

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME  
SHARI'AH TOP 40 SA INDEX ETF PORTFOLIO**

**AUDITED ANNUAL FINANCIAL STATEMENTS  
31 December 2016**

**Supervised by: Prepared under the supervision of Sean Lamprecht  
Designation: Head of Product Control**

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO  
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*for the year ended 31 December 2016***

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## 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 2016.

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



Melinda Mostert  
Head: Trustee Services  
Standard Bank of South Africa Limited



Seggie Moodley  
Head: Risk and Legal (Trustee Services)  
Standard Bank of South Africa Limited

29 March 2017

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO  
DIRECTORS' RESPONSIBILITIES AND APPROVAL  
as at 31 December 2016**

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The directors 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.

The portfolio's annual financial statements comprise the statement of financial position at the reporting date, the statements of comprehensive income, changes in net assets attributable to investors and 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 Barclays Africa Group 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.

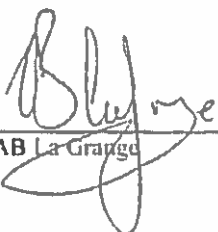
To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

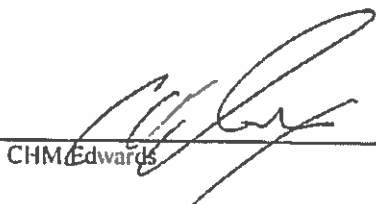
The portfolio consistently adopts appropriate and recognised accounting policies and these are supported by reasonable and prudent judgements and estimates on a consistent basis. The annual financial statements of the Scheme have been prepared in accordance with the provisions of the Collective Investments 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 portfolio 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 page 3 to 7 of this report.

The annual financial statements set out on pages 10 to 34 were approved by the Directors on 29 March 2017 and were signed on its behalf by:

  
AB La Grange

  
CHM Edwards



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Sandton  
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2146

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## **INDEPENDENT AUDITOR'S REPORT TO THE MANAGER AND HOLDERS OF SECURITIES IN THE NEWFUNDS SHARI'AH TOP 40 SA INDEX ETF PORTFOLIO**

### **Report on the Audit of Annual Financial Statements**

#### **Opinion**

We have audited the financial statements of NewFunds Shari'ah Top 40 SA Index ETF Portfolio (the Portfolio) as set out on pages 10 to 34, comprises the statements of financial position as at 31 December 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the portfolio as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 Federation of Accountants' Code of Ethics for Professional Accountants (IFAC code) and other independence requirements applicable to performing the audit of the financial statements of the Portfolio. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IFAC code and in accordance with other ethical requirements applicable to performing an 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the Matter was addressed in the audit
<p><u>Valuation of the investment portfolio and linked liability to unit holders (net assets attributable to investors) and related disclosure</u></p> <p>Management's main objective is to grow the assets under management for the unit holders of the portfolio.</p> <p>This is the primary indicator of management's achievement of this goal and as such is assessed as being an area of higher risk.</p> <p>Investments and the linked liabilities (net assets attributable to investors) are significant balances on the statement of financial position and have been identified as an area of significant risk. In addition the disclosure of the investments and related liabilities in terms of IFRS 13 Fair Value Measurement requires significant auditor attention to determine the appropriateness of the fair value hierarchy and to determine the existence of an active market. This was considered to be significant to the audit to ensure fair presentation.</p> <p>The disclosures associated with Fair Valuation of the Investment portfolio is set out below:</p> <ul style="list-style-type: none"> <li>• Note 7 - Portfolio Investments and Participation Interest</li> <li>• Note 13 - Fair Value Hierarchy of Assets and Liabilities held at Fair Value</li> </ul>	<p>Our audit of the valuation of the investment portfolio, linked liability to unit holders and related disclosure included, amongst others, the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We evaluated whether the valuation methodologies of the investment portfolio and related liability to unit holders are appropriate and correctly applied in accordance with IFRS 13 Fair Value Measurement accounting policies.</li> <li>• We assessed the appropriateness of the disclosure classification of level 1 and level 2 fair value measurements and whether the valuation technique applied in order to value level 1 and level 2 financial instruments was correct.</li> <li>• For financial instruments classified as level 1, we assessed whether inputs are based on quoted prices in an active market. For financial instruments classified as level 2, we assessed whether inputs are observable in the market.</li> <li>• We independently assessed both the volumes traded in the underlying investments and the linked liability to unit holders to ensure that the instruments traded, are traded in an active market.</li> <li>• We engaged internal experts to assist in determining whether the assumptions used in the valuation and the disclosure of the investment portfolio and linked liability to unit holders, were reasonable</li> <li>• Our work on assumptions focused on those which had the most significant impact on the outcome of the investment portfolio valuation models.</li> <li>• We re-computed the outcomes of the investment portfolio valuation model to ensure its mathematical accuracy.</li> <li>• We compared the NewFunds investment portfolio list to that held by the service organisation and to external third party data.</li> </ul>

