading income' for trading assets.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition.

**(iii) Fair value measurement**

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets.

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)***

**3. Significant accounting policies (continued)**

**3.6 Financial assets and liabilities (continued)**

**(iii) Fair value measurement (continued)**

Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is unlisted, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date from a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the reporting date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting a price.

**(iv) Impairment of financial assets**

**(a) Assets carried at amortised cost**

The Fund assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired may include; default or delinquency by a debtor, restructuring of a financing account or advance by the Fund on terms that the Fund would not otherwise consider, indications that a customer or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of customers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Fund first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)***

**3. Significant accounting policies (continued)**

**3.6 Financial assets and liabilities (continued)**

**(iv) Impairment of financial assets (continued)**

**(a) Assets carried at amortised cost (continued)**

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Fund's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

In assessing collective impairment, the Fund uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested benchmarked against actual outcomes to ensure that they remain appropriate.

If there is objective evidence that an impairment loss on receivable or a held-to-maturity asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective return rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Finance income on the impaired asset continues to be recognised through the unwinding of the discount. The carrying amount of the asset is reduced through the use of an allowance account.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

To the extent a receivable is irrecoverable, it is written off against the related allowance for impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for impairment in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)***

**3. Significant accounting policies (continued)**

**3.6 Financial assets and liabilities (continued)**

*b) Offsetting financial instrument*

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

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

*c) Derecognition of financial instruments*

The Fund derecognises 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 on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

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

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Fund enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all the risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. In transactions where the Fund neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Fund continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

**3.7 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

**3.8 Provisions**

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



**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)***

**3. Significant accounting policies (continued)**

**3.8 Provisions (continued)**

A provision for restructuring is recognised when the Fund has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

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

**3.9 Contingencies**

**(i) Contingent asset**

Contingent asset is a possible asset 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 entity.

A contingent asset is disclosed when an inflow of economic benefit is probable. When the realisation of income is virtually certain, then the related asset is not a contingent and its recognition is appropriate. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements.

**(ii) Contingent liability**

Contingent liability is a possible obligation that arises from past event 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 entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are assessed continually to determine whether an outflow of economic benefit has become probable.

**3.10 Unit holders balances**

Unit holder balances are redeemable on demand at an amount equal to a proportionate share of the unit portfolio's net asset value. The balances are carried at the redemption amount that is payable at the balance sheet date if the holder exercised their right to redeem the balances. The Fund's redeemable units meet these conditions and are classified as equity.

All transactions relating to the issue and redemption of redeemable units as well as distributions to holders of redeemable units are recognised in equity.

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)***

**4. Financial risk management**

**4.1 Financial risk management objectives**

In an attempt to achieve its aim of generating optimal returns for fund holders, the Fund participates in risk-taking activities such as investments in equities, real estate, treasury bills and bonds. These activities expose the Fund to risks such as:

- Market and investment risk
- Liquidity risk
- Counterparty credit risk
- Compliance risk
- Operational risk

The Fund Manager adopts a holistic Enterprise Risk Management (ERM) framework that considers all risk exposures from a comprehensive and integrated standpoint. The ultimate goal is to ensure efficient risk/return decision-making, reduce volatility in fund performance, improve operational efficiency as well as the quality of service delivery and ensure that the fund's risk profile is transparent to all relevant stakeholders.

This holistic ERM Framework is implemented by the Fund Manager's independent risk management function who oversees risk exposures across the Firm. The Risk Management function works closely with front and back-office personnel to address identified issues in a timely manner. In addition, the importance of risk management is stressed through periodic firm-wide risk awareness activities, and a zero tolerance for violations of risk management guidelines.

The Fund's Investment Committee has ultimate responsibility for Risk Management oversight, playing an important role in defining and reviewing overall risk appetite; and in approving policies and methodologies. The Committee receives quarterly reports of the Fund strategies and Risk Management activities. In addition, the executive management of the Fund Manager is responsible for performing oversight function over on-going development and implementation of risk management policies.

