

First Publicly
Listed
Real Estate
Investment
Trust (REIT)
In Nigeria



Managed by



2017

**ANNUAL REPORT
& ACCOUNTS**



**BEST
FUND MANAGER
IN NIGERIA 2016**
(FIXED INCOME)

**BEST
MANAGED
FUND IN 2017**
REAL ESTATE INVESTMENT TRUST (REIT)



BUSINESS DAY

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CORPORATE INFORMATION



FUND MANAGER:

SFS Capital Nigeria Limited

Plot 287 Ajose Adeogun Street
Victoria Island
Lagos

DIRECTORS OF FUND MANAGER

Dr. Layi Fatona (Chairman)

Dr. Yemi Kale (Director)

Mr. Yemi Gbenro (Director)

Mr. Patrick Ilodiana (Managing Director)

Mr. Dimeji Sonowo (Executive Director)

TRUSTEES

Apel Capital and Trust Limited

(formerly PHB Capital and Trust Limited)

8 Alhaji Bashorun Street

Off Norman Williams Crescent

South - West Ikoyi

Lagos

CUSTODIAN

Stanbic IBTC Nominees

Walter Carington Crescent

Victoria Island

Lagos

AUDITORS:

Dele Olufon & Co

Chartered Accountants

788 Somide Odujinrin Avenue

Omole Phase 2

Ikeja Lagos

REGISTRARS

Pace Registrars Limited

(formerly Sterling Registrars Limited)

8th Floor, Knight Frank Building

24 Campbell Street,

Lagos

REAL ESTATE SURVEYORS & VALUERS

Ubsi Eleh & Co

NUJ Lighthouse

3/5 Adeyemo Alakija Street

Victoria Island

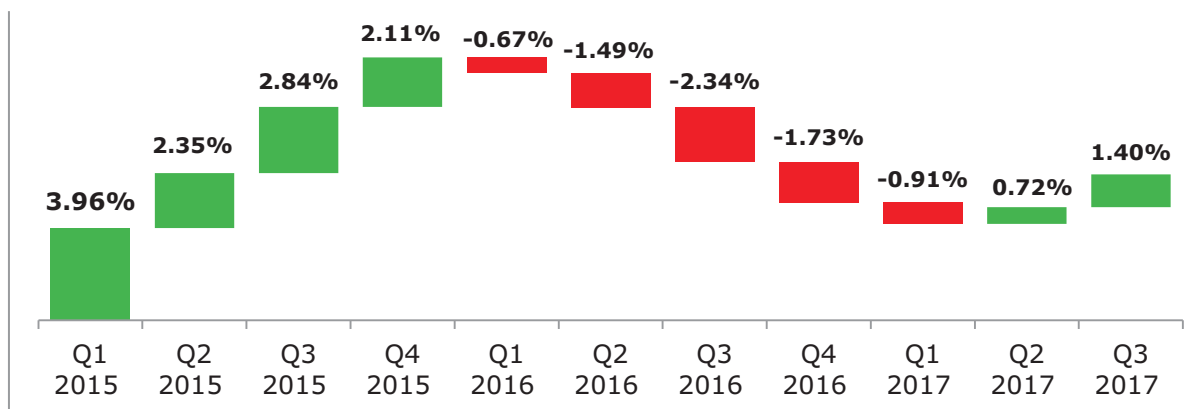
Lagos

FUND MANAGER'S REPORT

ECONOMIC REVIEW

The Nigerian economy growth trajectory took a positive turn in the second quarter of 2017, following five consecutive quarters of decline. In real terms, Gross Domestic Product (GDP) grew by 0.72% and 1.40% respectively in the second and third quarter of 2017. Sectoral analysis shows that Agriculture (largely Crop Production), Mining & Quarrying (largely Crude Petroleum and Natural Gas) sectors were responsible for the economic expansion. The weighted contributions of these sectors to GDP growth in the third quarter were 0.88% and 2.10% respectively. The Crude Petroleum and Natural Gas subsector particularly recorded a high growth of 25.89% in the third quarter, as oil prices and production volumes improved during the period.

