NEWFUNDS COLLECTIVE INVESTMENT SCHEME
ILBI INDEX ETF PORTFOLIO

AUDITED ANNUAL FINANCIAL STATEMENTS
31 December 2018

Supervised by: Prepared under the supervision of Palesa Mkhize CA(SA)
Designation: Head of Financial Decision and Support, Corporate Investment Bank, Absa Bank Limited

Contents

REPORT OF THE TRUSTEE FOR THE NEWFUNDS COLLECTIVE INVESTMENT SCHEME IN SECURITIES

We, the Standard Bank of South Africa Limited, in our capacity as Trustee of the NewFunds Collective Investment Scheme in Securities ("the Scheme") have prepared a report in terms of Section 70(1)(f) of the Collective Investment Schemes Control Act, 45 of 2002, as amended ("the Act"), for the financial year ended 31 December 2018.

In support of our report we have adopted certain processes and procedures that allow us to form a reasonable conclusion on whether the Manager has administered the Scheme in accordance with the Act and the Scheme Deed.

As Trustees of the Scheme we are also obliged to in terms of Section 70(3) of the Act to satisfy ourselves that every statement of comprehensive income, statement of financial position or other return prepared by the Manager of the Scheme as required by Section 90 of the Act fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme.

The Manager is responsible for maintaining the accounting records and preparing the annual financial statements of the Scheme in conformity with International Financial Reporting Standards. This responsibility also includes appointing an external auditor to the Scheme to ensure that the financial statements are properly drawn up so as to fairly represent the financial position of every portfolio of its collective investment scheme are in accordance with International Financial Reporting Standards and in the manner required by the Act.

Our enquiry into the administration of the Scheme by the Manager does not cover a review of the annual financial statements and hence we do not provide an opinion thereon.

Based on our records, internal processes and procedures we report that nothing has come to our attention that causes us to believe that the accompanying financial statements do not fairly represent the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the Manager.

We confirm that according to the records available to us, no losses were suffered in the portfolios and no investor was prejudiced as a result thereof.

We conclude our report by stating that we reasonably believe that the Manager has administered the Scheme in accordance with:

(i) the limitations imposed on the investment and borrowing powers of the manager by this Act; and

(ii) the provisions of this Act and the deed;

Melinda Mostert

Standard Bank of South Africa Limited

Seggie Moodley

Standard Bank of South Africa Limited

20 March 2019

DIRECTORS' RESPONSIBILITIES AND APPROVAL

for the year ended 31 December 2018

The directors (who are also directors of NewFunds (RF) Proprietary Limited) are responsible for overseeing the preparation, integrity and objectivity of the financial statements that fairly present the state of the affairs of the Scheme at the end of the reporting period and the net income and cash flows for the reporting period, and other information contained in this report.

Each Scheme's annual financial statements comprise the statement of financial position at the reporting date, the statement of comprehensive income, changes in net assets attributable to investors, cash flows for the year then ended and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in the manner required by The Collective Investment Scheme Control Act of South Africa of 2002, International Financial Reporting Standards and the Trust Deed.

To enable the directors to meet these responsibilities:

- All directors will endeavour to maintain the highest ethical standards in ensuring the Scheme's business is conducted in a manner that in all reasonable circumstances is above reproach;
- The directors set standards and management implements systems of internal control and accounting and information systems aimed at providing reasonable assurance that both on and off statement of financial position assets are safeguarded and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties;
- The directors and management identify all key areas of risk across the Scheme and endeavour to mitigate or minimise these risks by ensuring that appropriate infrastructure, controls, systems and discipline are applied and managed within predetermined procedures and constraints;
- The internal audit function outsourced to Absa Group Limited Internal Audit, which operates unimpeded and independently from operational management, appraises, evaluates and, when necessary, recommends improvements to the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business; and
- The internal auditors play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

To the best of their knowledge and belief, based on the above, the Directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

The Scheme consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis. The annual financial statements of the Scheme have been prepared in accordance with the provisions of the Collective Investment Scheme Control Act of 2002 and the Trust Deed and comply with International Financial Reporting Standards (IFRS) and all applicable legislation.

The directors have no reason to believe that the Scheme will not be a going concern in the reporting period ahead, based on forecasts and available cash resources. These financial statements have accordingly been prepared on this basis.

It is the responsibility of the independent auditors to report on the annual financial statements. Their report to the investors is set out on pages 3 to 5.

The annual financial statements set out on pages 8 to 35 were approved by the directors on 20 March 2019 and were signed on its behalf by:

AB La Grange	CHM Edwards

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INDEPENDENT AUDITOR'S REPORT TO THE MANAGER AND HOLDERS OF SECURITIES IN THE NEWFUNDS ILBI INDEX ETF PORTFOLIO

Report on the Audit of Annual Financial Statements

Opinion

We have audited the financial statements of NewFunds Ilbi Index ETF Portfolio (the Portfolio) as set out on pages 8 to 35, which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of changes in net assets attributable to investors, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Portfolio as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Collective Investments Schemes Control Act of South Africa.

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 Portfolio in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), 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 Portfolio. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA code and in accordance with other ethical requirements applicable to performing the audit of the Portfolio. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Responsibilities and Approval, Trustees' Report and Directors' Report, which we obtained prior to the date of this report. Other information does not include the financial statements and our Auditor's 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Collective Investment Schemes Control Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Portfolio'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 directors either intend to liquidate the Portfolio or to cease operations, or has 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 auditor's 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 judgment and maintain professional scepticism throughout the audit. We also:

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

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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determined, in our professional judgement, there were no matters that were of most significance in our audit of the financial statements of the current period and consequently we can conclude that there are no key audit matters.

Report on other Legal and Regulatory Requirements

In terms of the IRBA Rule published in the Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of the Portfolio within NewFunds Collective Investment Scheme for 7 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director - Rohan Baboolal CA(SA)
Registered Auditor
20 March 2019
102 Rivonia Road
Sandton

Management company registration number	2005/034899/07
Country of incorporation and domicile	South Africa
Date of publication	26 March 2019
Nature of business and principle activities	NewFunds Collective Investment Scheme manages exchange traded fund (ETF) portfolios. Its objective is to track the performance of specific indices on the stock market in each portfolio. The ILBI Index ETF portfolio ("the portfolio" or "ILBI") tracks the Barclays/ Absa South African Government Inflation-Linked Bond Index, a total return index comprising South African bonds issued by the South African government that are linked to the South Africa Consumer Price Index.

