

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Managed by

LOTUS CAPITAL LIMITED

FINANCIAL STATEMENTS

For the year ended

31ST DECEMBER, 2024

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Audited financial statements for the year ended 31st December, 2024

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LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Corporate information

Fund Manager

Lotus Capital Limited

Directors of the Fund Manager

Mr. Fola Adeola
Mrs. Hajara Adeola
Mrs. Lateefah Okunnu
Mrs. Amina Oyagbola
Mr. Nuruddeen Lemu
Mr. Moshood Babatunde

Registered office (Fund Manager)

182 Awolowo Road
Ikoyi
Lagos

Trustees to the Fund

FBNQuest Trustees Limited
10, Keffi Street
off Awolowo Road, Ikoyi
Lagos

Independent auditors to the Fund

Crowe Dafinone
Chartered Accountants
15 Elsie Femi Pearse Street
Victoria Island
Lagos

Custodian to the Fund

Citibank Nigeria Limited
27, Kofo Abayomi Street
Victoria Island
Lagos

Rand Merchant Bank
3rd Floor Wings East Tower
17a Ozumba Mbadiwe street
Victoria Island Lagos

Registrar to the Fund

First Trustees Limited
16, Keffi Street,
Lagos.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Report of the Trustees

The Trustees present their report on the affairs of the Lotus Halal Equity Exchange Traded Fund, together with the audited financial statements for the year ended 31st December, 2024.

Principal activity: The Lotus Halal Equity Exchange Traded Fund is an open-ended Fund that enable unitholders obtain market exposure to the constituents companies comprising NSE-Lotus Islamic Index in an easily tradable form as listed securities tradable on NSE (or any other licensed exchange on which the Lotus Capital Halal Equity may be listed) and replicate as much as possible, the price and yield performance of the NSE Lotus Islamic Index. The investment objective of the ETF is to track the NSE Lotus Islamic Index. The NSE Lotus Islamic Index is an adjusted market capitalisation weighted index currently composing fifteen (15) Shari'ah compliant equity listed on the floor of the Nigeria Stock Exchange.

Results: The results for the year are set out on Page 17.

Directors: The directors of the Fund Manager who served on the board of the Fund Manager during the period under review and up to the date of approving these financial statements were:

Mr. Fola Adeola (Chairman)
Mrs. Hajara Adeola (Managing Director/Chief Executive Officer)
Mrs. Lateefah Okunnu
Mrs. Amina Oyagbola
Mr. Nuruddeen Lemu
Mr. Moshood Babatunde

Directors' and related parties interest in the units of the Fund: The Directors of Lotus Capital Limited who held direct and indirect beneficial interest in the units of the Fund are:

	Units held as at 31st December, 2024	Units held as at 31st December, 2023
Mrs. Lateefah Okunnu	376,123	376,123

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

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Report of the Trustees (continued)

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.

In our opinion, the Fund Manager has in preparing the financial statements:

- 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; and
- 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 the Trust Deed and other Supplemental thereto, the Securities and Exchange Commission's 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 unit holders 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;
- 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.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Report of the Trustees (continued)

Administration of the Fund:

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

Charitable donations:

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

Auditors:

Messrs Crowe Dafinone (Formerly Horwath Dafinone), Chartered Accountants, having indicated their willingness to continue in office, shall do so in accordance with Section 184 (1) of the Investments and Securities Act, 2007.

By Order of the Trustee



Babajide Fetuga
FRC/2024/PRO/DIR/003/468674
Ag. Managing Director/CEO
FBNQuest Trustees Limited
Lagos, Nigeria
24th March, 2025.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Report of the Fund Manager

Dear Investor,

This report provides an overview of the performance of the Lotus Halal Equity Exchange Traded Fund from January 1, 2024 to December 31, 2024.

INVESTMENT OBJECTIVES

The Lotus Halal Equity Exchange Traded Fund ('LHE ETF', the 'ETF' or 'the Fund') is designed to track the price and yield performance of the NGX Lotus Islamic Index ('the Index') and provide investors with an opportunity to gain exposure to the constituent companies of the Index.

MACROECONOMIC REVIEW

The year 2024 was marked by shifting global economic conditions and policy adjustments across major economies, shaping both global and domestic financial landscapes. As inflationary pressures began to subside, central banks worldwide moved from aggressive tightening to more accommodative policies to support economic recovery. Meanwhile, Nigeria pursued bold fiscal and monetary reforms to stabilize its economy amidst persistent inflation and foreign exchange challenges.

According to the International Monetary Fund (IMF), global economic growth slowed slightly to 3.2%, down from 3.3% in 2023. Inflation eased in advanced economies, which prompted the downward revision of interest rates in the United States, United Kingdom, Eurozone and China among others. However, geopolitical tensions and supply chain disruptions continued to weigh on global trade. Consequently, Brent crude oil prices slipped by 3.13%, closing the year at \$86.41 per barrel due to weakening demand and market adjustments.

In Nigeria, the economy grew by an estimated 3.1% in 2024, up from 2.9% the previous year, driven by fiscal and monetary policy reforms aimed at stabilizing the economy. However, inflation remained a persistent challenge, rising to 34.8% in December, up from 28.92% at the end of 2023. The persistent inflationary pressure was fueled by higher energy costs following subsidy removals, and the depreciation of the Naira. Elevated costs of staple foods, exacerbated by transportation bottlenecks and supply disruptions, has also been a key driver. Although the government has initiated measures to boost agricultural productivity, the lag in implementation continues to challenge near-term price stability.

In response, the Central Bank of Nigeria (CBN) maintained an aggressive tightening stance, raising the Monetary Policy Rate (MPR) six times in the year to 27.5%, a cumulative increase of 875 basis points. Alongside this, CBN introduced a series of foreign exchange market reforms to improve transparency and attract foreign investment. These included adjustments to remittance policies and the introduction of the Electronic Foreign Exchange Matching System (EFEMS) to automate transactions and enhance market liquidity.

These measures yielded some fruit and Nigeria's foreign exchange reserves grew by \$7.97 billion (24.20%) in the year to stand at \$40.88 billion at the end of December 2024, the highest level in over three years. However, the naira continued to depreciate, ending the year at ₦1,544.83/\$ in the official market (2023: ₦988.46/\$) and ₦1,645/\$ in the parallel market (2023: ₦1,210/\$).

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Report of the Fund Manager (continued)

NIGERIAN CAPITAL MARKET REVIEW

The Nigerian equities market had a stellar outing and recorded its fifth consecutive year of positive gains. The market's performance was bolstered by renewed investor confidence in ongoing policy reforms and optimism regarding corporate earnings growth. The NGX All-Share Index closed the year higher by 37.65%, while the NGX Lotus Islamic Index followed the same trajectory to gain 50.57%.

The oil and gas sector sub-index gained 160.01% to emerge as the best performing sector index. It was trailed by the NGX Insurance Index (+123.22%), the NGX Consumer Goods Index (+54.44%), and the NGX Industrial Goods Index (+31.70%).

INVESTMENT STRATEGY

The Lotus Halal Equity ETF (LHE ETF) underwent semi-annual rebalancing to realign it with its tracking index - the NGX Lotus Islamic Index. Airtel Africa Plc was exited from the index during the year after failing the Shariah screening criteria. During this exercise, the fund's exposure per industry was capped at 30%, while individual stock exposures were capped at 15%.

ASSET ALLOCATION

As at 31st December 2024, equities accounted for 98% of the portfolio, while the balance of 2% was held in near cash items to ensure that the LHE ETF had sufficient liquidity to cover expenses as they fall due.

FUND PERFORMANCE

The Lotus Halal Equity Exchange Traded Fund (LHE ETF) closed the year with a gain of 50.57% and a Net Asset Value of ₦32.27/unit. The fund trailed the tracking index marginally due to the rebalancing exercise and the liquidity of some underlying stocks. Nevertheless, the fund made a significant distribution of ₦0.80/unit out of its dividend income in the year which is nearly double the prior distribution (2023: ₦0.41/unit).

