

***ARM MONEY MARKET FUND***  
***Managed by***  
***ARM INVESTMENT MANAGERS LIMITED***  
***FINANCIAL STATEMENTS***  
***for the year ended***  
***31<sup>ST</sup> DECEMBER, 2018***

**ARM MONEY MARKET FUND**

**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***For the year ended 31<sup>st</sup> December, 2018***

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**ARM MONEY MARKET FUND**

**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***Corporate information***

***Trustee to the Fund***

FBN Trustees Limited

***Directors of the Fund Manager***

Ms. Jumoke Ogundare (Managing Director)  
Mr. Sadiq Mohammed (Executive)  
Mr. Fela Popoola (Executive)

***Registered Office of the Fund Manager***

1 Mekunwen Road  
Ikoyi  
Lagos

***Company Secretary  
and Legal Adviser***

Mrs. Folashade Adeloye

***Independent Auditors to the Fund***

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

***Bankers***

Citibank Plc  
Guaranty Trust Bank Plc

***Custodian to the fund***

Citibank Nigeria Limited

## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### ***Report of the trustees***

The Trustee present their report on the affairs of the ARM Money Market Fund, together with the audited financial statements for the year ended 31<sup>st</sup> December, 2018

#### ***Principal activity:***

The principal activity of the ARM Money Market Fund is the pooling of funds from individual members of the public and other entities, and the investment of such funds in high quality short term money market and government securities as determined by the Fund Manager in accordance with the Trustee Investments Act, the Investments 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 9.

#### ***Directors:***

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

Ms. J. Ogundare  
Mr. S. Mohammed  
Mr. F. Popoola

#### ***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 31st December, 2018 are:

#### **Units held as at 31<sup>st</sup> December, 2018**

Ms. J. Ogundare	29,999.96
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None of the directors of FBN Trustees Limited has any direct or indirect beneficial interest in the units of the Fund.

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

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

## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### ***Report of the trustees (continued)***

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 accounting 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, rules and regulations made pursuant to the Investments 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;

**ARM MONEY MARKET FUND**

**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Report of the trustees (continued)**

- 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;
- 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 is 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:**

In our opinion, the Fund was administered in accordance with the applicable Regulations, taking into cognisance prevailing market conditions as well as the need to preserve and minimise possible losses to Unitholders' funds during the year under review.

**Charitable donations:**

The Fund did not make any charitable donations during the year.

**Independent Auditors:**

Messrs Crowe Dafinone (formerly Horwath Dafinone), the Fund's Auditors, have indicated their willingness to continue in office and shall do so in accordance with Section 184(1) of the Investments and Securities Act, 2007.

**By Order of the Trustee**

  
**Adekunle Awojobi**  
**FRC/ICAN/2013/00000002442**  
**Managing Director**  
**FBN Trustees Limited**  
**16 Keffi Street**  
**Off Awolowo Road, Ikoyi**  
**Lagos, Nigeria**  
**20<sup>th</sup> June, 2019**

## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### ***Report of the fund manager***

#### **2017 MARKET OVERVIEW**

The Nigerian economy exited recession. Data released by the NBS in Q3 showed that Nigeria's economy posted a year-on-year growth of 0.55% in Q2 2017, and sustained recovery in the third quarter following five consecutive quarters of economic contraction. Most of the recovery came through a rebound in the oil sector. GDP continued its recovery in 2017 as firming up of oil prices and output help drive a return to growth.

Activities in the business environment picked up significantly in 2017 following stability in the FX space. In Q1 2017, the CBN announced it will make FX available for retail transactions, including travel allowances, school fees and medical trips; this caused naira to appreciate against the dollar from N520/\$1 to N362/\$1 in the parallel market by end of 2017. By Q2, Investors and Exporters FX WINDOW was established – willing buyers and willing sellers were matched – with opening rate at N360/N410 to \$1 but eventually converged and closed the year at N360/\$1. FPI flows were relatively stable in Q3. Also, FX reserve increased from \$26.09Billion to close the year at \$38.73Billion.