QUARTERLY GDP GROWTH (2015 – 2017)

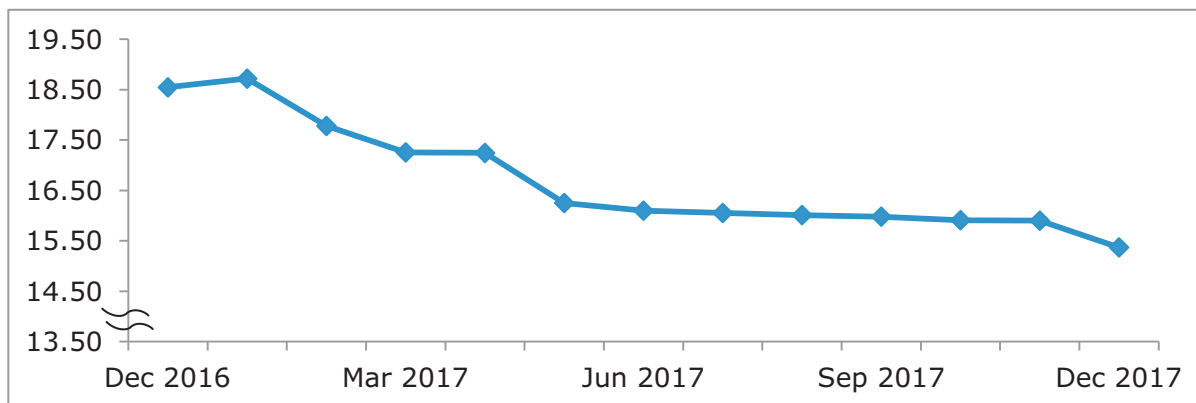


Source: National Bureau of Statistics (NBS), SFS Capital Research

All through 2017, inflation was on a continuous decline. Riding on positive base effect, headline inflation dropped from a record high of 18.55% as at December 2016 to 15.37% as at December 2017. Major drivers of the trend are inflation is the decline in imported food and non-food prices, brought on by the moderating effects of stable exchange rates. In the first quarter of 2017, the government sold circa \$4bn forward contracts in the currency market, providing much-needed foreign currency to settle import debts and other transactions that contribute to headline inflation. Also, introduction of the Investor and Exporters' (I&E) window of the foreign exchange market in April 2017, also aided easing of pressure on the exchange rate and it provided much needed liquidity in the system

FUND MANAGER'S REPORT (CONT'D)

INFLATION RATE (December 2016 – December 2017)



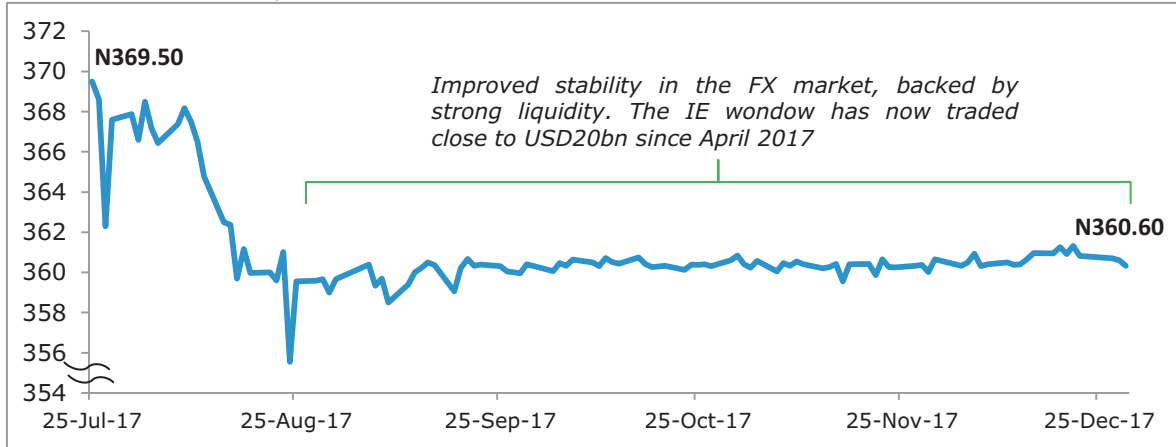
Source: National Bureau of Statistics (NBS), SFS Capital Research

