



THE TONY ELUMELU
FOUNDATION

**IFRS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**



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**FOUNDATION INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | | |
|--------------------------------|--|--------------------|
| TRUSTEES: | Mr. Tony O. Elumelu, CON Mrs. Awele V. Elumelu | - Founder/Chairman |
| CHIEF EXECUTIVE OFFICER | Parminder Vir OBE | |
| COMPANY SECRETARY: | Mr. Obong Idiong 1A, Macgregor Road Ikoyi, Lagos | |
| REGISTERED OFFICE: | 1A, Macgregor Road Ikoyi, Lagos | |
| AUDITORS: | Ernst & Young 10th & 13th Floors UBA House 57 Marina Lagos | |
| BANKER: | United Bank for Africa Plc | |
| SOLICITORS: | Templars 4th Floor, the Octagon 13A, A.J Marinho Drive Victoria Island Lagos. M.E. Esonanjour & Co. 27, Oyewole Street Palmgrove - Ilupeju Lagos | |
| RC NO.: | CAC/IT/39632 | |
| Website: | http://tonyelumelufoundation.org | |



REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 31 DECEMBER 2017

The Trustees have pleasure in submitting to the members of Tony Elumelu Foundation ("the Foundation") the audited financial statements for the year ended 31 December 2017. The Foundation has applied International Financial Reporting Standard ("IFRS") issued by International Accounting Standard Board ("IASB") in preparing these financial statements and the comparative financial information.

PRINCIPAL ACTIVITIES

The Tony Elumelu Foundation is an Africa-based and African-funded not-for-profit institution dedicated to the promotion and celebration of excellence in business leadership and entrepreneurship across Africa.

RELATIONSHIP WITH OTHER ORGANISATIONS

Membership

1. Foundation Community (World Economic Forum)

Partnerships

1. United Nations Development Programme (Training and Sponsorship of Additional Entrepreneurs)
2. Agence Francaise Development (Research Partnership)
3. Indorama Eleme Petrochemicals Limited (Sponsorship of Additional Entrepreneurs)
4. Microsoft (Alumni Training)
5. SAGE (Accounting Software for Entrepreneurs)
6. Greentec (Alumni Training)

STATE OF AFFAIRS

In the opinion of the Trustees, the state of the Foundation's affairs is satisfactory and no events have occurred since the year ended 31 December 2017 that would affect the financial statements as presented.

OPERATING RESULTS

Highlights of the operating results are as follows:

| | N'000 | N'000 |
|-----------------------------|----------------|---------------|
| Total revenue | 3,433,800 | 1,345,285 |
| Total expenses | (3,135,919) | (1,260,020) |
| <u>Surplus for the year</u> | <u>297,881</u> | <u>85,265</u> |

TRUSTEES

The names of the Trustees at the date of this report and of those who held office during the year are as follows:

| | | |
|--------------------------|---|----------|
| Mr. Tony O. Elumelu, CON | - | Chairman |
| Mrs. Awele V. Elumelu | - | Trustee |



**REPORT OF THE TRUSTEES - Continued
FOR THE YEAR ENDED 31 DECEMBER 2017**

TRUSTEES' INTERESTS IN CONTRACT

None of the Trustees has notified the Foundation for the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 of any direct or indirect interest in contracts with which the Foundation is involved as at 31 December 2017.

PROPERTY AND EQUIPMENT

Information relating to changes in property and equipment is provided in Note 17 to the financial statements.

EMPLOYMENT OF PHYSICALLY CHALLENGED PERSONS

It is the Foundation's policy to consider disabled persons for employment, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment continues and that appropriate training is arranged. It is the policy of the Foundation that the training, as far as possible, be identical with that of other employees.

HEALTH, SAFETY AND WELFARE AT WORK OF EMPLOYEES

Employees are adequately insured against occupational hazards. In addition, medical facilities at specified limits are provided to employees and their immediate families at the Foundation's expense.

The Foundation places considerable value on the involvement of its employees in its affairs and has continued its practice of keeping them informed on matters affecting them as employees. In line with this, formal and informal channels of communication are employed in keeping employees abreast of factors affecting the performance of the Foundation.

EMPLOYEES' DEVELOPMENT AND TRAINING

The Foundation organizes in-house and external training for its employees based on the requirements of their job. Overseas courses are also arranged where necessary.



REPORT OF THE TRUSTEES - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

FORMAT OF THE FINANCIAL STATEMENTS

The financial statements are presented in accordance with International Financial Reporting Standards, and provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Financial Reporting Council of Nigeria Act, No. 6, 2011. The Trustees consider that the format adopted is the most suitable for the Foundation.

SUBSEQUENT EVENTS

As stated in Note 27, no other events or transactions have occurred since the year end which would have a material effect on the financial statements as presented.

AUDITORS

Messrs Ernst and Young, having expressed their willingness, will continue in office as auditors of the Foundation in accordance with Section 357 (2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

BY ORDER OF THE BOARD


Mr. Obong Idiong
FRC/2013/NBA/00000004696.
Secretary
21 March 2018



STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Foundation at the end of the year and of the profit or loss for the year then ended.

The responsibilities include ensuring that the Foundation:

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Foundation and comply with the International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act No. 6, 2011;
- b) establishes appropriate and adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities;
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied; and
- d) it is appropriate for the financial statements to be prepared on a going concern basis.

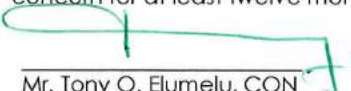
The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with,

- the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)
- the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004
- Financial Reporting Council of Nigeria Act, No. 6, 2011


The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Foundation and of its financial results.