OUTLOOK FOR 2025

With ongoing economic reforms and policy adjustments, investor sentiment is expected to strengthen in 2025. While the Central Bank of Nigeria (CBN) has maintained a tight monetary stance to curb inflation, a shift toward a more accommodative policy later in the year should further support economic growth. Lower interest rates would likely stimulate business activity, enhance corporate earnings, and improve liquidity in the equities market.

The ETF remains well-positioned to take advantage on an improvement in the broad market, with a diversified portfolio of Shari'ah-compliant stocks that have strong fundamentals and growth potential. The current key holdings include MTN Nigeria Plc, Dangote Cement Plc, BUA Cement Plc, and Okomu Oil Plc, all of which are industry leaders. As part of the next rebalancing exercise on January 1, 2025, the Fund shall divest from Dangote Sugar Plc following its exit from the NGX Lotus Islamic Index, making way for the investment in Aradel Holdings Plc, which was recently listed on the NGX main board and included to the Index.

We appreciate your continued support of the Lotus Halal Equity Exchange Traded Fund and wish you a prosperous 2025.

For further information, please contact us at info@lotuscapitallimited.com.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Report of the Shari'ah Supervisory Board

Shariah Report for the fiscal year ending December 31, 2024

In the name of Allah, the Most Beneficent, Most Merciful.

Alhamdu Lillahi Rabbi al Alamin, wa al Salatu wa al Salamu'ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

To the unitholders of the Lotus Halal Equity Exchange Traded Fund

Assalamu Alaikum Wa Rahmatu Allah Wa Barakatuh

We have reviewed the principles of investments made by Lotus Capital Limited (“the Fund Manager”) during the year under review. We have also received assurances from the Fund Manager that all investments made by the Fund were in screened and shariah-compliant equities of the NGX Lotus Islamic Index that are listed on the Nigerian Exchange. This allowed us to form an opinion as to whether the Fund Manager complied with Shariah Rules and Principles and with the rulings set by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Accordingly, in our opinion, the investments made by the Fund Manager during the period under review were generally in compliance with Shariah Rules and Principles. The Shariah Supervisory Board will continue to work with the Fund Manager to always ensure its Shariah compliance.

The Fund Manager is responsible for ensuring that all investments made by the LHE ETF are in accordance with Islamic Rules and Principles. It is the Shariah Supervisory Board's responsibility to form an independent opinion on Shariah compliance based on its review of the operations and activities of the Fund. The Fund Manager has calculated the amount of non-permissible income per fund unit and communicated it to investors for payment to charity in accordance with the rules of Shariah. The Fund Manager has not been given the authority to pay Zakah on behalf of unitholders. This is the responsibility of the unitholders themselves.

We ask Almighty Allah to grant us all wisdom to understand His religion and follow its teaching and to bestow on us success in this worldly life and the life after.

Wassalamu Alaikum Wa Rahmat Allah Wa Barakatuh.

Dated ^{24th} day of March 2025



Dr. Marjan Binti Muhammad
Member Shariah Board
Lotus Capital Limited



Professor Luqman Zakariyah
Member Shariah Board
Lotus Capital Limited



Professor Monzer Kahf
Chairman, Shariah Board
Lotus Capital Limited

**LOTUS HALAL EQUITY EXCHANGE TRADED FUND
MANAGED BY LOTUS CAPITAL LIMITED**

Management's annual assessment

**MANAGEMENT ANNUAL ASSESSMENT REPORT OF INTERNAL CONTROL OVER
FINANCIAL REPORTING FOR THE YEAR ENDED 31 DECEMBER 2024**

In accordance with the provisions of Financial Reporting Council of Nigeria (FRC) Guidance on Management Report on Internal Control Over Financial Reporting, we hereby make the following statements regarding the internal controls of Lotus Halal Investment Fund for the year ended 31 December 2024:

- I. We are responsible for establishing and maintaining internal controls and attest that the company's internal controls were effective as of 31 December 2024.
- II. In evaluating the effectiveness of internal control over financial reporting, we adopted the Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).
- III. Based on our evaluation, we are of the opinion that the Internal Control Over Financial Reporting of Lotus Halal Investment Fund is effective as of 31 December 2024.
- IV. Our auditor, Messrs Crowe Dafinone, has issued an attestation report on management's assessment of the entity's internal control over financial reporting as of 31 December 2024. This report will be filed as part of the annual report of Lotus Halal Investment Fund

Management takes responsibility to remediate deficiencies where identified. Any significant deficiencies in the design and operation of internal controls which could adversely affect the financial information of the entity has been disclosed to the independent Auditor and the Audit Committee.



Moshood Babatunde
Chief Finance Officer

FRC/2013/PRO/DIR/006/00000003328

24 March, 2025



Hajara Adeola
Managing Director/CEO

FRC/2013/PRO/DIR/003/00000002955

24 March, 2025

**LOTUS HALAL EQUITY EXCHANGE TRADED FUND
MANAGED BY LOTUS CAPITAL LIMITED**

Certification of management's assessment – MD/CEO

**CERTIFICATION OF MANAGEMENT'S ASSESSMENT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING FOR THE YEAR ENDED 31 DECEMBER 2024**

I, Hajara Adeola - Managing Director / Chief Executive Officer], certify that:

- a) I have reviewed the Management's assessment on internal control over financial reporting of Lotus Halal Investment Fund;
- b) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- c) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the entity as of, and for, the periods presented in this report;
- d) The entity's other certifying officer(s) and I:
 - I. are responsible for establishing and maintaining internal controls;
 - II. have designed such internal controls and procedures, or caused such internal controls and procedures to be designed under our supervision, to ensure that material information relating to the entity, and its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - III. have designed such internal control system, or caused such internal control system to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAPs;
 - IV. have evaluated the effectiveness of the entity's internal controls and procedures as of a date within 90 days prior to the report and presented in this report our conclusions about the effectiveness of the internal controls and procedures, as of the end of the period covered by this report based on such evaluation.
- (e) The entity's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control system, to the entity's auditors and the audit committee of the entity's board of directors (or persons performing the equivalent functions):
 - V. All significant deficiencies and material weaknesses in the design or operation of the internal control system which are reasonably likely to adversely affect the entity's ability to record, process, summarize and report financial information; and
 - VI. Any fraud, whether or not material, that involves management or other employees who have a significant role in the entity's internal control system.

b)The entity's other certifying officer(s) and I have identified, in the report whether or not there were significant changes in internal controls or other facts that could significantly affect internal controls subsequent to the date of their evaluation including any corrective actions with regard to significant deficiencies and material weaknesses.



Hajara Adeola
Managing Director / Chief Executive Officer
FRC/2013/PRO/DIR/003/00000002955
24 March, 2025


**LOTUS HALAL EQUITY EXCHANGE TRADED FUND
MANAGED BY LOTUS CAPITAL LIMITED**

Certification of management's assessment - CFO

**CERTIFICATION OF MANAGEMENT'S ASSESSMENT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING FOR THE YEAR ENDED 31 DECEMBER 2024**

I, Moshood Babatunde - CFO], certify that:

- a) I have reviewed the Management's assessment on internal control over financial reporting of Lotus Halal Investment Fund;
- b) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- c) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the entity as of, and for, the periods presented in this report;
- d) The entity's other certifying officer(s) and I:
 - i. are responsible for establishing and maintaining internal controls;
 - ii. have designed such internal controls and procedures, or caused such internal controls and procedures to be designed under our supervision, to ensure that material information relating to the entity, and its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - iii. have designed such internal control system, or caused such internal control system to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAPs;
 - iv. have evaluated the effectiveness of the entity's internal controls and procedures as of a date within 90 days prior to the report and presented in this report our conclusions about the effectiveness of the internal controls and procedures, as of the end of the period covered by this report based on such evaluation.
 - v. The entity's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control system, to the entity's auditors and the audit committee of the entity's board of directors (or persons performing the equivalent functions):
- (e) All significant deficiencies and material weaknesses in the design or operation of the internal control system which are reasonably likely to adversely affect the entity's ability to record, process, summarize and report financial information; and
 - i. Any fraud, whether or not material, that involves management or other employees who have a significant role in the entity's internal control system.
 - ii. The entity's other certifying officer(s) and I have identified, in the report whether or not there were significant changes in internal controls or other facts that could significantly affect internal controls subsequent to the date of their evaluation including any corrective actions with regard to significant deficiencies and material weaknesses.