## **Other Information**

The directors are responsible for the other information. The other information comprises the Directors' Responsibilities and Approvals, Trustee's Report and Directors' Report, but 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.

## **Directors' Responsibilities 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of each Exchange Traded Fund Portfolio within the Portfolio to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

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 determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Rohan Baboolal.





**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 for 5 years.

A handwritten signature in black ink, which appears to read 'Ernst &amp; Young Inc.', is written over a horizontal line.

Ernst & Young Inc.  
Director: Rohan Baboolal CA (SA)  
Registered auditor  
102 Rivonia Road  
Sandton  
29 March 2017

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO  
DIRECTORS' REPORT  
for the year ended 31 December 2016**

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<b>Management company registration number</b>	2005/034899/07		
<b>Country of incorporation and domicile</b>	South Africa		
<b>Date of publication</b>	31 March 2017		
<b>Nature of business and principle activities</b>	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 Shari'ah Index ETF portfolio (the "portfolio" or "Shariah") tracks the Shari'ah Top 40 price index designed to represent the performance of the 40 largest and most liquid JSE-listed companies whose activities and financial ratios are Shari'ah –compliant.		
<b>Directors</b>	<b>Name</b>	<b>Appointment date</b>	<b>Resignation date</b>
	CHM Edwards	24/03/2016	
	TJ Fearnhead	25/11/2013	
	AB La Grange	10/07/2006	
	EM Letty	24/06/2011	30/11/2016
	DA Lorimer	01/12/2016	
	BM Mgwaba	15/10/2015	
	R Pitt	17/02/2017	
	CMR Playne	23/07/2014	
	EM Southey	24/06/2011	17/02/2017
<b>Registered office</b>	7th Floor Barclays Towers West 15 Troye Street Johannesburg 2001		
<b>Trustees</b>	Standard Bank of South Africa Limited		
<b>Banker</b>	Standard Bank of South Africa Limited		
<b>Auditors</b>	Ernst & Young Inc. 102 Rivonia Road Sandton Johannesburg 2194		
<b>Supervised by</b>	The scheme is managed by New Funds (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 Sean Lamprecht, MBA, Head of Product Control. All references to 'manager' and 'management' relate to NewFunds (RF) Proprietary Limited.		

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO  
DIRECTORS' REPORT (continued)  
for the year ended 31 December 2016**

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<b>Review of financial results</b>	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.
<b>Events after the reporting date</b>	Events material to the understanding of these financial statements that occurred between the financial year end and the date of this report have been disclosed in Note 18.
<b>Going concern</b>	The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.
<b>Special resolutions</b>	No special resolutions were passed during the period under review.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO  
STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 December 2016**

	Notes	2016 R	2015 R
<b>Non-interest income</b>			
Fair value adjustment		2 260 345	(7 047 378)
		2 260 345	(7 047 378)
<b>Revenue</b>	4	1 564 914	1 588 272
		3 825 259	(5 459 106)
<b>Management and administration expenses</b>		(107 020)	(92 599)
<b>Increase/ (decrease) in net assets attributable to investors before distribution</b>	5	3 718 239	(5 551 705)
<b>Income distribution</b>	16	(941 140)	(1 477 000)
<b>Increase/ (decrease) in net assets attributable to investors after distribution</b>		2 777 099	(7 028 705)
<b>Represented by:</b>			
Income attributable to investors		516 754	18 673
Capital attributable to investors		2 260 345	(7 047 378)

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF**  
**PORTFOLIO**  
**STATEMENT OF FINANCIAL POSITION**  
*as at 31 December 2016*