**4.1.1 Market and investment risk**

Market risk is the risk of loss occurring as a result of unfavourable changes in market rates, such as foreign exchange rates, interest rates, equity prices, commodity prices, and implied volatilities of market rates.

The Fund is exposed to market and investment risks through its investment activities, which are carried out in accordance with approved investment guidelines and within strategic asset allocation as contained in the trust deed. Adherence to these guidelines is monitored by the Risk Management team who from time to time notifies the portfolio managers of identified exceptions. The Investment Committee meets on a quarterly basis to review the Fund's activities and performance, and to set the operational strategy for the succeeding quarter. Also, the Investment Committee ensures that the Fund's performance is assessed during the quarterly meeting and compared to relevant benchmarks and peer funds.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on investments.

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)**

**4. Financial risk management (continued)**

**4.1.2 Equity price risk:**

Equity price risk is the risk of loss to the fund as a result of unfavourable changes in the prices of equities. The Fund is significantly exposed to equity price risk from its investments in equities listed on the Nigerian Stock Exchange. In managing this risk and to minimise concentration risk, a single exposure limits which define the maximum allowable exposure to any individual stock has been applied to the Fund.

Equity positions held by the fund have been presented at fair value and stands at ₦ 1,905,377,330 (2018: ₦ 2,203,629,602).

**4.1.3 Foreign exchange risk:**

The Fund is not exposed to foreign exchange risk, as all transactions are carried out in the domestic currency, the Nigerian Naira.

**4.1.4 Interest rate risk:**

Interest rate risk is the risk of loss of interest income arising from changes in interest rates. Interest rate exposure is generated from the Fund's investments in interest-sensitive securities such as bonds, treasury bills and placements with financial institutions, most of which are fixed rate instruments.

The Fund's exposure to interest rate risk is seen in its holdings in fixed income securities as shown below.

**Financial instrument investments:**

	2019 ₦ '000	2018 ₦ '000
Financial assets at amortised cost	82,233	497,785
Cash & cash equivalents*	437,092	54,275
<b>Exposed to cash flow interest rate risk</b>	<b>519,325</b> =====	<b>552,060</b> =====

\* Cash & cash equivalents are held in interest-bearing accounts.

**4.1.5 Liquidity risk:**

Liquidity risk is the risk that the Fund will be unable to efficiently meet its financial obligations as they fall due and without adversely affecting realisable amount on the Fund's assets.

Liquidity risk is the risk that the Fund will be unable to sufficiently meet its financial obligations as they fall due and without adversely affecting realisable amount on the Fund's assets. The Fund is exposed to daily cash redemptions of redeemable unit.

Liquidity risk is managed on a daily basis by the Portfolio Manager. In order to meet clients' redemption requests, asset allocations are carefully structured to ensure that the Fund holds sufficient near cash assets. Besides this liquidity buffer, the Fund primarily invests in highly liquid quoted equities

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)**

**4. Financial risk management (continued)**

**4.1.5 Liquidity risk (continued)**

The table below shows the Funds' investments in cash and near cash equivalents at 31<sup>st</sup> Dec 2019 and 31<sup>st</sup> Dec 2018.

	2019 N '000	2018 N '000
Financial assets at amortised cost	82,233	497,785
Bank balances	15,687	18,923
Call deposits	41,917	35,352
Placement with financial institutions	379,488	-
	<hr/>	<hr/>
Cash and cash equivalents	519,325	552,060
Current liabilities	(21,294)	(63,869)
	<hr/>	<hr/>
<b>Net Investments in cash and near cash equivalents net of payables</b>	<b>498,031</b> =====	<b>488,191</b> =====

The table below shows redemption history over the past two years and Member's Funds which are redeemable without prior notice.

	2019 N '000	2018 N '000
Member's funds	2,445,655	2,727,283
Total client redemptions	(325,565)	(136,030)

**Credit risk**

Credit risk is the risk of loss arising from counterparty's inability or unwillingness to fulfil contractual obligations to the Fund. Credit risk arises from the Fund's placements with financial institutions, and investments in debt securities such as treasury bills and bonds.