Unlike Russia and some other commodity dependent countries, Nigeria had tried to prevent its currency from depreciating when oil prices began to free fall in the fourth quarter of 2014; through a combination of trading controls, import restrictions (41-item Foreign Exchange (FX) ban list) and even a peg. The Central Bank of Nigeria (CBN) took a stance against a free float of the Naira. The Naira was held artificially at ₦197 to the US dollar at the official window for circa 15 months to June 2016, while the black market rate soared to high as ₦500 in the first quarter of 2017. The CBN believed that a free float would cause the Naira to become heavily devalued and therefore lead to a severe inflation spiral. As oil prices plummeted, so did the country's foreign currency earnings, meaning there was less cash to pay to defend the Naira.

Among the various initiatives implemented by the CBN to defend the Naira, the most notable and laudable is the Investor and Exporters' (I&E) FX window introduced in April 2017. According to the CBN, the purpose of this window is to boost liquidity in the FX market and ensure timely execution and settlement for eligible transactions. The supply of FX to this window comes from portfolio investors, exporters, authorized dealers (Deposit Money Banks) and 'other parties' with foreign currency to exchange to Naira. On the back of stronger FX reserves coupled with the success of the I&E window, the Naira to US dollar exchange rate as moderated to circa ₦360. There has been a convergence of rates in the parallel market and at the official window.

FUND MANAGER'S REPORT (CONT'D)

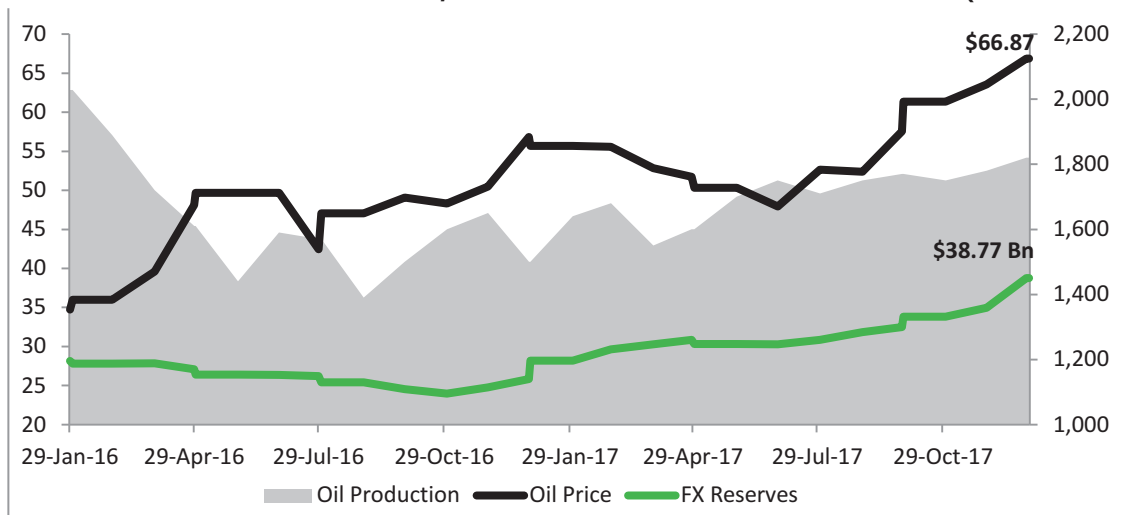
I&E FX WINDOW (July - December 2017)



Source: Bloomberg, SFS Capital Research

Nigeria's FX reserves showed major improvement, growing by 50% in 2017 to close the year at \$38.77Bn, as oil price began to rise again and crude oil production improved.

