

THE CORAL INCOME FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**THE CORAL INCOME FUND
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PARTIES TO THE FUND

Trustees

UBA Trustees Limited
UBA House (12th Floor)
57 Marina
Lagos

Fund Manager

FSDH Asset Management Limited
8th Floor
1/5 Odunlami Street
Lagos Island
P. M. B. 12913, Lagos
Telephone: (01) 2704884-5

Registrars

United Securities Limited
10 Amodu Ojikutu Street
Victoria Island
Lagos

Custodian

Stanbic Nominees Nigeria Limited
IBTC Place
Walter Carrington Crescent
Victoria Island
Lagos

Bankers

Stanbic IBTC Bank PLC
IBTC Place
Walter Carrington Crescent
Victoria Island
Lagos

Auditors

PricewaterhouseCoopers
(Chartered Accountants)
Landmark Towers,
5b Water Corporation Road
Victoria Island
Lagos.

FSDH CORAL INCOME FUND

TRUSTEE'S REPORT FOR THE YEAR ENDED 31 DECEMBER, 2017

The Trustee present their Report on the affairs of the FSDH Coral Income Fund (CIF) together with the Auditors Report and the Financial Statements for the Year ended December 31, 2017.

Principal Activities and Business Review:

The CIF is an actively managed, open-ended Fund that invests in large capitalisation equities and debt securities quoted on The Nigerian Stock Exchange as well as in investment grade fixed-income securities.

The CIF which was established on February 01, 2001 initially as a private fund has since been registered by the Securities & Exchange Commission as a unit Trust Scheme in Nigeria on January 10, 2005. The CIF was initially managed by a business unit within First Securities Discount House Limited (**FSDH**, now FSDH Merchant Bank Limited), which was incorporated as a wholly owned subsidiary of FSDH in 2003, called FSDH Asset Management Limited (**FSDH AM**). FSDH AM has been the Manager and Administrator of the CIF since November, 2003.

The CIF is listed by memorandum on the Floor of the Nigerian Stock Exchange and in line with international best practice, the assets of the CIF are totally segregated from the assets of the Manager.

Operating result

The Fund's operating result for the year is as follows:

	Dec. 2017	Dec. 2016
	N'000	N'000
Profit b/f Tax	214,025	104,804
Tax	<u>-</u>	<u>-</u>
Profit after tax	<u>214,025</u>	<u>104,804</u>

The Fund's performance for the year ended 31st December, 2017 was commendable, It is envisaged that notable increases will be recorded in all areas

of business operations in the years ahead with a view to improving on its performance.

Responsibilities of the Trustees:

The Trustee's responsibilities to the Fund are as follows:

1. To retain in its possession or in the possession of such third parties as it may, with the consent of the Manager appoint, on a safe custody basis, all the investments and documents of title or value connected therewith;
2. At all times to act with prudence and honesty in relation to all investments and documents of title or value kept in its custody;
3. To forward to the Manager without delay all notices of meetings, reports and circulars received by it or its nominees as holders of any investment;
4. To jointly issue (with the Fund Manager) certificates evidencing ownership of units in the Fund;
5. To demand from the Manager a statement of all issues and sale of Units;
6. To grant its consents to the appointment of the Auditors for the Fund;
7. To make the Trust Deed available for inspection by the Unit holders during normal business hours at its head office;
8. To consider and grant approval to all advertisements, circulars or other documents of that nature containing any statement with reference to the offer price of the Units or yield therefrom or containing an invitation to buy Units issued by the Manager;
9. To convene General Meetings of the Unit holders of the Fund and/or to consent to the Manager convening such meetings;
10. To nominate the Chairman for every General Meeting of the Fund;
11. To approve the form of Proxy used for the Meetings.

Auditors

PricewaterhouseCoopers (PWC) were the Auditors to the Fund during the 2016 Financial Year and have indicated their willingness to continue in office in accordance with section 357 (2) of the Companies and Allied Matters Act.

Asset Allocation Requirement

The Fund Manager was in compliance with the Asset Allocation requirement of the Fund, as there was no asset allocation breach during the period.

The Trustee confirms that the Scheme has been administered in line with the provisions of the Trust Deed and the Investment and Securities Act.

Administration of the Scheme

The Administration of the Fund is guided by the provisions of the Investments and Securities Act (2007) and the Trust Deed, which the Fund Manager has made concerted efforts to comply with.

The Trustee is of the opinion that the Fund was administered in line with the provisions of the Trust Deed and the Investments and Securities Act.

Parties to the Fund:

FSDH Asset Management Limited	-	Fund Manager
UBA Trustees Limited	-	Trustee
PricewaterhouseCoopers (PWC)	-	Auditors
Registrars	-	United Securities Limited

BY ORDER OF THE TRUSTEE

United Capital Trustees Limited
UBA House (2nd Floor)
No. 57, Marina
Lagos

9th March, 2018

TOKUNBO AJAYI
FRC/2014/NBA/00000008349

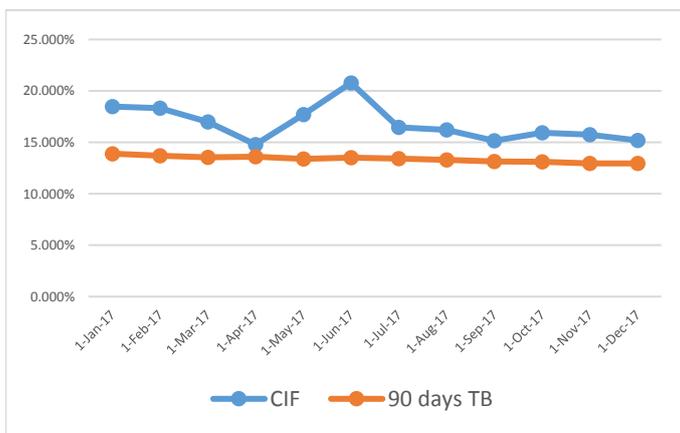
BACKGROUND INFORMATION

The Coral Income Fund ("CIF") was established in May 2006 as an open ended income based collective investment scheme. The Fund invests a minimum of 70% and a maximum of 100% of its assets in investment grade fixed income investments.