	Notes	2016 R	2015 R
<b>Assets</b>			
<i>Non-current assets</i>			
Portfolio Investments	7	66 670 578	25 667 904
<b>Total non-current assets</b>		<b>66 670 578</b>	<b>25 667 904</b>
<i>Current assets</i>			
Trade and other receivables	8	74 500	200 183
Cash and cash equivalents	11	757 376	109 866
<b>Total current assets</b>		<b>831 876</b>	<b>310 049</b>
<b>Total assets</b>		<b>67 502 454</b>	<b>25 977 953</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables	9	68 471	170 938
<b>Net assets attributable to investors</b>		<b>67 433 983</b>	<b>25 807 015</b>

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO  
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO INVESTORS  
for the year ended 31 December 2016**

	Capital attributable to investors R	Income attributable to investors R	Net assets attributable to investors R
Balance at 1 January 2015	30 068 932	94 313	30 163 245
New issues for the period	2 672 475	-	2 672 475
(Decrease) / Increase in net assets attributable to investors	(7 047 378)	18 673	(7 028 705)
<b>Balance at 31 December 2015</b>	<b>25 694 029</b>	<b>112 986</b>	<b>25 807 015</b>
Balance at 1 January 2016	25 694 029	112 986	25 807 015
New issues for the period	38 849 869	-	38 849 869
Increase in net assets attributable to investors	2 260 345	516 754	2 777 099
<b>Balance at 31 December 2016</b>	<b>66 804 243</b>	<b>629 740</b>	<b>67 433 983</b>

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO  
STATEMENT OF CASH FLOWS  
for the year ended 31 December 2016**

	Notes	2016 R	2015 R
<b>Cash flows from operating activities</b>			
Cash used in operations	10	(107 560)	(95 805)
Purchase of equity securities		(23 633 908)	(7 595 354)
Proceeds from sale of equity securities		23 456 585	7 427 119
Dividends received		1 400 309	1 588 272
Distributions		(1 043 067)	(1 477 000)
Real Estate Investment Income		90 105	-
<b>Net cash generated by/(used in) operating activities</b>		<b>162 464</b>	<b>(152 768)</b>
<b>Cash flows from financing activities</b>			
Cash portion received on creation of Shari'ah Top 40 SA Index Securities		485 046	7 534
<b>Net cash generated by financing activities</b>		<b>485 046</b>	<b>7 534</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>647 510</b>	<b>(145 234)</b>
Cash and cash equivalents at the beginning of the year		109 866	255 100
<b>Cash and cash equivalents at the end of the year</b>	11	<b>757 376</b>	<b>109 866</b>

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO**

**Summary of Accounting Policies  
for the year ended 31 December 2016**

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**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 in the manner required by the Collective Investment Schemes Control Act, 45 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 2016. The adoption of these new and revised standards and interpretations has not 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 cashflow information. Apart from certain items that are carried at fair valued amounts, 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 functional and presentation currency of the Scheme. All financial information is presented to the nearest Rand.

**2.3 REVENUE RECOGNITION**

Income comprises dividend income and real estate investment income. It is recognised to the extent that it is probable that there will be an inflow of economic benefits and the income can be reliably measured.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Scheme and the amount of income can be measured reliably).

Real Estate Investment Income (REIT) income in the form of cash distributions from the REIT is recognised when the right to receive income is established.



**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO**

**Summary of Accounting Policies (continued)  
for the year ended 31 December 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised when the Scheme becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are capitalised to the initial carrying amount of the financial asset/liability, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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 released in full when previously unobservable inputs become observable.

**2.4.1 FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Financial assets are classified as loans and receivables or investments at fair value through profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. Cash and cash equivalents and trade receivables are classified as loans and receivables.

Financial liabilities are either measured at amortised cost or classified as at fair value through profit or loss, which may occur when the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities comprise trade and other payables and net assets attributable to investors. Trade and other payables comprise management and Scheme fee payables and are measured at amortised cost using the effective interest method. Net assets attributable to investors are listed debt instruments held by investors in the form of ETFs and are designated at fair value through profit and loss.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO**

**Summary of Accounting Policies (continued)  
for the year ended 31 December 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 FINANCIAL INSTRUMENTS (continued)**

**2.4.1 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

***FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS***

Financial assets are measured as at Fair Value Through Profit and Loss (FVTPL) when they are either held for trading or designated as at Fair Value Through Profit and Loss.

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
- 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 OR LOSS***

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

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Scheme's right to receive payments is established.

***Creation and redemption***

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

***Net assets attributable to investors (redeemable securities)***

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.