Moshood Babatunde
Chief Finance Officer

FRC/2013/PRO/DIR/006/00000003328

24th March, 2025

Independent auditor's attestation on management's assessment of internal control over financial reporting

To the Unit Holders of Lotus Halal Exchange Traded Fund

Our opinion

In our opinion, nothing has come to our attention that the internal control procedures over financial reporting put in place by management of Lotus Halal Exchange Traded Fund are not adequate as of 31st December 2024, based on the SEC Guidance on Implementation of Section 60 – 63 of The Investments and Securities Act 2007 issued by The Securities and Exchange Commission together with the requirement of the Financial Reporting Council regulations on this issue.

What we have performed

We have performed an assurance engagement on Lotus Halal Exchange Traded Fund internal control over financial reporting as of 31st December, 2024, based on Financial Reporting Council Guidance on Assurance Engagement Report on Internal Control Over Financial Reporting (“the Guidance”) issued by the Financial Reporting Council of Nigeria. The fund’s manager and trustees are responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting is included in the accompanying report. Our responsibility is to express an opinion on the fund's internal control over financial reporting based on our assurance engagement.

Basis for opinion

We conducted our assurance engagement in accordance with the Guidance, which requires that we plan and perform the assurance engagement and provide a limited assurance report on the entity's internal control over financial reporting based on our assurance engagement. As prescribed in the Guidance, the procedures we performed included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness may exist, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our engagement also included performing such other procedures as we considered necessary in the circumstances. We believe the procedures performed provide a basis for our report on the internal control put in place by management over financial reporting.

Definition and Limitations of Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The fund manager internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the fund; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the fund are being made only in accordance with authorizations of management and trustees of the fund; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the fund's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other matter

We also have audited, in accordance with the International Standards on Auditing, the financial statements of Lotus Halal Exchange Traded Fund and our report dated 24th March 2025, expressed an unqualified opinion.



Ogheneruona Dibia
Engagement Partner
FRC/2020/PRO/ICAN/004/00000021581
For Crowe Dafinone
Chartered Accountants
24th March, 2025



***REPORT OF THE INDEPENDENT AUDITORS TO THE UNIT HOLDERS OF
LOTUS HALAL EQUITY EXCHANGE TRADED FUND***

Opinion

We have audited the financial statements of Lotus Halal Equity Exchange Traded Fund which comprises, the statement of financial position as at 31st December, 2024, statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, the material accounting policies, other explanatory notes, the statement of value added and the five year financial summary. These financial statements are set out on pages 11 to 37 and have been prepared using the material accounting policies set out on page 22 to 28.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31st December, 2024 and of its financial performance and its cash flows for the year ended on that date, and comply with the Investment and Securities Act, 2007, the applicable International Financial Reporting Standards in the manner required by the Financial Reporting Council of Nigeria (Amended) Act 2023 and Securities and Exchange Commission requirement and the provision of Trust Deed.

Basis for opinion

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

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

Independence

We are independent of the Fund in accordance with the rules and guidance set out in the International Ethics Standards Board for Accountants Code of Ethics for professional Accountants (the IESBA code). We have fulfilled all of our other ethical responsibilities in accordance with the IESBA code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statement, and in forming our opinion thereon and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Information other than the financial statements and auditors' report

The Fund Manager, the Trustees report, Shari'ah Supervisory Board and other information contained therein are the responsibility of fund manager. Our opinion does not cover these reports and accordingly we do not express any form of assurance or 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 a 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
LOTUS HALAL EQUITY EXCHANGE TRADED FUND (continued)***

Fund Manager, Trustees' and Shari'ah Supervisory Board responsibilities for the financial statements

The Fund Manager, Trustees' and Shari'ah Supervisory Board are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards in the manner required by the Financial Reporting Council of Nigeria (Amended) Act 2023, and the requirements of the Investment and Securities Act, 2007, whilst the Trustee is responsible for ascertaining compliance with the provisions of the Trust Deed and other relevant laws. These responsibilities 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 material accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibilities for the financial statements

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

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

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE UNIT HOLDERS OF
LOTUS HALAL EQUITY EXCHANGE TRADED FUND (continued)**

Auditors' responsibilities for the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in the manner that achieves fair presentation.

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

Compliance with the relevant legislation and regulations

In accordance with Section 169 (1) of the Investment 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 Investment and Securities Act, 2007, we confirm that we received all of the information and explanation that were required for the purpose of the audit.

**Lagos, Nigeria
24th March, 2025**



**Ogheneruona Dibia
Engagement Partner
FRC/2020/PRO/ICAN/004/0000021581
For: Crowe Dafinone
Chartered Accountants**



LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Statement of financial position as at 31st December, 2024

	Notes	31 st December 2024 ₦	31 st December 2023 ₦
Assets			
Cash and cash equivalents	7	22,254,640	27,343,091
Financial assets at fair value through profit or loss	8	1,066,919,632	734,552,393
Other receivables	9	587	587
Total assets		1,089,174,859	761,896,071
Equity			
Redeemable units		442,897,099	442,897,099
Surplus		634,785,187	310,776,991
Total equity		1,077,682,286	753,674,090
Liabilities			
Other payables	10	11,492,573	8,221,981
Total liabilities		11,492,573	8,221,981
Total equity & liabilities		1,089,174,859	761,896,071
Net asset per unit	11 (a)	32.27	22.57

Hajara Adeola

Hajara Adeola
FRC/2013/PRO/DIR/003/00000002955
(Lotus Capital, MD)



Babajide Fetuga
FRC/20124/PRO/DIR/003/0000000468674
(First Trustees Ltd)

24th March, 2025

The general information, the material accounting policies and the notes set out on pages 20 to 42 form an integral part of these financial statements.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Statement of profit or loss and comprehensive income for the year ended 31st December, 2024

	Notes	31 st December 2024 ₹	31 st December 2023 ₹
Income from financial assets at amortised cost	12	5,454,428	2,401,247
Dividend income	13	34,545,595	27,227,911
Total revenue		40,000,023	29,629,158
Fair value gain from financial assets at fair value through profit or loss	8	302,410,684	188,434,525
Gain on sale of financial assets security	14	33,825,978	36,468,190
Other operating expenses	15	(23,199,827)	(14,160,465)
		313,036,835	210,742,250
Profit before taxation		313,036,835	240,371,408
Withholding tax expense	16	(2,308,662)	(1,926,863)
Profit for the year		350,728,196 =====	238,444,545 =====
Basic earnings per unit	11 (b)	10.51 =====	7.14 =====

The general information, the material accounting policies and the notes set out on pages 20 to 42 form an integral part of these financial statements.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Statement of changes in equity for the year ended 31st December, 2024

	Redeemable units ₹	Retained earnings ₹	Total equity ₹
As at 1 st January, 2024	442,897,099	310,776,991	753,674,090
Total comprehensive income for the year: Profit for the year	-	350,728,196	350,728,196
Transactions with unit holders, recognised directly in equity	442,897,099	661,505,187	1,104,402,286
Contributions, redemptions and distributions to unitholders			
Redemption of redeemable units	-	-	-
Fair value loss arising from redemption of units holding	-	(26,720,000)	(26,720,000)
Interim dividend paid out	-	(26,720,000)	(26,720,000)
Total transactions with unit holders	-	(26,720,000)	(26,720,000)
As at 31st December, 2024	442,897,099 =====	634,785,187 =====	1,077,682,286 =====
	Redeemable units ₹	Retained earnings ₹	Total equity ₹
As at 1 st January, 2023	442,897,099	86,026,446	528,923,545
Total comprehensive income for the year: Profit for the year	-	238,444,545	238,444,545
Transactions with unit holders, recognised directly in equity	442,897,099	324,470,991	767,368,090
Contributions, redemptions and distributions to unitholders			
Redemption of redeemable units	-	-	-
Fair value loss arising from redemption of units holding	-	-	-
Interim dividend paid out	-	(13,694,000)	(13,694,000)
Total transactions with unit holders	-	(13,694,000)	(13,694,000)
As at 31st December, 2023	442,897,099 =====	310,776,991 =====	753,674,090 =====