INVESTMENT OBJECTIVE

The objective of the CIF is to enable investors to earn income, while preserving their capital over the medium term. In particular, the CIF is designed to enable investors to satisfy a broad variety of financial needs as it can be used as a private pension/retirement plan, investment plan, or children's educational plan.

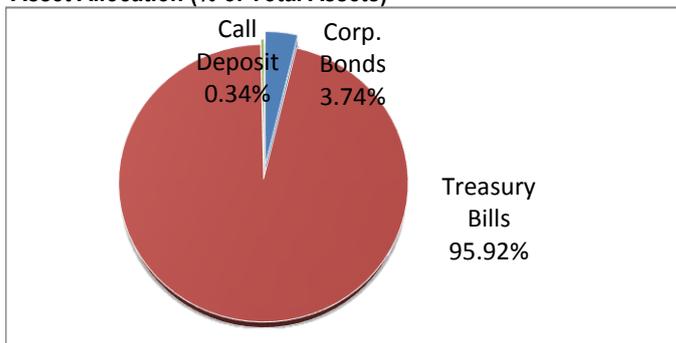
Fund Performance vs benchmark: Offer Price



FUND PERFORMANCE (Annualized Yield)

Months	Annualized Yield (%)
March 2017	18.16%
June 2017	18.15%
September 2017	18.01%
December 2017	17.35%

Asset Allocation (% of Total Assets)



UPDATE ON THE CIF

You can now monitor your investment online by viewing your statement at our website www.fsdhaml.com. Call Tobi, Segun, Tolu or Chinenye on 01-2809740-1 to obtain your username and password. Alternatively, you can send an email to coralfunds@fsdhgroup.com.

Follow us on twitter and Instagram via @Fsdhcoralfunds and like our facebook page; FSDH Coral Funds www.facebook.com/coralfunds.

REVIEW OF THE FUND

Inception date:	May 2006
Net Asset Value:	N 2,025,312,000.00
Opening price:	N 2,107.24
Closing price:	N 2,468.97
Management Fee:	1.5% of GAV
Expense Ratio:	2.31%
Benchmark:	Avg 91 day Treasury bill
Risk Profile:	Low
Current Asset Allocation:	95.92% in Government Instruments, 3.74% in other Money Market Instruments
Investment Manager Rating:	Bbb (GCR)
Portfolio Manager:	Adeniran Ogunsanya
Custodian:	Stanbic IBTC Bank
Trustee:	United Capital Trustees Limited
Auditors:	PriceWaterCoopers
Registrar:	United Securities Limited

Fund Manager's Comments

As at December 2017, the CIF, had 100% of the Fund's asset invested in varying money market and fixed income instruments. The fund had appreciated by 12.57%* while the daily Average 91 Day Treasury Bills rate appreciated by 10.13% in the same period. These investments were made up of bonds issued by blue chip corporate entities (3.74%), Treasury bills (95.92%) as well as other short term securities and call deposits (0.34%).

The Debt Management Office confirmed speculations that there will be no Treasury bill auction in December, as it planned to redeem the N198.032bn Treasury bills maturing in December with proceeds of \$500million raised through a Eurobond issuance in November 2017. This was in line with the Governments overall debt management strategy of reducing debt service costs by refinancing some maturing domestic debt with cheaper external borrowing. As a direct consequence rates dropped by 200bps across all tenors. Rates for 91 day Treasury Bills dropped from about 13.15% to 10.98%, 182 days dropped from 16.80% to about 14.06% and for 364 days it dropped from about 17% to 15.15%.

During the course of the year, we took profit on some securities while locking into long term high yielding fixed income securities with the highest possible yield.

We believe that the central bank will continue to drop rates and thus we intend on trading some of the securities to take profit when the opportunity presents itself. In addition, we intend to lock into long tenured high yielding fixed income securities in 2018.

Increasing your investment in the Coral Income Fund just got easier!

From the comfort of your space, you can increase your investment in the CIF with as little as N10,000 through any of the following:

- Transfer funds to the Fund's custodian using your Naira Debit or Credit card via  at www.quickteller.com
- Automatic transfer sums from any Nigerian bank to the funds custodian by issuing a direct debit instruction. You simply fill and execute the form, **we will process it on your behalf.**
- Pay a cheque into the funds custodians account.
- Transfer the investment sum to the funds' custodian.
- A cheque/ bank draft in favour of "FSDH Coral Income Fund/UBAT"

*Change in daily prices

**THE CORAL INCOME FUND
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STATEMENT OF THE FUND MANAGER'S RESPONSIBILITIES

The Fund Manager is responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the Fund at the end of the financial year and of the net income for the year then ended.

The responsibilities include ensuring that:

- i. the Fund keeps accounting records which disclose with reasonable accuracy the financial position of the Fund and which ensure that the financial statements comply with the requirements of the relevant accounting standards;
- ii. appropriate and adequate internal controls are established to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities;
- iii. the Fund prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied; and
- iv. it is appropriate for the financial statements to be prepared on a going concern basis.