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

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


Mr. Tony O. Elumelu, CON
Chairman
FRC/2013/CIBN/00000002590

21 March 2018


Mrs. Awele V. Elumelu
Trustee
FRC/2013/MDCAN/00000004705



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE TONY ELUMELU FOUNDATION

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of The Tony Elumelu Foundation (Foundation), which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of cash flows, and the statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Tony Elumelu Foundation as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and the Financial Reporting Council of Nigeria Act No. 6, 2011.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of The Tony Elumelu Foundation. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of The Tony Elumelu Foundation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Trustees are responsible for the other information. The other information comprises the Report of the Trustees, statement of value added and four period financial summary as required by the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Financial Reporting Council of Nigeria Act No. 6, 2011. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, if we conclude that there is a material misstatement of this other information, we are required to report that fact.



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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF The Tony Elumelu Foundation - Continued

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, and the Financial Reporting Council of Nigeria Act No. 6, 2011 and for such internal control as the Trustees determines necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 Foundation's internal control.



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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE TONY ELUMELU FOUNDATION - Continued

Auditors' Responsibilities for the Audit of the Financial Statements - Continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' 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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Foundation 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 a manner that achieves fair presentation.

We communicate with the Trustees 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 the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Foundation, so far as appears from our examination of those books;
- iii) the Foundation's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Funmi Ogunlowo, FCA
FRC/2013/ICAN/0000000681
For: Ernst & Young
Lagos, Nigeria

22 MAY 2018





STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

| | Notes | 2017 N'000 | 2016 N'000 |
|--|-------|--------------------|--------------------|
| Grant income | 5 | 2,974,584 | 914,655 |
| Finance income | 6 | 2,286 | 1,775 |
| Other income | 7 | 456,930 | 428,855 |
| Total revenue | | 3,433,800 | 1,345,285 |
| TEF Entrepreneurship Program expenses | 8 | (2,288,198) | (974,835) |
| Travel expenses | 9 | (17,059) | (26,316) |
| Event and publicity expenses | 10 | (183,849) | (11,380) |
| Personnel expenses | 11 | (128,578) | (175,402) |
| Professional and consulting expenses | 12 | (4,968) | (13,477) |
| Other operating expenses | 13 | (491,720) | (50,707) |
| Finance and other charges | 14 | (13,396) | (501) |
| Depreciation of property and equipment | 15 | (4,116) | (5,379) |
| Amortisation of intangible asset | 16 | (4,035) | (2,023) |
| Total expenses | | (3,135,919) | (1,260,020) |
| Surplus for the year | | 297,881 | 85,265 |
| Other comprehensive income: | | | |
| Items to be subsequently reclassified to surplus or deficit: | | | |
| Fair value changes in available-for-sale financial assets | 22.3 | 2,671,719 | 592,346 |
| Total other comprehensive surplus | | 2,671,719 | 592,346 |
| Total comprehensive surplus for the year | | 2,969,600 | 677,611 |

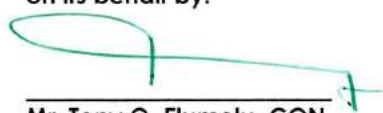
The accompanying notes form an integral part of these financial statements




**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

| | Notes | 2017 #'000 | 2016 #'000 |
|-------------------------------------|-------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Property and equipment | 15 | 4,024 | 6,969 |
| Intangible assets | 16 | 29,486 | 19,408 |
| Available-for-sale financial assets | 17 | 5,027,293 | 2,355,574 |
| Total non-current assets | | 5,060,803 | 2,381,951 |
| Current assets | | | |
| Loans and receivables | 18 | 37,015 | 74,574 |
| Prepayments | 19 | 28,365 | 1,221 |
| Cash and cash equivalents | 20 | 29,812 | 129,694 |
| Total current assets | | 95,192 | 205,489 |
| Total assets | | 5,155,995 | 2,587,440 |
| Equity and liabilities | | | |
| Equity | | | |
| Accumulated surplus | 22.1 | 1,614,468 | 1,316,587 |
| Available-for-sale reserve | 22.2 | 3,453,754 | 782,034 |
| Total equity | | 5,068,222 | 2,098,621 |
| Current liabilities | | | |
| Account and other payables | 21 | 87,773 | 488,819 |
| Total current liabilities | | 87,773 | 488,819 |
| Total equity and liabilities | | 5,155,995 | 2,587,440 |

The financial statements were approved by the Trustees to the Foundation on 21 March 2018, and signed on its behalf by:


Mr. Tony O. Elumelu, CON
Chairman
FRC/2013/CIBN/00000002590


Mrs. Awele V. Elumelu
Trustee
FRC/2013/MDCAN/00000004705


Mr. John Okonkwo
Chief Financial Officer
FRC/2013/ICAN/00000004692

The accompanying notes form an integral part of these financial statements



STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

| | Accumulated surplus | Available-for-sale reserve | Total |
|-------------------------------|---------------------|----------------------------|------------------|
| As at 1 January 2017 | 1,316,587 | 782,034 | 2,098,621 |
| Surplus for the year | 297,881 | - | 297,881 |
| Other comprehensive surplus | - | 2,671,719 | 2,671,719 |
| As at 31 December 2017 | 1,614,468 | 3,453,753 | 5,068,221 |
| As at 1 January 2016 | 1,231,322 | 189,688 | 1,421,010 |
| Surplus for the year | 85,265 | - | 85,265 |
| Other comprehensive deficit | - | 592,346 | 592,346 |
| As at 31 December 2016 | 1,316,587 | 782,034 | 2,098,621 |