NIGERIA CRUDE OIL PRODUCTION, BRENT PRICE & NIGERIA'S FX RESERVES (2016 – 2017)



Source: Bloomberg, Central Bank of Nigeria, OPEC, SFS Capital Research

Oil Production – in thousands of barrels per day

Oil Price – Brent Crude US\$ per barrel

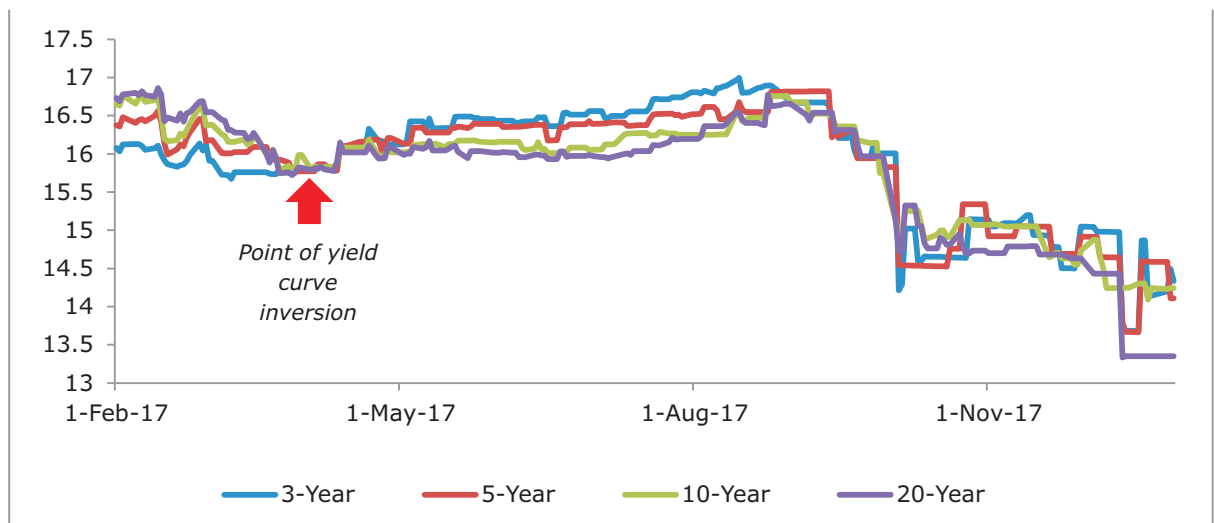
FX Reserves – US\$ Billion (Bn)

FUND MANAGER'S REPORT (CONT'D)

Monetary Policy Rate (MPR) was left unchanged at 14% throughout 2017. This is not surprising as the standard tool for monetary policy intervention in the face of rising inflation, was left unusable in the face of supply-side factors beyond the control of policy makers. Nigeria's monetary policy has been superseded by exchange rate policy.

Yields remained high, with narrow spreads for a greater part of 2017. In the face of high inflation in 2016 feeding into 2017 and consistent threat to the value of the Naira against US\$, the CBN continuously mopped up liquidity from the system via aggressive Open Market operation ("OMO") auctions. This action put upward pressure on yields on the short end of the market, which kept the yield curve inverted for a greater part of the year. Prior to the dip in Bond yields in September 2017, average yield for 3-years, 5-years, 10-years and 20-years bonds were 16.31%, 16.29%, 16.21% and 16.18% respectively.