The Fund Manager accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with:

- i. International Financial Reporting Standards
- ii. Financial Reporting Council of Nigeria Act
- iii. Investments and Securities Act
- iv. Relevant circulars issued by the Securities and Exchange Commission.

The Fund Manager is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Fund and of its financial performance.

The Fund Manager further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Fund Manager to indicate that the Fund will not remain a going concern for at least twelve months from the date of this statement.

BY ORDER OF THE FUND MANAGER
FSDH Asset Management Limited

Hamda Ambah
Director
FRC/2013/CISN/00000001749
20 March 2018

Olumayowa Ogunwemimo
Director
FRC/2013/ICAN/00000001742
20 March 2018

**THE CORAL INCOME FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
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STATEMENT OF COMPREHENSIVE INCOME

	Notes	31 December 2017 N'000	31 December 2016 N'000
Interest income	5	297,001	141,332
Net realised gains on available for sale financial instruments	6	1,496	1,028
Total income		298,497	142,360
Other operating expenses	7	(84,472)	(37,556)
Profit before tax		214,025	104,804
Tax		-	-
Profit for the year		214,025	104,804
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss			
Unrealised net gains/(losses) on available for sale financial assets		34,268	(14,196)
Total comprehensive income for the year		248,293	90,608

The accompanying notes form an integral part of these financial statements.

**THE CORAL INCOME FUND
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STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2017 N'000	31 December 2016 N'000
Assets:			
Cash and bank balances	8	6,079	10,986
Receivables	10	26	-
Financial assets classified as available for sale	9	2,086,097	1,007,408
		<hr/>	<hr/>
Total assets		2,092,202	1,018,394
Liabilities:			
Other liabilities	11	66,890	22,326
		<hr/>	<hr/>
Total liabilities		66,890	22,326
Net assets attributable to unitholders		2,025,312	996,068
		<hr/> <hr/>	<hr/> <hr/>
Represented by:			
Unitholders' contributions		1,326,416	530,420
Retained earnings		672,717	473,737
Available for sale reserve		26,179	(8,089)
		<hr/>	<hr/>
		2,025,312	996,068
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

SIGNED ON BEHALF OF THE FUND MANAGER ON 20 MARCH 2018

Hamda Ambah (Director of the Fund Manager)
FRC/2013/CISN/00000001749

Olumayowa Ogunwemimo (Director of the Fund Manager)
FRC/2013/ICAN/00000001742

Additional Certification:

Wasiu Shafe (Chief Financial Officer)
FRC/2015/ICAN/00000012973

**THE CORAL INCOME FUND
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STATEMENT OF CHANGES IN NET ASSETS

ATTRIBUTABLE TO UNITHOLDERS

	Unitholders contributions	Retained earnings	Available for sale reserve	Net assets attributable to unitholders
At 1 January 2016	359,608	381,356	6,107	747,071
Comprehensive income				
Profit for the year	-	104,804		64,454
Fair value loss on available for sale financial asset	-	-	(14,196)	10,857
	-	104,804	(14,196)	75,311
Transactions with unit holders:				
Contributions from unitholders	1,460,577	-	-	1,460,577
Redemptions by unitholders	(1,289,765)	-	-	(1,289,765)
Distributions to unitholders	-	(12,423)	-	(12,423)
	170,812	(12,423)	-	158,389
At 31 December 2016 / 1 January 2017	530,420	473,737	(8,089)	996,068
Comprehensive income				
Profit for the year	-	214,025		214,025
Fair value gain on available for sale financial asset	-	-	34,268	34,268
	-	214,025	34,268	248,292
Transactions with unit holders:				
Contributions	2,497,583	-	-	2,497,583
Redemptions	(1,701,586)	-	-	(1,701,586)
Distributions to unitholders	-	(15,045)	-	(15,045)
	795,997	(15,045)	-	780,951
At 31st December 2017	1,326,416	672,717	26,179	2,025,312

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STATEMENT OF CASH FLOWS

	Notes	31 December 2017 N'000	31 December 2016 N'000
Cashflow from operating activities			
Cash generated from /(used) in operations	13	(38,438)	(20,648)
Interest received		298,716	141,766
Net cash flow from operating activities		260,278	121,118
Cash flows from investing activities			
Acquisition of Investment Securities		(4,552,761)	(637,924)
Proceeds from sale of Investment Securities		3,506,625	30,968
Net cash used in investing activities		(1,046,136)	(606,956)
Cashflow from financing activities			
Contributions by unit holders		2,497,583	1,460,577
Redemptions by unit holders		(1,701,586)	(1,289,765)
Distribution paid to unit holders		(15,045)	(12,423)
Net cash flow from / (used in) financing activities		780,952	158,389
Net increase/(decrease) in cash and cash equivalent for the year		(4,906)	(327,448)
Analysis of changes in cash and cash equivalents:			
Cash and cash equivalents at start of year		10,986	338,434
Decrease in cash and cash equivalents		(4,906)	(327,448)
Cash and cash equivalents at end of year	14	6,079	10,986

The statement of accounting policies and accompanying notes form an integral part of these financial statements.

**THE CORAL INCOME FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1 General information

The Coral Income Fund ("CIF"), established in May 2006, is an actively managed open-ended income based unit trust scheme that invests between 70% and 100% of its assets in investment grade fixed-income securities while a maximum of 30% of the assets can be invested in equities.