Directors

Name	Appointment date
CHM Edwards	24/03/2016
TJ Fearnhead	25/11/2013
AB La Grange	10/07/2006
DA Lorimer	01/12/2016
BM Mgwaba	15/10/2015
RMH Pitt	17/02/2017

Registered office	7th Floor Absa Towers West 15 Troye Street Johannesburg 2001
Trustees	Standard Bank of South Africa Limited
Bankers	Standard Bank of South Africa Limited
Auditors	Ernst & Young Inc. 102 Rivonia Road Sandton Johannesburg 2196
Supervised by	The Scheme is managed by NewFunds (RF) Proprietary Limited, a 100% owned subsidiary of Absa Bank Limited. The preparation of these annual financial statements therefore falls under the direct supervision of Absa Bank Limited, represented by Palesa Mkhize CA(SA), Head of Financial Decision Support. All references to 'Manager' and 'Management' relate to NewFunds (RF) Proprietary Limited.
Review of financial results	The financial results of the Portfolio are set out in the attached financial statements. The results do not, in the opinion of the directors, require further explanation.

Events after the reporting date	Events material to the understanding of these financial statements has occurred in the period between the financial year end and the date of this report. Events after the reporting date are disclosed in Note 17.
Going concern	The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.
Special resolutions	No special resolutions were passed during the period under review.

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - ILBI INDEX ETF PORTFOLIO
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 R	2017 R
Net (loss)/gain on financial assets and liabilities at fair value through profit and loss	6.1	**(1 891 606)**	421 116
		(1 891 606)	421 116
Revenue	3	**1 841 782**	2 310 419
Total Income		**(49 825)**	2 731 535
Management and administration expenses		**(223 999)**	(366 102)
(Decrease)/increase in net assets attributable to investors before distribution	4	**(273 824)**	2 365 433
(Decrease)/increase in net assets attributable to investors after distribution		**(273 824)**	2 365 433
Represented by:			
Income attributable to investors		**1 617 782**	1 944 317
Capital attributable to investors		**(1 891 606)**	421 116

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 R	2017 R
Assets			
Non-current assets			
Portfolio Investments	6	**59 356 164**	72 449 216
Total non-current assets		**59 356 164**	72 449 216
Current assets			
Trade receivables	7	**355 779**	506 908
Cash and cash equivalents	10	**234 711**	562 103
Total current assets		**590 490**	1 069 011
Total assets		**59 946 654**	73 518 227
Liabilities			
Current liabilities			
Trade and other payables	8	**17 503**	852
Net assets attributable to investors		**59 929 151**	73 517 375

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO INVESTORS

for the year ended 31 December 2018

	Capital attributable to investors R	Income attributable to investors R	Net assets attributable to investors R
Balance at 1 January 2017	167 132 887	16 286 348	183 419 235
Redemptions for the period	(112 267 293)	-	(112 267 293)
Increase in net assets attributable to investors	421 116	1 944 317	2 365 433
Balance at 31 December 2017	55 286 710	18 230 665	73 517 375
Balance at 1 January 2018	**55 286 710**	**18 230 665**	**73 517 375**
Redemptions for the period	**(13 314 400)**	**-**	**(13 314 400)**
(Decrease)/increase in net assets attributable to investors	**(1 891 606)**	**1 617 782**	**(273 824)**
Balance at 31 December 2018	**40 080 704**	**19 848 447**	**59 929 151**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Notes	2018 R	2017 R
Cash flows from operating activities			
Cash used in operations	9	**(207 349)**	(368 801)
Purchase of bonds due to rebalancing		**(3 628 876)**	(8 756 557)
Proceeds from sale of bonds due to rebalancing		**1 632 020**	5 882 175
Interest received		**11 778**	36 593
Coupon interest received		**1 981 132**	2 961 808
Net cash used in operating activities		**(211 295)**	(244 782)
Cash flows from financing activities			
Cash portion paid on redemption of ILBI Index Securities*		**(116 097)**	(729 907)
Net cash used in financing activities		**(116 097)**	(729 907)
Net (decrease)/increase in cash and cash equivalents		**(327 392)**	(974 689)
Cash and cash equivalents at the beginning of the year		**562 103**	1 536 792
Cash and cash equivalents at the end of the year	10	**234 711**	562 103

**Redemptions and creations are done in specie with the market maker. The settlement difference relates to the cash portion (paid)/received which is reflected above on the Statement of Cash Flows.*

1. STATEMENT OF COMPLIANCE

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (IFRIC) and the requirements of the Collective Investments Schemes Control Act of 2002, the Trust Deed, JSE Listing Requirements and the SAICA Financial Reporting Guides.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

During the current year, the Scheme has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2018. The adoption of these new and revised standards and interpretations has resulted in material changes to the Scheme's accounting policies. For details of the new and revised accounting policies refer to Note 19.

2.2 BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting, except for cash flow information Apart from certain items that are carried at fair value, as explained in the accounting policies below, the financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The financial statements are presented in South African Rands (R), the presentation and functional currency of the Scheme. All financial information is presented to the nearest Rand.

2.3 REVENUE RECOGNITION

Revenue comprises of interest income and coupon interest income.

Interest income on amortised cost financial instruments, are recognised in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to that instrument’s net carrying amount on initial recognition. Coupon interest recognised on investments measured at Fair Value through Profit and Loss is also presented as part of revenue.

The Scheme also presents as part of net interest income, albeit separate from effective interest income and effective interest expense, other interest income and other interest charges, which are not calculated on the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments (IFRS 9) has been adopted on 1 January 2018, and replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). As permitted under IFRS 9, NewFunds Collective Investment Scheme has elected not to restate comparative periods on the basis that it is not possible to do so without the application of hindsight. The comparative financial information for the 2017 reporting period has therefore been prepared under the framework for financial instrument accounting within IAS 39. The following section sets out the accounting policies that were applied in the 2017 reporting period (2017), together with those that are applied under IFRS 9 (2018). Significant changes have been made to certain accounting policies, owing to the revised classification and measurement framework for financial instruments, as well as changes in the impairment scope and methodology. Where there have been changes in accounting policies, those applied in 2017 have been clearly distinguished from the current reporting period.