CBN Monetary Policy Committee maintained all indices all through the year; with the benchmark interest rate (MPR) at 14% with the asymmetric corridor at +200bps and -500bps, Cash Reserve Ratio at 22.5% and Liquidity Ratio at 30%.

High yield environment maintained in fixed income market by the Central bank in H1 17 began to wane at the start of H2, this was as a result of combined effect of both Monetary and Fiscal actions. On the monetary front, the CBN reduced OMO auctions sales which provided support for Treasury Bills yields as there was increased demand for the existing stock of Treasury Bills. On the fiscal front, the proceeds of the Euro Bond raised by Debt Management Office (DMO) are being deployed to redeem outstanding public debt. DMO also issued 105.87Billion Sukuk Bond in H2; funds to be utilized for the construction and rehabilitation of 25 roads across 6 geopolitical zones. Consequently, yields declined by over 500bps in the fixed income space.

Inflation reduced from 18.7% in January to 15.37% in December 2017 as a result of slower rises in high food and non-food prices and base effects. Core inflation dipped 274bps to average 12.18% YoY over H2 17 with Education, Housing, Water, Electricity and Other Gases and Fuel and transport inflation as key drivers.

#### **OUTLOOK - 2018**

Our outlook for the Nigerian economy remains focused on oil prices, output, and the currency. We believe these factors weigh the heaviest on investor confidence, and exert significant influence on our macro environment. Also, going forward, with the robust size of CBN's reserves as well as the sustained rally in crude oil prices, the CBN looks to be in a better position to maintain aggressive dollar sales should demand pressures resurface. At the OMO auction, we expect the CBN to assume a less aggressive stance at its OMO windows in a bid to drive rates lower in the near term. We expect the monetary policy to loosen its grip, over 2018 and a possible rate cut in H2 2018. Furthermore, the Federal Government's preference to fund the budget and refinance maturing bills via external borrowings is expected to also drive rates lower. We remain cautiously optimistic in our outlook, as we realize that the current improvement is linked to the CBN's ability to keep dollar supplies at their current levels. As CBN remains biased towards eased monetary conditions this year, we expect fixed income rates to further decline as Y-o-Y inflation continues to taper on base effects. CBN is determined to sustain the macroeconomic stability through 2018 as key economic indicators continue to move in the right direction.

