

LOTUS HALAL FIXED INCOME FUND

Managed by

LOTUS CAPITAL LIMITED

FINANCIAL STATEMENTS

For the year ended

31ST DECEMBER, 2024

LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED

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

Contents	Page(s)
Corporate information	1
Report of the trustees	2 – 4
Report of the fund manager	5 – 6
Report of the Shari’ah Supervisory Board	7
Annual assessment	8
Certificate of management - MD	9
Certificate of management - CFO	10
Auditor’s attestation	11 – 12
Report of the independent auditors	13 – 15
Statement of profit or loss and other comprehensive income	16
Statement of financial position	17
Statement of changes in equity	18
Statement of cash flows	19
Notes to the financial statements	
1 General information	20
2 New standards and interpretations not yet effective	21
3 Material accounting policies	22 – 30
4 Financial risk management	31 – 36
5 Critical accounting estimates and judgements	37 – 38
6 Financial assets and liabilities	39 – 40
7 Investment income	40
8 Other income	40
9 Operating expenses	40
10 Taxation	41
11 Basic earnings per unit	41
12 Cash and cash equivalents	41
13 Financial assets at amortised cost	41 – 42
14 Other receivables	42
15 Members capital	42
16 Accumulated reserve	42
17 Uninvested fund deposit	43
18 Other payables	43
19 Net asset per unit	43
20 Related parties and other key contracts	43 – 44
21 Contingent liabilities - litigation and claim	44
22 Income purification	45
23 Payment of zakat	45
24 Events after reporting date	45
Information not required under International Financial Reporting Standards:	
Statement of value added	46
Five year financial summary	47

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

Corporate information

<i>Fund Manager</i>	Lotus Capital Limited Lotus House 182 Awolowo Road Ikoyi Lagos
<i>Directors of the Fund Manager</i>	Mr. Fola Adeola Mrs. Hajara Adeola Mrs. Lateefah Okunnu Mrs. Amina Oyagbola Mr. Nuruddeen Lemu Mr. Moshood Babatunde
<i>Registered office (Fund Manager)</i>	182 Awolowo Road Ikoyi Lagos
<i>Trustees to the Fund</i>	STL Trustees Limited Plot 183 Moshood Olugbani Street Victoria Island Lagos.
<i>Independent auditors to the Fund</i>	Crowe Dafinone Chartered Accountants 15 Elsie Femi Pearse Street Victoria Island Lagos
<i>Custodian to the Fund</i>	Citibank Nigeria Limited 27 Kofo Abayomi Street, Victoria Island, Lagos Rand Merchant Bank Nigeria 3rd Floor Wings, East towers 17A, Ozumba Mbadiwe Street, Victoria Island, Lagos
<i>Email address</i>	info@lotuscapitallimited.com
<i>Registrar to the Fund</i>	Lotus Capital Limited Lotus House 182 Awolowo Road Ikoyi Lagos

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

Report of the trustees

The Trustees present their report on the affairs of the Lotus Halal Fixed Income Fund ('the Fund'), together with the audited financial statements for the year ended 31st December 2024.

Principal activity:

The principal activity of the Lotus Halal Fixed Income Fund ('The Fund') is to generate competitive returns on investment in a Sharia Compliant manner whilst ensuring capital preservation. This will be realized through investments in a carefully selected and well diversified portfolio of Sharia compliant fixed income instruments and products while leveraging on the bargaining power from pooling funds to earn competitive returns.

During the year under review, the Fund was administered in accordance with the Trustees Investment Act, CAP T22 LFN, 2004, the Investments and Securities Act, 2007, the provisions of the Trust Deed thereto, together with the rules and regulations set out by the regulatory bodies established pursuant to the legislation referred to within this paragraph ("Applicable Regulations"), taking into cognisance the prevailing market conditions as well as preserving of (and minimising possible losses to) Unitholders' funds.

Results:

The results for the year are extracted from the financial records prepared by the Fund Manager and have been duly audited in accordance with Section 169(1) of the Investments and Securities Act 2007, and the Trust Deed establishing the Fund.

The Net Asset Value of the Fund as at 31 December 2024 is as follows:

<u>In thousands of Naira</u>	<u>31 December 24</u>	<u>31 December 23</u>
Net Assets Value	<u>25,260,776,503</u>	<u>18,173,394,406</u>

The operating result for the year ended 31 December 2024, is as follows:

<u>In thousands of Naira</u>	<u>31 December 24</u>	<u>31 December 23</u>
Profit for the year/period	<u>3,246,155,873</u>	<u>1,938,926,269</u>

Distribution:

The Fund Manager distributed dividend of ₦162.46 per unit for the year 2024 (2023: ₦129.57k).

Directors:

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

- Mr Fola Adeola (Chairman)
- Mrs Hajara Adeola
- Mrs. Lateefah Okunnu
- Mrs Amina Oyegbola
- Mr Nurudeen Lemu
- Mr Moshood Babatunde

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

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
- prepared the financial statements on a going concern basis; since it was appropriate to assume that the Fund shall continue to exist in the foreseeable future.

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 Trustees Investment Act, CAP T22 LFN, 2004, the Investments and Securities Act, 2007 and the provisions of the Trust Deed thereto, together with the rules and regulations set out by the regulatory bodies established pursuant to the legislation referred to within this paragraph (“Applicable Regulations”).

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

Responsibilities of the Trustee:

The responsibilities of the Trustee as provided by Securities and Exchange Commission’s Rules and Regulations made pursuant to the 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 Unitholders’;
- Ensuring that the Custodian takes into custody all of the scheme’s assets and holds it in trust for the holders in accordance with the Trust Deed and the Custodial Agreement;
- Monitoring the register of Unitholders’ or contributors;
- Ascertaining the Fund Manager’s compliance with the Applicable Regulations;
- Ascertaining that the monthly and other periodic returns/reports relating to the Fund are sent by the Fund Manager to the Commission;
- Taking all steps and executing all documents which are necessary to secure acquisitions or disposals properly made by the Fund Manager in accordance with the Trust Deed and Custodial Agreement;
- 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 Unitholders’ of the scheme.

Administration of the Fund:

The Fund was administered in accordance with the Applicable Regulations, taking into cognisance the prevailing market conditions as well as the goal of preserving and minimizing possible losses to Unitholders’ funds.

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

Report of the trustees (continued)

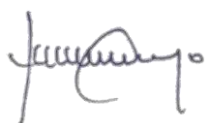
Charitable donations:

The Fund did not make any charitable donations during the year. (2024)

Auditors:

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

By Order of the Trustees



***Funmi Ekundayo
FRC/2014/PRO/DIR/003/0000006946
Managing Director
STL Trustees Limited
Lagos, Nigeria***

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

Report of the fund manager

Dear Investor,

This report provides an overview of the performance of the Lotus Halal Fixed Income Fund (FIF) from January 1, 2024 to December 31, 2024.