***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.

***EFFECTIVE INTEREST METHOD***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO**

**Summary of Accounting Policies (continued)  
for the year ended 31 December 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 FINANCIAL INSTRUMENTS (continued)**

**2.4.1 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

***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.

***FAIR VALUE***

The listed underlying investments are carried at fair value through profit or loss such as those designated by management under the fair value option.

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.

***DERECOGNITION OF FINANCIAL INSTRUMENTS***

***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 and prepayment risk. When an asset is transferred, in some circumstances, the Scheme may retain an interest in it (continuing involvement) requiring the Scheme to repurchase it in certain circumstances for other than its fair value on that date.

***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.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO**

**Summary of Accounting Policies (continued)**  
*for the year ended 31 December 2016*

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 SEGMENTAL 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**

In accordance with the Scheme's Trust Deed, price index portfolios distribute their distributable income and any other amounts determined by the management scheme to security holders in cash.

**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 in the current and prior year. Therefore, no income tax has been provided for in the portfolio in the current and prior year.

**2.9 PROVISIONS, CONTINGENT LIABILITIES AND COMMITMENTS**

Provisions are recognised when the Scheme has a present constructive or legal obligation as a result of past events and it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Transactions are classified as contingent liabilities where the existence of the Scheme's possible obligations depends on uncertain future events beyond the Scheme's control or when the Scheme has a present obligation that is not probable or which the Scheme is unable to measure reliably.

Items are classified as commitments where the Scheme commits itself to future transactions or if the items will result in the acquisition of assets.

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

**3. JUDGEMENTS AND ESTIMATES**

In the preparation of the annual financial statements, management is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO**

Notes to the financial statements  
for the year ended 31 December 2016

	2016 R	2015 R
<b>4. REVENUE</b>		
Dividends	1 474 809	1 588 272
Real Estate Investment Income	90 105	-
	<b>1 564 914</b>	<b>1 588 272</b>

**5. INCREASE /(DECREASE)IN NET ASSETS ATTRIBUTABLE INVESTORS BEFORE DISTRIBUTION**

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

Management fee	(95 032)	(95 531)
Custody fee	(11 752)	2 932

**6. TOTAL EXPENSES 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 expense ratios below are unaudited.

The total expenses 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.

	2016 %	2015 %
Shari'ah Index Securities	0.18	0.31

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO**

Notes to the financial statements (continued)  
for the year ended 31 December 2016

**7. PORTFOLIO INVESTMENTS**

These financial assets are designated at fair value through profit and loss.

The fund designates all equity 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

	2016 R	2015 R
<b>7.1 RECONCILIATION OF THE FAIR VALUE OF INVESTMENTS</b>		
Balance at 1 January	25 667 904	30 082 289
Fair value adjustments	2 260 345	(7 047 378)
New issues during the year	38 364 823	2 664 941
Rebalancing effect	377 506	(31 948)
<b>Balance at 31 December</b>	<b>66 670 578</b>	<b>25 667 904</b>

**7.2 RECONCILIATION OF THE NUMBER OF UNITS**

Balance at 1 January	9 375 446	8 625 446
New issues during the year	12 700 000	750 000
<b>Balance at 31 December</b>	<b>22 075 446</b>	<b>9 375 446</b>

**7.3 PARTICIPATORY INTEREST**

The Scheme is the primary issuer of participatory interests for Shar'iah Index Securities. 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).

Partial baskets are traded on the secondary market as Shari'ah Index Securities (NFSH40) on the JSE.

Proceeds received from the issue of Shari'ah Top 40 SA Index securities are utilized to buy Shari'ah Top 40 SA baskets of selected constituents.

The net asset value per Shari'ah Index Securities, after attributable amounts, at 31 December 2016 was R3.05 (31 December 2015: R2.75).

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARIAH TOP 40 SA INDEX ETF PORTFOLIO  
Notes to the financial statements (continued)  
for the year ended 31 December 2016