The accompanying notes form an integral part of these financial statements



**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Notes | 2017 N'000 | 2016 N'000 |
|---|-------|---------------|---------------|
| Operating activities | | | |
| Surplus for the year | | 297,881 | 85,265 |
| Non-cash adjustment: | | | |
| Depreciation of property and equipment | 15 | 4,116 | 5,379 |
| Amortisation of intangible asset | 16 | 4,035 | 2,023 |
| Finance income | 6 | (2,286) | (1,775) |
| Foreign exchange gain | | (1,180) | - |
| | | | |
| Working capital adjustments: | | | |
| Changes in loans and receivables | | 37,559 | (21,129) |
| Changes in prepayments | | (27,144) | 4,624 |
| Changes in account and other payables | | (401,045) | 16,959 |
| Interest received | 6 | 2,286 | 1,775 |
| <hr/> | | | |
| Net cash (outflows) / inflows from operating activities | | (85,778) | 93,121 |
| | | | |
| Investing activities | | | |
| Acquisition of property and equipment | 15 | (1,171) | (496) |
| Acquisition of intangible asset | 16 | (14,113) | (8,256) |
| <hr/> | | | |
| Net cash outflows used in investing activities | | (15,284) | (8,752) |
| | | | |
| Financing activities | | | |
| <hr/> | | | |
| Net cash outflows/inflows from financial activities | | - | - |
| | | | |
| Net (decrease)/increase in cash and cash equivalents | | (101,062) | 84,369 |
| Net foreign exchange differences | | 1,180 | - |
| Cash and cash equivalents as at beginning | | 129,694 | 45,325 |
| <hr/> | | | |
| Cash and cash equivalents as at closing | | 29,812 | 129,694 |

The accompanying notes form an integral part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Foundation information

The Tony Elumelu Foundation was founded in 2010. It was incorporated as a not-for-profit institution on 20 July 2010 and commenced operations on 1 October 2010.

The Tony Elumelu Foundation is an Africa-based and African-funded not-for-profit institution dedicated to the promotion and celebration of excellence in business leadership and entrepreneurship across Africa. The Foundation strives to deploy its resources to generate solutions to challenges that inhibit the growth of the African private sector.

The Foundation is domiciled in Nigeria with its registered office at 1A MacGregor Road, Ikoyi, Lagos State, Nigeria.

The financial statements of the Foundation for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Trustees on 21 March 2018.

2 Accounting Policies

2.1 Basis of preparation

The financial statements of the Tony Elumelu Foundation have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, except for certain financial instruments such as available-for-sale (AFS) financial assets that have been measured at fair value.

These financial statements are presented in Naira which is the Foundation's functional and presentation currency. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest thousand (N'000).

The Foundation presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the respective notes.

2.2 Summary of significant accounting policies

A summary of the significant accounting policies, all of which have been applied consistently throughout the current and preceding years, is set out below.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

2.2.1 Foreign currencies

The Foundation's financial statements are presented in Naira, which is also the Foundation's functional currency used in measuring all items in the financial statements.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Foundation at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2.2.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Foundation and the income can be reliably measured. Income is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The Foundation revenue exists in the form of endowment funds, interest income and dividend income.

Endowment funds

Endowment funds are contribution made to the Foundation by the trustees and other third parties. This can be in the form of cash or kind. Endowment is recognised as revenue on accrual basis when no significant uncertainty as to its collectability exists.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets, interest income is recorded using the effective interest rate ("EIR"). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income

Dividends

Revenue is recognised when the Foundation's right to receive the payment is established, which is generally when shareholders approve the dividend.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

2.2.3 Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at costs amortized over a useful life.

Intangible assets with finite lives are amortized over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

The Foundation has one group of intangible assets which is made up of Computer software:

Computer software: These represent the cost of procuring computer software. Computer software is amortised on a straight line basis over useful lives of software which starts from the period of 3 years.

2.2.4 Property and equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the Property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Foundation recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Property and equipment transferred from customers is initially measured at the fair value at the date on which control is obtained. The straight-line method is used to depreciate the cost less any estimated residual value of the assets over their expected useful lives.

The Foundation estimates the useful lives of assets in line with their beneficial periods. Where a part of an item of property and equipment has different useful live and is significant to the total cost, the cost of that item is allocated on a component basis among the parts and each is depreciated separately. The useful lives of the Foundation's property and equipment for the purpose of depreciation are as follows:

| | Number of years |
|------------------------|------------------------|
| Property and equipment | 4 |
| Motor vehicles | 4 |
| Computer equipment | 3 |



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

2.2.4 Property and equipment - Continued

An item of property and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is de-recognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.2.5 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Foundation as a lessee

Leases that do not transfer to the Foundation substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

2.2.6 Financial instruments

Financial assets and financial liabilities are recognised on the Foundation's statement of financial position when the Foundation becomes a party to the contractual provisions of the instrument. The Foundation determines the classification of its financial assets and liabilities at initial recognition.

All financial assets and liabilities are recognised initially at fair value plus or minus directly attributable transaction costs, except for financial assets and liabilities classified as fair value through statement of comprehensive income.

i Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale financial assets, as appropriate.

The classification of financial assets depends on the purpose for which the investments were acquired or originated. The Foundation determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date. Financial assets are recognised initially at fair value plus transaction costs, unless held at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Foundation commits to purchase or sell the asset.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

2.2.6 Financial instruments - Continued

The Foundation's financial assets include cash and cash equivalents, loans and receivables, available-for-sale financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position. Cash and cash equivalents are measured at amortised cost.

For the purpose of the cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are loans and receivable financial assets. These investments are initially recognised at the fair value of the consideration paid for the acquisition of the investment plus transaction costs. All transaction costs directly attributable to the acquisition are also included in this value. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate ("EIR"), less allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in finance costs in the statement of comprehensive income.