2.4.1 INITIAL RECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (2017 and 2018)

Financial assets and liabilities are recognised when it becomes a party to the terms of the contract, which is the trade date. All financial instruments are measured initially at fair value plus/minus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, where transaction costs are expensed upfront.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of significant unobservable inputs, the difference between the model valuation and the initial transaction price ("Day One profit") is recognised in profit or loss either on a straight-line basis over the term of the transaction, or over the reporting period until all model inputs will become observable where appropriate, or released in full when previously unobservable inputs become observable.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (2018)

On initial recognition, financial assets are classified into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss

The classification and subsequent measurement of financial assets depends on:

- The business model within which the financial assets are managed; and
- The contractual cash flow characteristics of the asset (that is, whether the cash flows represent "solely payments of principal and interest").

Business model assessment:

The business model reflects how the NewFunds Collective Investment Scheme manages the financial assets in order to generate cash flows and returns. The NewFunds Collective Investment Scheme makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The factors considered in determining the business model include (i) how the financial assets' performance is evaluated and reported to management,

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (2018)

Business model assessment (continued)

(ii) how the risks within the portfolio are assessed and managed and (iii) the frequency, volume, timing for past sales, sales expectations in future periods, and the reasons for such sales. The NewFunds Collective Investment Scheme reclassifies debt instruments when, and only when, the business model for managing those assets changes. Such changes are highly unlikely and therefore expected to be very infrequent.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI):

In making the assessment of whether the contractual cash flows have SPPI characteristics, the NewFunds Collective Investment Scheme considers whether the cash flows are consistent with a basic lending arrangement. That is, the contractual cash flows recovered must represent solely the payment of principal and interest. Principal is the fair value of the financial asset on initial recognition. Interest typically includes only consideration for the time value of money and credit risk but may also include consideration for other basic lending risks and costs, such as liquidity risk and administrative costs, together with a profit margin. Where the contractual terms include exposure to risk or volatility that is inconsistent with a basic lending arrangement, the cash flows would not be considered to be SPPI and the assets would be mandatorily measured at fair value through profit or loss, as described below. In making the assessment, the NewFunds Collective Investment Scheme considers, inter alia, contingent events that would change the amount and timing of cash flows, prepayment and extension terms, leverage features, terms that limit the NewFunds Collective Investment Scheme's claim to cash flows from specified assets (e.g. non-recourse asset arrangements), and features that modify consideration of the time value of money (e.g. tenor mismatch). Contractual cash flows are assessed against the SPPI test in the currency in which the financial asset is denominated.

Debt Instruments:

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds. The NewFunds Collective Investment Scheme classifies its debt instruments as follows:

i. Amortised cost - Financial assets are classified within this measurement category if they are held within a portfolio whose primary objective is the collection of contractual cash flows, where the contractual cash flows on the instrument are SPPI, and that are not designated at fair value through profit or loss. These financial assets are subsequently measured at amortised cost where interest is recognised as Effective interest within Interest and similar income using the effective interest rate method. The carrying amount is adjusted by the cumulative expected credit losses recognised.

ii. Fair value through other comprehensive income - This classification applies to financial assets which meet the SPPI test, and are held within a portfolio whose objectives include both the collection of contractual cash flows and the selling of financial assets. These financial assets are subsequently measured at fair value with movements in the fair value recognised in other comprehensive income, with the exception of interest income, expected credit losses and foreign exchange gains and losses that are recognised within profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to “Gains and losses from banking and trading activities” in profit or loss. Interest income from these financial assets is included as “Effective interest” within “Interest and similar income” using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (2018) (continued)

Debt Instruments (continued)

iii. Fair value through profit or loss **-** Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are mandatorily measured at fair value through profit or loss. Gains and losses on these instruments are recognised in fair value adjustment in profit or loss. The NewFunds Collective Investment Scheme may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. These will be subsequently measured at fair value through profit or loss with gains and losses recognised as fair value adjustment in profit or loss.

Equity instruments

IFRS 9 (2018) provides that at initial recognition, an irrevocable election may be made to present subsequent changes in the fair value of an equity instrument in other comprehensive income, provided that the instrument is neither held for trading nor constitutes contingent consideration recognised in a business combination. Amounts recognised in other comprehensive income are not subsequently recognised in profit or loss. Dividends, when representing a return on investment, continue to be recognised in profit or loss when the Scheme’s right to receive payment is established. All equity instruments for which the designation at fair value through other comprehensive income has not been applied are required to be recognised at fair value through profit or loss. Gains and losses on equity instruments at fair value through profit or loss are recognised as “Net gain/(loss) on financial assets and liabilities at fair value through profit and loss” in the statement of comprehensive income. Refer to note 18.

Financial Liabilities

Financial liabilities arising from the securities issued by the Portfolio are measured at fair value representing the investor's right to an interest in the Portfolio's net assets, i.e. the Net Asset Value ("NAV") of the Portfolio. Changes in the fair value are included in profit or loss in the period in which the change arises and these financial liabilities are designated at fair value through profit or loss. Gains and losses on financial liabilities are presented in OCI to the extent that they relate to changes in own credit risk. For the current period there were no significant changes in own credit risk.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (2017)

Financial assets are classified as financial assets at fair value through profit or loss or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (2017)

A financial instrument other than one that is held for trading may be designated as at fair value through profit and loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial instrument forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy, taking into consideration the relationship of assets to liabilities in a way that mitigates market risk; or

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (2018) (continued)

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (2017)(continued)

· it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit and loss.

Financial instruments at fair value through profit and loss are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost except for liabilities designated at fair value which are held at fair value through profit and loss. Amortised cost is the initial fair value (which is normally the amount borrowed) adjusted for premiums, discounts, repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the liability.

Creation and redemption (2017 and 2018)

Creation and redemption are recorded on trade date using historic cost being the previous day closing index price.

Rebalancing (2017 and 2018)

Fund rebalancing activities are undertaken periodically to ensure proper tracking of performance of the Benchmark Index and to keep adequate cash balance. It is recorded on trade date using historic cost being the previous day closing index price.