INVESTMENT OBJECTIVES

The Fund's primary objective is to generate competitive returns whilst targeting capital preservation, by investing in Shariah-compliant fixed income instruments and contracts.

MACROECONOMIC REVIEW

According to the International Monetary Fund (IMF), global economic growth slowed slightly to 3.2%, down from 3.3% in 2023, reflecting ongoing economic challenges. While inflation eased in advanced economies, geopolitical tensions and supply chain disruptions continued to weigh on global trade. In the commodities market, Brent crude prices fell by 3.13%, closing the year at \$86.41 per barrel, as softening demand and market adjustments put downward pressure on prices.

In Nigeria, the economy grew by an estimated 3.1% in 2024, up from 2.9% the previous year, driven by bold 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, due to supply-side constraints and monetary pressures.

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, the CBN introduced a series of foreign exchange market reforms to improve transparency and attract foreign investment. These included adjustments to remittance policies—leading to a 61% increase in inflows from International Money Transfer Operators (IMTOs) in only the first nine months of the year—and the introduction of the Electronic Foreign Exchange Matching System (EFEMS) to automate transactions and enhance market liquidity. While these measures provided short-term support for the naira, FX liquidity constraints remained a challenge.

Despite these pressures, 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/\$).

To strengthen the financial sector, the CBN launched a two-year banking recapitalization program on April 1, 2024. The new guidelines stimulated activities in the financial market as a number of commercial banks moved to meet the threshold.

On the fiscal front, the government faced significant revenue challenges, exacerbated by an increased wage bill, higher debt servicing costs, and a persistent budget deficit. By the end of 2024, Nigeria's budget deficit was estimated at ₦9.17 trillion (\$5.6 billion), with external debt projected to rise to \$45.1 billion. These fiscal constraints reinforced the urgency of expanding revenue streams and exploring debt restructuring options.

In response, the Presidential Committee on Fiscal Policy and Tax Reforms proposed a set of measures aimed at enhancing Nigeria's business climate, improving tax administration, and boosting government revenue. If successfully implemented, these fiscal reforms could simplify tax compliance, increase government revenue, and create a more business-friendly economic environment, all of which are essential for long-term economic stability and growth.

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

Report of the fund manager (continued)

INVESTMENT STRATEGY

The Lotus Halal Fixed Income Fund remains committed to its investment philosophy of utilizing Shariah-compliant fixed income contracts to deliver competitive returns. This disciplined approach has enabled the Fund to maintain a low-risk profile. The Fund Manager is committed to diligently monitoring all investment exposures to identify risks and ensure adequate diversification and mitigation. By doing so, the fund aims to mitigate the adverse impact of any single investment or sector on overall performance. These prudent measures underscore the Fund Manager's commitment to best in-class risk management practices to safeguard the interests of investors.

FIXED INCOME FUND ASSET ALLOCATION

As stipulated in the Trust Deed, the Lotus Halal Fixed Income Fund invested in Sukuk, Fixed Income Contracts, and Shariah-Compliant Fixed Term Investments. As at December 31, 2024, 36.97% of the Fund's net assets were invested in Fixed Income Contracts, 16.89% in Sukuk instruments, and 44.52% in Shariah Compliant Fixed Term Investments while 1.62% was held in cash to ensure the fund has sufficient liquidity to cover expenses and redemptions.

FIXED INCOME FUND PERFORMANCE

The Lotus Halal Fixed Income Fund closed the year with a Net Asset Value of ₦1,263.84 /unit representing a total return of 15.03% in 2024 (2023: 11.22%). Notably, the positive performance of the fund was underpinned by profits from fixed-term investments and rental income on Sukuk. As a result, the Fund declared dividends in each quarter of the year totaling ₦144.20 for 2024 – an annual dividend yield of 11.87%.

**FUND'S OUTLOOK FOR
2025**

Given the government's aggressive expenditure plan for 2025 and our expectations of new Sovereign and Sub-sovereign Sukuk issuances, the Fund intends to increase its exposure to Sukuk, while seeking to invest in higher-yielding fixed-income contracts with credit-worthy counterparties. The Fund Manager will continue to closely monitor investment exposures to ensure prompt identification and mitigation of risks. The Manager will maintain a diversified portfolio to cushion against adverse impact from a single investment or sector.

We remain committed to sustaining quarterly distributions to our esteemed unitholders and appreciate your continued patronage of the Lotus Halal Fixed Income Fund.

Please email us at info@lotuscapitallimited.com if you require further information.

**LOTUS HALAL FIXED INCOME FUND MANAGED
BY LOTUS CAPITAL LIMITED**

Report of the Shariah supervisory board for the year ended 31st December, 2024

Shariah Report for the fiscal year ended 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 Fixed Income Fund (“the Fund”)

Assalamu Alaikum Wa Rahmatu Allah Wa Barakatuh

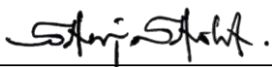
We have reviewed the principles of investments made by Lotus Capital Limited (“the Fund Manager”) during the year under review. We have also received assurance from the Fund Manager that it complied with all procedures of investments and Shariah-compliant contract templates approved by the Shariah Supervisory Board in all investments of the Fund during the period under review. This allowed us to form an opinion as to whether the Fund Manager complied with Shariah Rules and Principles and 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 it conducts the business of the Fund 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. We have been advised by the Fund Manager that the Fund did not earn non-permissible income during the period. All investments of the Fund were made in Shariah-Compliant Fixed Income Contracts and Fixed-Income Instruments in accordance with the Fund’s Trust Deed. 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 HALAL FIXED INCOME FUND MANAGED
BY LOTUS CAPITAL LIMITED**

***Management annual assessment report of internal control over financial reporting
for the year ended 31st 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 Fixed Income 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 Fixed Income 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 Fixed Income 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 FIXED INCOME FUND MANAGED
BY LOTUS CAPITAL LIMITED**

Certification of management's assessment on internal control over financial reporting for the year ended 31st 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 Fixed Income 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):
 - I. 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
 - II. Any fraud, whether or not material, that involves management or other employees who have a significant role in the entity's internal control system.
- f) 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 FIXED INCOME FUND MANAGED
BY LOTUS CAPITAL LIMITED**

Certification of management's assessment on internal control over financial reporting for the year ended 31st 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 Fixed Income 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):
 - I. 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
 - II. Any fraud, whether or not material, that involves management or other employees who have a significant role in the entity's internal control system.
- f) 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
24 March, 2025**

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

Our opinion

In our opinion, nothing has come to our attention that the internal control procedures over the financial reporting systems that were put in place by the management of Lotus Halal Fixed Income Fund were not adequate as of 31st December 2024, having regard to 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 Fixed Income Fund's internal control over financial reporting as of December 31, 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 management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying report of management's annual assessment on the fund's internal control over financial reporting. 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 controls and systems 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 exists, 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 systems put in place by the management over financial reporting.