## ***ARM MONEY MARKET FUND***

### ***MANAGED BY ARM INVESTMENT MANAGERS LIMITED***

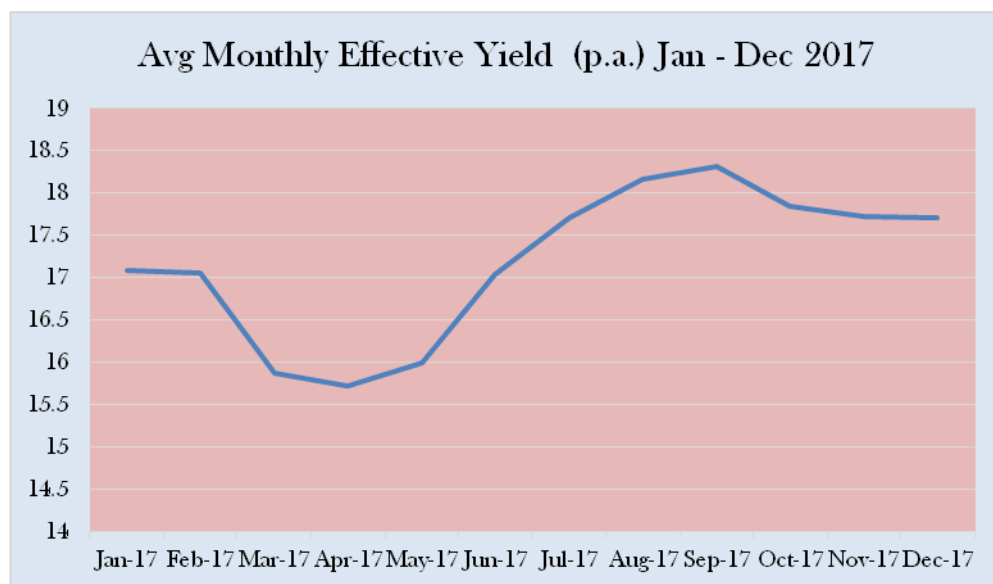
#### ***Report of the fund manager***

#### **INVESTMENT STRATEGY**

Given the aforementioned, as MMF assets mature, our strategy remains to lock in at the long end of the curve – at the best yield; while being mindful of the 90 days Portfolio Duration so as to maximize returns on the Fund. The Fund Manager seeks to continue to return competitive yields to its investors by taking full advantage of opportunities as they arise in the Money Market and fixed income space.

#### **FUND PERFORMANCE**

The money market and fixed income space experienced volatility during the year 2017. The Fund Manager, however, was able to return an average effective yield of 17.19% p.a. in 2017.





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

***Opinion***

We have audited the financial statements of ARM Money Market Fund which comprises, the statement of profit or loss and other comprehensive income, the statement of financial position as at 31<sup>st</sup> December 2018, the statement of changes in equity, the statement of cash flows for the year then ended, the significant accounting policies and other explanatory notes. These financial statements are set out on pages 9 to 29 and have been prepared using the accounting policies set out on page 14 to 20.

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, 2018 and of its financial performance and its cash flows for the year ended on that date, and have been properly prepared in accordance with the Trustee Investments Act, CAP T22 LFN 2004, the Investment and Securities Act, 2007 and the applicable International Financial Reporting Standards in the manner required by the Financial Reporting Council of Nigeria Act, No 6 2011 and the provision set out in the Trust Deed of the Fund.

***Basis of our opinion***

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The report of the trustees, report of the fund manager 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.

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

***Information other than the financial statements and auditors report (continued)***

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

***Fund Manager and Trustees' responsibilities for the financial statements***

The Fund Manager and the Trustees' are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards in the manner required and the requirements of the Investment and Securities Act, 2007, whilst the Trustee is responsible for ascertaining compliance with the provision of the Trust Deed and other relevant laws. The responsibility of the Fund Manager includes the designing, implementing and maintaining internal controls that are relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error as well as selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and Nigerian Standards on Auditing issued by the Institute of Chartered Accountants of Nigeria. The standards require that we comply with ethical requirements and plan and perform the audit so as to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

***Compliance with the relevant legislation and regulations***

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 Acts.

Lagos, Nigeria  
20<sup>th</sup> June, 2019

  
**Omiolola Samuel**  
Engagement Partner  
FRC/2012/ICAN/000000000358  
For: Crowe Dafinone  
(Formerly Horwath Dafinone)  
Chartered Accountants



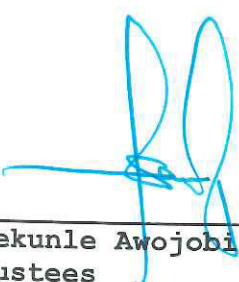
**ARM MONEY MARKET FUND****MANAGED BY ARM INVESTMENT MANAGERS LIMITED****Statement of profit or loss and other comprehensive income for the year ended 31<sup>st</sup> December, 2018**


		2018 ₦	2017 ₦
Revenue	Notes		
Investment income	7	6,368,485,777	3,882,935,048
		<hr/>	<hr/>
<b>Revenue from investing activities</b>		6,368,485,777	3,882,935,048
<b>Expenses</b>			
Other operating expenses	8	(981,193,654)	(584,387,381)
		<hr/>	<hr/>
<b>Profit before tax</b>		5,387,292,123	3,298,547,667
Taxation	9	-	-
		<hr/>	<hr/>
<b>Profit for the year</b>		5,387,292,123	3,298,547,667
		<hr/>	<hr/>
Other comprehensive income		5,387,292,123	3,298,547,667
		-	-
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		5,387,292,123	3,298,547,667
		<hr/> <hr/>	<hr/> <hr/>