7. PORTFOLIO INVESTMENTS (continued)									
7.4	SHARIAH TOP 40 SA INDEX SECURITY BASKET OF CONSTITUENTS	No. of shares	Cost R	Current Price Cents	Market Value R	% of the Fund			
	2016								
	Oil & Gas	19 172	8 236 484	39 890	7 647 711	11.47			
	Sasol Limited								
	Basic Resources	4 100	944 491	27 999	1 147 959	1.72			
	Mondi Limited	12 740	2 934 640	27 872	3 550 893	5.33			
	Mondi Public Limited Company	18 753	1 609 110	8 995	1 686 832	2.53			
	Sappi Limited								
	Gold Mining	28 905	1 960 134	4 359	1 259 969	1.89			
	Goldfields Limited	14 232	3 078 506	15 258	2 171 519	3.26			
	Anglo Gold Ashanti Limited								
	General Mining	46 547	8 402 712	19 510	9 081 320	13.62			
	Anglo American Public Limited Company	72 284	15 458 207	21 868	15 807 065	23.71			
	BEIP Billiton Public Limited Company								
	Platinum Mining	23 566	985 886	4 274	1 007 211	1.51			
	Impala Platinum Holdings Limited								
	Pharmaceuticals	12 722	4 068 451	28 358	3 607 705	5.41			
	Aspen Pharmacare Holdings Limited								
	Healthcare	3 444	107 660	3 260	112 274	0.17			
	Life Healthcare Group Holdings	50 240	1 782 488	3 484	1 599 642	2.40			
	Netcare Limited	12 877	2 536 224	13 080	1 674 010	2.51			
	Mediclinic International Public Limited Company								
	Personal and household goods	82 332	6 233 240	7 128	5 868 625	8.80			
	Sieinhoff International Holdings Limited								
	Retail	8 078	1 490 473	15 955	1 288 845	1.93			
	Mr Price Group Limited								
	Telecommunication	17 501	2 587 686	15 240	2 667 152	4.00			
	Vodacom Group Limited								
	Diversified Industries	18 247	4 510 557	22 305	4 069 993	6.10			
	Remgro Limited								
	Real estate investment trusts	93 544	2 313 679	2 589	2 421 853	3.63			
	Growthpoint Properties Limited		69 240 628		66 670 578	100.00			

NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARIAH TOP 40 SA INDEX ETF PORTFOLIO  
 Notes to the financial statements (continued)  
 for the year ended 31 December 2016

7. PORTFOLIO INVESTMENTS (continued)

7.4 SHARIAH TOP 40 SA INDEX SECURITY BASKET OF CONSTITUENTS (continued)

	No. of Shares	Cost R	Current Price Cents	Market Value R	% of the Fund
<b>2015</b>					
General Mining					
Anglo American Public Limited	23 517	6 076 823	6 899	1 622 438	6.32
Billiton Public Limited Company	37 596	10 246 474	17 394	6 539 448	25.48
Forestry and Paper					
Mondi Limited	2 106	316 785	30 737	647 110	2.52
Mondi Public Limited Company	6 537	985 805	30 851	2 016 730	7.86
Platinum Mining					
Anglo American Platinum Limited	1 064	509 194	18 534	197 202	0.77
Retail					
Steinhoff International Holdings Limited	45 354	2 276 368	7 851	3 560 742	13.87
Oil & Gas					
Sasol Limited	9 840	4 254 495	41 940	4 126 896	16.08
Telecommunication					
MTN Group Limited	31 257	5 618 172	13 289	4 153 743	16.18
Vodacom Group Limited	5 827	647 394	15 241	888 093	3.46
Healthcare					
Netcare Limited	25 912	965 190	3 390	878 417	3.42
Mediclinic International Limited	8 715	1 040 252	11 900	1 037 085	4.04
		32 936 952		25 667 904	100.00



**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO**

Notes to the financial statements (continued)  
for the year ended 31 December 2016

	2016 R	2015 R
<b>8. TRADE AND OTHER RECEIVABLES</b>		
Unsettled Trades	-	200 183
Dividends receivable	74 500	-
	<u>74 500</u>	<u>200 183</u>
<b>9. TRADE AND OTHER PAYABLES</b>		
Distribution payable	68 073	170 000
Management fee	235	-
Custody fee	163	938
	<u>68 471</u>	<u>170 938</u>
<b>10. CASH USED IN OPERATIONS</b>		
Increase/ (decrease) in net assets attributable to investors	2 777 099	(7 028 705)
Adjustments for:		
Dividends received	(1 474 809)	(1 588 272)
Fair value (gains)/losses	(2 260 345)	7 047 378
Distributions	941 140	1 477 000
Real Estate Investment Income	(90 105)	-
Cash used in operations before working capital changes	<u>(107 020)</u>	<u>(92 599)</u>
Changes in working capital		
Decrease in trade and other payables	(540)	(3 206)
Total changes in working capital	<u>(540)</u>	<u>(3 206)</u>
Cash used in operations	<u>(107 560)</u>	<u>(95 805)</u>
<b>11. CASH AND CASH EQUIVALENTS</b>		
Current account	757 376	109 866

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO**

**Notes to the financial statements (continued)  
for the year ended 31 December 2016**

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**12. RISK MANAGEMENT**

**12.1 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.

**12.2 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, call deposits, trade and other receivables, index securities and other payables.