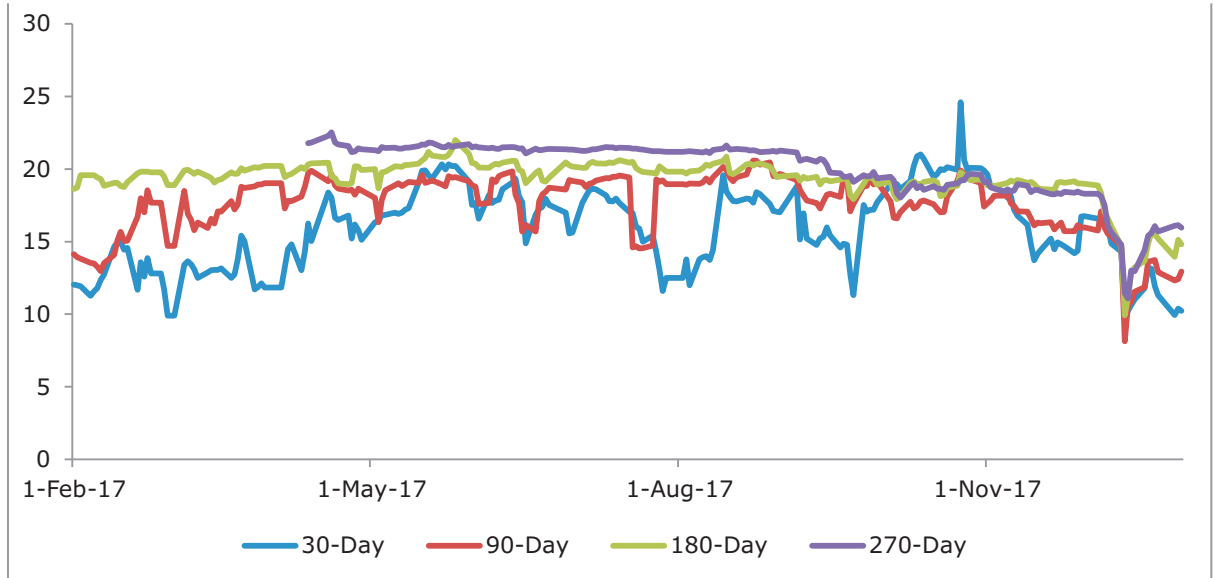
NIGERIAN FEDERAL GOVERNMENT (FGN) BOND YIELDS



Source: Bloomberg, FMDQ, SFS Capital Research

FUND MANAGER'S REPORT (CONT'D)

NIGERIA TREASURY BILLS YIELDS



Source: Bloomberg, FMDQ, SFS Capital Research

In the fourth quarter of 2017, yields began to drop drastically for both Nigeria Treasury Bills (T-Bills) and FGN Bonds. This drop reflects the CBN's and DMO's stance on reducing the crowding out effect within the domestic debt market, and also reduced tightening by the CBN. The DMO had stated its plan to refinance \$3 billion of T-Bills with Eurobonds rather than rolling them over at primary market auctions, to reduce borrowing cost and free-up funds for local businesses.

The 2018 budget stipulates a 50:50 split between domestic and foreign debt, restructuring from 54:46 split in 2017. Yields on T-Bills across all tenors dropped in December by an average of 700 basis points from peaks recorded at the start of the fourth quarter of the year. At the end of year, yields on 30-Day, 90-Day, 180-Day and 270-Day T-Bills closed at 10.23%, 12.93%, 14.82% and 15.96% respectively. Yields on FGN Bonds dropped by an average of 260 basis points across all tenors, from their peaks in the third quarter of the year. At the end of the year, yields on 3-Year, 5-Year, 10-Year and 20-Year FGN Bonds closed at 14.34%, 14.11%, 14.24% and 13.35% respectively.

The CBN is hinting towards a drop in the MPR in the first half of 2018, to commemorate the success of declining inflation. This expected drop in MPR may trigger a repricing of the shorter end of the market, which will hopefully lead to a normalization of the yield curve. Also a move towards the externalisation of Nigeria's debt will also play out across the yield curve, as FGN Bonds supply drops. Political risk is also an

FUND MANAGER'S REPORT (CONT'D)

important factor to look out for in 2018, in the run up to the elections in 2019. As the perceived risk rises, it is expected that Foreign Portfolio Investors will exit the long end of the market and either become concentrated in the short end of the market or exit completely.