The objective of the Fund is to enable investors to earn income, while preserving their capital over the medium term. In particular, the CIF is designed to enable investors to satisfy a broad variety of financial needs as it can be used as a private pension/retirement plan, investments plan, or children's educational plan.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements for the financial year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board. Additional information required by national regulations is included where appropriate. The financial statements have been prepared in accordance with the going concern principle under the historical cost convention as modified by the measurement of certain financial assets held at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Fund Manager to exercise its judgement in the process of applying the Fund's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Fund Manager believes that the underlying assumptions are appropriate and that the Fund's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements are presented in Naira, which is the fund's functional and presentational currency. The figures shown in the financial statements are stated in thousands.

(a) Standards, interpretations and amendments effective during the reporting period

Amendments to the following standard(s) became effective in the reporting period from 1st January, 2017. They do not have any material impact on the accounting policies, financial position or performance of the Fund.

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STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(b) Standards and interpretations issued but not yet effective for 31 December 2017

Amendments to IAS 7 - Statement of Cash Flows

The Fund Manager is in the process of assessing the impact of the guidance set out below on the Fund and the timing of its adoption.

This amends IAS 7 to include disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances arising from the financing activities.

The standard provides that, going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences

New standards and interpretations effective after the financial period

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 31 December 2017, and have not been applied in preparing these financial statements. The fund manager is yet to assess the effect of the following standards on the financial statements of the fund. The fund manager's assessment of the impact of these new standards and interpretations is set out below.

• **IFRS 15 Revenue from Contracts with Customers**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g 1 January 2017), i.e without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

The fund manager is currently assessing the impact of the new rules. At this stage, the Fund is not able to estimate the impact of the new rules on the Fund's financial statements.

This standard is mandatory for financial years commencing on or after 1 January 2018.

Expected date of adoption by the fund: 1 January 2018

• **IFRS 9: Financial Instruments**

• IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and is effective for annual periods beginning on or after January 1, 2018 and it is required to be applied on a retrospective basis, with certain exceptions. As permitted, the Fund will apply the rules of the new standard from January 1, 2018 and will not restate the prior period comparative financial statements.

Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will be recognized in the opening January 1, 2018 retained earnings

The Fund has reviewed its financial assets, financial liabilities and impairment charges and expects the following impact from the adoption of the new standard on January 1, 2018:

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STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Financial assets

A significant portion of the Fund's debt instruments are currently classified as available-for-sale instruments and will satisfy the conditions for classification as financial instruments at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

Financial liabilities

There will be no impact on the Funds's accounting for financial liabilities. The Fund's financial liabilities are measured at amortised cost and will be classified and measured same under IFRS 9. The Fund does not have financial liabilities that may be designated to be measured at fair value through profit or loss.

Impairment

The impairment model under IFRS 9 is an expected credit loss (ECL) model which means a loss event does not necessarily have to occur before an impairment loss is recognised. The ECL model applies to financial assets that are debt instruments measured at amortised cost or fair value through other comprehensive income. These include loans, trade receivables, debt securities etc.

The Fund has assessed the impact of the ECL impairment model and believes impairment losses are likely to increase as a result of the ECL model as against the current incurred loss model under IAS 39. Also financial assets such as debt instruments measured at amortised cost or fair value through other comprehensive income and other financial assets which were not within the impairment scope under IAS 39 that will be under the impairment scope of IFRS 9 will account for increase in the impairment losses.

Expected date of adoption by the fund: 1 January 2018

(c) Early adoption of standards

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. However, the Fund has not adopted any of such standards in preparing these financial statements

2.2 Financial assets and liabilities

The Fund classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The Fund classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

Category (as defined by IAS 39)	Classes as determined by the Fund		Subclasses
Financial assets	Loans and receivables	Cash and bank balances	Current account with banks in Nigeria
			Loans to banks
	Available for sale	Debt securities	Treasury bills
			Federal Government of Nigeria bonds
	Other Assets	Corporate bonds	
		Other Assets	Receivable
Financial liabilities	Financial liabilities at amortised cost	Other liabilities	Fees payable

**THE CORAL INCOME FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Financial assets

The Fund allocates financial assets to the following categories: (a) financial assets at fair value through profit or loss; (b) held to maturity investments; (c) available for sale financial assets and (d) loans and receivables. The Fund Manager determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Fund as at fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading, unless they are designated and effective as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market paper and equity instruments. They are recognised in the statement of financial position as 'Financial assets held for trading'.

The Fund did not designate financial assets upon initial recognition as at fair value through profit or loss (fair value option).

(b) Available for sale financial assets

Available for sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available for sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with fair value gains and losses being recognised in the statement of comprehensive income, and cumulated in a separate reserve in equity, available for sale reserve, until the financial asset is derecognised. Interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognised in profit or loss. Dividends on available for sale equity instruments are recognised in the statement of comprehensive income in 'dividend income' when the Fund's right to receive payment is established. Financial assets in this category are disclosed on the statement of financial position as "financial assets classified as available for sale". As at year ended 31 December 2017, the Fund's available for sale portfolio consists of treasury bills, Federal Government of Nigeria bonds, Corporate bonds and Commercial papers.

(c) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- (1) those that the Fund intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- (2) those that the Fund upon initial recognition designates as available for sale; or
- (3) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration."

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the asset including any transaction costs – and measured subsequently at amortised cost. Loans and receivables are reported in the statement of financial position as loans and receivables.

The Fund's loans and receivables include the following: Cash and bank balances and receivables.