The general information, the material accounting policies and the notes set out on pages 20 to 42 form an integral part of these financial statements.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Statement of cash flows for the year ended 31st December, 2024

	Notes	31 st December 2024 ₹	31 st December 2023 ₹
Cash flows from operating activities			
Profit before taxation		353,036,858	240,371,408
Adjustment for items not involving movement of cash			
Fair value gain on financial assets	8	(302,410,684)	(188,434,525)
Gain on sales of financial assets at fair value through profit or loss	14	(33,825,978)	(36,468,190)
Changes in working capital:			
Increase/(decrease) in other payables		3,270,592	(323,617)
Cash inflow from operations		20,070,788	15,145,076
Tax paid		(2,308,662)	(1,926,863)
Net cash inflows from operating activities		17,762,126	13,218,213
Cash flows from investing activities			
Proceeds from sales of financial assets at fair value through profit or loss	14	295,708,011	244,947,280
Purchase of financial assets at fair value through profit or loss	8	(291,838,588)	(242,849,775)
Net cash inflows from investing activities		3,869,423	2,097,505
Cash flows from financing activities			
Payment on redemption of redeemable units			
Dividend paid		(26,720,000)	(13,694,000)
Net cash outflows from financing activities		(26,720,000)	(13,694,000)
Net (decrease)/increase in cash and cash equivalents		(5,088,451)	1,621,718
Cash at the beginning of the year		27,343,091	25,721,373
Cash and cash equivalents at end of the year	7	22,254,640	27,343,091

The general information, the material accounting policies and the notes set out on pages 20 to 42 form an integral part of these financial statements.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024

1. General information

Lotus Halal Equity Exchange Traded Fund (“the Fund”) is an open-ended Unit Trust Scheme authorised and registered by the Securities and Exchange Commission. The Fund’s principal office is located at Lotus Capital Limited, 182 Awolowo Road, Ikoyi, Lagos, Nigeria.

Lotus Halal Equity ETF Securities (“LHE ETF”) are securities issued by Lotus Capital Limited (“the Fund Manager”). These securities are listed and traded on the Nigeria Exchange in much the same way as any listed share.

The Fund is managed by Lotus Capital Limited (“the Fund Manager”) and the trustees to the Fund are First Trustees Limited (“the Trustees”).

The LHE ETF is benchmarked against the NGX-Lotus Islamic Index. This means that the price of the LHE ETF on the NGX should track the movements of the NGX-Lotus Islamic Index. In addition, a Unitholder ought to receive distributions equal *pro rata* to the distributions (i.e. yield return) less expenses, which would be earned if that Unitholder held the constituent shares comprising the NGX-Lotus Islamic Index directly.

1.1 The NGX-Lotus Islamic Index

The NGX-Lotus Islamic Index (NGX-LII) is an equity index that tracks the performance of selected Shari’ah compliant equities listed on the floor of the Nigerian Stock Exchange. The NGX-LII is an adjusted market capitalization weighted index composed of 13 (2023: 13) screened equities with weights applied to component stocks and sub-sectors. The NGX LII is the first index created to track the performance of Shari’ah compliant equities on the Nigerian Stock Exchange and presently comprises stocks which have met the eligibility requirements of Shari’ah-based screening by Lotus Capital Limited.

1.2 The Composition of the NGX-Lotus Islamic Index

The Composition of the NGX-Lotus Islamic Index is guided by the following rules:

- The Equity Universe is based on the stocks listed on the Nigerian Stock Exchange that meet the screening criteria:
 1. Qualitative Screening: i.e. exclusion of unethical sub-sectors;
 2. Quantitative Screening: i.e. use of financial ratios and factors certified by a Shari’ah Advisory Board; and
 3. Other Screening: Equity components in the index must rank top in terms of market capitalisation and average volume traded daily over the last six months. This is to ensure that only large cap, highly liquid, yet compliant stocks are selected
- No Sector should have a weighting of more than 30%;
- No individual listed equity can have a weighting of more than 15%.

The components of the Index are subjected to the above rules on a semi-annual basis and rebalanced accordingly. Also, the index is adjusted to account for Corporate Actions distributions from the Constituent Companies.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

1. General information (continued)

1.2 The Composition of the NGX-Lotus Islamic Index (continued)

A. Methodology of the NGX-Lotus Islamic Index

In selecting eligible securities for the NGX Lotus Islamic Index, each company undergoes a 2-stage screening which must be passed.

- Qualitative screening: this stage eliminates any listed company that deals in alcoholic beverages, tobacco, conventional financial services such as banks and insurance companies, gambling and adult entertainment.
- Quantitative screening: the qualifying companies are then evaluated on the basis of Islamic Financial (quantitative) screens to eliminate those with unacceptable levels of debts, cash and interest income based on standards and criteria by the Accounting and Auditing Organisation for Islamic Financial Institution (AAOIFI).

In addition to the foregoing, the liquidity and market capitalisation of the companies are considered.

Listing of the Lotus Halal Equity ETF

LHE ETF Securities is listed on the NGX in order to enable Holders to buy and sell Lotus Halal Equity ETF on a recognised stock exchange. .

- As all the units of the LHE ETF Securities are listed on the NGX, the securities are freely traded on the NGX on Trading Days during market trading hours. Investors can therefore acquire LHE ETF Securities on the secondary market by purchasing through a member of the NGX. There is no minimum trading value for trades made in the secondary market.

1.4 Pricing of Lotus Halal Equity ETF

The price that would be paid or received for the Lotus Halal Equity ETF Securities will be determined by the prevailing market price on the NGX at the time of the trade. The Lotus Halal Equity ETF are priced so as to ensure that their NGX trading price remains equivalent to approximately 1/200th of the index level of the NGX-Lotus Islamic Index plus an amount which represents a *pro rata* portion of any accrued net income (income accruals less permissible expenses).

The actual market prices may be affected by supply and demand and other market variables. However, the ability of a holder to claim delivery of a block in terms of the agreements constituted by the Lotus Halal Equity ETF, should substantially avoid or minimise any differential which may otherwise arise between the price at which the Lotus Halal Equity ETF trade and the value of the underlying Basket of securities.

1.5 Subscription and Redemption

In addition to being able to purchase and sell Lotus Halal Equity ETF in the secondary market through a trade on the NGX (as described above), investors may directly subscribe or redeem units of the LHE ETF, subject to a minimum creation/redemption value threshold of a Block of ETF unit (i.e. 5,000,000 units of the Lotus Halal Equity ETF or 25 Baskets), as follows:

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

1. General information (continued)

1.5 Subscription and Redemption (continued)

Subscriptions:

Investors will be able to acquire units of the LHE ETF Securities in the following ways:

(i) In Specie subscription

Any investor wishing to subscribe for units (one Block or more) of the LHE ETF Securities should contact the Authorised Dealer. Applicants subscribing for units of the LHE ETF Securities in-specie should follow the procedure set out in the Fund's Prospectus.

Furthermore, an investor will be required to deposit the cash component alongside the delivery of the Basket of the constituent securities of the NGX-LII. The cash component represents accrued dividends, accrued annual charges including management fees and residual cash in the Fund. In addition, the cash component will include transaction costs for creating Units. The cash component for creation will vary from time to time.

(ii) Cash subscriptions

Any investors willing to subscribe for one or more Blocks of the LHE ETF Securities in cash should contact the Authorised Dealer. The procedure for Cash Subscriptions shall be as specified by the Authorised Dealer and/or the Manager.

Redemptions:

In addition to being able to sell Lotus Halal Equity ETF in the secondary market through a trade on the NGX, Holders of one or more Blocks of Lotus Halal Equity ETF will be entitled to take delivery of the prescribed number of Baskets on any Trading Day.