REAL ESTATE SECTOR REVIEW

According to the Nigeria Bureau of Statistics, the Real Estate Services sector declined on an annual basis by 4.27% in 2017, which is an improvement compared to the decline of 6.86% recorded in 2016. On the other hand, the Real Estate Services sectoral contribution to the nation's GDP declined from 7.22% in 2016 to 6.85% in 2017.

The commercial real estate segment was a tenant's market in 2017 on account of the following factors; supply glut of purpose build office spaces, the growth of co-working spaces as a cheaper and more flexible option, conversion of residential properties for office use and others. These led landlords to get more creative with incentives to tenants. According to Broll Research, some of the notable incentives given by landlord include; lower rent, payment of rent in arrears, longer rent-free periods, additional fit-out allowance etc. The above bearish factors led to decline in rent for Grade-A office spaces which fell to a range of \$500 - \$800 per square meter (psm) from an average of \$1,000 obtainable in prior years.

In terms of location, the traditional commercial areas which include Marina, Victoria Island, Ikoyi and Ikeja are being challenged by Lekki Phase 1, with the emergence of more purpose-built Class B office spaces. Lekki Phase 1, which was initially planned as a residential community, is fast getting commercialised. According to research by Estate

Intel Limited, the supply of commercial space in the Lekki Phase 1 region has grown annually by an average of 38% since 2011.

The floor area in Lekki Phase 1 tend to be relatively smaller than what is obtainable in Victoria Island, however the smaller leasable areas allow for an easier absorption of the space by tenants. The rental rate ranges from as low as \$140 psm to as high as \$500 psm depending on the finishing and location.

In the residential real estate market, vacancy rates have been on the decline. Data from Broll Research shows that vacancy rates in Lagos and Abuja averaged 11% and 9.5% in 2017 down from 32.87% and 27.57% recorded in 2016 respectively. As the economic recovery picked up steam in 2017, Lagos experienced increased demand from middle income earners for rental properties in Lekki Phase 1 and Oniru axis in particular.

OUTLOOK

The increased dollar liquidity in the economy, supported by the new I&E window, bodes well for investors in the real estate market. Transactions which had been stalled due to problems such as difficulty with repatriation of investment capital & dividends and the repayment of dollar based loans, are now able to be conducted with relative ease given the improved access to forex through this new window.

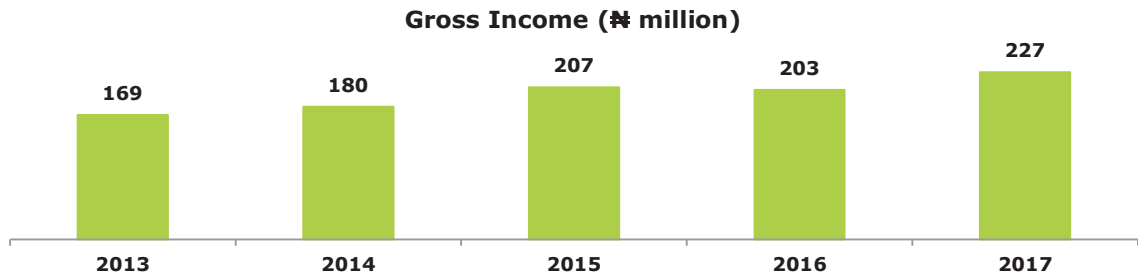
FUND MANAGER'S REPORT (CONT'D)

Furthermore, as the ease of doing business improves, we expect new and existing businesses to demand for both commercial and residential properties. While the immediate