**12.3 MARKET RISK**

Market risk exists where significant changes in equity prices will affect the value of the portfolios' index securities. The fund'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.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO**

**Notes to the financial statements (continued)  
for the year ended 31 December 2016**

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**12. RISK MANAGEMENT(continued)**

**12.3 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 reflects 1/100th 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 relevant basket and the value at which any portfolio securities trade from time to time.

The Shari'ah Index Securities investment portfolio is affected by price fluctuations  
2016: R66 670 578 ( 2015: R25 667 904).

At reporting date a 10% increase in the value of the investment in the portfolio's security price at the reporting date will increase the index and resulting increase in net assets attributable to investors of the portfolio by R6 667 058 (2015:R2 566 790).

At reporting date a 10% decrease in the value of the investment in the portfolio's security price at the reporting date will decrease the index and resulting decrease in net assets attributable to investors of the portfolio by R6 667 058 (2015:R2 566 790).

**12.4 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 quarterly basis, the index is adjusted to ensure that the constituent companies in the index are the top performing companies. Thus adjustments, such as removing a company that is not performing well or a change in the weighting of the shares, are performed.

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

- 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.

**12.5 SECONDARY TRADING RISK**

There can be no guarantee that the portfolio index securities will remain listed on the JSE Ltd. 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 (NAV). Any termination of a listing would be subject to the JSE Limited listing requirements.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
PORTFOLIO**

**Notes to the financial statements (continued)  
for the year ended 31 December 2016**

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**12.6 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. The portfolio does not have any interest bearing financial instrument and is therefore not exposed to interest rate risk.

**12.7 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, which are neither past due nor impaired with the total concentration of risk being in the financial services sector.

**Risk limits, control and mitigation policies:** The credit risk relating to the trade receivables is limited as it relates to dividend receivable which are receivable from listed securities.

The credit quality of the financial assets that are neither past due nor impaired can be assessed by reference to external credit rating (if available) or past information about counterparty default rates.

<b>Maximum credit risk</b>		
Trade and other receivables	74 500	200 183
Cash and Cash equivalents	757 376	109 866
	<b>831 876</b>	<b>310 049</b>

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**Financial assets stratification and analysis**

The credit quality of all financial assets that are neither past due nor impaired can be assessed by reference to external credit rating (if available) or past information about counterparty default rates.

Cash and cash equivalents - counterparties with external credit ratings (2016: Fitch AA R757 376; 2015: Fitch AA R109 866).

Trade and other receivables - counterparties with external credit ratings (2016: Fitch AA R74 501; 2015: Fitch AA R200 183).

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
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Notes to the financial statements (continued)  
for the year ended 31 December 2016

**12.8 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 constituent are utilised to buy a basket of selected constituent. 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 quarterly basis. All dividend distributions or deemed distribution are approved by the Trustee and calculated by the 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 NAV 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.

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

	On demand R	0-12 months R	Total R
<b>2016</b>			
Trade and other payables	-	68 471	68 471
Shari'ah Top 40 SA Index Securities	67 433 983	-	67 433 983
	67 433 983	68 471	67 502 454
<b>2015</b>			
Trade and other payables	-	170 938	170 938
Shari'ah Top 40 SA Index Securities	25 807 015	-	25 807 015
	25 807 015	170 938	25 977 953

**13. FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES HELD AT FAIR VALUE**

**13.1 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.

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
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Notes to the financial statements (continued)  
for the year ended 31 December 2016

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

**13.1 FAIR VALUE HIERARCHY (continued)**

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). 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.