For every Block of Lotus Halal Equity ETF in respect of which a Holder exercises the delivery rights, that Holder will be entitled to take delivery of twenty-five Baskets of Shares. In addition to the delivery of the Baskets of Shares, the Holder will be entitled to receive from LHE ETF Trust, an amount in cash representing a proportionate interest in any Distribution amount within the LHE ETF Trust which may be attributed to the Block(s) in respect of which the Holder is exercising its delivery rights. The Lotus Halal Equity ETF comprising the Block in respect of which the Holder exercises its delivery rights shall be cancelled against delivery of the prescribed number of Baskets (together with the appropriate cash amount) to that Holder. The delivery rights attaching to Lotus Halal Equity ETF may only be exercised in respect of one or more whole Blocks of Lotus Halal Equity ETF. A transaction fee will be payable by a Holder exercising its delivery rights under Lotus Halal Equity ETF. The fees may include transfer fees, stamp duty charges and or the relevant investor's broker's charges.

1.6 Rebalancing of the Portfolio of Securities held by the LHE ETF Trust

As the investment objective of the LHE ETF Trust is to track the price and yield performance of the NGX-Lotus Islamic Index, any change to the NGX-Lotus Islamic Index (for example a change in the composition of the NGX-Lotus Islamic Index and/or in the weighting of the securities within the NGX-Lotus Islamic Index) will require the LHE ETF Trust to make corresponding adjustments to its portfolio from time to time. The Portfolio Manager may adjust the composition and/or weighting of the securities held in the LHE ETF Trust's portfolio from time to time and shall, to the maximum extent practicable, immediately conform to changes in the composition and/or weighting of the securities within the NGX-Lotus Islamic Index.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

1. General information (continued)

1.6 Rebalancing of the Portfolio of Securities held by the LHE ETF Trust (continued)

LHE ETF Trust will be made when, for example, corporate events occur which result in a change in the composition and/or weighting of the NGX-LII.

Although the investment objective of the LHE ETF Trust is to provide investment results which track the performance of the NGX-Lotus Islamic Index, it will not always be efficient to replicate the composition and/or weighting of the NGX-Lotus Islamic Index precisely if the transaction costs incurred by the LHE ETF Trust in adjusting its portfolio would exceed the expected mis-weighting. Accordingly, minor mis-weightings will generally be permitted.

The Portfolio Manager will rely ultimately on the NGX for information as to the composition and/or weighting of the NGX-Lotus Islamic Index. If the Portfolio Manager is unable to obtain such information on any business day then the composition and/or weighting of the NGX-Lotus Islamic Index most recently published will be used for the purposes of all adjustments.

DISTRIBUTIONS

All distributions will be paid out of the LHE ETF Trust's income (whether in the form of dividends or otherwise) net of expenses. Distributions will be effected by the Registrar on behalf of the LHE ETF Trust. The costs of effecting distributions will be deducted from the gross income figure. Any distribution which is unclaimed for twelve (12) years from the date it became payable shall be forfeited and become the property of the LHE ETF Trust, and will be utilised to improve index-tracking within the LHE ETF Trust. Notwithstanding the foregoing, it should be noted that though Holders are beneficiaries of the LHE ETF Trust, there can be no guarantee that they will receive quarterly distributions.

A. Shari'ah Advisers for the Index

The NGX-LII is certified by an internationally recognized Shari'ah Advisory Board comprised of renowned Islamic Scholars.

1.7 Investment objectives

Lotus Halal Equity ETF is designed to enable Unitholders to obtain market exposure to the Constituent Companies comprising NGX-Lotus Islamic Index in an easily tradable form as listed securities tradable on the NGX (or any other Licensed exchange on which Lotus Halal Equity ETF may be listed) and to replicate, so far as possible, the price and yield performance of the NGX-Lotus Islamic Index. This replication is referred to as "tracking".

Structure

Lotus Capital Limited is duly regulated and registered by the Securities & Exchange Commission ("SEC") to carry on business as a Fund/Portfolio Manager.

LHE ETF Trust is the entity with which the contracts comprising the Lotus Halal Equity ETF are concluded. Lotus Halal Equity ETF securities enable the Unitholders thereof to track the NGX-Lotus Islamic Index. The Underlying Portfolio in respect of the NGX-Lotus Islamic Index will be held within the LHE ETF Trust for the benefit of Unitholders. The trustee of the LHE ETF Trust, First Trustees Nigeria Limited, is an independent trustee appointed by the Directors of Lotus Capital Limited.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and Investment and Securities Act, 2007, Securities and Exchange Commission and were authorised for issue by the Trustees and Fund Manager on 24th March, 2025.

2.2 Financial period

These financial statements cover the financial year from 1st January, 2024 to 31st December, 2024 while the comparative period covers from 1st January, 2023 to 31st December, 2023.

2.3 Functional and presentation currency

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

2.4 Basis of measurement

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

- Financial instruments at fair value through profit or loss are measured at fair value;
- Financial assets at fair value through other comprehensive income;
- Loans and receivables, held to maturity financial assets and financial liabilities are measured at amortized cost.

2.5 Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standard (IFRS) 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 year in which the estimates are revised and in any future years affected.

Judgements made by the Fund Managers' 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 4.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

3. New standards, interpretations and amendments

3.1 New and revised IFRSs in issue but not yet effective

The following revisions to accounting standards and pronouncements that are applicable to the company have been issued but they are not yet effective as at 1st January, 2024. Where the IFRSs and IFRIC Interpretations listed below permits, early adoption is encouraged. The company has elected not to apply them in the preparation of these financial statements.

The full impact of these IFRSs and IFRIC Interpretations is currently being assessed by the company, but none of these pronouncements are expected to result in any material adjustments to the financial statements.

Pronouncement	Nature of change	Effective date
<i>Amendments to IAS 21-Lack of Exchangeability</i>	<p>These amendments impact entities with transactions or operations in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.</p> <ul style="list-style-type: none">• Exchangeability is determined by the ability to obtain the other currency with a normal administrative delay and through a market or exchange mechanism that creates enforceable rights and obligations.• Entities with non- exchangeable foreign currencies will be affected	Annual periods beginning on or after 1 st January, 2025, with early adoption available.
<i>Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures</i>	<p>The amendment settling financial liabilities using an electronic payment system; and assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG) linked features. The amendment will be applied retrospectively. The impact on the interim financial statements has not yet been fully determined.</p>	Annual periods beginning on or after 1 st January, 2026 with early adoption available
<i>IFRS 18 Presentation and Disclosure in Financial Statements</i>	<p>The standard set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity’s assets, liabilities, equity, income and expenses</p>	Annual periods beginning on or after 1 st January, 2027, with early adoption available
<i>IFRS 19 Subsidiaries without Public Accountability: Disclosures</i>	<p>The standard specifies the disclosure requirements an entity is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.</p>	Annual periods beginning on or after 1 st January, 2027, with early adoption available

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

4. Material accounting policies

Material accounting policies are defined as those that are reflective of significant judgements and uncertainties, and potentially give rise to different results under different assumptions and conditions. The material accounting policies set out below have been consistently applied to all years presented in these financial statements.

4.1 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 reporting date; the resulting foreign exchange gain or loss is recognised in the income statement while those on non-monetary items are recognised in other comprehensive income. For non-monetary financial investments at amortised cost, unrealised exchange differences are recorded directly in equity until the asset is disposed or impaired.

4.2 Income from financial assets at amortised cost

Income from financial assets at amortised cost such as Murabaha, is recognised in profit or loss. Income from financial assets at amortised cost (financial contracts) on a long term basis is recognised in profit or loss using effective return rate. The effective return rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective return rate, the Fund estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses. The effective return rate is calculated on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective return rate includes contractual fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective return rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Income from financial assets at amortised cost presented in the statement of comprehensive income include returns on financial assets and liabilities measured at amortised cost calculated on an effective return rate basis.

Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in net trading income from other financial instruments at fair value through profit and loss in the statement of comprehensive income.

4.3 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.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

4. Material accounting policies (continued)

4.4 Recognition of 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 amortised is recognised in the “dividend income” line in the statement of comprehensive income, fund placement and other income are recognised on a time proportion basis using the effective interest method.