*The reporting entity, the significant accounting policies and the notes to the financial statements set out on pages 14 to 29 form an integral part of these financial statements.*

**ARM MONEY MARKET FUND****MANAGED BY ARM INVESTMENT MANAGERS LIMITED****Statement of financial position as at 31<sup>st</sup> December, 2018**

	Notes	2018 N	2017 N
<b>Current assets</b>			
Cash and cash equivalents	10	19,475,063,326	9,407,065,305
Financed assets at amortised cost	11	30,582,804,067	19,524,715,315
<b>Total assets</b>		<b>50,057,867,393</b>	<b>28,931,780,620</b>
<b>Current liabilities</b>			
Trade and other payables	12	(681,258,435)	(713,056,662)
<b>Net assets</b>		<b>49,376,608,958</b>	<b>28,218,723,958</b>
<b>Financed by:</b>			
Members' Fund		<b>49,376,608,958</b>	<b>28,218,723,958</b>
<b>Net assets per unit</b>	13	<b>1</b>	<b>1</b>

  
Adekunle Awojobi  
Trustees  
FRC/2013/ICAN/000000002442

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

20<sup>th</sup> June, 2019

*The reporting entity, the significant accounting policies and the notes to the financial statements set out on pages 14 to 29 form an integral part of these financial statements.*

**ARM MONEY MARKET FUND**

**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Statement of changes in equity for the year ended 31<sup>st</sup> December, 2018**

	Unit holder capital balances 2018 ₦	Unit holder capital balances 2017 ₦
Balance as at 1 <sup>st</sup> January	28,218,723,958	14,198,779,350
Total comprehensive income for the year	5,387,292,123	3,298,547,667
	<hr/> 33,606,016,081	<hr/> 17,497,327,017
Transactions with unit holders:		
Additional units purchased	65,065,461,602	34,892,739,925
Units liquidated	(44,326,201,808)	(21,556,142,476)
Distributions to members	(4,968,666,917)	(2,615,200,508)
Total transactions with unit holders	<hr/> 15,770,592,877	<hr/> 10,721,396,941
Members' funds at 31 <sup>st</sup> December	<hr/> 49,376,608,958 =====	<hr/> 28,218,723,958 =====

*The reporting entity, the significant accounting policies and the notes to the financial statements set out on pages 14 to 29 form an integral part of these financial statements.*

**ARM MONEY MARKET FUND****MANAGED BY ARM INVESTMENT MANAGERS LIMITED****Statement of cash flows for the year ended 31<sup>st</sup> December, 2018**

	Notes	2018 ₹	2017 ₹
<b>Cash flow from operating activities</b>			
Profit before taxation		5,387,292,123	3,298,547,667
Changes in working capital:			
Trade and other payables	12	(31,798,227)	597,537,475
Cash generated from operation		5,355,493,896	3,896,085,142
Tax paid		-	-
<b>Net cash generated from operating activities</b>		<b>5,355,493,896</b>	<b>3,896,085,142</b>
<b>Cash flow from investing activities</b>			
Net investment movement	11	(11,058,088,752)	(10,139,385,463)
<b>Net cash utilised in investing activities</b>		<b>(11,058,088,752)</b>	<b>(10,139,385,463)</b>
<b>Cash flow from financing activities</b>			
Net cash flow from units trading transactions		20,739,259,794	13,336,597,449
Distributions to holders of redeemable unit		(4,968,666,917)	(2,615,200,508)
<b>Net cash generated from financing activities</b>		<b>15,770,592,877</b>	<b>10,721,396,941</b>
<b>Net increase in cash and cash equivalents</b>		<b>10,067,998,021</b>	<b>4,478,096,620</b>
Cash and cash equivalents at the beginning of the year		9,407,065,305	4,928,968,685
<b>Cash and cash equivalents at the end of the year</b>	10	<b>19,475,063,326</b>	<b>9,407,065,305</b>

*The reporting entity, the significant accounting policies and the notes to the financial statements set out on pages 14 to 29 form an integral part of these financial statements.*

## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### **Notes to the financial statements for year ended 31<sup>st</sup> December, 2018**

##### **1. Reporting entity**

ARM Money Market (“the Fund”) is a collective investment scheme registered by the Securities and Exchange Commission. The Fund’s principal office is located at Asset & Resource Management Company Limited 1, Mekunwen Road, Off Oyinkan Abayomi Drive, Ikoyi, Lagos.