**THE CORAL INCOME FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(d) Recognition

Financial assets are recognised on settlement dates. The varying class and nature of the financial assets determines the settlement which may be different from the trade date. Financial instruments such as debt and equity securities are recognised on settlement date other than the trade date while receivables are recognised on trade date which represents its settlement date.

2.2.2 Financial liabilities

The Fund's holding in financial liabilities represent mainly payables recorded in 'Other liabilities'. Payables are obligations to pay for services that have been received in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.2.3 Determination of fair value

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

Subsequent to initial recognition, for financial instruments traded in active markets, the determination of fair value of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges for example, Nigerian Stock Exchange (NSE) and broker quotes from the Financial Markets Dealers Quotations (FMDQ).

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the dates of the consolidated statement of financial position. However, for illiquid financial instruments, the fair values are further adjusted to compensate for the credit risks attached to the issuers.

The Fund is not permitted at any time to hold unquoted equity instruments.

2.2.4 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the entity tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.2.5 Reclassification of financial assets

The Fund may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Fund may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Fund has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.3 Interest income and expense

Interest income for all interest-bearing financial instruments are recognised within 'interest income in the statement of comprehensive income using the effective interest method. The Fund does not have any interest expense.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.4 Impairment of financial assets

a) Assets carried at amortised cost

The Fund manager assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal repayments, the probability that they will enter bankruptcy or other financial re-organisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate to defaults

For loans and receivable category, 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 financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised 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.

b) Assets classified as available for sale

The Fund manager assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

2.5 Cash and cash equivalent

For the purposes of statement of cash flow, cash and cash equivalents are balances that are held for the primary purpose of meeting short term cash commitments. Hence this includes cash in hand and cash equivalents that are readily convertible to known amount of cash, are subject to insignificant risk of changes in value and whose original maturity is three months or less. This includes cash in hand, deposit held at call with banks and other short-term highly liquid investments which originally matures in three months or less (treasury bills with less than 3 months maturity)

2.6 Retained earnings

Retained earnings represent undistributed earnings of the Fund.

2.7 Operating expenses

Management fees

Management fees are charged as 1.5% of the net asset value of the Fund. They are accrued daily but paid quarterly in arrears.

Incentive fees

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

2.8 Other expenses

All other expenses are recognised in the statement of comprehensive income on an accrual basis.

2.9 Taxation

The Fund is domiciled in Nigeria. Under the current laws of Nigeria, there is no income, estate, corporation, capital gains or other gains or taxes payable by the Fund.

2.10 Dividend distribution

In line with the provisions of the Trust Deed, the income of the Fund less any sums properly chargeable thereon or deductible therefrom may either be reinvested in the Fund or distributed to the Unitholders in such form, manner and amount for such periods and at such times as the Fund Manager may, in its absolute discretion, decide in accordance with applicable law and the rules of the Exchange on which the units are listed.

Dividend proposed for the year are not accounted for but disclosed in the financial statements and appropriated from retained earnings after the approval of the unitholders at the Fund's Annual General Meeting (AGM).

2.11 Subscription and redemption

Subscription

The minimum investment one or joint Unitholder(s) may make in the Fund is N50,000.00 (Fifty Thousand Naira). Thereafter, additional Units in the Fund shall be issued in multiples of N10,000.00 (Ten Thousand Naira) and shall be subscribed for in those multiples. Subscription into the Fund shall be at the latest "Offer price" computed based on total Net Asset Value (NAV) of the Fund divided by the number of units in issue.

Redemption

Redemptions are made through the Fund Manager or any of its agents as may be appointed from time to time. The Fund Manager shall, on request, repurchase against a payment out of the Fund, Units from Unitholders at the bid price. Redemptions are allowed after three months of initial acquisition of units by the unitholder. However, where the redemptions are being made within 3 (three) months of acquisition of the units by a Unitholder, the Manager shall have the right to charge a redemption fee of 2% of the net redemption value.

THE CORAL INCOME FUND
 NOTES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS
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3 Risk Management Objective and Policies

3.1 Financial risk management

The Fund generates revenues for unit holders by investing in various income generating activities which involve trading in government securities. These activities expose the Fund to a variety of financial risks, including credit, liquidity risk and the effects of changes in debt prices and interest rates. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the Fund Managers under direction of the investment committee and FSDH Merchant Bank Limited's Group Risk Management Department. The investment committee works within policies approved by the Fund's Trustee. Fund Managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against these risks. The Group Risk Department provides the Fund Managers with written guidelines for appropriate investments. These guidelines are reviewed on a regular basis and are within the Collective Investment Scheme regulations issued by the Securities and Exchange Commission (SEC).

The Funds financial instruments are categorised as follows:

31 December 2017 In thousands of Nigerian Naira	Financial Assets				Financial Liabilities	
	At fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	At fair value through profit or loss	At amortised cost
Financial assets:						
Cash and bank balances						
- Current account with banks in Nigeria	-	-	1,633	-	-	-
-Loans to banks	-	-	4,446	-	-	-
Financial assets classified as available for sale						
- Treasury bills	-	2,013,963	-	-	-	-
- Corporate Bonds	-	72,134	-	-	-	-
Financial liabilities:						
Other liabilities:						
Other accounts payable	-	-	-	-	-	66,890

THE CORAL INCOME FUND
NOTES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS
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31 December 2016		Financial Assets			Financial Liabilities	
In thousands of Nigerian Naira	At fair value through profit or loss	Available-for-sale	Loans and receivables	Held to maturity	At fair value through profit or loss	At amortised cost
Financial assets:						
Cash and bank balances						
- Current account with banks in Nigeria			252			
- Loans to banks	-	-	10,734	-	-	-
Financial assets classified as available-for-sale						
- Treasury bills	-	867,246	-	-	-	-
- Corporate Bonds	-	140,162	-	-	-	-
Financial liabilities:						
Other liabilities:						
Other accounts payable	-	-	-	-	-	22,326

3.2 Liquidity

The Fund is exposed to daily cash redemptions of redeemable Units. It therefore invests the majority of its assets in investments that are easily convertible to known amount of cash such as placement with banks and treasury bills.