Available-for-sale financial assets ("AFS")

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is reclassified to profit or loss through gross earnings. When the investment is determined to be impaired, the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

AFS are measured at cost when the fair value of the instruments cannot be reliably measured. These investments are assessed for impairment and impairment losses are recognised in the statement of profit or loss accounts.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

2.2.6 Financial instruments - Continued

The Foundation evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Foundation is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Foundation may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Foundation has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the intention and ability to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to statement of profit or loss and other comprehensive income over the remaining life of the investment using the EIR.

Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss and other comprehensive income.

ii De-recognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.

Or

The Foundation retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- The Foundation has transferred substantially all the risks and rewards of the asset

Or

- The Foundation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Foundation has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Foundation's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Foundation could be required to repay.

In that case, the Foundation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Foundation has retained.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

2.2.6 Financial instruments - Continued

iv **Financial assets carried at amortised cost**

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Foundation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the the profit or loss account.

v **Financial liabilities – initial recognition and subsequent measurement**

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost less directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classifications.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, borrowings, or as derivatives as hedging instruments in an effective hedge, as appropriate.

payables and interest-bearing loans.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

2.2.6 Financial instruments - Continued

Borrowings

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the Effective Interest Rate. The Effective Interest Rate amortisation is included in finance costs in the profit or loss.

Accounts and other payables

Accounts and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts and other payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities. Accounts and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

vi **Offsetting of financial instruments**

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

vii **Fair value measurement**

The Foundation measures financial instruments and non-financial assets such as quoted equities, at fair value at each year end. Also, fair values of financial instruments measured at amortised cost are disclosed in the notes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Foundation.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

2.2.6 Financial instruments - Continued

vii Fair value measurement - Continued

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Foundation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Foundation determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Foundation has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy as explained above.

2.2.7 Employment benefits

The Foundation operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Foundation by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

2.2.8 Taxation

For Nigeria tax purpose, the Tony Elumelu Foundation is classified as a not-for-profit, tax-exempt organisation.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Significant accounting judgements, estimates and assumptions - Continued

2.2.9 Inventory

Inventory is defined as assets held for sale in the ordinary course of business or in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

The Foundation's inventories primarily consist of books and publications. Inventories are initially recognized at cost, and subsequently measured at the lower of cost and net realizable value on a first-in-first-out basis. Cost comprises all costs of purchase and other directly attributable costs incurred in bringing the inventories to their present location and condition as intended by management.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.2.10 Available-for-sale reserve

Available-for-sale reserve comprises changes in fair value of available-for-sale investments.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Foundation's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments, estimates and assumptions

In the process of applying the Foundation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Foundation based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Foundation. Such changes are reflected in the assumptions when they occur.

Useful lives and carrying value of property and equipment, and intangible assets

The estimation of the useful lives of assets is based on management's judgment. The useful lives are determined based on the expected period over which the asset will be used and benefits received by the Foundation from the use of the asset. Residual values are determined by obtaining observable market prices for the asset with the same age that the asset would be at the end of its useful life. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Significant accounting judgements, estimates and assumptions - Continued

Determination of impairment of property and equipment, and intangible assets

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Foundation applies the impairment assessment to its separate cash generating units. This requires management to make significant judgments and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgment is also required when assessing whether a previously recognised impairment loss should be reversed.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Foundation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Impairment of AFS

In determination of what constitutes a significant or prolonged decline in fair value of an AFS, the Foundation considers decline in fair value of AFS above 20% as significant and decline over a period of more than 6 months as prolonged.

AFS for which fair value cannot be determined

Financial instruments are classified as AFS for which fair value cannot be determined when the instrument is not quoted on an active market and there are no identical instruments in an active market. The entity considers whether the range of reasonable fair value measurements is significant and also considers whether or not the probabilities of the various estimates can be reasonably assessed.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

4.1 Standards and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Foundation's financial statements are disclosed below. The Foundation intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

(a) Classification and measurement

The Foundation does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently in accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Foundation expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Foundation expects to apply the option to present fair value changes in OCI, and, therefore, it believes the application of IFRS 9 would not have a significant impact. If the Foundation were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Foundation expects that these will continue to be measured at amortised cost under IFRS 9. However, the Foundation will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

4.1 Standards and interpretations issued but not yet effective - Continued

(b) Impairment

IFRS 9 requires the Foundation to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Foundation expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Foundation expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Foundation plans to adopt the new standard on the required effective date using the full retrospective method. During 2017, the Foundation performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis.

(a) Rendering of services

Contracts with customers in which equipment sale is the only performance obligation are not expected to have any impact on the Foundation. The Foundation expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The standard is not expected to have any impact on the Foundation.

IFRS 16 Leases

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exceptions) in a similar way finance leases under IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The new standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less). Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events. Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach. The is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. This standard is expected to have impact on the Foundation.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

4.1 Standards and interpretations issued but not yet effective - Continued

IFRS 16 Leases - Continued

Impact

The Foundation currently has rent prepaid over their respective contract period. If this standard becomes effective, the lease expense recognition pattern for lessees will generally be accelerated as compared to today.

Key balance sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), could be impacted. Also, the cash flow statement for lessees could be affected as payments for the principal portion of the lease liability will be presented within financing activities.

IAS 7 Statement of Cash Flows Amendment Reconciliation of components of financing activities

The objective of this project is to identify the information requirements of users regarding the reporting of debt. An ED proposing amendments to IAS 7 Statement of Cash Flows was issued in December 2014.

The ED includes a proposal to require a reconciliation of the amounts in the opening and closing statements of financial position for each item classified as financing in the statement of cash flows. It also includes a proposal to require extended disclosures about the restrictions on cash and cash equivalent balances to provide the users with additional information about the entity's liquidity.