Definition and Limitations of Internal Control over Financial Reporting

A fund's 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. A fund's 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 directors 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 Fixed Income Fund and our report dated 24th March 2025, expressed an unqualified opinion.



Oluwatosin Dare-Abel
Engagement Partner
FRC/2020/PRO/ICAN/004/00000021583
For Crowe Dafinone
Chartered Accountants
24th March 2025



***REPORT OF THE INDEPENDENT AUDITORS TO THE UNIT HOLDERS OF LOTUS HALAL
FIXED INCOME FUND***

Opinion

We have audited the financial statements of Lotus Halal Fixed Income Fund which comprise, the statement of financial position as at 31st December, 2024, the 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, other explanatory notes, statement of value added and the five-year financial summary. These financial statements are set out on pages 16 to 47 and have been prepared using the material accounting policies set out on page 21 to 30.

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 applicable International Financial Reporting Standards in the manner required by the Financial Reporting Council of Nigeria Act 2023, the Trustee Investment Act, CAP T22 LFN 2004, the Investment and Securities Act, 2007 and the Provision of the Trust Deed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors responsibilities for the financial statements.

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

Independence

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

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's report and other information contained therein is the responsibility of management. Our opinion does not cover these reports and accordingly we do not express any form of assurance conclusion thereon. It is our responsibility to read the other information and in doing so, consider whether the information is materially inconsistent with the financial statements or with the knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work we conclude that there is any 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 FIXED INCOME FUND (continued)

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

The fund managers and those charged with governance are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards in the manner required by the Financial Reporting Council of Nigeria Act 2023, the Trustee Investment Act, CAP T22 LFN 2004, the Investment and Securities Act, 2007 and the Provision of the Trust Deed and any Supplemental Deeds. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying material accounting policies and making accounting estimates that are reasonable in the circumstances.

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

Auditors' responsibilities for the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control.
- Evaluate the appropriateness of material accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**REPORT OF THE INDEPENDENT AUDITORS TO THE UNIT HOLDERS OF LOTUS HALAL
FIXED INCOME FUND (continued)**

Auditors' responsibilities for the financial statements (continued)

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

Report on other legal and regulatory requirements

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

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

Lagos, Nigeria
24th March, 2025



Oluwatosin Dare-Abel
Engagement Partner
FRC/2020/PRO/ICAN/004/00000021583
For: Crowe Dafinone
Chartered Accountants



**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

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

	Notes	2024 ₹	2023
Investment income	7	3,553,657,881	2,302,776,586
Other Income	8	128,643,640	78,024,313
		-----	-----
Total Revenue		3,682,301,521	2,380,800,899
Operating expenses	9	(454,879,890)	(409,781,892)
Impairment loss on financial assets	13(i)	18,734,242	(32,092,738)
		-----	-----
Profit before taxation		3,246,155,873	1,938,926,269
Taxation	10	-	-
		-----	-----
Profit for the year		3,246,155,873 =====	1,938,926,269 =====
Basic earnings per unit	11	162.41 =====	129.57 =====

The general information, the material accounting policies set out on pages 22 to 30 and the notes on pages 17 to 42 form an integral part of these financial statements.

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

Statement of financial position as at the year ended 31st December 2024

	Notes	2024 ₦	2023
Assets			
Cash and cash equivalents	12	11,800,505,676	2,417,433,482
Financial assets at amortised cost	13	13,795,605,046	16,073,430,518
Other receivables	14	51,000	24,051,000
Total assets		25,596,161,722	18,514,915,000
Equity			
Redeemable units			
Members' capital	15	23,685,507,889	17,286,369,708
Accumulated reserve	16	1,575,268,614	887,024,698
Members' fund		25,260,776,503	18,173,394,406
Liabilities			
Uninvested fund deposits	17	142,435,044	98,020,875
Other payables	18	192,950,175	243,499,719
Total liabilities		335,385,219	341,520,594
Total equity & liabilities		25,596,161,722	18,514,915,000
Net assets per unit	19	1,263.84	1,214.47



Hajara Adeola
FRC/2013/PRO/DIR/003/00000002955
Managing Director



Moshood Babatunde
FRC/2013/PRO/DIR/006/00000003328
Finance Director

24th March, 2025

The general information, the material accounting policies set out on pages 22 to 30 and the notes on pages 17 to 42 form an integral part of these financial statements.

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

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

	Members' capital N	Accumulated reserve N	Total equity N
As at 1 st January, 2024	17,286,369,708	887,024,698	18,173,394,406
Total comprehensive income for the year: Profit for the year	-	3,246,155,873	3,247,155,873
Transactions with unit holders, recognised directly in equity	17,286,369,708	4,133,180,571	21,420,550,279
Contributions, redemptions and distributions to unit holders:			
Issue of redeemable units	20,584,480,519	-	20,584,480,519
Redemption of redeemable units	(14,187,643,514)	-	(14,187,643,514)
Loss on redemption	-	(270,785,214)	(270,785,214)
Interim dividend paid during the year	-	(2,287,126,743)	(2,287,126,743)
Uninvested investors deposit	2,301,176	-	2,301,176
Total transactions with unit holders	6,399,138,181	(2,557,911,957)	3,841,226,224
As at 31st December, 2024	23,685,507,889	1,575,268,614	25,261,776,503
As at 1 st January, 2023	14,999,890,782	457,602,058	15,457,492,840
Total comprehensive income for the year: Profit for the year	-	1,938,926,269	1,938,926,269
	14,999,890,782	2,396,528,327	17,396,419,109
Transactions with unit holders, recognised directly in equity			
Contributions, redemptions and distributions to unit holders:			
Issue of redeemable units	12,149,735,108	-	12,149,735,108
Redemption of redeemable units	(9,865,631,094)	-	(9,865,631,094)
Loss on redemption	-	(154,640,332)	(154,640,332)
Interim dividend paid during the year	-	(1,354,863,297)	(1,354,863,297)
Uninvested investors deposit	2,374,912	-	2,374,912
Total transactions with unit holders	2,286,478,926	(1,509,503,629)	776,975,297
As at 31st December, 2023	17,286,369,708	887,024,698	18,173,394,406

The general information, the material accounting policies set out on pages 22 to 30 and the notes on pages 17 to 42 form an integral part of these financial statements.