The Fund Manager has in place a Counterparty Policy that guide's portfolio manager's counterparty selection process. This policy states acceptable credit ratings for counterparties, and limits maximum exposure to each of the counterparties. The Policy also stipulates a counterparty selection process that includes a periodic assessment of each of the counterparty's financial position and available market information, to ascertain that these institutions are of sound financial health.

The Fund's maximum exposure to credit risk as at 31<sup>st</sup> December, 2019 and 31<sup>st</sup> December, 2018 is seen in the table below:

	2019 N '000	2018 N '000
Government securities	82,233	355,347
Placement with financial institutions	379,488	142,438
Bank balances	15,687	18,923
Call deposits	41,917	35,352
Other receivables	42,247	35,462
	<hr/>	<hr/>
	<b>561,572</b> =====	<b>587,522</b> =====

None of the balances were past due or impaired as at 31<sup>st</sup> December 2019 (2018: Nil).

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)***

**4. Financial risk management (continued)**

**Compliance risk**

Compliance risk is the risk of loss arising from violations of, or non-conformance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

The Fund Manager operates strictly within the fund's risk profile as stipulated in the Trust Deed, and has a dedicated compliance unit and a registered Compliance Officer, who ensures strict adherence to regulatory requirements and internal investment guidelines. In addition, regulatory returns and disclosures are made as and when due.

The Fund Manager's compliance unit maintains a Regulatory Rule Library that contains key regulations pertaining to the Fund. The Rule Library enables easy monitoring of regulatory requirements; and helps prevent violations and/or non-conformance. This Rule Library is updated as new and relevant legislations are released.

The Fund Manager has also implemented a robust Anti-Money Laundering policy and KYC procedures that help prevent the use of the Fund, the financial system and/or any of its resources for legalization of proceeds from illicit activities.

**Operational risk**

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, systems and external events.

The Fund Manager manages operational risk using a well-established control framework, and tools such as Risk and Control Self Assessment (RCSA) workshops, Internal Loss Data Collection (LDC), Issues Management and Whistleblowing. The Fund Manager uses a bespoke system, the OpRisk Manager and other excel based templates for collecting, managing, monitoring and reporting operational risk.

Operational risk loss events are escalated and managed using a four level escalation matrix depending on the amount of loss that may occur.

The ultimate aim of the Fund Manager's operational risk management activities is to improve operational efficiency as well as the quality of its service delivery to investors through:

- Improved processes and operational guidelines
- Minimising occurrence of avoidable risk events
- Creating group-wide risk awareness that guides behaviours and creates a careful approach to transaction handling and execution.

Information obtained from operational risk management tools mentioned above helps the Fund Managers to make informed decisions that invariably ameliorate impact of operational risk exposures.

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)***

**5. Critical accounting 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 price requires the use of valuation techniques as described in note 3.6 (iii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also “Valuation of financial instruments” below.

**(ii) Allowance for impairment losses**

Financial assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy (note 3.6 (iv)).

The specific component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management’s best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party’s financial situation and the net realisable value on any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Investment and Risk Management function.

**(b) Critical accounting judgements in applying the Fund’s accounting policies**

**(i) Valuation of financial instruments**

The Fund’s accounting policy on fair value measurements is discussed in note 3.6 (iii).

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)**

**5. Critical accounting estimates and judgements (continued)**

**(b) Critical accounting judgements in applying the Fund's accounting policies (continued)**

**(i) Valuation of financial instruments (continued)**

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where 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 where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Fund, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Fund is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments classified as trading securities.