At the October 2015 meeting, the IASB decided not to include extended disclosures on cash and cash equivalents in the amendments to IAS 7 and to finalise the reconciliation requirements as a stand-alone amendment to IAS 7. The IASB tentatively decided that the effective date would be for annual periods beginning on or after 1 January 2017 and that entities are not required to restate comparative information for any preceding annual periods. The amendment is not expected to have any impact on the Foundation.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12)

The IASB proposed amendments to IAS 12 to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value

- In redeliberations, the IASB decided to amend IAS 12, as follows:
- To revise the requirements relating to recovery of an asset for more than its carrying amount in a way that enhances understanding and reduces the risk of an arbitrary estimate of probable future taxable profit
- To clarify that taxable profit excluding tax deductions used for assessing the utilisation of deductible temporary differences is different from taxable profit on which income taxes are payable



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

4.2 ADOPTION OF NEW AND REVISED STANDARDS

(i) New and amended standards adopted by the Foundation

Below are the IFRSs and IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2017 that would have an impact on the Foundation.

Amendments to IAS 7 Statement of Cash Flows - effective on or after 1 January 2017

The intention is to improve disclosures of financing activities and help users better understand changes in an entity's liquidity positions.

Under the new requirements, entities will need to disclose changes in their financial liabilities arising from financing activities, including both changes arising from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements).

The Foundation has provided the information for both the current and the comparative period.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses - effective on or after 1 January 2017

The IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes.

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. However, their application has no effect on the Bank's financial position and performance as the Foundation has elected not to recognise deferred tax assets, more information is provided in note 19.

New standards and interpretations not yet effective

The following new or revised standards and amendments which have a potential impact on the Foundation are not yet effective for the year ended 31 December 2017 and have not been applied in preparing these Financial Statements.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

Summary of significant accounting policies - continued

IFRS 15 - Revenue from contracts with customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual years beginning on or after 1 January 2018. Early adoption is permitted. The Foundation expects to apply IFRS 15 using the modified retrospective application. During the year 2017, the Foundation performed a preliminary assessment of IFRS 15.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The Foundation has assessed the impact of the standard and come to a conclusion that it will have minimal impact on the result of the Foundation.

IFRS 16 Leases - effective on or after 1 January 2019

The International Accounting Standards Board (IASB or Board) issued IFRS 16 Leases on 13 January 2016. The new standard requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases.

The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17.

Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. The Foundation does not anticipate early adopting IFRS 16 and is currently evaluating its impact.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

4.2 New standards and interpretations not yet effective- Continued

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration - effective on or after 1 January 2018

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Foundation will apply amendments when they become effective. However, since Foundation's current practice is in line with the clarifications issued, the Foundation does not expect any effect on its financial statements.

Entities are required to apply these amendments retrospectively. Entities can choose to apply the standard using either a full retrospective approach or a modified retrospective approach, with some limited relief provided under either approach.

This new standard is not expected to have a significant impact on the Foundation.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions - effective on or after 1 January 2018

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions - effective on or after 1 January 2018

The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

These improvements are effective for annual periods beginning on or after 1 January 2017. They include:

4.2 Standards or Interpretations that became effective in the current period- Continued

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements. These amendments are not expected to have any impact on the Foundation.

IAS 19 Employee Benefits: Discount rate; regional market issue

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively. This amendment is not relevant to the Foundation.

IAS 34 Interim Financial Reporting: Disclosure of information elsewhere in the interim financial reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Foundation.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Foundation.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

4.2 Standards or Interpretations that became effective in the current period:

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Foundation.

Annual Improvements 2014-2016 Cycle

These improvements were issued on 8 December 2016 and amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. The improvements amended the following standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards

The short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted, because they have now served their intended purpose. This amendment is not applicable to the Foundation.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 2- Classification and Measurement of Share-based Payment Transactions

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

IAS 28 Investments in Associates and Joint Ventures

IFRS 12 Disclosure of Interests in Other Entities



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

4.2 Standards or Interpretations that became effective in the current period:

IAS 16 Property and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. These amendments are not expected to have any impact on the Foundation.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The related party transactions have been adequately disclosed in these financial statements.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Foundation. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

Joint arrangements, not just joint ventures, are outside the scope of

IFRS 3

This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

These amendments are not expected to have any impact on the Foundation.

IFRS 13 Fair Value Measurement

There are no other issued but not yet effective standards which are applicable to the entity as at 31 December 2017



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

| | 2017 N'000 | 2016 N'000 |
|---|----------------|----------------|
| 5 Grant Income | | |
| Grant Income | 2,974,584 | 914,655 |
| 6 Finance income | | |
| Interest income on loans and receivables | 144 | 1,401 |
| Interest income on deposits | 2,142 | 374 |
| | <u>2,286</u> | <u>1,775</u> |
| 7 Other income | | |
| Exchange gain | 1,180 | - |
| Other income | 17,272 | - |
| Dividend income | 250,560 | 268,982 |
| Corporate Social Responsibility income | 187,918 | 153,179 |
| Donations | - | 6,694 |
| | <u>456,930</u> | <u>428,855</u> |
| 8 TEF Entrepreneurship Program Expenses (TEFEP Expenses) | | |
| TEFEP expenses | 2,288,198 | 974,835 |
| 9 Travel expenses | | |
| Travel expenses | 17,059 | 26,316 |
| 10 Event & publicity expenses | | |
| Event & publicity expenses | 183,849 | 11,380 |
| 11 Personnel expenses | | |
| Defined contribution expense | 5,748 | 7,450 |
| Salaries and allowances | 122,830 | 167,952 |
| | <u>128,578</u> | <u>175,402</u> |