Net assets attributable to investors (redeemable securities) (2017 and 2018)

All redeemable securities provided by the portfolios provide investors with the right to request redemption for cash or in specie at the value proportionate to each investor’s share. The securities are redeemable at any time at the option of the security holder and are therefore classified as financial liabilities. These are measured at the redemption amounts.

FAIR VALUE (2017 and 2018)

The listed underlying investments are carried at fair value through profit or loss (2017).

The fair value of a financial instrument 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS (2018) (continued)

DERECOGNITION OF FINANCIAL INSTRUMENTS (2017 & 2018)

Derecognition of financial assets

Full derecognition only occurs when the rights to receive cash flows from the asset have been discharged, cancelled or have expired, or the Scheme transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition 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. Where the terms of an existing liability are not substantially modified, the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.4.2 OFFSETTING

In accordance with IAS 32 Financial Instruments: Presentation, the Scheme reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a current legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.5 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash comprises cash on hand and demand deposits and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

2.6 SEGMENT REPORTING

The portfolio trades under the umbrella of the NewFunds Collective Investment Scheme ("CIS") as separate exchange traded fund. The fund is separately listed and trades on the JSE. Thus each of the separate portfolios fall within the scope of IFRS 8: Operating Segments. This fund has a narrowly defined mandate and operates a single line of business. Therefore the fund as a whole is considered to be one operating segment.

2.7 DISTRIBUTIONS

The portfolio tracks a total return index and therefore all distributions from the constituents are not paid to investors but are reinvested through the additional constituent securities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 TAXATION

Income is taxed in the hands of the investor if the portfolio distributes within 12 months of having received income, failing which income will be deemed to be received by, and accrued to the portfolio and will be taxed in its hands. Capital gains and losses are ultimately taxed in the investor's hands on disposal of their participatory interest.

The portfolio has distributed income within 12 months of receiving it within the current and prior year. Therefore, no income tax has been provided for in the portfolio in the current and prior year.

	2018 R	2017 R

3. REVENUE

	2018 R	2017 R
Effective Interest Income	**11 292**	35 985
Coupon interest income	**1 830 490**	2 274 433
	1 841 782	2 310 419

4. INCREASE/ (DECREASE) IN NET ASSETS ATTRIBUTABLE TO INVESTORS BEFORE DISTRIBUTION

Included in net assets attributable to investors before distribution are the following significant transactions:

	2018 R	2017 R
Management fee	**(221 605)**	(337 264)
Transaction fee	**(682)**	(18 333)
Trustee fees*	**852**	(9 396)

*In the current financial period, NewFund (RF) Proprietary Limited paid the Trustee fees on behalf of the scheme. The Trustee fees was over accrued for in the prior year.

5. TOTAL EXPENSE RATIO

Increased customer demand for greater transparency in financial services and the recognition thereof by the collective investment industry requires Collective Investment Scheme managers to calculate and publish a Total Expense Ratio (TER) for each portfolio under management. This is a requirement in terms of the Association of Collective Investment Scheme (ACI) standard on the calculation and publication of TER.

The ACI Guidelines on the TERs require that a fund must be in existence for more than 6 months before expense ratios can be calculated and published.

The total expense ratio by definition as expressed in the ACI standards is a measure of the portfolio's assets that were relinquished as payment for services rendered in the management of the portfolio. This is expressed as a percentage of the fraction; total expenses paid for by a portfolio for the previous 12 months divided by the daily average net asset value for the previous 12 months.

	2018 %	2017 %
ILBI Index Securities	**0.37**	0.32

6. PORTFOLIO INVESTMENTS

These financial assets are mandatorily measured at fair value through profit and loss (2018) and designated at fair value through profit and loss (2017).

In 2017, the Scheme designated all debt investments at fair value through profit and loss upon initial recognition as it manages these securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities are on a fair value basis.

	2018	**2017**
	R	**R**

6.1 RECONCILIATION OF THE FAIR VALUE OF INVESTMENTS

Balance at 1 January	**72 449 216**	180 691 105
Fair value adjustments	**(1 891 606)**	421 116
Redemptions during the year	**(13 198 303)**	(111 537 385)
Rebalancing effect	**1 996 857**	2 874 380
Balance at 31 December	**59 356 164**	72 449 216

6.2 RECONCILIATION OF THE NUMBER OF UNITS

Balance at 1 January	**1 100 000**	2 800 000
Redemptions during the year	**(200 000)**	(1 700 000)
Balance at 31 December	**900 000**	1 100 000

6.3 PARTICIPATION INTEREST

The Scheme is the primary issuer of participatory interests for the NewFunds CIS ETFs. The Scheme is obliged to sell and repurchase one or more basket(s) of participatory interests requested or offered from or to it by investors. There is a provision that the funds can never be obliged to deliver part of a basket. As participatory interests are listed on the JSE, typically, investors can buy or sell partial baskets of their participatory interests on the secondary market (and may contact either of the participating brokers or the market maker in this regard) on the JSE.

Partial baskets are traded on the secondary market as ILBI Index securities (NFILBI) on the JSE.

The net asset value per ILBI Index Security, after attributable amounts, at 31 December 2018 was R66.59 (31 December 2017: R66.84).