In addition to this, the Investment Manager in managing the Fund's liquidity risks, monitors the Fund's liquidity position on a daily basis and has developed a comprehensive history of the Fund's daily and/or periodic liquidity requirements. Guided by this history, the manager maintains sufficient cash and near cash investments to meet the day to day redemption requirements.

Liquidity maturity analysis

31 December 2017

	Due within 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Total
Financial assets					
Cash and bank balances					
- Current accounts	1,633	-	-	-	1,633
- Loans to banks	4,446	-	-	-	4,446
Financial assets classified as available for sale					
- Treasury bills	313,838	1,728,756	85,000	-	2,127,594
- Federal Government of Nigeria (FGN) bonds	-	-	-	-	-
- Corporate bonds	-	6,844	6,844	102,375	116,063
	<u>319,917</u>	<u>1,735,600</u>	<u>91,844</u>	<u>102,375</u>	<u>2,249,736</u>
Financial liabilities					
	<u>66,890</u>				<u>66,890</u>
Net financial asset	<u>253,027</u>	<u>1,735,600</u>	<u>91,844</u>	<u>102,375</u>	<u>2,182,846</u>
Net asset attributable to unitholders					<u>2,025,312</u>
Percentage of liquid financial assets to net assets attributable to unitholders					108%

THE CORAL INCOME FUND
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31 December 2016

	Due within 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Total
Financial assets					
Cash and bank balances					
- Current accounts		-			
- Loans to banks	10,986	-	-	-	10,986
Financial assets classified as available for sale					
- Treasury bills	49,205	-	818,041	-	867,246
	<u>60,191</u>	<u>-</u>	<u>818,041</u>	<u>-</u>	<u>878,232</u>
Financial liabilities	<u>22,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,326</u>
Net financial asset	<u>37,865</u>	<u>-</u>	<u>818,041</u>	<u>-</u>	<u>855,906</u>
Net asset attributable to unitholders					<u>996,068</u>
Percentage of liquid financial assets to net assets attributable to unitholders					86%

3.3 Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents and other receivable balances. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal.

The Fund considers the credit exposure to geographical sectors as immaterial as all the credit risk exposures are domiciled in Nigeria for all periods.

The maximum exposure to credit risk is the carrying amount of the financial assets as set out below.

Sector analysis of credit risk exposure

31 December 2017

	Cash and bank balances	Financial assets classified as available for sale	Financial assets carried at amortised cost	Maximum Exposure
Government	-	2,013,963	-	2,013,963
Financial Institutions	6,079	72,134	-	78,213
	<u>6,079</u>	<u>2,086,097</u>	<u>-</u>	<u>2,092,176</u>

31 December 2016

	Cash and bank balances	Financial assets classified as available for sale	Financial assets carried at amortised cost	Maximum Exposure
Government	-	867,246	-	867,246
Financial Institutions	10,986	140,162	-	151,148
	<u>10,986</u>	<u>1,007,408</u>	<u>-</u>	<u>1,018,394</u>

THE CORAL INCOME FUND
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Debt Securities to which the Fund is exposed are mainly Federal Government of Nigeria (FGN) bonds and treasury bills. The credit risk associated with these sovereign debt securities is considered minimal and are unrated.

Analysed below is the rating by category of the Fund's debt securities included in the investment securities.

	31 December 2017 N'000	31 December 2016 N'000
B to BBB	72,134	140,162
Unrated	2,013,963	867,246
	<u>2,086,097</u>	<u>1,007,408</u>

The maximum exposure to credit risk before any credit enhancements at 31 December is the carrying amount of the financial assets as measured in the financial statements. None of these assets are impaired nor past due but not impaired.

3.4 Market risk

(a) Price risk

The Fund invests in securities as permitted under the Trustee Investment Act, Cap 449, LFN 1990 and approved by The Securities and Exchange Commission.

Classification of financial assets

	31 December 2017 N'000	31 December 2016 N'000
Financial assets classified as available for sale		
- Treasury bills	2,013,963	867,246
- Federal Government of Nigeria (FGN) bonds	-	-
- Corporate bonds	72,134	-
	<u>2,086,097</u>	<u>867,246</u>

The impact on the Fund's net asset attributable to Unitholders if prices held had increased or decreased by 5% with all other variables held constant

<u>104,305</u>	<u>43,362</u>
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THE CORAL INCOME FUND
NOTES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS
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(b) Cashflow and fair value Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cashflows. The Fund's exposure to cashflow interest rate risk which is the risk that the future cashflows of a financial asset will fluctuate because of changes in market interest rates is minimal as it holds only cash and cash equivalents with fixed interest and has no interest bearing financial liabilities.

The Fund also holds fixed interest securities which expose the Fund to fair value interest rate risk. The Fund's fixed interest rate financial assets are government securities (bonds and treasury bills), corporate bonds and deposits with financial institutions.

However, the Fund may be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests. The sensitivity of this on the Fund's net assets attributable to unitholders can not be fully determined.

(c) Foreign exchange risk

As at 31 December 2017 (2016: Nil), The Fund did not have investments denominated in foreign currency and as a result was not exposed to foreign exchange risk.