4.5 Fees, commission and other expenses

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

4.6 Taxation

Dividend income received by the Fund may be 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.

(i) Recognition

The Fund classifies its financial instruments into two categories: at fair value through profit or loss and amortised cost.

Fund manager determines the classification at initial recognition.

All financial instruments are initially recognised at fair value, which includes transaction costs for financial instruments except for financial instrument classified at fair value through profit or loss. Financial instruments are derecognised when the rights to receive cash flows from the financial instruments have expired or where the Fund has transferred substantially all risks and rewards of ownership.

4.7 Financial assets and liabilities

(ii) Subsequent measurement

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

Where assets are measured at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, FVTPL), or recognised in other comprehensive income (fair value through other comprehensive income, FVTOCI).

For debt instruments the FVTOCI classification is mandatory for certain assets unless the fair value option is elected. Whilst for equity investments, the FVTOCI classification is an election. Furthermore, the requirements for reclassifying gains or losses recognised in other comprehensive income are different for debt instruments and equity investments.

The classification of a financial asset is made at the time it is initially recognised, namely when the entity becomes a party to the contractual provisions of the instrument.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

4. Material accounting policies (continued)

4.7 Financial assets and liabilities

(iii) 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 the Fund Manager'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.

(iv) Impairment of financial assets

The impairment model in IFRS 9 is based on the premise of providing for expected losses and the standard requires that the same impairment model apply to the financial assets measured at amortised cost; Financial assets mandatorily measured at FVTOCI; the financing and advances commitments when there is a present obligation to extend credit (except where these are measured at FVTPL);

Generally, the expected credit losses are required to be measured through a loss allowance at an amount equal to:

- The 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

Then the expected credit losses on the financial instrument revert to being measured based on an amount equal to the 12-month expected credit losses.

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

4. Material accounting policies (continued)

4.7 Financial assets and liabilities (continued)

(iv) Impairment of financial assets

Significant increase in credit risk

With the exception of purchased or originated credit-impaired financial assets, the loss allowance for financial instruments is measured at an amount equal to lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition, unless the credit risk of the financial instrument is low at the reporting date in which case it can be assumed that credit risk on the financial instrument has not increased significantly since initial recognition.

The fund considers credit risk low if there is a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The fund may consider the 'investment grade' rating as an indicator for a low credit risk.

The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. Also, whilst in principle the assessment of whether a loss allowance should be based on lifetime expected credit losses is to be made on an individual basis, some factors or indicators might not be available at an instrument level. In this case, the portfolio manager will perform the assessment on appropriate groups or portions of a portfolio of financial instruments.

The requirements also contains a rebuttable presumption that the credit risk has increased significantly when contractual payments are more than 30 days past due. If a significant increase in credit risk that had taken place since initial recognition and has reversed by a subsequent reporting period (i.e., cumulatively credit risk is not significantly higher than at initial recognition)

(v) Offsetting financial instrument

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

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

(vi) Derecognition of financial instruments

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

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

4. Material accounting policies (continued)

4.7 Financial assets and liabilities (continued)

(vi) Derecognition of financial instruments

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

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

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

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

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

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

4.8 Cash and cash equivalents

Cash and cash equivalents include notes and coins in hand, operating accounts with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date, which are subject to insignificant risk of changes in their fair value, and are used by the Fund in the management of its short-term commitments.

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

4.9 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.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

4. Material accounting policies (continued)

4.9 Provisions (continued)

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

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

4.10 Contingencies

(i) Contingent asset

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

(ii) Contingent liability

Contingent liability is a possible obligation that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefit is remote. A provision for the part of the obligation for which an outflow of resources embodying economic benefit is recognised; except in the extremely rare circumstances where no reliable estimate can be made.

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

4.11 Redeemable units

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

The Fund has only one class of redeemable units in issue. The redeemable units provide investors with the right to require redemption for stock at a value proportionate to the investor's share in the Fund's net assets at the time of redemption and also in the event of the Fund's liquidation.

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

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

4. Material accounting policies (continued)

4.11 Redeemable units (continued)

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

The Fund's 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.

5. Financial risk management

The Lotus Halal Equity Exchange Traded Fund has exposure to the following risks from financial instruments.

Market risk;
Liquidity risk;
Investment risk
Index risk
Secondary trading risk and
Operational risk.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk

The Fund's strategy for the management of market risk is driven by the Fund's investment objectives and policy

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

5. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Lotus Halal Equity Exchange Traded Fund's liquidity risk is managed on a daily basis by the Portfolio Manager in accordance with policies and procedures governing the fund management. Hence, liquidity is reviewed twice a week at the portfolio manager's meeting and at the investment committee meeting.

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

Management of liquidity risk

The Lotus Halal Equity Exchange Traded Fund's liquidity risk is managed on a daily basis by the Portfolio Manager in accordance with policies and procedures governing the fund management. Hence, liquidity is reviewed twice a week at the portfolio manager's meeting and at the investment committee meeting.

The asset allocations are carefully and appropriately structured to ensure that the Fund is liquid at all times and it has enough cash or cash equivalent that can be converted to cash immediately without any loss in the value when there is a new investment opportunity to exploit or an obligation to fulfil.

In order to achieve the above ultimate objective, the fund invests principally in highly liquid equities that are quoted on the Nigeria Stock Exchange such that the Fund can convert those equities into cash within four working days. The Fund maintains parts of its asset as cash equivalent by investing in short term Murabaha contracts that are adequately guaranteed by a reputable bank with good credit rating.

Cash and cash equivalents

The Portfolio Manager monitors the Fund's liquidity position with Citibank on a daily basis. Citibank is rated Aa+ by Agusto & Co.

However, the Fund, also maintains a certain portion of its assets in short term Mudaraba Term deposit. These contracts are fully guaranteed by bankers' acceptance from reputable banks. Due to the nature of this type of transaction and its maturity, the Investment is classified as cash equivalent.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

5. Financial risk management (continued)

(c) Investment risk

There can be no assurance that the LHE ETF Trust will achieve its investment objective (as set out in the section entitled “Investment objectives and policies”).

The Net Asset Value of Lotus Halal Equity ETF will rise and fall as the capital value of the Underlying Portfolio held by the LHE ETF Trust fluctuates.

The total return achieved on Lotus Halal Equity ETF will be impacted upon by the total return achieved on the Underlying Portfolio held by the LHE ETF Trust and the return achievable on Lotus Halal Equity ETF can be expected to fluctuate in response to changes in the total return achieved by the Underlying Portfolio. The total return achieved will also be impacted upon by distributions, if any, that Holders may or may not receive. It is to be noted that the ambition of the structure is to provide Holders of Lotus Halal Equity ETF with a price and yield return substantially equal to the price and yield return on a *pro rata* portion of a Basket.

The LHE ETF Trust may not be able to replicate exactly the performance of the NGX-LII because the total return generated by the Underlying Portfolio held by the LHE ETF Trust will be reduced by certain costs and expenses incurred by the LHE ETF Trust. Such costs and expenses are not incurred in the calculation of the NGX-LII.

The LHE ETF Trust may also not fully replicate the performance of the NGX-Lotus Islamic Index owing to the temporary unavailability of certain securities in the secondary market or owing to other extraordinary circumstances and, accordingly, there may be a deviation from the precise weighting of the NGX-LII.

Where securities comprising the NGX-Lotus Islamic Index are suspended from trading or where other market disrupting events occur it may not be possible to immediately rebalance the portfolio of securities held by the LHE ETF Trust and this may lead to a tracking error.