6. PORTFOLIO INVESTMENTS (continued)

6.4 ILBI INDEX BASKET CONSTITUENTS

	No. of Bonds	Cost R	Current Price Cents	Market Value R	% of the Fund
2018					
3-7 Years					
I2025 2% 310125	**4 289 197**	**5 252 337**	**131.55**	**5 642 486**	**9.51**
R212 2.75% 310122	**3 535 905**	**4 870 220**	**154.87**	**5 476 062**	**9.23**
R197 5.50% 071223	**3 809 482**	**10 883 967**	**295.96**	**11 274 689**	**18.99**
7-12 Years					
R210 2.60% 310328	**3 328 697**	**5 855 723**	**183.18**	**6 097 393**	**10.27**
I2029 1.875% 310329	**1 964 000**	**1 956 580**	**98.99**	**1 944 084**	**3.28**
12+ Years					
I2033 1.8750% 280233	**2 669 879**	**2 765 901**	**100.62**	**2 686 355**	**4.53**
I2038 2.25% 310138	**4 224 498**	**5 300 767**	**119.51**	**5 048 616**	**8.51**
I2046 2.5% 310346	**4 122 823**	**5 205 684**	**112.61**	**4 642 807**	**7.82**
I2050 2.5% 311250	**5 791 728**	**7 732 249**	**117.18**	**6 786 491**	**11.43**
R202 3.45% 071233	**4 269 547**	**9 892 101**	**228.53**	**9 757 180**	**16.44**
		59 715 529		**59 356 164**	**100.00**
2017					
3-7 Years					
R212 2.75% 310122	4 363 905	5 993 626	150.61	6 572 266	9.07
R197 5.50% 071223	4 720 482	13 477 551	295.41	13 944 613	19.25
7-12 Years					
I2025 2% 310125	4 999 197	6 094 573	129.43	6 470 478	8.93
R210 2.60% 310328	4 264 697	7 502 300	184.74	7 878 599	10.87
I2029 1.875% 310329	1 679 000	1 668 150	99.85	1 676 546	2.31
12+ Years					
I2033 1.875% 280233	2 733 879	2 836 754	104.27	2 850 594	3.93
R202 3.45% 071233	5 387 547	12 481 730	238.26	12 836 391	17.72
I2038 2.25% 310138	4 712 498	5 922 371	127.26	5 997 294	8.28
I2046 2.5% 310346	4 883 823	6 192 755	123.80	6 046 189	8.35
I2050 2.5% 311250	6 242 728	8 400 781	130.97	8 176 246	11.29
		70 570 591		**72 449 216**	**100.00**

	2018 R	2017 R

7. TRADE RECEIVABLES

Other interest receivable	**193**	679
Coupon interest income receivable	**355 586**	506 228
	355 779	506 908

8. TRADE AND OTHER PAYABLES

Management Fees	**17 503**	-
Trustees fees	**-**	852
	17 503	852

9. CASH USED IN OPERATIONS

Net (decrease)/increase in net assets attributable to investors after distributions	**(273 824)**	2 365 433
Adjustments for:		
Interest income	**(11 292)**	(35 985)
Fair value gains/(losses)	**1 891 606**	(421 116)
Coupon interest income	**(1 830 490)**	(2 274 433)
Cash used in operations before working capital changes	**(224 000)**	(366 101)
Changes in working capital		
Increase/(decrease) in trade and other payables	**16 651**	(2 700)
Total changes in working capital	**16 651**	(2 700)
Cash used in operations	**(207 349)**	(368 801)

10. CASH AND CASH EQUIVALENTS

Current account	**234 711**	562 103

11. RISK MANAGEMENT

11.1 CAPITAL RISK MANAGEMENT

The Scheme monitors capital on the basis of the value of net assets attributable to investors. The Scheme's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Scheme may adjust the amount of distributions paid to investors. There are no externally imposed capital requirements on the Scheme.

11.2 FINANCIAL RISK MANAGEMENT

The Scheme's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Scheme's risk management are to identify all key risks for the Scheme, measure these risks, manage the risk positions and determine capital allocations. The Scheme regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Scheme's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Scheme's financial performance. The Scheme defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The risks arising from financial instruments to which the Scheme is exposed are financial risks, which include credit risk, liquidity risk and market risk which are discussed below. Market risk has been identified as the most significant risk to the Scheme.

The portfolio's financial instruments consist mainly of underlying listed investments, cash and cash equivalents, trade and other receivables and other payables.

11.3 MARKET RISK

Market risk exists where significant changes in yields and equity prices will affect the value of the portfolios' index securities. The Scheme's investment mandate is to passively manage the portfolio. As a result it is subjected to a similar nature and level of market risk as the benchmark portfolio.

There is no guarantee that the Scheme's portfolios will achieve its investment objective of perfectly tracking the index. The value of portfolio index securities and distributions payable by the Scheme’s portfolios will rise and fall as the capital values of the underlying securities housed in the portfolio and the income flowing therein fluctuates. Prospective investors should be prepared for the possibility that they may sustain a loss.

The Scheme’s portfolios may not be able to perfectly replicate the performance of an index because:

- The fund is liable for certain costs and expenses not taken into account in the calculation of the Index, this is applicable to a total return index;
- Certain Index constituents may become temporarily unavailable; or
- Other extraordinary circumstances may result in a deviation from precise index weightings.

11. RISK MANAGEMENT (continued)

11.3 MARKET RISK (continued)

Price Sensitivity Analysis

All the investments in portfolios of the Scheme's portfolios are listed on the JSE. Index securities are created with an objective to track the performance of specific portfolio indexes (customised indexes).

Any movement or adjustment in the specific portfolio index will have an impact on the price of the investment in the portfolio. At any point in time the market value of one unit in the portfolio may be expected to reflect 1/10th of the Index level, plus an amount which reflects a pro rata portion of any accrued distribution amount within the portfolio. Actual market values may be affected by supply and demand and other market factors, however the ability of a holder to switch out of any ETF portfolio securities by redeeming them in specie for one or more baskets of the constituent securities, should operate to substantially avoid or minimise any differential which may otherwise arise between the relevant basket and the value at which any portfolio securities trade from time to time.

The ILBI Index Securities investment portfolio of **R59 356 164** (2017: R72 449 216) is affected by price fluctuations.

At reporting date a 10% increase in the value of the investment in the portfolio's security price at the reporting date would increase the index and resulting net assets attributable to investors of the portfolio by **R5 935 616** (2017: R7 244 922).

At reporting date a 10% decrease in the value of the investment in the portfolio's security price at the reporting date would decrease the index and resulting net assets attributable to investors of the portfolio by **R5 935 616** (2017: R7 244 922).

11.4 INVESTMENT RISK

There can be no assurance that the investment in portfolios will achieve their investment objectives of replicating the price and yield performance of the portfolio index securities. The net asset value of the portfolio index securities will rise and fall as the value of the underlying portfolio fluctuates. The return achieved on portfolio index securities can be expected to fluctuate in response to changes in the return achieved by the underlying portfolio.

On a monthly basis, the index is adjusted to ensure that the constituent securities in the index are the top performing SA inflation-linked government bonds. Thus adjustments, such as removing an inflation-linked bond that is not performing well or a change in the weighting of the inflation-linked bonds, are performed.