3.5 Capital management

The capital of the Fund is represented by unit holder contributions. The amount of unit holder liabilities can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders.

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders

3.6 Fair value estimation

Financial assets not measured at fair value

	31 December 2017		31 December 2016	
	Value N'000	Fair value N'000	Carrying Value N'000	Fair value N'000
Financial assets				
Cash and bank balances	6,079	6,079	10,986	10,986
	<u>6,079</u>	<u>6,079</u>	<u>10,986</u>	<u>10,986</u>
Financial Liabilities				
Other liabilities	66,890	66,890	22,326	22,326
	<u>66,890</u>	<u>66,890</u>	<u>22,326</u>	<u>22,326</u>

THE CORAL INCOME FUND
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Fair value hierarchy of financial assets not measured at fair value is shown below

At 31 December 2017 (N'000)

	Level 1	Level 2	Level 3	Total
Cash and bank balances	-	-	6,079	6,079
	-	-	6,079	6,079

At 31 December 2016 (N'000)

	Level 1	Level 2	Level 3	Total
Cash and bank balances	-	-	10,986	10,986
	-	-	10,986	10,986

Fair valuation estimates and techniques

Treasury bills and bonds

Treasury bills represent short term instruments issued by the Central Bank of Nigeria. Bonds are debt instruments or contracts issued for an agreed period of time. The investor lends an amount of money to the issuer and earns interest on the investment until the maturity of the bond when the principal will be repaid. The fair value of actively traded treasury bills and bonds are determined with reference to quoted prices (unadjusted) in an active market for identical assets.

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Fund's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs) This hierarchy requires the use of observable market data when available.

The Funds considers relevant and observable market prices in its valuations where possible.

There are no transfer within fair value hierarchies during the period.

THE CORAL INCOME FUND
NOTES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS
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Fair value hierarchy of financial assets measured at fair value is shown below.

At 31 December 2017 (N'000)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets classified as available for sale				
- Treasury bills	2,013,963	-	-	2,013,963
- Corporate bonds	-	72,134	-	72,134
	<u>2,013,963</u>	<u>72,134</u>	<u>-</u>	<u>2,086,097</u>

At 31 December 2016 (N'000)

	Level 1	Level 2	Level 3	Total
Financial assets classified as available for sale				
- Treasury bills	867,246	-	-	867,246
- Corporate bonds	-	140,162	-	140,162
	<u>867,246</u>	<u>140,162</u>	<u>-</u>	<u>1,007,408</u>

The Fund had no financial assets classified as level 3 as at 31 December 2017 (2016: Nil)

4 Critical accounting estimates and judgements

The Funds's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

The Fund Manager makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standards. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Fund Manager's judgements for certain items are especially critical for the Fund's results and financial situation due to their materiality.

4.1 Unit holders classification

The units of the Fund are redeemable, but are not carried as financial liabilities because:

- there are no other class of unit holders with less senior rights to them.
- units are bought or redeemed at market value with no guarantees to the unit holders of principal or return.
- all units are equal in gain and loss.

4.2 Financial asset measurement

Financial instruments at fair value through profit or loss are initially recognised at fair value while transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, are 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. Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost depending on their classification.

The determination of fair value for financial assets and liabilities for which there is no observable market prices requires the use of valuation techniques as described in valuation methods and assumptions as disclosed in Note 3.6 above. 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.

THE CORAL INCOME FUND
NOTES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS
AT 31 DECEMBER 2017

	31 December 2017 N'000	31 December 2016 N'000
5 Interest income		
Interest income on loans to bank	587	27,115
Interest income on bonds	19,672	29,659
Interest income on treasury bills	276,742	84,558
	<u>297,001</u>	<u>141,332</u>
6 Net realised gains on available for sale financial instruments		
Net realised gain on available for sale	1,496	1,028
	<u>1,496</u>	<u>1,028</u>
7 Operating expenses		
Operating expenses comprise:		
Audit fees	3,413	3,250
Fund manager's fee	24,735	16,920
Incentive Fees	52,616	13,839
Registrar's fees	525	525
Trustees' fees	788	788
Professional Fees	500	600
Custodian Fees	1,154	995
AGM expenses	144	426
Advertisement	432	-
Other operating expenses	165	213
	<u>84,472</u>	<u>37,556</u>
8 Cash and bank balances		
Balances held with other banks:		
- Current account with banks in Nigeria	1,633	252
- Loans to banks	4,446	10,734
	<u>6,079</u>	<u>10,986</u>
Current	<u>6,079</u>	<u>10,986</u>
	<u>6,079</u>	<u>10,986</u>