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

Statement of cash flow for the year ended 31st December 2024

	Notes	2024 RM	2023
Profit before taxation		3,246,155,873	1,938,926,269
Adjustments for:			
Impairment loss on financial assets at amortised cost	13(i)	(18,734,242)	32,092,738
Cash flows from operating activities		3,227,421,631	1,971,019,007
Changes in operating assets and other Liabilities			
Net decrease/(increase) in financial assets carried at amortised cost	13	2,296,559,713	(4,167,114,947)
Net (decrease)/increase in other payables	18	(50,549,544)	3,649,559
Decrease/(increase) in other receivables	14	24,000,000	(24,000,000)
Net cash inflow/(outflow) from operating activities		5,495,431,800	(2,216,446,381)
Cash flow from financing activities			
Net increase in uninvested fund			
Deposits	17	44,414,170	29,105,655
Proceeds from issue of redeemable units	15	20,584,480,519	12,149,735,108
Payments on redemption of redeemable units		14,458,428,728	(10,020,271,426)
Payment of dividend	16	(2,287,126,743)	(1,354,863,297)
Uninvested investors deposits	15	2,301,176	2,374,912
Net cash inflows from financing activities		3,885,640,394	806,080,952
Net increase/(decrease) in cash and cash equivalents		9,383,072,194	(1,410,365,429)
Cash and cash equivalents at beginning of year		2,417,433,482	3,827,798,911
Cash and cash equivalents at end of year	12	11,800,505,676	2,417,433,482

The general information, the material accounting policies set out on pages 22 to 30 and the notes on pages 17 to 42 form an integral part of these financial statements.

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

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

1. General information

1.1 Reporting entity

Lotus Halal Fixed Income Fund (“FIF”) 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.

The Fund is an Islamic Fund and primarily involved in investments in high quality Shari’ah-compliant fixed income instruments and contracts.

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

1.2 Basis of preparation

1.2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) in the manner required by the Financial Reporting Council of Nigeria (Amended) Act, 2023, Trustees Investments Act, CAP T22 LFN, 2004, the Investment and Securities Act 2007, and Provision of the Trust Deed were authorised for issue by the Trustees and the Fund Manager on2025.

1.2.2 Functional and presentation currency

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

1.2.3 Basis of measurement

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

- Financial instruments at fair value through profit or loss.
- Financial assets and liabilities at amortised cost.

1.2.4 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments are discussed in note 5.

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

2. New standards, interpretations and amendments

2.1 New and revised IFRSs in issue but not yet effective

The following revisions to accounting standards and pronouncements that are applicable to the Fund 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 Fund 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 Fund, but none of these pronouncements are expected to result in any material adjustments to the financial statements.

Pronouncement	Nature of change	Effective date
<i>Amendment to IAS 21 (Lack of Exchangeability)</i>	The International Accounting Standards Board (IASB) issued 'Lack of Exchangeability' to require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. These amendments will assist companies and investors by addressing a matter not previously covered in the accounting requirements for the effects of changes in foreign exchange rates. The amendments will be applied retrospectively. The impact of the annual financial statements has not yet been fully determined.	Annual periods beginning on or after January 1, 2025
<i>Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures</i>	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.	Annual periods beginning on or after January 1, 2026.
<i>IFRS 18 Presentation and Disclosure in Financial Statements and IFRS 19 Subsidiaries without Public Accountability</i>	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	Annual periods beginning on or after January 1, 2027, with transitional relief in the first year.

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

3. Material accounting policies (continued)

3.1 Definition

(i) Sovereign and Sub-Sovereign Sukuk

Sukuk are certificates of equal value representing undivided shares in the ownership of tangible assets, usufructs and services or (in the ownership of) the assets of particular projects or special investment activity and entitle the holder to the receipt of periodic returns derived from the underlying asset. Sovereign and sub-sovereign Sukuk are Shari'ah-compliant certificates issued by the Federal Government or its agencies (national/sovereign) or States or their agencies (sub-national/sub-sovereign).

(ii) Corporate Sukuk

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) in the manner required by the Financial Reporting Council of Nigeria (Amended) Act, 2023, Trustees Investments Act, CAP T22 LFN, 2004, the Investment and Securities Act 2007, and Provision of the Trust Deed were authorised for issue by the Trustees and the Fund Manager on2025.

(iii) Shari'ah-Compliant Fixed Term Investments

These are term investments with reputable financial institutions based on the Islamic contracts of, Murabaha (cost-plus financing), or other Islamic financial contract structures.

(iv) Murabaha (cost-plus financing) Contracts

Murabaha contracts are stable return contracts based on known and predetermined profit between the buyer and the seller. The Fund will enter into an agreement for the purchase and sale of certain compliant assets at an agreed mark-up price, with a deferred payment agreement.

(iv) Ijarah (lease) Contracts

These are contracts for the lease of certain compliant assets to customers. Each customer will pay an agreed rent to the Fund for the use of the asset over a specific period and will also undertake to buy the asset itself gradually.

3.2 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 assets and liabilities at amortised cost, unrealised exchange differences are recorded directly in equity until the asset is disposed or impaired.

3. Material accounting policies (continued)

3.3 Income from financing and advances

Income from financing and advances (financial contracts) such as Ijara and Murabaha are recognised in profit or loss using the effective return method. 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 financing and advances 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.

3.4 Net gain/(loss) from financial assets at fair value through profit or loss

Net gain/(loss) from financial asset at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, but excludes finance and rental income (coupon).

3.5 Rental income

Rental income which includes return on sukuk (coupon) is recognised in the income statement on amortised basis irrespective of the anniversary date of coupon payment. Other rental income is recognised when the right to receive income is established. Rental income from investment in equity securities designated at fair value through profit or loss and available-for-sale is recognised in the “dividend income” line in the statement of comprehensive income.

3.6 Fees, commission and other expenses

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

3.7 Taxation

The Fund is exempted from paying income taxes under the current system of taxation in Nigeria.

3. Material accounting policies (continued)

3.8 Financial assets and liabilities

(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 financial assets at fair value through profit and loss. Financial instruments are derecognised when the rights to receive cash flows from the financial instruments have expired or where the Fund has transferred substantially all risks and rewards of ownership.

(ii) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value 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 instruments.

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.

Debt instruments (Ijara contracts, Murabaha contract etc)

A debt instrument that meets the following two conditions must be measured at amortised cost (net of any write down for impairment) unless the asset is designated at FVTPL under the fair value option (see below):

- The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes).
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Assessing the cash flow characteristics also includes an analysis of changes in the timing or in the amount of payments. It is necessary to assess whether the cash flows before and after the change represent only repayments of the nominal amount and an interest rate based on them.