There is a risk that the Fund Manager will exercise its right to place a temporary moratorium on the exercise by holders of the delivery rights attaching to Lotus Halal Equity ETF. In any given year the Fund Manager shall not suspend the delivery rights attaching to Lotus Halal Equity ETF for more than 90 Trading Days, in aggregate, provided that the approval of the Trustee and the Commission is obtained before any such suspension. The imposition of any such moratorium shall not affect the tradability of Lotus Halal Equity ETF on the NGX. A temporary moratorium may be placed if:

pursuant to a request by an investor for delivery of one or more Baskets, the manager is unable to deliver any of the constituent securities to an investor due to the fact that trading in any one or more of the NGX-Lotus Halal Equity ETF Securities is restricted, terminated or suspended and/or assets are not at the manager’s disposal as a result of a suspension or de-listing of any of the Index constituents or for any other reason (in which event, such security or securities shall be excluded from the portfolio and delivered to the investor after the suspension is lifted or after the de-listed securities become available, as the case may be); or

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

5. Financial risk management (continued)

(c) Investment risk (continued)

- the computer or other facilities of the NGX malfunctions, calculation of the NGX-Lotus Islamic Index Level may be delayed and trading in Lotus Halal Equity ETF may be suspended for a period of time.

A Block, in respect of Lotus Halal Equity ETF, means (at the date of this Prospectus) 5,000,000 units of Lotus Halal Equity ETF. Holders holding less than a Block of Lotus Halal Equity ETF may not demand delivery by the Fund Manager of the prescribed Basket(s) of shares and, if it is the intention of such Holders to reduce their holding of Lotus Halal Equity ETF they may have to do so by selling or otherwise disposing of such Lotus Halal Equity ETF in the secondary market.

- It is anticipated that the LHE-ETF Trust will distribute quarterly net income available for distribution within the LHE ETF Trust. However, there can be no guarantee that Holders will receive quarterly distributions and holders will have no right to require the Fund Manager or the Trustee of the LHE ETF Trust to effect quarterly distributions.

(d) Index risk

There is no assurance that the NGX-Lotus Islamic Index (“The Index”) will continue to be calculated and published on the same or a similar basis indefinitely. The Index was created by a partnership arrangement between the NGX and Lotus Capital Limited, as a measure of market performance and not for the purpose of trading in Lotus Halal Equity ETF. Accordingly, the NGX, as proprietor of The Index may adjust or withdraw The Index without regard to the particular interests of Holders.

The past performance of The Index is not necessarily a guide to its future performance.

If for any reason The Index ceases to exist then if, in the reasonable opinion of the Directors, there is a successor Index composed and weighted according to substantially similar criteria as are applied with respect to The Index, the portfolio of securities held by the LHE ETF Trust shall be adjusted to track the agreed successor Index.

If in the reasonable opinion of the directors there is not an appropriate successor to The Index, then the LHE ETF Trust will continue to hold the portfolio of securities which it held at close of trading on the last day on which The Index was in existence. Lotus Halal Equity ETF will thereafter track the price and yield performance of that particular portfolio, which portfolio will thereafter cease to be adjusted. Exercise of the delivery rights attaching to a Block of Lotus Halal Equity ETF will, in these circumstances, give rise to the right to claim delivery of a Basket as constituted on the last day on which The Index was in existence.

(e) Operational risk

The Fund’s objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Investment and Risk Management Committee. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service level agreements with the service providers, in the following areas:

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

5. Financial risk management (continued)

(e) Operational risk (continued)

- requirements for appropriate segregation of duties between various functions, roles and responsibilities.
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified
- contingency plans
- ethical and business standards
- risks mitigation, including insurance where this is effective.

The Investment Committee's assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risks is carried out via regular [or ad-hoc] discussions with the service providers and a review of the service providers' reports on internal controls, where available.

(f) Capital management

At 31st December, 2024 the Fund had ₦ 442,897,099 (31st December 2023: ₦ 442,897,099) of redeemable units classified as equity. The Fund's objective in managing the redeemable units is to ensure a stable and strong base to maximise returns to all investors, and to manage liquidity risk arising from redemptions.

The Fund utilises the following tools in the management of unit redemptions:

Maintaining large investments in highly liquid equities that are quoted on the Nigeria Stock Exchange. The Fund can convert those equities into cash within four working days.

There were no changes in the policies and procedures during the year with respect to the Fund's approach to its redeemable capital management. The Fund is not subject to any externally imposed capital requirements.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (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 st December 2024	Note	Financial assets ₹	Other assets ₹	Financial liabilities ₹	Cost ₹	Fair value ₹
Assets						
Cash and cash equivalents	7	22,254,640	-	-	22,254,640	22,254,640
Financial assets at fair value through profit or loss	8	1,066,919,632	-	-	1,066,919,632	1,066,919,632
Other receivables	9	-	587	-	587	587
Liabilities:						
Other payables	10	-	-	(11,492,573)	(11,492,573)	(11,492,573)
Net assets		1,089,174,272 =====	587 ===	(11,492,573) =====	1,077,682,286 =====	1,077,682,286 =====
31st December 2023						
Assets						
Cash and cash equivalents	7	27,343,091	-	-	27,343,091	27,343,091
Financial assets at fair value through profit or loss	8	734,552,393	-	-	734,552,393	734,552,393
Other receivables	9	-	587	-	587	587
Liabilities:						
Other payables	10	-	-	(8,221,981)	(8,221,981)	(8,221,981)
Net assets		761,895,484 =====	587 ===	(8,221,981) =====	753,674,090 =====	753,674,090 =====

The fair value of the Fund's financial instruments such as cash and cash equivalents, other receivables 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 as at the reporting date approximate their fair values.

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

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

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

6. Financial assets and liabilities (continued)

Their fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities. The fair values are represented by their carrying value, net of impairment loss, being the recoverable amount.

	31 st December 2024	31 st December 2023
	₹	₹
7. Cash and cash equivalents		
Mudaraba Investment (note i)	20,290,303	25,363,762
Bank balances	1,964,337	1,979,329
	<u>22,254,640</u>	<u>27,343,091</u>
	=====	=====

(i) Mudaraba

Mudaraba investment means investment of deposited funds in a pool of highly liquid short term murabaha or any other shari'ah compliant transactions which are generally structured and backed by financial assets or commodities contracts dealing with the sales and purchase of goods undertaken by the Fund manager with the deposited funds. These investments are transacted with Jaiz Bank Plc and Alternative Bank Limited.

	31 st December 2024	31 st December 2023
	₹	₹
8. Financial assets at fair value through profit or loss		
As at 1 st January	734,552,393	511,747,183
Purchases	291,838,588	242,849,775
Disposals	(261,882,033)	(208,479,090)
	<u>764,508,948</u>	<u>546,117,868</u>
Fair value gain on financial assets	302,410,684	188,434,525
	<u>1,066,919,632</u>	<u>734,552,393</u>
	=====	=====

9. Other receivables

Dividend receivable	587	587
	===	===

10. Other payables

Management fee payable	363,275	408,795
Custodian fee payable	194,860	79,666
Trustee fee payable	1,307,842	632,588
Audit fees	2,453,542	1,433,862
Registrars fee payable	512,794	512,794
Statutory fee payable	5,884,895	3,243,445
VAT and WHT fee payable	775,365	1,910,831
	<u>11,492,573</u>	<u>8,221,981</u>
	=====	=====

This represents fees payable to various parties to the Fund such as Fund Manager, Trustees, Custodian and statutory auditors.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

11 Net asset /basic earning per unit

(a) Net asset per unit

The net asset per unit is computed using the net assets value as at the reporting date divided by the 33,400,000.units (2023: 33,400,000 units) in existence as at that date.

	31st December 2024	31st December 2023
	₹	₹
Net asset as at year end	1,077,682,286 =====	753,674,090 =====
No of units in issue	33,400,000 =====	33,400,000 =====
Net asset per unit	32.27 =====	22.57 =====

(b) Basic earnings per unit

The basic earnings per unit is computed using the profit for the year as at the statement of profit or loss divided by the 33,400,000 units (31st Dec. 2023: 33,400,000 units) in existence as at that date.