The Fund is primarily involved in investments in money market securities.

The Fund is managed by Asset and Resource Management Company Limited who during the year changed it’s name to ARM Investment Managers Limited (“the Fund Manager”) and the trustees to the Fund are FBN Trustees Limited (“the Trustees”).

##### **2. Basis of preparation**

###### **2.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards in the manner required by the Financial Reporting Council of Nigeria Act, No 6 2011.

The financial statements were authorised for issue by the Trustees and Fund Manager on 20<sup>th</sup> June, 2019.

###### **2.2 Functional and presentation currency**

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

###### **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;
- Loans and receivables, held to maturity financial assets and financial liabilities are measured at amortized cost.

###### **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 MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### **Notes to the financial statements for year ended 31<sup>st</sup> December, 2018**

### **3. Significant accounting policies**

The accounting policies set out below have been consistently applied to all periods 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 financing and advances 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.

#### **3.6 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet 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.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.



## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### **Notes to the financial statements for year ended 31<sup>st</sup> December, 2018**

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

#### **3.7 Financial instruments**

##### **(i) Transition disclosures**

IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39. Classification and measurement of debt assets is driven by the Fund's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). IFRS 9 also introduces a new expected credit loss (ECL) impairment model. IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 6.

The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

##### **(ii) Initial recognition and measurement**

Financial instruments are recognised initially when the Fund becomes a party to the contractual provisions of the instruments. Financial instruments carried at fair value through profit or loss are initially 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 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 Fund commits to purchase or sell the instruments (trade day accounting).

##### **(iii) Subsequent measurement**

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

##### **(iv) Classification**

Financial assets Subsequent to initial recognition, all financial assets within the Fund are measured at:

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

## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### **Notes to the financial statements for year ended 31<sup>st</sup> December, 2018**

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

#### **3.7 Financial instruments (continued)**

##### **(iv) Classification (continued)**

The Fund's financial assets are subsequently measured at amortised cost if they meet both of the following criteria and are not designated as at FVTPL:

- 'Hold to collect' business model test - The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- 'SPPI' contractual cash flow characteristics test - The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding on a specified date. Interest in this context is the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

Debt instruments are measured at amortised cost by the Fund if they meet both of the following criteria and are not designated as at FVTPL:

- 'Hold to collect and sell' business model test: The asset is held within a business model whose objective is achieved by both holding the financial asset in order to collect contractual cash flows and selling the financial asset; and
- 'SPPI' contractual cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

All other financial assets (equity investments) are measured at fair value. A financial asset is classified and measured at fair value through profit or loss (FVTPL) by the Fund if the financial asset is:

- A debt instrument that does not qualify to be measured at amortised cost or FVOCI;
- An equity investment which the Fund has not irrevocably elected to classify as at FVOCI and present subsequent changes in fair value in OCI;
- A financial asset where the Fund has elected to measure the asset at FVTPL under the fair value option.
- Financial liabilities Financial liabilities are either classified by the Fund as:
  - Financial liabilities at amortised cost; or
  - Financial liabilities as at fair value through profit or loss (FVTPL).
- Financial liabilities are measured at amortised cost by the Fund unless either:
  - The financial liability is held for trading and is therefore required to be measured at FVTPL, or
  - The Fund elects to measure the financial liability at FVTPL (using the fair value option).

## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### **Notes to the financial statements for the year ended 31<sup>st</sup> December, 2018 (continued)**

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

#### **3.7 Financial instruments (continued)**

##### **(v) Fair value measurement**

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. 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.

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 an unlisted instrument, 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 financial position date from a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the financial position 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 the price.