3. Material accounting policies (continued)

3.8 Financial assets and liabilities (continued)

(ii) Subsequent measurement (continued)

Debt instruments (Ijara contracts, Murabaha contract etc) (continued)

The right of termination may for example be in accordance with the cash flow condition if, in the case of termination, the only outstanding payments consist of principal and return on the principal amount and an appropriate compensation payment where applicable.

A debt instrument that meets the following two conditions are measured at FVTOCI unless the asset is designated at FVTPL under the fair value option (see below):

Fair value option (Sukuk held as financial assets through other comprehensive income)

Even if an instrument meets the two requirements to be measured at amortised cost or FVTOCI, the Fund can decide to designate, at initial recognition, a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets held at fair value through profit or loss

This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as trading if acquired principally for the purpose of selling in the short term. Financial assets may be designated at fair value through profit or loss when the designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis, or when a group of financial assets is managed and its performance evaluated on a fair value basis.

Subsequent to initial recognition, the fair values are re-measured at each reporting date. All gains or losses arising from changes therein are recognised in the income statement in 'net trading income' for trading assets, and in 'net income from other financial instruments carried at fair value' for financial assets designated at fair value through profit or loss at inception. Some Fund's investments in sukuk quoted on the FMDQ OTC securities exchange are currently classified as financial assets held at fair value through profit or loss.

Financing and advances (Ijara, Murabaha and shariah compliant fixed term investments)

Financing and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as at fair value through profit or loss.

Financing and advances

Financing and advances are measured at amortised cost using the effective return method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and receivable and amortised through finance income as part of the effective return rate.

The Fund's investments in Ijara and Murabaha, contracts are currently classified as financing and advances.

3. Material accounting policies (continued)

3.8 Financial assets and liabilities (continued)

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

(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.

3. Material accounting policies (continued)

3.8 Financial assets and liabilities (continued)

(iv) Impairment of financial assets (continued)

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).

(a) Assets carried at amortised cost

Stage 1

This stage includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and profit is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months.

Stage 2

This includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but profit is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight.

3. Material accounting policies (continued)

3.8 Financial assets and liabilities (continued)

(iv) Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

Stage 3

At this stage, the financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and profit is calculated on the net carrying amount (that is, net of credit allowance). The standard requires fund managers, when determining whether the credit risk on a financial instrument has increased significantly, to consider reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument

(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 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 the International Financial Reporting Standards (IFRS), 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.

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

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

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

3. Material accounting policies (continued)

3.9 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.

3.10 Provisions

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

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

A provision 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.

3.11 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.

3. Material accounting policies (continued)

3.11 Contingencies (continued)

(ii) Contingent liability (continued)

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.

3.12 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 cash 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.

- 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.

(a) Introduction and overview

Lotus Halal Fixed Income Fund has exposure to the following risks from financial instruments.

- i. Credit risk;
- ii. Liquidity risk;
- iii. Market risk; and
- iv. Operational risk.

4. Financial risk management

Risk management framework

Lotus Halal Fixed Income Fund maintains positions in a variety of financial instruments in accordance with its investment management strategy as stated below:

“The Fund shall be invested in fixed return securities screened for Shari’ah compliance and asset-backed investments including but not limited to non-interest debt instruments. Furthermore, the Fund can invest in real estate (Mortgage) transactions which are Shari’ah compliant. The Trust Deed allows maximum of 90% of the Fund to be invested in selected Sovereign and Sub-sovereign Sukuk, 60% in Corporate Sukuk, 100% in Shariah compliant Fixed Term Investments and 70% in Murabaha and ijara contracts. The Fund Manager shall not alter the investment policy of the Fund without the prior approval of the Securities and Exchange Commission and approval of the Trustee with a special resolution of a meeting of holders duly convened and held in accordance with the provisions in the Trust Deed.”

The Fund’s investment portfolio comprises investments in fixed income instruments and contracts. The fixed income contracts are classified as financing and advances in the statement of financial position.

Asset purchases and sales are determined by the Fund’s Portfolio Manager, who has been given discretionary authority to manage the distribution of the assets to achieve the Fund’s investment objectives subject to the approval of the chief investment officer. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Investment Committee on a weekly basis. In instances where the portfolio has deviated from target asset allocations, the Fund’s Portfolio Manager is obliged to take actions as approved by the Investment Committee to rebalance the portfolio in line with the asset allocation as prescribed by the Trust Deed, within the reasonable time limits.

(i) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from financing and advances and cash and cash equivalents.

For risk management reporting purposes, the Fund considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

Lotus Halal Fixed Income Fund’s policy over credit risk is to minimize its exposure to clients with perceived higher risk of default by dealing only with clients that meet the requirements of the risk management policy as set out in the Fund’s prospectus. The risk is also managed by evaluating the client and assigning a credit rating to each client which serves as a trigger and also suggests the action to be taken in case of first default. Other ways of managing the credit risk include; identifying and mitigating transaction risk, reviewing industry position, managing global credit exposure to a counter party, taking collateral and monitoring disbursement/repayment.

The Fund’s credit risks are monitored on a weekly basis by the Investment and Risk Management Committee which is led by the chief investment officer. Where the credit risks are not in accordance with the investment policy or guidelines of the Fund, the Portfolio Manager is obliged to reject and/or rebalance the portfolio as approved by the Investment and Risk Management Committee when the portfolio is not in compliance with the stated investment objectives.

4. Financial risk management (continued)

Risk management framework (continued)

(i) Credit risk (continued)

Single obligor limit

At every point in time, the total exposure of the Fund to any single entity or group of related borrowers shall not exceed 15% of the Fund's net asset value. The portfolio manager also considers and monitors the limit each time there is a new or restructured investment.

Exposure to credit risk

The Fund's maximum credit risk exposure (before collateral and other credit enhancements) at the statement of financial position date is represented by the respective carrying amounts of the financial assets in the statement of financial position. The risks on some of these exposures, such as receivables from financing and advance, are mitigated by collateral securities held.

Cash and cash equivalents

The Fund's cash balances are held mainly with Citibank Nigeria. However, the Fund also maintains a certain portion of the Fund assets as liquid asset through Shari'ah compliant term investments with reputable banks in Nigeria. Due to the nature of this type of transaction and its maturity, the investment is classified as cash equivalent.

The Portfolio Manager monitors the Fund's liquidity position with Citibank Nigeria Limited on a daily basis.