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

| | 2017 N'000 | 2016 N'000 |
|--|----------------|---------------|
| 12 Professional and consulting expenses | | |
| Legal expenses | 3 | 908 |
| Professional expenses | 3,168 | - |
| Consulting expenses | 1,797 | 12,569 |
| | <u>4,968</u> | <u>13,477</u> |
| 13 Other operating expenses | | |
| Sponsorship expenses | 82,551 | 19,253 |
| Repairs & maintenance | 859 | 569 |
| Entertainment expenses | 858 | 81 |
| Stationery expenses | - | 321 |
| Logistics | 1,708 | - |
| Other administrative expenses | 36,090 | 542 |
| Subscriptions | 14,003 | 5,797 |
| Insurance expenses | 638 | 287 |
| General office expenses | 67,188 | 158 |
| Diesel and fuel expenses | 2,237 | - |
| Advertising expenses | 284,913 | - |
| Regulatory & levy expenses | 667 | 23,696 |
| Rents and rates | 8 | 3 |
| | <u>491,720</u> | <u>50,707</u> |
| 14 Finance and other charges | | |
| Exchange loss | - | - |
| Bank charges | 13,396 | 501 |
| | <u>13,396</u> | <u>501</u> |



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

15 Property and equipment

| | Motor vehicle | Property & equipment | Computer equipment | Total |
|---------------------------|---------------|----------------------|--------------------|--------|
| | N'000 | N'000 | N'000 | N'000 |
| Cost: | | | | |
| As at 1 January 2016 | 21,295 | 1,001 | 5,443 | 27,739 |
| Additions | - | - | 496 | 496 |
| As at 31 December 2016 | 21,295 | 1,001 | 5,939 | 28,235 |
| Additions | - | - | 1,171 | 1,171 |
| As at 31 December 2017 | 21,295 | 1,001 | 7,110 | 29,406 |
| Accumulated depreciation: | | | | |
| As at 1 January 2016 | 12,182 | 565 | 3,140 | 15,887 |
| Additions | 3,623 | 251 | 1,505 | 5,379 |
| As at 31 December 2016 | 15,805 | 816 | 4,645 | 21,266 |
| Additions | 2,782 | 85 | 1,249 | 4,116 |
| As at 31 December 2017 | 18,587 | 901 | 5,894 | 25,382 |
| Net Book Value: | | | | |
| As at 31 December 2016 | 5,490 | 185 | 1,294 | 6,969 |
| As at 31 December 2017 | 2,708 | 100 | 1,216 | 4,024 |

16 Intangible assets

| | |
|---------------------------|--------|
| Cost: | |
| As at 1 January 2016 | 13,735 |
| Additions | 8,256 |
| As at 31 December 2016 | 21,991 |
| Additions | 14,113 |
| As at 31 December 2017 | 36,104 |
| Accumulated amortisation: | |
| As at 1 January 2016 | 560 |
| Additions | 2,023 |
| As at 31 December 2016 | 2,583 |
| Additions | 4,035 |
| As at 31 December 2017 | 6,618 |
| Net Book Value: | |
| As at 31 December 2016 | 19,408 |
| As at 31 December 2017 | 29,486 |



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

| | 2017 N'000 | 2016 N'000 |
|---|------------------|------------------|
| 17 Available-for-sale financial assets | | |
| Unquoted equities (note 20.1): | | |
| Mtanga Farms Limited | 111,756 | 111,756 |
| Balance of unquoted equities | 111,756 | 111,756 |
| Quoted equities (note 20.2): | | |
| Afriland Properties Plc | 24,405 | 25,515 |
| Africa Prudential Registrars Plc | 72,021 | 52,053 |
| United Capital Plc | 180,736 | 139,776 |
| United Bank for Africa Plc | 4,638,375 | 2,026,474 |
| Balance of quoted equities | 4,915,537 | 2,243,818 |
| Balance of available-for-sale | 5,027,293 | 2,355,574 |
| Impairment loss | - | - |
| | 5,027,293 | 2,355,574 |

Mtanga Farms Ltd is still in its pre-operational stage and its fair value cannot be reliably measured. As such, the Foundation's investment in the Farms is carried at cost of investment. There are no indicators that the investments are impaired.

| | 2017 N'000 | 2016 N'000 |
|--|---------------|---------------|
| 17.1 Movement in unquoted equities: | | |
| Opening balance | 111,756 | 686,584 |
| Additions | - | - |
| Write off | - | (574,828) |
| | 111,756 | 111,756 |
| 17.2 Movement in quoted securities: | | |
| Opening balance | 2,243,818 | 1,651,472 |
| Additions | - | - |
| Valuation gains/(losses) | 2,671,719 | 592,346 |
| | 4,915,537 | 2,243,818 |
| 18 Loans and receivables | | |
| Staff loans | 2,563 | 4,684 |
| Account and other receivables | 16,539 | 16,000 |
| Receivables from related parties | 33,913 | 69,890 |
| | 53,015 | 90,574 |
| Impairment on NCCN | (16,000) | (16,000) |
| | 37,015 | 74,574 |



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

| | 2017 N'000 | 2016 N'000 |
|--------------------------------------|---------------|----------------|
| 19 Prepayments | | |
| Prepaid insurance | 310 | 632 |
| Prepaid subscription | 15,042 | 589 |
| Prepaid others | 13,013 | - |
| | <u>28,365</u> | <u>1,221</u> |
| 20 Cash and cash equivalent | | |
| Cash | 1,565 | 1,713 |
| Cash in bank | 28,247 | 127,578 |
| Call deposits | - | 403 |
| | <u>29,812</u> | <u>129,694</u> |
| 21 Account and other payables | | |
| Account payable | | 3,291 |
| Withholding tax payable | 2,013 | 1,646 |
| PAYE | 2,028 | 2,028 |
| Employee benefit payable | 3,228 | 7,761 |
| Other payables | 80,504 | 13,789 |
| Payable to related parties | - | 460,304 |
| | <u>87,773</u> | <u>488,819</u> |

22 Equity

22.1 Accumulated surplus

Accumulated surplus warehouses the surplus or deficit reported in previous reporting years and current year's statement of comprehensive income.