The table below analyses financial instruments measured at fair value into the fair value hierarchy at the end of:

31 <sup>st</sup> December 2019	Note	Level 1 ₹	Level 2 ₹	Level 3 ₹	Total ₹
Financial assets at fair value through profit or loss	8	1,905,377	-	-	1,905,377
		<hr/>	<hr/>	<hr/>	<hr/>
		1,905,377	-	-	1,905,377
		<hr/>	<hr/>	<hr/>	<hr/>
31 <sup>st</sup> December 2018	Note	Level 1 ₹	Level 2 ₹	Level 3 ₹	Total ₹
Financial assets at fair value through profit or loss	8	2,203,630	-	-	2,203,630
		<hr/>	<hr/>	<hr/>	<hr/>
		2,203,630	-	-	2,203,630
		<hr/>	<hr/>	<hr/>	<hr/>

**6. Financial assets and liabilities**

The fair value of the Fund's financial instruments such as cash and cash equivalents, other receivables and uninvested fund deposits are not materially sensitive to shifts in market return rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

The fair values of other financial instruments are based on the following methodologies and assumptions:

Financial assets at fair value through profit or loss and available-for-sale. The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)**

**6. Financial assets and liabilities (continued)**

Accounting classification, measurement basis and fair value.

The table below sets out the Fund's classification of each class of financial assets and liabilities, and their fair values.

31 <sup>st</sup> December 2019	Note	FVTPL N '000	Financial assets at amortised cost N '000	Financial liabilities N '000	Total carrying amount N '000	Fair value N '000
Financial assets designated at fair value through profit or loss	8	1,905,377	-	-	1,905,377	1,905,377
Financial assets at amortised cost	9	-	82,233	-	82,233	82,233
Other receivables	10	-	42,247	-	42,247	42,247
Cash & cash equivalents	7	-	437,092	-	437,092	437,092
		<u>1,905,377</u>	<u>561,572</u>	<u>-</u>	<u>2,466,949</u>	<u>2,466,949</u>
Trade and other payables	11	-	-	21,294	21,294	21,294
		<u>-</u>	<u>-</u>	<u>21,294</u>	<u>21,294</u>	<u>21,294</u>
31 <sup>st</sup> December 2018	Note	FVTPL N '000	Financial assets at amortised cost N '000	Financial liabilities N '000	Total carrying amount N '000	Fair value N '000
Financial assets designated at fair value through profit or loss	8	2,203,630	-	-	2,203,630	2,203,630
Financial assets at amortised cost	9	-	497,785	-	497,785	497,785
Other receivables	10	-	35,462	-	35,462	35,462
Cash & cash equivalents	7	-	54,275	-	54,275	54,275
		<u>2,203,630</u>	<u>587,522</u>	<u>-</u>	<u>2,791,152</u>	<u>2,791,152</u>
Trade and other payables	11	-	-	63,869	63,869	63,869
		<u>-</u>	<u>-</u>	<u>63,869</u>	<u>63,869</u>	<u>63,869</u>



**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)**

	2019 ₹ '000	2018 ₹ '000
<b>7. Cash and cash equivalents</b>		
Bank balances	15,687	18,923
Call deposits*	41,917	35,352
Placement with financial institutions*	379,488	-
	<hr/> 437,092 <hr/> =====	<hr/> 54,275 <hr/> =====
*These are fixed income securities that were less than three months maturity after the year end.		
	2019 ₹ '000	2018 ₹ '000
<b>8. Financial assets at fair value through profit or loss</b>		
Investments at fair value at the beginning	2,203,630	2,793,739
Purchases	626,098	1,692,774
Disposal	(644,076)	(1,870,820)
	<hr/> 2,185,652	<hr/> 2,615,693
Investments as at the year end	2,185,652	2,615,693
Fair value loss as at the year end	(280,275)	(412,063)
	<hr/> 1,905,377 <hr/> =====	<hr/> 2,203,630 <hr/> =====
<b>9. Financial assets at amortised cost</b>		
Government bonds	82,233	104,289
Treasury bills	-	251,058
Placement with financial institutions	-	142,438
	<hr/> 82,233 <hr/> =====	<hr/> 497,785 <hr/> =====
<b>10. Other receivables</b>		
Dividend receivable	38,460	35,462
Other receivables	3,787	-
	<hr/> 42,247 <hr/> =====	<hr/> 35,462 <hr/> =====