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 assets, adjusted for credit risk as appropriate:

	Level 1 R	Level 2 R	Level 3 R
<b>2016</b>			
<b>Recurring fair value measurements</b>			
<b>Financial Instruments</b>			
Designated as at Fair Value Through Profit and Loss			
Investment in listed shares	66 670 578		
Net assets attributable to investors		(67 433 983)	
	<u>66 670 578</u>	<u>(67 433 983)</u>	
<b>2015</b>			
<b>Financial Instruments</b>			
Designated as at Fair Value Through Profit and Loss			
Investment in listed shares	25 667 904		
Net assets attributable to investors		(25 807 015)	
	<u>25 667 904</u>	<u>(25 807 015)</u>	

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
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Notes to the annual financial statements (continued)  
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**13. FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES HELD AT FAIR VALUE  
(continued)**

**13.2 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.

**14. SEGMENTAL REPORTING**

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

The minimum disclosure requirement is to disclose reportable segments based on their geography. Shari'ah's net assets attributable to investors and the increase in net assets attributable to investors generated from investments where the primary listing of the individual index securities is in the Republic of South Africa as well as those where the primary listing is in the United Kingdom.

	South Africa R	United Kingdom R	Total R
<b>14.1. STATEMENT OF FINANCIAL POSITION</b>			
<b>2016</b>			
Assets			
Portfolio Investments	36 557 290	30 113 288	66 670 578
<b>2015</b>			
Assets			
Portfolio Investments	15 489 288	10 178 616	25 667 904
<b>14.2. STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>2016</b>			
Revenue	1 164 330	400 584	1 564 914
<b>2015</b>			
Revenue	747 791	840 481	1 588 272

**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARIAH TOP 40 SA INDEX ETF PORTFOLIO**  
 Notes to the annual financial statements (continued)  
 for the year ended 31 December 2016

**15. RELATED PARTIES**

NewFunds (RF) Proprietary Limited, a subsidiary of Absa Bank 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.

Barclays Africa Group Limited is the direct parent company of Absa Bank Limited whose ultimate parent company is Barclays PLC.

**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 NewFunds (RF) Proprietary Limited, there were no material transactions with key management personnel or their families during the year.

	Admin and management fees paid	Distribution Paid for Participatory Interest Held	Cash and Cash Equivalents	Trade and Other Payables	Participatory Interest Held
	R	R	R	R	R
<b>2016</b>					
NewFunds (RF) Proprietary Limited	(95 032)	(38 170)		(235)	(4 228 612)
Barclays Africa Group Limited			757 376	(163)	
Standard Bank of South Africa Limited	(11 752)				
<b>2015</b>					
NewFunds (RF) Proprietary Limited	(95 531)	(102 390)			(1 447 482)
Barclays Africa Group Limited			109 866	(938)	
Standard Bank of South Africa Limited	(2 932)				



**NEWFUNDS COLLECTIVE INVESTMENT SCHEME - SHARI'AH TOP 40 SA INDEX ETF  
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Notes to the annual financial statements (continued)  
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**16. DISTRIBUTIONS**

The Index Securities will effect quarterly distributions after paying all the accrued expenses of the NewFunds Collective Investment Scheme. All distributions are made out of the income of each ETF portfolio. The JSE defines the record date as the date on which the holdings, upon which the relevant entitlement is based, are ascertained. Record date is one settlement period after the Last Day to Trade (LDT) (currently three business days).

The quarterly record dates are 24 March 2016, 24 June 2016, 23 September 2016 and 23 December 2016. During the period under review the following distributions were affected by NewFunds CIS portfolios:

	2016	2015
2016 : 1.15 cents per security announced on 2 March 2016 and paid 20 April 2016 (2015 : 6.40 cents per security announced on 5 March 2015 and paid 24 April 2015)	108 140	600 000
2016 : 2.78 cent per security announced 6 June 2016 and paid 26 July 2016 (2015 : 2.13 cent per security announced 3 June 2015 and paid 21 July 2015)	615 000	200 000
2016 : 0.68 cents per security announced 1 September 2016 and paid 18 October 2016 (2015 : 5.41 cents per security announced 2 September 2015 and paid 20 October 2015).	150 000	507 000
2016 : 0.31 cents per security announced 1 December 2016 and paid 19 January 2017 (2015 : 1.81 cents per security announced 2 December 2015 and paid 20 January 2016)	68 000	170 000
	<b>941 140</b>	<b>1 477 000</b>

**17. QUARTERLY REVIEW OF PORTFOLIO PRICES**

	31 March (cents)	30 June (cents)	30 September (cents)	31 December (cents)
<b>2016</b>				
Shari'ah Index Securities	297	308	310	305
<b>2015</b>				
Shari'ah Index Securities	362	361	315	275

**18. EVENTS AFTER REPORTING DATE**

A distribution of 2.03 cents per security (R600 000) was proposed on 06 March 2017. The final distribution will be announced on 13 April 2017 and paid on 20 April 2017.