THE CORAL INCOME FUND
NOTES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS
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9 Financial assets classified as available for sale		
Treasury bills	2,013,963	867,246
Corporate bonds	72,134	140,162
	<u>2,086,097</u>	<u>1,007,408</u>
Current	2,013,963	867,246
Non-Current	72,134	140,162
	<u>2,086,097</u>	<u>1,007,408</u>
10 Receivables		
Withholding tax receivables	26	-
	<u>26</u>	<u>-</u>
11 Other liabilities		
Financial liabilities:		
Fund manager's fee payable	61,731	17,790
Custodian fees payable	395	184
Accrued Expenses	4,764	4,352
	<u>66,890</u>	<u>22,326</u>
	<u>66,890</u>	<u>22,326</u>
Current	66,890	22,326
	<u>66,890</u>	<u>22,326</u>
	<u>31 December 2017</u>	<u>31 December 2016</u>
12 Unitholders' equity		
(a) The movement in unitholders units' during the year is analysed as follows:		
	<u>Units</u>	<u>Units</u>
As at 1 January	000	000
Additions during the period	484	390
Redemptions during the period	1,083	743
	<u>(735)</u>	<u>(649)</u>
As at 31 December	<u>833</u>	<u>484</u>
	<u>31 December 2017</u>	<u>31 December 2016</u>
13 Cash generated from operations		
Reconciliation of income before tax to cash generated from operations:		
Profit before tax	214,025	104,804
Adjustment for:		
- Interest income	(297,001)	(141,332)
Changes in working capital:		
- Other assets	(26)	-
- Other liabilities	44,564	15,880
	<u>(38,438)</u>	<u>(20,648)</u>
	<u>31 December 2017</u>	<u>31 December 2016</u>
	<u>N'000</u>	<u>N'000</u>
14 Cash and cash equivalents		
For purposes of the cash flow statement, cash and cash equivalents comprises:		
- Current account with banks in Nigeria	1,633	252
- Loans to banks (Note 9)	4,446	10,734
	<u>6,079</u>	<u>10,986</u>

THE CORAL INCOME FUND
NOTES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS
AT 31 DECEMBER 2017

15 Related party transactions

Coral Income Fund is managed by FSDH Asset Management Limited (FSDH AM). FSDH AM is a subsidiary of FSDH Merchant Bank Limited which owns 99.7% of the Company's share capital. The Company is a co-subsidary with FSDH Securities Limited.

During the year, the following related party activities occurred:

a. FSDH Securities Limited provides stock broking services to the Coral Income Fund. However, there was no stock broking transaction during the year 2017 (2016: Nil)

b. FSDH Asset Management earns management fees at the rate of 1.5% of the Net Asset Value (NAV) accrued on daily basis but paid quarterly in arrears. Total sum of N24.74m was earned as management fees during the year (2016: N16.92m). Also the sum of N52.62m was earned as Incentive fees during the year (2016: N13.84m).

During the year, the Fund bought commercial papers through FSDH at various time amounting to N799.30 million (2016: N521.83m) and earned total income of N0.08m from the investments.(2016: N2.63m).

c. UBA Trustees Limited earned trustee fees of N0.79m (2016: N0.79m) during the period in line with the Trust Deed of the Fund.

d. Key management staff has been defined as members of management committee of the Fund Manager and its other related companies.

Units held by related parties to the Fund are listed below:

	31 December 2017	31 December 2016
	<u>Units</u>	<u>Units</u>
Direct	23,206	24,926
Indirect	1,925	2,353

16 Dividends

	31 December 2017	31 December 2016
	<u>N'000</u>	<u>N'000</u>
Proposed dividend at N28.01 kobo (2016: N23.34k) per share	23,332	15,045

Dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM) of the unitholders. At the next AGM, a dividend in respect of the financial year ended 31 December 2017 of N28.01 kobo per share (2016: N23.34k) amounting to a total of N23.33 million (2016: N15.05 million) will be proposed. These financial statements do not reflect this resolution which will be accounted as an appropriation of retained earnings in the year ending 31 December 2018.

**THE CORAL INCOME FUND
OTHER FINANCIAL INFORMATION
FOR YEAR ENDED 31 DECEMBER 2017**

STATEMENT OF VALUE ADDED

	Dec 2017 N'000	%	Dec 2016 N'000	%
Gross income	298,497	102	142,360	105
Bought-in-materials and services	(7,121)	(2)	(6,797)	(5)
Value added	291,376	100	135,563	100
Distribution of value added:				
To Government:				
To Fund Manager:				
Fund manager's fee	77,351	27	30,759	23
Retained in the fund:				
Retained earnings	214,025	73	104,804	77
	291,376	100	135,563	100

**THE CORAL INCOME FUND
OTHER FINANCIAL INFORMATION
FOR YEAR ENDED 31 DECEMBER 2017**

FIVE YEAR FINANCIAL SUMMARY

	Dec 2017	Dec 2016	Dec 2015	Dec 2014	Dec 2013
	N'000	N'000	N'000	N'000	N'000
ASSETS					
Cash and bank balances	6,079	10,986	338,434	19,237	377,683
Investment securities	2,086,097	1,007,408	415,083	654,594	284,269
Receivables	26	-	-	-	-
TOTAL ASSETS	<u>2,092,202</u>	<u>1,018,394</u>	<u>753,517</u>	<u>673,831</u>	<u>661,952</u>
LIABILITIES					
Other liabilities	66,890	22,326	6,446	6,201	7,015
Net assets attributable to unitholders	<u>2,025,312</u>	<u>996,068</u>	<u>747,071</u>	<u>667,630</u>	<u>654,937</u>
Represented by:					
Unitholders' funds	<u>2,025,312</u>	<u>996,068</u>	<u>747,071</u>	<u>667,630</u>	<u>654,937</u>
	<u>2,025,312</u>	<u>996,068</u>	<u>747,071</u>	<u>667,630</u>	<u>654,937</u>
Investment income	297,001	141,332	81,680	87,789	84,066
Net gains/(losses) on investments securities	1,496	1,028	701	(9,824)	(7,407)
Operating expenses	(84,472)	(37,556)	(17,927)	(20,170)	(19,598)
Unrealised net gains/(losses) on available for sale financial assets	34,268	(14,196)	10,190	(667)	23,156
	248,292	90,608	74,644	57,128	80,217
	<u>248,292</u>	<u>90,608</u>	<u>74,644</u>	<u>57,128</u>	<u>80,217</u>