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)**

	2019 ₹ '000	2018 ₹ '000
<b>11. Trade and other payables</b>		
Management fees payable	10,719	12,552
Trustee fee payable	11	1,019
Custodian fee payable	2,266	2,834
Accrued audit fees	3,420	3,468
Redemption payable	1,375	43,996
Other payables	3,503	-
	<hr/>	<hr/>
	21,294	63,869
	=====	=====
<b>12. Net asset per unit</b>	16.43	16.93
	=====	=====
The net asset per unit is computed using the net assets value as at the statement of financial position date divided by the 148,904,396.33 units (2018: 161,125,207.42 units) in existence as at that date.		
	2019 ₹ '000	2018 ₹ '000
<b>13. Investment income</b>		
Interest income	64,545	56,623
Gross dividend income	141,608	172,728
	<hr/>	<hr/>
	206,153	229,351
	=====	=====
<b>14. Net loss from financial assets at fair value through profit or loss</b>		
Loss from Security trading (note 14.1)	(21,513)	(9,285)
Fair value loss on investments at fair value through profit or loss (note 14.2)	(280,275)	(412,063)
	<hr/>	<hr/>
	(301,788)	(421,348)
	=====	=====
<b>14.1 Loss from security trading</b>		
Proceed	622,563	1,861,535
Cost	(644,076)	(1,870,820)
	<hr/>	<hr/>
	(21,513)	(9,285)
	=====	=====
<b>14.2 Fair value gain on investments at fair value through profit or loss</b>		
As at 1 <sup>st</sup> January	424,176	836,239
Fair value change in the year (note 14)	(280,275)	(412,063)
	<hr/>	<hr/>
<b>As at 31<sup>st</sup> December</b>	<b>143,901</b>	<b>424,176</b>
	=====	=====

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

*Notes to the financial statements for the year ended 31<sup>st</sup> December, 2019 (continued)*

	2019 ₦ '000	2018 ₦ '000
<b>15. Management fee and other expenses</b>		
Management fee	39,127	48,896
Custodian fee	2,087	2,483
Registrar fee	1,126	2,389
Trustees fee	4,347	5,704
Audit fee	3,650	3,438
Other administrative expenses	11,277	251
Marketing expenses	1,142	5,011
AGM expenses	50	140
Bank charges	157	195
	<hr/> 62,963 <hr/>	<hr/> 68,507 <hr/>

**16. Taxation**

The Fund is exempt from paying companies income tax under the current system of taxation in Nigeria. However, certain dividend income received by the Fund is subject to withholding tax imposed in Nigeria. During the year the average withholding tax rate suffered by the Fund was 10 percent (2018: 10 percent). The amount for the year is ₦ 11.8 million (2018: ₦ 17.3 million)

**17. Related parties and other key contracts**

**(a) Related parties**

*Fund Manager*

The Fund appointed ARM INVESTMENT MANAGERS LIMITED, an investment management Company incorporated in Nigeria, to implement the investment strategy as specified in the prospectus and the Fund's Trust Deed. Under the Fund Trust Deed, the Fund Manager is entitled to:

- (i) Management fee at an annual rate of 1.5 percent of the Net Assets Value (NAV) attributable to holders of redeemable units on each day The Fund manager has charged a management fee of ₦ 39.13 million for the year (2018: ₦ 48.90 million).
- (ii) An incentive fee not exceeding 30 percent of the total return in excess of 10 percent of Fund's Net Asset Value per annum. No incentive fee was charged during the year (2018: nil).

**(b) Other key contracts**

*Trustee*

The Fund appointed FBNQuest Trustees Limited, a trusteeship company in Nigeria, to provide administrative services of the Fund. Under the Fund's Trust Deed, the Trustee is entitled to a fee at an annual rate of 0.175 percent of the Net Assets Value attributable to holders of redeemable units on each valuation day. The Trustees charged a fee of ₦ 4.35 million for the year (2018: ₦ 5.70 million).