22.2 Available for sale reserve

The available-for-sale reserve warehouses the fair value changes on quoted equities measured at fair value with fair value changes recognised through other comprehensive income at the end of each reporting date.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

| 22.3 Movement in the items of other comprehensive income | 2017 | 2016 |
|---|------------------|----------------|
| | N'000 | N'000 |
| Opening balance | 782,034 | 189,688 |
| Gain/(loss) arising from remeasurement of available-for-sale | 2,671,719 | 592,346 |
| | <u>3,453,754</u> | <u>782,034</u> |

23 Fair value of financial instruments

The Financial instruments held by the Foundation comprises cash and cash equivalents, available-for-sale financial assets, loans and receivables and borrowings.

The following financial instruments were measured at amortised cost; Cash and cash equivalents, loans and receivables and borrowings.

The carrying value of the Foundations financial instruments measured at amortised cost approximates their fair value as at the reporting date.

24 Financial risk management

The Tony Elumelu Foundation's activities and holding of financial instruments expose it to financial risk namely, market risk, credit risk and liquidity risk. This note describes the Foundation's objectives, policies and processes for managing those risks.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

25 Related party disclosures

The relationship between the Foundation and its related parties are disclosed below, irrespective of whether there were transactions between them during the reporting year or not.

| Name of Company | Relationship |
|--|----------------|
| Transnational Corporation of Nigeria Plc. | Common control |
| Tenoil Petroleum & Energy Services Limited | Common control |
| Heirs Insurance Brokers Limited | Common control |
| AVON Healthcare Services Limited | Common control |
| Africa Prudential Registrars Plc | Common control |
| United Capital Plc | Common control |
| Afriland Properties Plc | Common control |
| Heirs Holdings Limited | Common control |
| AVON Medical Services Limited | Common control |
| Heirs Alliance Limited | Common control |
| HH Capital Limited | Common control |
| African Exchange Holdings Limited | Common control |

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

| | 2017 N'000 | 2016 N'000 |
|--|---------------|---------------|
| Payable to related parties | | |
| Tenoil Petroleum & Energy Services Limited | - | 310,304 |
| HH Capital Limited | - | 150,000 |

Payables to related parties are without tenor and no asset have been pledged. The Foundation's obligation to its related party could be met by transfer of cash and cash equivalent.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

| | 2017 N'000 | 2016 N'000 |
|---|---------------|---------------|
| Receivables from related parties: | | |
| Heirs Alliance Limited | - | 156,928 |
| African Exchange Commodities Market Limited | 33,913 | 33,913 |
| African Skills Development Limited | - | 85 |

Emolument of Trustees:

None of the Trustees received any emoluments during the year.

26 Contingent liabilities, commitments and operating lease arrangements

There were no known contingent liabilities and capital commitments as at 31 December 2017 (31 December 2016: nil).

27 Events after the reporting date

No significant events have occurred after the balance sheet date which have a material effect on the financial statements, or the omission of which will make the financial statements misleading as to the financial position of the Foundation.



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

28 Financial risk management - Continued

28.1 Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The foundation is exposed to the following market risk; foreign currency risk and equity price risk.

28.1.1 Equity price risk

The Foundation's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The movement in listed equity is reflected immediately in the carrying amount of the investment at every reporting date. The Foundation's Trustees reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity securities at fair value is N2,128,304,000 (31 December 2016: N1,631,675,000). A decrease of 10% on the Nigerian Stock Exchange (NSE) market index could have an impact of approximately N212,830,400 (31 December 2016: N163,167,500) on the income or equity attributable to the Foundation, depending on whether the decline is significant or prolonged.

Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, to the Foundation's income statements and equity

| | Plus 5 Basic Points | Plus 10 Basic Points | Minus 5 Basic Points | Minus 10 Basic Points |
|---|--|----------------------------|----------------------------|-----------------------------|
| | Sensitivity of profit or loss & equity | | | |
| | N'000 | N'000 | N'000 | N'000 |
| As at 31 December 2017 Rate sensitive assets | | | | |
| Loans and receivables | 114 | 229 | (114) | (229) |
| As at 31 December 2016 Rate sensitive assets | | | | |
| Bank placements and trade and other receivables | 89 | 178 | (89) | (178) |

28.1.2 Foreign currency risk

The Foundation's exposure to the risk of changes in foreign exchange rates relates primarily to its operating activities (when Trustees' contributions, grants and bank deposits are denominated in a different currency from the Foundation's functional currency). The Foundation manages its foreign currency risk through carrying out sensitivity analysis, forecasting its foreign exchange positions and taking appropriate positions. The effect of any foreign currency risk exposure is recognised in the profit or loss.