Concentration of credit risk

	Note	2024 ₦	2023
Gross financing and advances	13	9,613,959,602	7,698,795,140
Expected credit losses	13(i)	(143,558,583)	(162,292,825)
Net financing and advances	13	<u>9,470,401,019</u>	<u>7,536,502,315</u>

The Fund Manager reviews credit concentration of financing and advances held based on counter parties and industries and geographical location.

As at the reporting date, the Fund's financing and advances exposures were concentrated as follows:

	2024	2023
	%	%
Auto mobile/equipment	9	9
Oil & Gas	81	81
Other asset backed investment	10	10
	<u>100</u>	<u>100</u>
	===	===

There was no significant concentration exposure in the portfolio to any individual obligor or group of obligors as at 31st December 2024 (2023: Nil). No individual investment exceeded fifteen percent of the net assets attributable to the holders as mandated in the Fund's Trust Deed.

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

4. Financial risk management (continued)

Risk management framework (continued)

(ii) 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.

Management of liquidity risk

The 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 are new investments opportunities to exploit or an obligation to fulfil.

In other to achieve the above ultimate objective, the fund invests principally in highly liquid fixed return securities that are quoted on the Nigeria Stock Exchange and or FMDQ OTC Securities Exchange such that the Fund can convert those securities into cash within four working days. The Fund maintains parts of its asset as cash equivalent by investing in short term Shari'ah-Complaint investments with a reputable bank with good credit rating.

Maturing analysis of financial liabilities

	Carrying amount ₦	Nominal Value ₦	1 to 3 months
31st December, 2024			
Non-derivative liabilities			
Uninvested fund deposits -(note 17)	142,435,044	142,435,044	142,435,044
Other payables (note 18)	72,268,938	72,268,938	72,268,938
	214,703,982	213,703,982	213,703,982
	=====	=====	=====
31st December, 2023			
Non-derivative liabilities			
Uninvested fund deposits -(note 17)	98,020,875	98,020,875	98,020,875
Other payables (note 18)	118,410,454	118,410,454	115,410,454
	216,431,329	216,431,329	216,431,329
	=====	=====	=====

(iii) 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.

4. Financial risk management (continued)

Risk management framework (continued)

(iii) Market risk (continued)

Management of market risk

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

Investment objectives

The aim of the Fund is to achieve a consistent and sustainable capital preservation and fund value growth with steady income target an optimal allocation of the Fund resources in the Shariah compliant investment windows and assets that maximise the investors return on investment. The asset classes which Fund can invest includes:

- i. Sovereign, Sub-sovereign and corporate sukuk;
- ii. Shari'ah Compliant Fixed Term Investments
- iii. Murabaha, Ijara and other Fixed Income contracts.

To achieve targeted returns, the Portfolio manager exploits all good investment opportunities with high returns and a very low risk. This takes into consideration the volatility of the fixed return instruments held at fair value, as well as the variability of earnings of asset backed investments. Meanwhile, due to the ethical nature of the fund, it does not invest in the following:

- i. Interest bearing financial instruments in the money and capital markets such as (but not limited to) treasury bills, commercial papers, bankers acceptances and conventional interest-bearing bonds; and
- ii. Businesses with major sources of income from tobacco, alcohol, gambling, adult entertainment, ammunition, pork, conventional finance such as banks and insurance companies.

The Fund's market risk is managed on a daily basis by the Portfolio Manager in accordance with policies and guidelines governing the management of the fund.

Investment policy

The Fund Manager's core objective is the generation of competitive returns on the Fund's investment while ensuring capital preservation, value creation and preservation. The Fund Manager intends to achieve this objective by adopting a bottom-up investment approach and leveraging on its expertise and extensive network to identify secure and high quality Shari'ah-compliant investments. Comprehensive due diligence and robust research and analysis, will be carried out on prospective investments prior to making a final investment decision. The Fund Manager also intends to make investment decisions based on a continuous assessment of eligible investment opportunities whilst maintaining strict adherence to the asset allocation policy.

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in the market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

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

4. Financial risk management (continued)

Risk management framework (continued)

(iii) Market risk (continued)

Investment policy (continued)

The price risk is managed by the Portfolio Manager by diversifying the portfolio and economically hedging using appropriate Islamic finance products as sanctioned by the Shariah Advisory Committee and in line with the trust deed.

The Fund's policy over concentration of its investment portfolio profile as a percentage of net assets is as follows:

	Maximum range	Maximum range
	%	%
Corporate sukuk	60	60
Fixed Income Contract	70	70
Fixed term investments	100	100
Cash & cash equivalents	5	5
Sovereign sukuk	90	90
	===	===

The following table sets out concentration of investment assets as a percentage of net assets, held by the Fund as at the reporting date:

	2024	2023
	%	%
Fixed Income Contract	37	41
Fixed term Investments	44	8
Cash & cash equivalents	2	4
Sovereign sukuk	17	47
	100	100
	===	===

According to the risk management policy for the Fund, the price risk is required to be monitored on a daily basis by the Investment Committee. Where the price risks are not in accordance with the investment policy or guidelines of the Fund, the Fund Manager is required to rebalance the portfolio as the need arises.

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Fund's activities.

4. Financial risk management (continued)

Risk management framework (continued)

(iv) Operational risk (continued)

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:

- 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.

(v) Capital management

At 31st December, 2024, the Fund held 35,170 (2023: 124,838) 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 a large cash equivalent by investing in highly liquid short term Shari'ah compliant investments with a reputable bank with good credit rating.
- Maintaining large investments in highly secured and liquid fixed return securities that are quoted on the Nigerian Exchange (NGX) and/or FMDQ OTC Securities Exchange. The Fund can convert those securities into cash within four working days.

Historical experience indicates that redeemable units are held by the holders on a medium or long-term basis. Based on average historic information, redemption levels are expected to approximately 3,000,000 per month; however, actual monthly redemptions could differ significantly from the historical experience. 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.

5. Critical accounting estimates and judgements

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

(a) Key sources of estimation uncertainty

(i) Determining fair value

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in note 3.8 (iii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also “Valuation of financial instruments” below.

(ii) Allowance for impairment losses

Financial assets accounted for at amortised cost are evaluated for impairment on a basis described in significant accounting policy (note 3.8 (iv)).

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

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

(i) Fair Value measurement of financial instruments

The Fund’s material accounting policy on fair value measurements is discussed in note 3.8 (iii).

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

5. Critical accounting estimates and judgements (continued)

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

(i) Fair Value measurement of financial instruments (continued)

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

(ii) Financial assets and liabilities classification

The Fund's material accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances as set out in note 3.8 (ii).

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

Finance of the inputs used in making the measurements.