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**Notes to the annual financial statements (continued)  
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**19. NEW ACCOUNTING PRONOUNCEMENTS**

**Adoption of new and revised 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 2016. 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 standards, interpretations and amended standards during the year:

IFRS 2	<i>Share-based payments</i> - Amendments to clarify the classification and measurement of share-based payment transactions.
IFRS 10	<i>Consolidated Financial Statements</i> - Clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances.
IFRS 11	<i>Joint arrangements</i> - Amendments regarding the accounting for acquisitions of an interest in a joint operation.
IFRS 12	<i>Disclosure of Interest in Other Entities</i> - Amendments to clarify the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances.
IAS 1	<i>Presentation of Financial Statements</i> - Amendments are designed to encourage entities to apply professional judgement in determining what information to disclose, as well as where and in what order information is presented in the financial disclosures provided in the financial statements.
IAS 16	<i>Property, Plant and Equipment</i> - Amendments regarding the clarification of acceptable methods of depreciation and amortization, and amendment to include bearer plants in the scope of IAS 16.
IAS 28	<i>Investments in Associates and Joint Ventures</i> - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture.
IAS 38	<i>Intangible Assets</i> - Amendments regarding the clarification of acceptable methods of depreciation and amortisation.

**Annual improvements (2012- 2014 cycle)**

Non-urgent but necessary clarifications and amendments to the following standards of IFRS:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosure
IAS 19	Employee Benefits
IAS 34	Interim Financial Reporting

**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:

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Notes to the annual financial statements (continued)  
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**19. NEW ACCOUNTING PRONOUNCEMENTS (continued)**

	Standard	Annual periods beginning on or after
IAS 7	<i>Statement of Cash Flows</i> - Amendments as result of the Disclosure Initiative. Additional disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017
IAS 12	<i>Income Taxes</i> - Amendments regarding the recognition of deferred tax assets for unrealised losses.	1 January 2017
IFRS 4	<i>Insurance contracts</i> - Applying IFRS 9 Financial instruments (amendments) allow an entity that issues insurance contracts the opportunity to utilize two options - where IFRS 9 is applied prior to the forthcoming insurance contracts standard. These are (a) the overlay approach - which permits an insurer to reclassify certain income/expenditure, arising from designated financial instruments, from profit or loss to OCI, and (b) the deferral approach - temporary exemption from IFRS 9 for insurers whose predominant activity is issuing insurance contracts.	1 January 2018
IFRS 9	<i>Financial Instruments</i> - A new accounting standard that represents a package of reforms to financial instrument accounting was issued in July 2014. IFRS 9 replaces the previous standard on financial instruments, IAS 39.  IFRS 9 will lead to significant changes in the accounting for financial instruments. The key changes relate to:  <i>Financial assets:</i> Financial assets will be measured at either fair value through profit or loss or amortised cost, except for debt instruments meeting specific criteria, which are required to be measured at fair value through other comprehensive income, or equity investments not held for trading, which may be measured at fair value through other comprehensive income;  <i>Financial liabilities:</i> The accounting for financial liabilities is largely unchanged, except for non-derivative financial liabilities designated at fair value through profit or loss. Gains and losses on such financial liabilities arising from own credit risk will be presented in other comprehensive income rather than in profit or loss;  <i>Impairment:</i> Credit losses expected at the reporting date (rather than only losses incurred in the year) on loans and advances, debt securities, loan commitments and financial guarantee contracts not held at fair value through profit or loss will be reflected in impairment allowances.	1 January 2018
IFRS 15	<i>Revenue from Contracts with Customers</i> - A new accounting standard that provides a single, principle based, five-step model to be applied to all contracts with customers. New disclosures about revenue are also introduced.	1 January 2018

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**Notes to the annual financial statements (continued)  
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<b>19.</b>	<b>NEW ACCOUNTING PRONOUNCEMENTS (continued)</b>	<b>Annual periods beginning on or after</b>
	<b>Standard</b>	
IAS 40	<i>Investment Properties</i> - Amendments regarding when an entity should transfer property into, or out of, investment property	1 January 2018
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i> - Amendments clarifying the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	1 January 2018
IFRS 16	<i>Leases</i> - A new accounting standard that eliminates the classification of leases as either operating leases or finance leases for lessees and, instead, introduces a single accounting model, which recognises all leases on the statement of financial position.	1 January 2019

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.