	31st December 2024	31st December 2023
	₹	₹
Profit for the year	350,728,196 =====	238,444,545 =====
No of units in issue	33,400,000 =====	33,400,000 =====
Basic earnings per unit	10.51 =====	7.14 =====

12. Income from financial assets at amortised cost

Income from financing and advances carried at amortised cost:

Income from Mudaraba deposits	5,454,428 =====	2,401,247 =====
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13. Dividend income

Dividend income	34,545,595 =====	27,227,911 =====
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14. Gain on sale of financial asset at fair value through profit or loss

Cost	261,882,033	208,479,090
Proceed from sale	(295,708,011)	(244,947,280)
	-----	-----
	(33,825,978) =====	(36,468,190) =====

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

	31 st December 2024 ₦	31 st December 2023 ₦
15. Other operating expenses		
Custodian fee	1,067,833	673,869
Trustees' fees	1,065,095	692,896
Audit fees	2,687,500	1,500,000
Fund manager fee	6,390,555	4,157,373
Other expenses	4,418,759	3,887,001
Brokers fees	1,124,138	1,472,693
Transaction cost	6,445,947	1,776,633
	<u>23,199,827</u>	<u>14,160,465</u>
	=====	=====

16. Withholding tax expense

	31st December 2024 ₦	31st December 2023 ₦
	2,303,662	1,926,863
	<u>=====</u>	<u>=====</u>

The Fund is exempt from income taxes under the Companies Income Tax Act, CAP C124.1(No 32), LFN 2004. However, certain dividend incomes received by the Fund are subject to withholding tax in Nigeria. During the year the average withholding tax rate suffered by the Fund was 10 percent.

17. Related parties and other key contracts

(a) Related parties

Fund Manager

The Fund Manager fee for 2024 amounted to ₦ 6.40 million (31st Dec. 2023: ₦ 4.16 million). Included in other payables as at 31st December, 2024 is Fund Manager's/Remuneration payable of ₦ 0.36 million (31st Dec. 2023: ₦ 0.41 million).

Subject to the approval of Securities & Exchange Commission, the Fund Manager can retire or be removed at any time.

Unit holding of related parties

At 31st December, the directors of the Fund Manager held ₦ 7.617 million (31st Dec. 2023: ₦ 7.617 million) redeemable units of the Fund.

(b) Other key contracts

Trustees

The Fund appointed First Trustees Limited, a trusteeship company in Nigeria, to provide administrative services to the Fund. Under the Fund Trust Deed, the Trustees receive a fee monthly in arrears at an annual rate of 0.1 percent of the net assets value attributable to holders of redeemable units on each valuation day as defined in the prospectus. Trustees fees for the year is ₦ 1.07 million (31st Dec. 2023: ₦ 0.69 million). Included in other payables at 31st December 2024 is trustee's fees payable of ₦ 1.31-million (31st Dec. 2023: ₦ 0.63 million). Subject to the approval of Securities & Exchange Commission, the Trustee can retire or be removed at any time.

18. Contingent liabilities – Litigations and claims

The fund has no contingent liabilities as at the statement of financial position date. (31st Dec. 2023: nil).

LOTUS HALAL EQUITY EXCHANGE TRADED FUND

Notes to the financial statements for the year ended 31st December, 2024 (continued)

19. Income Purification

Income purification in non-interest finance is the process of cleansing one's wealth from any non-permissible income earned inadvertently.

Investors may earn non-permissible income inadvertently when they invest in companies whose main business activities are Shariah-Compliant but record a minimal amount of prohibited income during a financial year (equivalent to less than 5% of its revenue). Investors are therefore required to estimate the portion of impermissible income attributable to their respective shareholding in the company and dispose of it to charity. This process is called income purification.

For instance, if an investor buys the shares of a cement manufacturing company, while cement manufacturing is Shariah-compliant, the investor may still be exposed to impermissible income from the company's non-core operations. For example, the cement manufacturing company may place its idle cash in a commercial bank and earn some amount of interest. The interest will form part of the distributable profit of the company or its net asset value. This interest income constitutes a non-permissible income, and the investor is required to pay out their proportionate share in the interest income to charity.

To assist investors in computing the non-permissible income from their investments that is payable to charity, the Fund Manager publishes the annual purification amounts of its equity-based funds on its website. The estimated purification amounts are calculated per unit. The computations are based on the Fund Manager's interpretation of AAOIFI standards, and they are not independently verified.

To determine the amount payable to charity, investors should multiply the purification amount in the relevant financial year by the total number of units they own in that financial year. For example, if an investor owns 1,000 (One thousand) units at the end of a financial year and the purification amount of the Fund at the end of that financial year is N0.05 (five kobo) per unit, the purification amount is 1,000 units x N0.05 = N50 (Fifty Naira).

It is the responsibility of investors to purify the non-permissible income that they earn from their investments in the Fund. Investors are advised to review their investment statements and the Fund Manager's website at www.lotuscapitallimited.com/purification for information on the Fund's non-permissible income in a relevant year.

20. Payment of Zakat

Zakat generally refers to the religious obligation of a qualified Muslim to donate 2.5% of their net worth each year to specified charitable causes. Investment in the Fund and Income earned from such investment will form part of an investor's net worth and are therefore subject to Zakat.

It is the obligation of investors to pay Zakat on their wealth. The Fund Manager is not authorized to pay Zakat on behalf of investors. Investors are encouraged to compute the Net Asset Value of their investment in the Fund each lunar year and consult scholars in their communities or other experts of their choice to determine the zakat payable on their investments. The Fund Manager can assist an investor to calculate their Zakat upon request.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND
Information not required under International Financial Reporting Standard

Statement of value added for the period ended 31st December, 2024

	31 st December 2024	%	31 st December 2023	%
	RM '000		RM '000	
Income from Mudaraba deposits	5,454		2,401	
Dividend income	34,546		27,228	
Gain from the sale of equity	33,826		36,468	
Unrealised gain on financial asset at fair value through profit or loss	302,411		188,435	
	<u>376,237</u>		<u>254,532</u>	
Bought in material and services:				
Local	3,520		(466)	
Value added	<u>379,757</u>	<u>100</u>	<u>254,066</u>	<u>100</u>
	=====	===	=====	===
Applied as follows:				
To pay fund manager and other related parties				
To pay providers of capital:				
Interim dividend paid out	26,720	7	13,694	5
To pay government				
Taxation	2,309	1	1,927	1
Retained for future replacement of assets and expansion of business:				
Profit for the year	350,728	92	238,445	94
	<u>379,757</u>	<u>100</u>	<u>254,066</u>	<u>100</u>
	=====	===	=====	===

“Value added” represents the added wealth which the fund has been able to create. The statement shows the allocation of that wealth between the providers of capital in form of dividend, government and that retained for the future creation of more wealth.

LOTUS HALAL EQUITY EXCHANGE TRADED FUND
Information not required under International Financial Reporting Standard

Five year financial summary

	31 st December				
	2024	2023	2022	2021	2020
	RM '000	RM '000	RM '000	RM '000	RM '000
Members' fund					
Redeemable units	442,897	442,897	442,897	442,897	639,465
Surplus	661,303	324,471	106,066	38,154	19,104
Dividend paid	(26,720)	(13,694)	(20,040)	(12,358)	(19,280)
Accumulated surplus/(deficit) carried forward	634,785	310,777	86,026	25,796	(176)
	1,077,682	753,674	528,923	468,693	639,289
	=====	=====	=====	=====	=====
Assets					
Total assets	1,089,175	761,896	537,469	478,890	646,451
Liabilities	(11,492)	(8,222)	(8,546)	(10,196)	(7,162)
Net assets	1,077,682	753,674	528,923	468,694	639,289
	=====	=====	=====	=====	=====
Profit or loss account					
Gross income	40,000	29,629	28,783	31,031	32,346
	=====	=====	=====	=====	=====
Profit for the year	350,728	238,445	80,270	45,378	236,552
Accumulated surplus brought forward (Net of dividend)	284,057	72,332	5,756	(176)	(217,448)
Fair value through unit holding	634,785	310,777	86,026	45,202	19,104
	-	-	-	(7,048)	-
Surplus	634,785	310,777	86,026	38,154	19,104
	=====	=====	=====	=====	=====
Basic earnings per units	10.51	7.14	2.40	1.35	4.91
	=====	=====	=====	=====	=====
Net assets per units	32.27	22.57	15.84	14.03	13.26
	=====	=====	=====	=====	=====