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

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

6. Financial assets and liabilities

31st December, 2024	Note	Financial asset at amortised cost ₹	Non-financial liabilities ₹	Total carrying amount ₹	Fair value ₹
Cash and cash equivalent	12	11,800,505,676	-	11,800,505,676	11,800,505,676
Financial assets carried at amortised cost	13	13,795,605,046	-	13,795,605,046	13,795,605,046
		25,596,110,722	-	25,596,110,722	25,596,110,722
Uninvested fund deposits	17	-	142,435,044	142,435,044	142,435,044
Other payables	18	-	192,950,175	192,950,175	192,950,175
		-	335,385,219	335,385,219	335,385,219
		=====	=====	=====	=====
31st December, 2023					
Cash and cash equivalent	12	2,417,433,482	-	2,417,433,482	2,417,433,482
Financial assets carried at amortised cost	13	16,073,430,518	-	16,073,430,518	16,073,430,518
		18,490,864,000	-	18,490,864,000	18,490,864,000
Uninvested fund deposits	17	-	98,020,875	98,020,875	98,020,875
Other payables	18	-	243,499,719	243,499,719	243,499,719
		-	341,520,594	341,520,594	341,520,594
		=====	=====	=====	=====

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

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

6. Financial assets and liabilities (continued)

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

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

Financial assets at fair value through profit or loss. 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.

Financing and advances

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.

	2024	2023
	RM	RM
7. Investment income		
Income from financing and advances carried at amortised cost:		
Income from Murabahah	1,841,999,620	1,193,944,928
Income from Sukuk	854,911,371	842,165,468
Income from Ijara	9,281,211	7,346,037
Income from Musharaka	591,931	1,273,909
Income from Murabaha (Short term)	846,873,748	258,046,244
	<u>3,553,657,881</u>	<u>2,302,776,586</u>
	=====	=====

8. Other income

Realised gain on Sukuk	128,643,640	78,024,313
	=====	=====

*This represents the gain realised on the and disposals of Sukuk with times to maturity of less than five years during the year.

	2024	2023
	RM	
9. Operating expenses		
Custodian fee	10,305,252	7,910,408
Trustees fee	11,730,492	8,962,125
Auditor's remuneration	5,500,000	3,800,000
Fund management fee*	351,914,752	268,863,748
Other expenses	3,656,659	7,946,912
Incentive fees**	-	52,172,747
Premium cost	20,513,324	26,368,620
Fund statutory fees	51,259,411	33,757,332
	<u>454,879,890</u>	<u>409,781,892</u>
	=====	=====

*The computation of the fund management fee is 1.5% in line with Security and Exchange Commission rule.

**The basis for computation for incentive fee is an amount not exceeding 20% of total returns above benchmark.

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

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

10. Taxation

The Fund is exempted from paying income taxes under the current system of taxation in Nigeria.

11. Basic earnings per unit

The basic earnings per unit is computed using the profit for the year as per the statement of profit or loss and other comprehensive income divided by the units 19,987,275 (2023: 14,964,016 units) in existence as at the year end.

	2024 N	2023 N
Profit for the year	3,246,155,873 =====	1,938,926,269 =====
No of units in issue	19,987,275 =====	14,964,016 =====
Basic earnings per share	162.41 =====	129.57 =====

12. Cash and cash equivalents

Bank balances	415,663,754	1,083,545,308
Mudaraba Investment (i)	11,384,841,922	1,333,888,174
	<u>11,800,505,676</u> =====	<u>2,417,433,482</u> =====

(i) Mudaraba investment means investment of deposited fund in a pool of highly liquid short term murabaha transactions which are generally structured and backed by financial assets or commodities.

13. Financial assets at amortised cost

	Gross amount	Expected credit losses	Net financial assets carried at amortised cost
	N	N	N
31st December, 2024			
Ijarah	42,577,112	223,039	42,354,073
Murabahah	9,560,516,851	142,970,345	9,417,546,506
Diminishing Musharaka	10,865,640	365,199	10,500,441
	<u>9,613,959,603</u>	<u>143,558,583</u>	<u>9,470,401,020</u>
Gross financing and advance Sukuk	4,325,204,026	-	4,325,204,026
	<u>13,939,163,629</u> =====	<u>143,558,583</u> =====	<u>13,795,605,046</u> =====
31st December, 2023			
Ijarah	51,526,538	226,548	51,299,990
Murabahah	7,631,613,721	161,525,415	7,470,088,306
Diminishing Musharaka	15,654,881	540,862	15,114,019
	<u>7,698,795,140</u>	<u>162,292,825</u>	<u>7,536,502,315</u>
Gross financing and advance Sukuk	8,536,928,203	-	8,536,928,203
	<u>16,235,723,343</u> =====	<u>162,292,825</u> =====	<u>16,073,430,518</u> =====

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

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

	2024 ₦	2023
13. Financial assets at amortised cost (continued)		
13(i) Impairment allowance on financing and advance		
As at 1 st January	162,292,825	130,200,087
(Write back)/charge for the year (note a)	(18,734,242)	32,092,738
As at 31 st December	143,558,583 =====	162,292,825 =====

a) Based on the Funds model of determining the expected credit losses, an estimate of ₦ 18.73 million (2023: ₦ 32.09 million charge) was written back in the year in line with IFRS 9.

	2024 ₦	2023 ₦
14. Other receivables	51,000 =====	24,051,000 =====

Included in the other receivables is an amount of ₦ 24 million due from another portfolio. During the year, this amount has been settled in the bank.

	2024 ₦	2023
15. Members capital		
As at 1 st January	17,286,369,708	14,999,890,782
Issued during the year	20,584,480,519	12,149,735,108
Redemption	(14,187,643,514)	(9,865,631,094)
Uninvested investors' deposit	2,301,176	2,374,912
	23,685,507,889 =====	17,286,369,708 =====

This represents movement in investor's fund.

16. Accumulated reserve		
As at 1 st January	887,024,698	457,602,058
Loss on redemption	(270,785,214)	(154,640,332)
Interim dividend paid during the year	(2,287,126,743)	(1,354,863,297)
	(1,670,887,259)	(1,051,901,571)
Profit for the year	3,246,155,873	1,938,926,269
As at 31 st December	1,575,268,614 =====	887,024,698 =====

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

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

	2024 ₦	2023 ₦
17. Uninvested fund deposits		
As at 1 st January,	98,020,875	68,915,219
Additions in the year	1,988,499,013	637,538,941
Value of allotted units in the year	(1,944,084,844)	(608,433,285)
As at 31 st December,	142,435,044 =====	98,020,875 =====

This represents the investor's funds awaiting further instruction.