##### **(vi) 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.

## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### **Notes to the financial statements for the year ended 31<sup>st</sup> December, 2018 (continued)**

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

#### **3.7 Financial instruments (continued)**

##### **(vi) Impairment of financial assets (continued)**

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

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.

#### **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.

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 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.

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.

## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### **Notes to the financial statements for the year ended 31<sup>st</sup> December, 2018 (continued)**

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

#### **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 assets 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.

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.

**ARM MONEY MARKET FUND**

**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

**Notes to the financial statements for the year ended 31<sup>st</sup> December, 2018 (continued)**

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

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

<b>IFRS Reference</b>	<b>Title and Affected Standard(s)</b>	<b>Nature of change</b>	<b>Application date</b>	<b>Impact on initial Application</b>
IFRS 16	Leases	<p>The standards set out the principle for the recognition, measurement, presentation and disclosure of leases for both parties to be contract i.e. the customers (leasee) and the supplier ('lessor') IFRS 16 eliminates the classification of leases as refund by IAS 17 and introduces a single lease accounting model. Applying that model, a lease is required to recognise:</p> <ul style="list-style-type: none"><li>• assets and liability for leases with a term of more than 12 months, unless the underlying assets is of low value.</li><li>• depreciation of lease assess separately from interest on lease liability in profit or loss for the lessor, IFRS 16 substantially carrying forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases and to account for these two type of leases differently</li></ul>	1 January 2019	The Fund Manager is currently in the process of assessing the impact that the initial application would have on its business standards for the year ending 31 <sup>st</sup> December, 2019.

## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### ***Notes to the financial statements for the year ended 31<sup>st</sup> December, 2018 (continued)***

#### **4. Risk management objectives**

In pursuing its objective of seeking optimal return for fund holders within a predetermined risk profile, the Fund participates in risk-taking activities such as investment in short term placements with financial institutions, Commercial Papers and Treasury Bills. These activities expose the Fund to various categories of 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 ultimately 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 ARM Group. The Group 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 group-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, performance and Risk Management, and to set operational strategy for the succeeding quarter. In addition, the executive management of the Fund Manager is responsible for providing oversight over development and implementation of risk management policies.

#### **4.1 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 the market rates.

The Fund is exposed to market and investment risk through its investment activities, which is 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 immediately notify the portfolio managers of identified exceptions.

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

## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### **Notes to the financial statements for the year ended 31<sup>st</sup> December, 2018 (continued)**

#### **4. Risk management objectives (continued)**

##### **4.1.1 Equity price risk**

In line with its Trust Deed and Investment Guideline, the Fund does not invest in equities, hence, is not exposed to equity price risk.

##### **4.1.2 Foreign exchange risk**

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

##### **4.1.3 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 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:

	2018 ₦	2017 ₦
Fixed income securities	30,582,804,067	19,524,715,315
Cash & cash equivalents*	19,475,063,326	9,407,065,305
Exposure to interest rate risk	<u>50,057,867,393</u> =====	<u>28,931,780,620</u> =====

\* Cash & Cash Equivalents are held in interest bearing accounts.

#### **4.2 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. The Fund is exposed to daily cash redemptions of redeemable units.

Liquidity risk is managed on a daily basis by the Portfolio Manager. In order to meet client redemption requests, asset allocations are carefully and appropriately structured to ensure that the Fund is liquid at all times and that it has sufficient liquid assets that can be converted to cash immediately without any loss in Fund value when the need arises. To achieve this, the Fund invests principally in highly liquid assets such as treasury bills, commercial papers and placement with financial institutions. The fund also retains a portion of its assets in call accounts to meet client redemption requests in a timely manner without having to liquidate other assets.

The table below shows the Funds' investments in cash and near cash equivalents net of payables at the end of the year.



## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### **Notes to the financial statements for the year ended 31<sup>st</sup> December, 2018 (continued)**

#### **4. Risk management objectives (continued)**

##### **4.2 Liquidity risk (continued)**

	<b>2018</b>	<b>2017</b>
	<b>₦</b>	<b>₦</b>
Fixed income securities	37,286,838,091	19,524,715,315
Bank balances	224,545,682	287,937,999
Call deposits	12,546,483,620	9,119,127,306
<b>Cash and cash equivalent</b>	<b>50,057,867,393</b>	<b>28,931,780,620</b>
Trade and other payables liabilities	(681,258,435)	(713,056,662)
Investments in cash and near cash equivalents net of payables	<b>49,376,608,958</b>	<b>28,218,723,958</b>
	=====	=====

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

	<b>2018</b>	<b>2017</b>
	<b>₦</b>	<b>₦</b>
Members' Funds	49,376,608,958	28,218,723,958
	=====	=====
Total client redemptions in the year	(44,326,201,808)	(21,556,142,476)
	=====	=====

##### **4.3 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 treasury bills.

The Fund Manager has in place a Counterparty Policy that guides portfolio managers' counterparty selection. 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 end of the year is shown in the table below.

##### **Analysis of credit risk exposure by counterparty:**

	<b>2018</b>	<b>2017</b>
	<b>₦</b>	<b>₦</b>
Government securities	26,623,912,746	14,347,986,701
Placements with Financial Institutions	10,662,925,345	5,176,728,614
Bank & call account balances	12,771,029,302	9,407,065,305
	=====	=====
	<b>50,057,867,393</b>	<b>28,931,780,620</b>
	=====	=====

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

## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### ***Notes to the financial statements for the year ended 31<sup>st</sup> December, 2018 (continued)***

#### **4. Risk management objectives (continued)**

##### **4.4 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 ensure 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 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 of illicit activities.

##### **4.5 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 Whistle blowing. The Fund Manager uses a bespoke system; the OpRisk Manager and other excel based templates for collecting, managing, monitoring and reporting operational risks.

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 MONEY MARKET FUND**

**MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

***Notes to the financial statements for the year ended 31<sup>st</sup> December, 2018 (continued)***

**5. Critical accounting estimates and judgements**

**Valuation of financial instruments**

The Fund's accounting policy on fair value measurements is discussed in note 3.7 (v).

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.
- 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.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Fund determines fair values using valuation techniques.

# ARM MONEY MARKET FUND

## MANAGED BY ARM INVESTMENT MANAGERS LIMITED

### Notes to the financial statements for the year ended 31<sup>st</sup> December, 2018 (continued)

#### 6. Financial assets and liabilities

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, 2018	Note	FVTPL N	Financial assets at amortised cost N	Other financial liabilities N	Total carrying amount N	Fair value N
Cash and cash equivalents	10	-	19,475,063,326	-	19,475,063,326	19,475,063,326
Fixed income securities	11	-	30,582,804,067	-	37,286,838,091	37,286,838,091
		-	50,057,867,393	-	56,761,901,417	56,761,901,417
Trade and other payables	12	-	-	(681,258,435)	-	(681,258,435)
		-	50,057,867,393	(681,258,435)	56,761,901,417	56,080,642,982
31 <sup>st</sup> December, 2017	Note	FVTPL N	Financial assets at amortised cost N	Other financial liabilities N	Total carrying amount N	Fair value N
Cash and cash equivalents	10	-	9,407,065,305	-	9,407,065,305	9,407,065,305
Fixed income securities	11	-	19,524,715,315	-	19,524,715,315	19,524,715,315
		-	28,931,780,620	-	28,931,780,620	28,931,780,620
Trade and other payables	12	-	-	(713,056,662)	(713,056,662)	(713,056,662)
		-	28,931,780,620	(713,056,662)	28,218,723,958	28,218,723,958

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.