The following factors could negatively impact on the investment performance of the portfolios:

- Certain costs and expenses incurred by the portfolio could cause the underlying portfolio to mistrack against the Index;
- Temporary unavailability of securities in the secondary market or other extraordinary circumstances could cause deviations from the exact weightings of the Index;
- In circumstances where securities comprising the Index are suspended from trading or other market disruptions occur, it may be impossible to rebalance the portfolio of securities held by the portfolio and this may lead to tracking error.

11.5 SECONDARY TRADING RISK

There can be no guarantee that the portfolio index securities will remain listed on the JSE Limited. Despite the presence of market makers, the liquidity of the portfolio index securities cannot be guaranteed. The portfolio index securities may trade at a discount or premium to their net asset value. Any termination of a listing would be subject to the JSE Limited Listing Requirements.

11. RISK MANAGEMENT (continued)

11.6 INTEREST RATE RISK

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. Funds holding fixed interest securities are exposed to fair value interest rate risk.

Interest rate sensitivity analysis

The cash balances within the portfolio of **R234 711** (2017: R562 103) are affected by interest rate fluctuations.

At reporting date a 1% decrease in the interest rate would decrease the net assets attributable to investors of the portfolio by **R2 347** (2017: R5 621).

At reporting date a 1% increase in the interest rate would increase the net assets attributable to investors of the portfolio by **R2 347** (2017: R5 621).

11.7 INFLATION RATE RISK

The portfolio is comprised of inflation linked bonds, and as such is subject to inflation rate movements.

Inflation rate sensitivity analysis

The following fixed income balance is affected by inflation rate fluctuations:
Portfolio Investments: **R59 356 164** (2017: R72 449 216)

At reporting date a 1% decrease in the inflation rate would have increased the net assets attributable to investors by **R6 638 310** (2017: R7 449 633)

At reporting date a 1% increase in the inflation rate would have decreased the net assets attributable to investors by **R5 593 900** (2017: R8 916 640)

11.8 CREDIT RISK

Credit risk is the risk of financial loss to the Scheme if a party to a financial instrument fails to meet its contractual obligations resulting in a financial loss to the scheme. Credit risk arises from trade receivables and cash and cash equivalents. The Scheme is also exposed to credit risks arising from investments in debt securities. The carrying amounts of the debt securities represent the maximum credit exposure. The debt securities are neither past due nor impaired with the concentration of risk being in the financial services and government sectors

Risk limits, control and mitigation policies: The cash and cash equivalents of the Scheme are placed with reputable financial institutions. The credit risk relating to the trade and other receivables is limited as it relates mainly to interest income receivable from listed securities.

	2018 **R**	**2017** **R**
Maximum credit risk		
Portfolio Investments	**59 356 164**	72 449 216
Trade and other receivables	**355 779**	506 908
Cash and Cash equivalents	**234 711**	562 103
	59 946 654	73 518 227

11. RISK MANAGEMENT (continued)

11.8 CREDIT RISK (continued)

	2018 R	2017 R
Credit exposure by industry		
Financial Services	**234 904**	562 782
Government	**59 711 750**	72 955 445
	59 946 654	73 518 227

Financial Assets subject to IFRS 9 impairment requirements

The Scheme's financial assets subject to the expected credit loss model within IFRS 9 are only short-term trade and other receivables. There is not considered to be any concentration of credit risk within these assets. Expected credit losses has been recognised and no amounts have been written off in the period.

All trade receivables are expected to be received in three months or less. An amount is considered to be in default if it has not been received 30 days after it is due.

Financial assets stratification and analysis (2017)

The credit quality of all financial assets that are neither past due nor impaired are regarded as financially strong as they are issued by the South African Government.

11.9 LIQUIDITY RISK

Liquidity risk results from both the differences between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. Liquidity risk management deals with the overall time profile of the current financial position as well as the expected future structure.

Liquidity risk management process: The availability of funding through liquid cash positions with various institutions ensures that the Scheme has the ability to fund day-to-day operations.

During rebalancing, proceeds received from the sale of selected constituents are utilised to buy a basket of selected constituents. The approach to managing liquidity risk is to ensure that the portfolio would be able to pay suitable distributions or deemed distribution to investors on a monthly basis. All dividend distributions or deemed distributions are approved by the Trustee and calculated by administrators.

All of the portfolios' securities are listed instruments and are bought and sold in the JSE Limited through a JSE member. The participatory interest in the portfolio securities can be sold to the market maker, which is obliged to buy them from the investor.

Market makers will attempt to maintain a high degree of liquidity through continuously offering to buy and sell all the Scheme's portfolio participatory interests at prices around net asset value of the participatory interest, thereby ensuring tight buy and sell spreads. Under normal circumstances and conditions the investor will be able to buy or sell the portfolio securities from the market makers.

Per the Trust Deed, the managing Scheme can sell the underlying portfolio assets to meet any short or long term obligation and can borrow up to 10% of the market value of the underlying assets.

11. RISK MANAGEMENT (continued)

11.9 LIQUIDITY RISK (continued)

The following tables represent the maturity analysis of the financial liabilities:

	On demand R	0-12 months R	Total R
2018			
Trade and other payables	**-**	**17 503**	**17 503**
ILBI Index securities	**59 929 151**	**-**	**59 929 151**
	59 929 151	**17 503**	**59 946 654**
2017			
Trade and other payables	-	852	852
ILBI Index securities	73 517 375	-	73 517 375
	73 517 375	852	73 518 227

12. FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES HELD AT FAIR VALUE

12.1 FAIR VALUE HIERARCHY

The table below provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from quoted prices in active markets and inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below shows the portfolio's financial instruments that are recognised and subsequently measured at fair value, analysed by level of the fair value hierarchy. The classification of instruments is based on the lowest level input that is significant to the fair value measurement in its entirety. All the fair values disclosed are recurring fair value measurements. The table below sets out the fair value of Level 1 and Level 2 financial instruments:

	Level 1 R	Level 2 R	Level 3 R
2018			
Recurring fair value measurements			
Financial Instruments			
Mandatorily measured at Fair Value Through Profit and Loss			
Portfolio investments	**59 356 164**	**-**	**-**
Coupon interest income receivable	**355 586**	**-**	**-**
Net assets attributable to investors		**(59 929 151)**	**-**
	59 711 750	**(59 929 151)**	**-**

12. FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES HELD AT FAIR VALUE (continued)

12.1 FAIR VALUE HIERARCHY

	Level 1	Level 2	Level 3
	R	**R**	**R**
Financial Instruments			
Designated as at Fair Value Through Profit and Loss			
Portfolio investments	72 449 216	-	
Trade receivables	506 228		
Net assets attributable to investors		(73 517 375)	-
	72 955 445	(73 517 375)	-

The valuation technique applied in order to value Level 2 financial instruments is the Net Asset Value, which is linked to the price of the underlying market traded instruments.