	2024 ₦	2023 ₦
18. Other payables		
Management fee payable	14,970,415	23,717,919
Incentive fee payable	-	52,172,747
VAT & Withholding tax payable	119,681,237	125,089,265
Insurance payable	-	2,210,345
Sundry payable	1,086,405	494,168
Redemption payable	982,607	988,421
Audit fees	4,981,679	3,643,530
Trustees fees	38,680,873	26,950,382
Custodian fees	1,130,050	179,948
SEC regulatory fee payable	11,436,909	8,052,994
	192,950,175 =====	243,499,719 =====

19. Net asset per unit

The net asset per unit is computed using the net assets value as at the statement of financial position date divided by the units 19,987,275 (2023: 14,964,016 units) in existence as at the year end.

	2024 ₦	2023 ₦
Net asset as at year end	25,260,776,503 =====	18,173,394,406 =====
No of units in issue	19,987,275 =====	14,964,016 =====
Net asset per unit	1,263.84 =====	1,214.47 =====

20. Related parties and other key contract

(a) Related parties

Fund Manager

The Fund appointed Lotus Capital Limited, an investment management company incorporated in Nigeria, to implement the investment strategy as specified in the trust deed. Under The Trust Deed, the Fund Manager is entitled to management fee of 1.5% (2023: 1.5%) of the net asset value which shall be payable in arrears and an incentive fees computed as stipulated in the Trust Deed.

20. Related parties and other key contract (continued)

(a) Related parties

Fund Manager

The computation of the Fund Manager's incentive fees is an amount chargeable on the total annualised returns, which shall not exceed 20% of the total returns above benchmark. The benchmark for incentive fee shall be a composite of the three year FGN benchmark bond (70%) and the 91 day T-bill (30%) or the relevant benchmark as may be approved by the commission from time to time.

The Fund Manager fee for the year 2024 amounted to ₦ 351.91 million (2023: ₦ 268.86 million) Included in other payable as at 31st December, 2024 is Fund Manager's remuneration payable of ₦ 14.97 million (2023: ₦ 23.72 million). The Fund Manager incentive fee for the year 2024 amounted to Nil (2023: ₦ 52.17 million). As at 31st December, 2024 there was no accrued incentive fee. (2023: ₦ 52.17 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 2024, the directors of the Fund Manager held 35,170 (2023: 124,838) redeemable units.

(b) Other key contracts

Trustees

The Fund appointed STL Trustees Nigeria Limited, a trusteeship company in Nigeria, to provide administrative services to the Fund. Under the Fund Trust Deed, the Trustees receive a fee annually in arrears at an annual rate of 0.05 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 ₦ 11.73 million (2023: ₦ 8.96 million). Included in other payables at 31st December, 2024 is trustee's fees payable of ₦ 38.68 (2023: ₦ 26.95 million). Subject to the approval of Securities & Exchange Commission, the Trustee can retire or be removed at any time.

Custodian to the fund

The Fund engaged the services of Citi Bank Nigeria Limited and Rand Merchant Bank to provide custodian services for a fee. The fee is charged at 0.05% of the net asset value net of applicable taxes monthly. The custodian fee for the year is ₦ 10.31 million (2023: ₦ 7.91 million) and the amount payable as at 31st December 2024 was ₦ 1.13 million (2023: ₦ 0.17 million).

21. Contingent liabilities – Litigations and claims

The fund is not involved in any litigation hence, there is no contingent liability or claim against or in favour of the fund.

22. 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 ₦ 0.05 (five kobo) per unit, the purification amount is 1,000 units x ₦ 0.05 = ₦ 50 (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.

23. 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.

24. Events after the reporting date

There were no event subsequent to the financial position date which requires adjustment to or disclosure in these financial statements.

**LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED**

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

	2024	%	2023	%
Total revenue	3,682,301,521		2,380,800,899	
Bought in services:	(5,435,741)		(66,408,270)	
Value added	3,676,865,780	100	2,314,392,629	100
To pay related parties to the Fund:				
Fees	430,709,907	12	375,466,360	16
To pay government				
Taxation	-	-	-	-
Retained for future increase in fund's assets:				
Profit for the year	3,246,155,873	88	1,938,926,269	84
	3,676,865,780	100	2,314,392,629	100

“Value added” represents the additional wealth which the Fund has been able to create by its own and its Fund Manager’s efforts. The statement shows the allocation of that wealth between the providers of capital (units holders), government and that retained for the future creation of more wealth.

LOTUS HALAL FIXED INCOME FUND
MANAGED BY LOTUS CAPITAL LIMITED

Five year financial summary

Statement of financial position	2024	2023	2022	2021	2020
	N	N	N	N	₹ '000
Members' fund					
Redeemable units in value	23,685,507	17,286,370	14,999,891	13,126,747	11,694,842
Accumulated reserve as at 1 st January	4,133,181	2,396,528	1,818,971	1,790,119	1,210,258
Dividend paid	(2,287,127)	(1,354,863)	(1,231,831)	(1,178,255)	(690,715)
Loss on redemption	(270,785)	(154,641)	(129,538)	(113,656)	(126,045)
Accumulated reserve as at 31 st December	1,575,269	887,024	457,602	498,208	393,498
	25,260,776	18,173,394	15,457,493	13,624,955	12,088,340
	=====	=====	=====	=====	=====
Assets					
Total assets	25,596,161	18,514,915	15,766,258	13,912,203	12,251,346
Liabilities	(335,385)	(341,521)	(308,765)	(287,248)	(163,006)
Net assets	25,260,776	18,173,394	15,457,493	13,624,955	12,088,340
	=====	=====	=====	=====	=====
Statement of Profit or loss account and other comprehensive income					
Gross income	3,682,302	2,380,801	1,668,067	1,798,487	1,177,396
	=====	=====	=====	=====	=====
Profit for the year	3,246,156	1,938,926	1,320,764	1,396,620	971,148
Accumulated reserve as at 1 st January	887,025	457,602	498,207	393,498	239,110
	4,133,181	2,396,528	1,818,971	1,790,118	1,210,258
Loss on redemption	(270,785)	(154,641)	(129,538)	(113,656)	(126,045)
Dividend paid	(2,287,127)	(1,354,863)	(1,231,831)	(1,178,255)	(690,715)
Accumulated reserve as at 31 st December	1,575,269	887,024	457,602	498,207	393,498
	=====	=====	=====	=====	=====
Net assets per unit	1,263.84	1,214.47	1,174.38	481	439.17
	=====	=====	=====	===	=====
Basic earnings per unit	162.41	129.57	100.34	50.05	6.07
	=====	=====	=====	=====	=====