**ARM MONEY MARKET FUND****MANAGED BY ARM INVESTMENT MANAGERS LIMITED****Notes to the financial statements for the year ended 31<sup>st</sup> December, 2018 (continued)**

	2018 ₦	2017 ₦
<b>7. Investment income</b>		
Interest income on bank placement	1,847,468,914	1,154,451,146
Interest income on fixed deposit	1,381,664,030	564,815,161
Discount income on treasury bill	3,139,352,833	2,163,668,741
	<hr/> 6,368,485,777 <hr/>	<hr/> 3,882,935,048 <hr/>
<b>8. Other operating expenses</b>		
Custodian fee	34,592,279	5,536,112
Trustees fee	27,241,420	12,845,805
Audit fee	7,625,000	2,625,000
Incentive fee	111,783,245	202,863,947
Other administrative expenses	102,617,178	39,371,394
Management fee	681,035,491	321,145,123
AGM expenses	2,403,024	-
Bank charges	13,896,017	-
	<hr/> 981,193,654 <hr/>	<hr/> 584,387,381 <hr/>

**9. Taxation**

The Fund is exempted from paying income taxes under the current system of taxation in Nigeria. However, certain incomes received by the Fund are subject to withholding tax imposed in Nigeria.

	2018 ₦	2017 ₦
<b>10. Cash and cash equivalents</b>		
Bank Balance	224,545,682	287,937,999
Call deposits	12,546,483,620	9,119,127,306
Fixed income securities	6,704,034,024	-
	<hr/> 19,475,063,326 <hr/>	<hr/> 9,407,065,305 <hr/>

**ARM MONEY MARKET FUND****MANAGED BY ARM INVESTMENT MANAGERS LIMITED****Notes to the financial statements for the year ended 31<sup>st</sup> December, 2018 (continued)**

	2018 ₦	2017 ₦
<b>11. Financial assets at amortised cost</b>		
Fixed income securities comprises:		
Treasury bills	19,919,878,722	14,347,986,701
Deposit with banks	10,662,925,345	5,176,728,614
	<hr/>	<hr/>
	30,582,804,067	19,524,715,315
	=====	=====
<b>12. Trade and other payables</b>		
Redemptions payable	318,014,882	371,797,567
Management fee payable	204,506,464	101,953,835
Custodian fee payable	16,732,869	10,002,827
Trustee fee payable	11,532,920	12,902,827
Accrued expenses	11,953,120	11,953,120
Audit fees	6,734,934	1,582,539
Accrued incentive fee	111,783,246	202,863,947
	<hr/>	<hr/>
	681,258,435	713,056,662
	=====	=====
<b>13. Net asset per unit</b>		

The net asset per unit is computed using the net assets value as at the statement of financial position date divided by the 49,376,608,958 (2017: 28,218,723,958) units in existence as at that date.

## **ARM MONEY MARKET FUND**

### **MANAGED BY ARM INVESTMENT MANAGERS LIMITED**

#### **Notes to the financial statements for the year ended 31<sup>st</sup> December, 2018 (continued)**

#### **14. 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 Management Agreement (Trust Deed), the Fund Manager is entitled to:

- i. a 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 ₦ 681.04 million (2017: ₦ 321.15 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. The Fund manager has however charged only 11% of return in excess of 10 percent of Fund's Net Asset Value for the year ended amounting to ₦ 111.78 million (2017: 202.86 million).

##### **(b) Other key contracts**

###### *Trustees*

The Fund appointed FBN Trustees Limited, a trusteeship company in Nigeria, to provide administrative services to the Fund. Under the Fund Trust Deed, the Trustees is entitled to a fee at an annual rate of 0.06 percent of the Net Assets Value attributable to holders of redeemable units on each valuation day. The Trustee charge for the year and the amount payable as at 31<sup>st</sup> December, 2018 was ₦ 27.24 million (2017: ₦ 12.85 million) and ₦ 11.53 million (2017: ₦ 12.9 million) respectively.

###### *Custodian*

The Fund engaged the service of Citibank (Nigeria) Limited to provide custodian services for a fee. The fee is charged on 0.08% on equities/fixed income. The custodian charge for the year and the amount payable as at 31<sup>st</sup> December, 2018 was ₦ 34.59 million (2017: ₦ 5.54 million) and ₦ 16.7 million (2017: ₦ 10 million) respectively.