12.2 FAIR VALUE VERSUS CARRYING AMOUNT OF FINANCIAL INSTRUMENTS NOT HELD AT FAIR VALUE

The fair value of the cash and cash equivalents, trade and other receivables and trade and other payables approximates the carrying value because the instruments are short term in nature. There has been no change in fair values as a result of a change in credit risk.

13. SEGMENTAL REPORTING

The investment vehicle offers only one product, being the specific exchange traded fund, tracking the specific identified index.

Information regarding the results of the reportable segment is disclosed in the financial statements as currently set out, thus no further IFRS 8 disclosure is required.

14. RELATED PARTIES (continued)

NewFunds (RF) Proprietary Limited, a subsidiary of Absa Group Limited, has been established to act as an agent for all management and administrative services in respect of the Scheme's portfolios. The fees payable to them have been included in management and administration expenses.

The Standard Bank of South Africa Limited is the trustee of the Scheme at a contractually agreed amount and is remunerated for services.

Ultimate holding company: Absa Group Limited

Key Management Personnel

The Scheme's key management personnel are the trustees listed in the Trustee's Report and the directors of NewFunds (RF) Proprietary Limited who act as an agent for all management and administrative services in respect of NewFunds CIS portfolios.

Other than trustee fees and management fees paid to Standard Bank of South Africa Limited and NewFunds (RF) Proprietary Limited, there were no material transactions with key management personnel or their families during the year.

	Admin and management fees paid	**Interest Income**	**Cash and Cash Equivalents**	**Trade Receivables**	**Trade and Other Payables**	**Participatory Interest Held**
	R	**R**	**R**	**R**	**R**	**R**
2018						
NewFunds (RF) Proprietary Limited#	**(221 605)**	**-**	**-**	**-**	**(17 503)**	**-**
Absa Group Limited*	**-**	**-**	**-**	**-**	**-**	(30 867 716)
Standard Bank of South Africa Limited	**(2 395)**	**11 292**	**234 711**	**193**	**-**	**-**
2017						
NewFunds (RF) Proprietary Limited	(337 264)	-	-	-	-	-
Absa Group Limited*	-	-	-	-	-	(34 730 795)
Standard Bank of South Africa Limited	(28 838)	35 985	562 103	679	(852)	-

**Absa Group Limited previously Barclays Africa Group Limited*
 # In 2018 Trustee fees incurred are paid by NewFunds (RF) Proprietary Limited

15. DISTRIBUTIONS

This ETF Portfolio tracks the total return index. This means that all distributions made by constituent companies are reinvested through the additional constituent securities and not paid to the investors.

The monthly record dates are: 24 January 2018, 23 February 2018, 23 March 2018, 26 April 2018, 25 May 2018, 22 June 2018, 20 July 2018, 24 August 2018, 21 September 2018, 19 October 2018, 23 November 2018, 21 December 2018 and 25 January 2019.

	2018 **R**	**2017** **R**
2018 : 21.42 cents per security declared on 18 January 2018 and re-invested 29 January 2018	**136 609**	-
2018 : 17.52 cents per security declared on 15 February 2018 and re-invested 26 February 2018 *(2017 : 15.13 cents per security declared on 16 February 2017 and re-invested 21 February)*	**157 653**	423 500
2018 : 13.63 cents per security declared on 14 March 2018 and re-invested 26 March 2018 *(2017 : 12.82 cents per security declared on 16 March 2017 and re-invested 22 March 2017)*	**122 652**	358 932
2018 : 15.35 cents per security declared on 18 April 2018 and re-invested 30 April 2018 *(2017 : 16.16 cents per security declared on 13 April 2017 and re-invested 20 April 2017)*	**138 141**	290 790
2018 : 14 cents per security declared on 17 May 2018 and re-invested 28 May 2018 *(2017 : 16.59 cents per security declared on 19 May 2017 and re-invested 24 May 2017)*	**126 036**	281 945
2018 : 14.74 cents per security declared on 14 June 2018 and re-invested 25 June 2018 *(2017 : 3.78 cents per security declared on 15 June 2017 and re-invested 21 June 2017)*	**132 687**	64 277
2018 : 14.62 cents per security declared on 12 July 2018 and re-invested 23 July 2018 *(2017 : 22.81 cents per security declared on 13 July 2017 and re-invested 18 July 2017)*	**131 616**	387 821
2018 : 4.9 cents per security declared on 16 August 2018 and re-invested 27 August 2018 *(2017 : 20.54 cents per security declared on 18 August 2017 and re-invested 21 August 2017)*	**44 136**	297 801
2018 : 16.73 cents per security declared on 13 September 2018 and re-invested 25 September 2018 *(2017 : 13.95 cents per security declared on 14 September 2017 and re-invested 19 September 2017)*	**150 588**	202 333

15. DISTRIBUTIONS (continued)

	2018 R	2017 R
2018 : 13.08 cents per security declared on 11 October 2018 and re-invested 22 October 2018 *(2017 : 20.21 cents per security declared on 19 October 2017 and re-invested 24 October 2017)*	**117 711**	222 354
2018 : 17.14 cents per security declared on 15 November 2018 and re-invested 26 November 2018 *(2017 : 15.83 cents per security declared on 16 November 2017 and re-invested 27 November 2017)*	**154 224**	174 130
2018 : 16.41 cents per security declared on 12 December 2018 and re-invested 24 December 2018 *(2017 : 16.66 cents per security declared on 14 December 2017 and re-invested 27 December 2017)*	**147 717**	183 271
	1 559 770	2 887 154
2019 : 15.33 cents per security declared 17 January 2019 and re-invested 28 January 2019 *(2018 : 21.42 cents per security declared on 18 January 2018 and re-invested 29 January 2018)*	**137 970**	136 609
2019: 16.61 cents per security declared 14 February 2019 and reinvested 25 February 2019. *(2018 : 17.52 cents per security declared on 15 February 2018 and re-invested 26 February 2018)*	**149 535**	157 653
2019: 14.65 cents per security declared 13 March 2019 and reinvested 25 March 2019. *(2018 : 13.63 cents per security declared on 14 March 2018 and re-invested 26 March 2018)*	**131 805**	122 652
	1 979 080	3 304 068

16. QUARTERLY REVIEW OF PORTFOLIO PRICES

	31 March (cents)	30 June (cents)	30 September (cents)	31 December (cents)
2018				
ILBI Index Securities	**6 937**	**6 638**	**6 643**	**6 659**
2017				
ILBI Index Securities	6 530	6 567	6 634	6 680

17. EVENTS AFTER REPORTING DATE

Distributions occurred post year end refer to Note 15.