**18. Custodian to the Fund**

The Fund appointed Citibank (Nigeria) Limited, a custodian to the fund to provide custodian services for a fee. The fee is charged on 0.08% on equity/fixed income securities. The custodian charged a custodian fee of ₦ 2.09 million (2018: ₦ 2.48 million) for the year.

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Statement of value added for the year ended 31<sup>st</sup> December, 2019**

	<b>2019</b>		<b>2018</b>	
	<b>₦ '000</b>	<b>%</b>	<b>₦ '000</b>	<b>%</b>
Total revenue	206,153		229,351	
Other income	82		118	
	<hr/>		<hr/>	
	206,235		229,469	
Bought in services:	(364,751)		(489,855)	
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Value lost</b>	<b>(158,516)</b>	<b>(100)</b>	<b>(260,386)</b>	<b>(100)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>To pay providers of capital:</b>				
<b>To pay government</b>				
Taxation	11,752	7	17,273	7
<b>Retained for future replacement of assets and expansion of business:</b>				
Loss for the year	(170,268)	(107)	(277,659)	(107)
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>(158,516)</b>	<b>(100)</b>	<b>(260,386)</b>	<b>(100)</b>
	<hr/>	<hr/>	<hr/>	<hr/>

Value added represents the additional wealth which the fund has been able to create through the effort of the Fund Managers, and other parties to the fund. The statement shows the allocation of the wealth between the unit holders and the governments, and that retained for the future creation of more wealth.

**ARM AGGRESSIVE GROWTH FUND**  
**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Five year financial summary**

	2019 ₦' 000	2018 ₦' 000	2017 ₦' 000	2016 ₦' 000	2015 ₦' 000
<b>Assets</b>					
Financial assets at fair value through profit or loss	1,905,377	2,203,630	2,793,739	2,300,564	2,169,499
Financial assets at amortised cost	82,233	497,785	391,075	458,849	623,962
Other receivables	42,247	35,462	58,996	23,433	1,228
Cash and cash equivalents	437,092	54,275	45,548	42,837	140,533
	<u>2,466,949</u>	<u>2,791,152</u>	<u>3,289,358</u>	<u>2,825,683</u>	<u>2,935,222</u>
<b>Liabilities</b>					
Other payables	(21,294)	(63,869)	(159,080)	(29,055)	(21,008)
<b>Net assets</b>	<u>2,445,655</u>	<u>2,727,283</u>	<u>3,130,278</u>	<u>2,796,628</u>	<u>2,914,214</u>
<b>Equity</b>					
<b>Members' capital</b>	<u>2,445,655</u>	<u>2,727,283</u>	<u>3,130,278</u>	<u>2,796,628</u>	<u>2,914,214</u>
<b>Investment income</b>	<u>206,153</u>	<u>229,351</u>	<u>175,040</u>	<u>204,884</u>	<u>232,741</u>
(Loss)/profit before taxation	<u>(158,516)</u>	<u>(260,386)</u>	<u>1,030,983</u>	<u>50,536</u>	<u>(287,281)</u>
(Loss)/profit after taxation	<u>(170,268)</u>	<u>(277,659)</u>	<u>1,017,107</u>	<u>36,813</u>	<u>(299,542)</u>
Basic (loss)/earnings per unit	<u>(1.14)</u>	<u>(1.72)</u>	<u>6</u>	<u>0.17</u>	<u>(1.24)</u>
Net assets per unit	<u>16.43</u>	<u>16.93</u>	<u>18.48</u>	<u>12.80</u>	<u>12.07</u>
Dividend per unit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.12</u>

Net assets per unit is calculated by dividing net assets of the fund by the weighted average number of funds outstanding at the end of the reporting year.

Basic (loss)/earnings per unit is calculated by dividing the (loss)/profit attributable to unit holders of the fund by the weighted average number of funds outstanding at the end of the reporting year.