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2017 and 31 December 2016. Included in the table are the Company's financial instruments at carrying amounts, categorised by currency.

| | NAIRA N'000 | GBP N'000 | USD N'000 | EURO N'000 | TOTAL N'000 |
|--|----------------|--------------|--------------|---------------|----------------|
| As at 31 December 2017 | | | | | |
| Cash and cash equivalents | 12,079 | 133 | 16,150 | 1,450 | 29,812 |
| Loans and receivables | 320,506 | - | - | - | 320,506 |
| Prepayments | 28,364 | - | - | - | 28,364 |
| Available for-sale-financial assets | 4,915,537 | - | - | - | 4,915,537 |
| | 5,292,486 | 133 | 16,150 | 1,450 | 5,310,219 |
| Account and other payables | 87,773 | - | - | - | 87,773 |
| Borrowings | - | - | - | - | - |
| | 87,773 | - | - | - | 87,773 |
| Net open currency position | 5,204,713 | 133 | 16,150 | 1,450 | 5,222,446 |
| As at 31 December 2016 | | | | | |
| Cash and cash equivalents | 19,357 | 76 | 109,501 | 760 | 129,694 |
| Trade and other receivables | 36,853,037 | - | - | - | 37,706,394 |
| Prepayments and other assets | 210,682 | - | - | - | 210,682 |
| Financial investments - available for sale | 6,941,826 | - | 762,175 | - | 7,703,991 |
| | 44,024,902 | 76 | 871,676 | 760 | 45,797,314 |
| Account and other payables | 488,818 | - | - | - | 488,818 |
| | 488,818 | - | - | - | 488,818 |
| Net open currency position | 43,536,084 | 76 | 871,676 | 760 | 44,806,596 |



28 Financial risk management - Continued

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, Pound sterling & EURO exchange rates, with all other variables held constant. The impact on the Foundation's Comprehensive income is due to changes in the fair value of monetary assets and liabilities.

| | % | Effect in Comprehensive Income Strengthening | Effect in Comprehensive Income Weakening |
|-------------------------|---|---|---|
| 31 December 2017 | | | |
| Euro | 5 | 73 | (73) |
| USD | 5 | 808 | (808) |
| Pounds | 5 | 4 | (4) |
| 31 December 2016 | | | |
| Euro | 5 | 38 | (38) |
| USD | 5 | 43,584 | (43,584) |
| Pounds | 5 | 4 | (4) |

28.2 Credit risk

Credit risk arises from cash and cash equivalents, and short term deposits with banks and financial institutions, including outstanding receivables and committed transactions. The Foundation assesses the credit quality of counter parties, taking into account their financial position, past experience and other factors. Staff loans are secured by employee salaries and deductions are made at source. The utilisation of credit limits is regularly monitored to ensure debts are easily collected.

Cash is held either on current or on short-term deposits at floating rates of interest. Part of the cash at bank is held in Euros, Pounds sterling and US dollar accounts.

Credit risk from balances with banks and financial institutions is managed by the Foundation's Treasury Unit in accordance with the Foundation's risk management policy.

The table below shows the Foundation maximum exposure to credit risk

| | 2017 N'000 | 2016 N'000 |
|---------------------------|---------------|---------------|
| Loans and receivables | 37,015 | 74,574 |
| Cash and cash equivalents | 29,812 | 129,694 |

28.3 Liquidity risk

The Tony Elumelu Foundation manages its working capital to ensure sufficient cash resources are maintained to meet short-term liabilities. To manage this risk, management has adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity using maturity profile analysis.

The table below summarizes the maturity profile of the Foundation's financial assets and liabilities based on contractual undiscounted payments.

| | On demand N'000 | 1-3 months N'000 | 3-12 months N'000 | No maturity N'000 | Total N'000 |
|-------------------------------------|--------------------|---------------------|----------------------|----------------------|----------------|
| 31 December 2017 | | | | | |
| Financial assets | | | | | |
| Available for-sale-financial assets | - | - | - | 5,027,293 | 5,027,293 |
| Loans and receivables | 252 | - | 4,901 | 31,862 | 37,015 |
| Cash and cash equivalents | 29,812 | - | - | - | 29,812 |
| | 30,064 | - | 4,901 | 5,059,155 | 5,094,120 |
| Financial liabilities | | | | | |
| Account and other payables | 3,079 | - | 84,694 | - | 87,773 |
| | 3,079 | - | 84,694 | - | 87,773 |
| Total liquidity gap | 26,985 | - | (79,793) | 5,059,155 | 5,006,347 |



NOTES TO THE FINANCIAL STATEMENTS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

28 Financial risk management - Continued

28.3 Liquidity risk - Continued

| | On demand N'000 | 1-3 months N'000 | 3-12 months N'000 | No maturity N'000 | Total N'000 |
|-------------------------------------|--------------------|---------------------|----------------------|----------------------|------------------|
| 31 December 2016 | | | | | |
| Financial assets | | | | | |
| Available for-sale-financial assets | - | - | - | 1,763,228 | 1,763,228 |
| Loans and receivables | 363 | - | 7,077 | 46,004 | 53,444 |
| Cash and cash equivalents | 45,325 | - | - | - | 45,325 |
| | <u>58,937</u> | <u>-</u> | <u>7,077</u> | <u>2,392,529</u> | <u>1,861,997</u> |
| Financial liabilities | | | | | |
| Borrowings | - | - | - | - | - |
| Account and other payables | 16,553 | - | 455,306 | - | 471,859 |
| | <u>16,553</u> | <u>-</u> | <u>455,306</u> | <u>-</u> | <u>471,859</u> |
| Total liquidity gap | <u>42,384</u> | <u>-</u> | <u>(448,229)</u> | <u>2,392,529</u> | <u>1,390,138</u> |

The Foundation also has a contingency funding plan, which would be activated in the event of sudden liquidity pressure.

30 Capital Management

The Tony Elumelu Foundation has N95 million in liquid funds (31 December 2016: N95million) and N2.218billion in quoted equities (31 December 2016: N1.631billion). Investments in equities are all in mainstream products on active, regulated stock exchanges. The portfolio is valued at year-end using market prices. The remaining cash is held on deposit with banks or in short-term financial instruments to be available within periods of between one day and three months. The debt to equity ratio is shown below.

| | | |
|-------------------|-----------|-----------|
| | 2017 | 2016 |
| Debt | 87,773 | 488,819 |
| Equity | 5,068,222 | 2,098,621 |
| Debt/equity ratio | 0.02 | 0.23 |
| Target ratio | 0.33 | 0.33 |