18. TRANSITION – IFRS 9

The Scheme applied, for the first time, IFRS 9 Financial Instruments (IFRS 9), which is effective for annual periods beginning on or after 1 January 2018.

The Scheme adopted IFRS 9 Financial Instruments on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

(a) Classification and measurement

The Scheme has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

All financial assets previously held at fair value continue to be measured at fair value.

Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, such instruments continue to be measured at amortised cost under IFRS 9.

The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVPL(Fair Value through Profit or Loss) attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income (OCI), unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. The Scheme has designated financial liabilities at FVPL. This was negligible in the current reporting period.

18. TRANSITION – IFRS 9 (continued)

(b) Impairment

IFRS 9 requires the Scheme to record expected credit losses (ECLs) on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Scheme only holds trade receivables with no financing component and that have maturities of less than 12 months at amortised cost. These requirements have not had a material impact on the financial statements.

Impact of adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018. However, the Scheme has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Scheme's financial assets and financial liabilities as at 1 January 2018:

Financial Assets 1 January 2018	**IAS 39 classification**	**IAS 39 Measurement**	**IFRS 9 classification**	**IFRS 9 measurement**
Portfolio Investments	Designated at FVPL	72 449 216	Mandatorily at FVPL	72 449 216
Cash and Cash Equivalents	Loans and Receivables	562 103	Amortised cost	562 103
Trade and other receivables	Loans and Receivables	506 908	Amortised cost	506 908

Financial Liabilities 1 January 2018	**IAS 39 classification**	**IAS 39 Measurement**	**IFRS 9 classification**	**IFRS 9 measurement**
Trade and other payables	Amortised cost	852	Amortised cost	852
Net assets attributable to investors	FVPL	73 517 375	FVPL	73 517 375

In line with the characteristics of the Scheme's financial instruments as well as its approach to their management, the Scheme neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Scheme's financial instruments due to changes in measurement categories. All financial assets that were classified as FVPL under IAS 39 are still classified as FVPL under IFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be.

In addition, the application of the ECL model under IFRS 9 has not significantly changed the carrying amounts of the Fund's amortised cost financial assets.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to IFRS 9.

19. NEW ACCOUNTING PRONOUNCEMENTS

Adoption of new and revised Standards
During the current period, the Scheme has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 01 January 2018. Apart from the detail included in note 18 the adoption of these new and revised standards and interpretations has not resulted in material changes to the Scheme's accounting policies.

The Scheme adopted the following standard's interpretations and amended standards during the reporting year ended 31 December 2018:

IFRS 9 *Financial Instruments* introduces significant changes to three fundamental areas of the accounting for financial instruments namely: The classification and measurement of financial instruments; the scope and calculation of credit losses which has moved from an incurred loss to an expected credit loss (ECL) approach; and the hedge accounting model.

IFRS 9 prescribes the classification of financial assets on the basis of an entity's business model for managing the instrument as well as the contractual cash flow characteristics. The accounting for financial liabilities remains largely unchanged except for financial liabilities designated at fair value through profit or loss (FVPL). Gains and losses on such financial liabilities are required to be presented in OCI to the extent that they relate to changes in own credit risk. This was negligible in the current reporting period.

The Scheme has elected to not restate its comparative information as permitted by IFRS 9. Accordingly the impact of IFRS 9 has been applied retrospectively with an adjustment to the Schemes' opening retained earnings on 1 January 2018. Therefore comparative information in the prior period annual financial statements will not be amended for the impact of IFRS 9.The net impact to opening retained earnings was nil, refer to note 18.

IFRS 15 *Revenue from Contracts with Customers* replaces the previous revenue recognition standards and interpretations including IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. IFRS 15 establishes a single approach for the recognition and measurement of revenue and requires an entity to recognise revenue as performance obligations are satisfied. It applies to all contracts with customers except for transactions specifically scoped out which includes interest, dividends, leases and insurance contracts. Therefore adoption of the standard has had no significant impact.

IAS 1 *Presentation of Financial Statements* – Amendments requiring interest revenue which is calculated using the effective interest method to be presented separately on the face of the statement of comprehensive income. This only includes interest earned on financial assets measured at amortised cost or at FVOCI.

19. NEW ACCOUNTING PRONOUNCEMENTS (continued)

IAS 1 and IAS 8 *Presentation of Financial Statements and Accounting Policies Changes in Estimates and Errors* – Amendments regarding the definition of material in order to better clarify how materiality should be applied as well as to align the definition across IFRS. The new definition states that "information is material if omitting misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements which provide financial information about a specific reporting entity."

The amendments to the definition:

- Explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information and include examples of circumstances that may result in material information being obscured;
- Clarify that assessing materiality needs to take into account how primary users could reasonably be expected to be influenced in making economic decisions; and
- Refer to primary users in order to respond to concerns that the term users may be interpreted too widely.

The amendments are effective for reporting periods beginning 1 January 2020 and are required to be applied prospectively. The Scheme has however elected to early adopt the amendments as they allow for an enhanced understanding of the materiality requirements.

New and revised International Financial Reporting Standards issued not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

	Standard	**Annual periods beginning on or after**
IFRIC 23	*Uncertainty Over Income Tax Treatments* - Interpretation clarifying the accounting for uncertainties in income taxes. The adoption of IFRIC 23 is not expected to have a significant impact on the scheme.	1 January 2019

Apart from the instances detailed above the Scheme is in the process of assessing the potential impact that the adoption of these standards and interpretations may have on its future financial performance or disclosures in the annual financial statements.