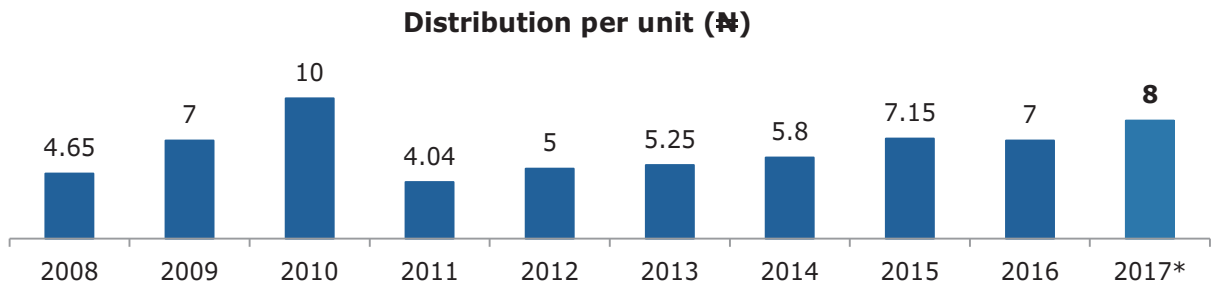
forecast might be lull, the medium term looks quite attractive notwithstanding the impact of elections in early 2019.

FUND PERFORMANCE

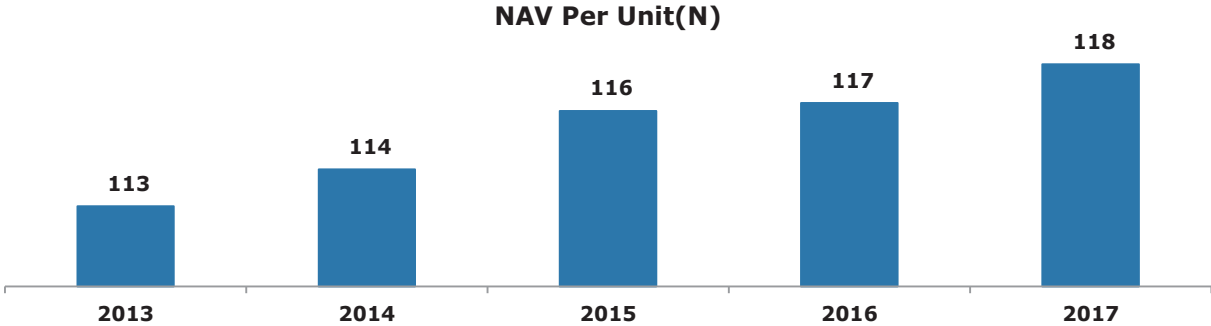
The Fund generated a gross revenue of N227 million in 2017, which was a 11.98% increase from 2016. The main driver for this growth in gross revenue was fixed income based real estate related investments. Interest earned on fixed income investments increased by 38.40% in 2017 and accounted for 54.41% of gross revenue. This performance is as a result of the high interest that characterised the fixed income market for much of 2017. Rental income declined slightly by 5.17% in 2017.



Dividend pay-out increased by 14.29% to N8 per share for 2017. This follows an increase in the net income of the Fund by 12.71%, as the Fund Manager was able to keep costs down in a tough operating environment. Cost-to-income ratio remained steady, although it improved marginally from 26.72% in 2016 to 26.24% in 2017.



FUND MANAGER'S REPORT (CONT'D)



For the Fund Manager

Patrick Ilodiana
Managing Director
SFS Capital Nigeria Limited

REPORT OF THE TRUSTEES

The following is the text of a report received from Apel Capital & Trust Limited, addressed to the unit holders of the Skye Shelter Fund.

Dear Unitholders,

Compliance with Asset Allocation requirement of the Fund (75% in Real Estate and 25% Real Estate related assets (provided not more than 10% is allocated to liquid assets) as at December 31, 2017 was 78% in Real Estate investments, 14% in Real Estate related assets and 7% in liquid assets (less unclaimed distribution)

The Trustee is of the opinion that during the period ended December 31, 2017, the Fund Manager is in full compliance and has managed the Skye Shelter Fund in accordance with the provisions of the Trust Deed and Investment Securities Act (2007).



Adeyinka Adegbola
Managing Director

Apel Capital & Trust Limited; Trustees to the Skye Shelter Fund.
Date: July 25, 2018

TRUSTEES RESPONSIBILITY STATEMENT

The Trustees responsibilities to the Fund are as follows:

1. To stand possessed of the deposited property upon trust for the Unitholders.
2. To retain in its possession or in the possession of such third parties as it may with the consent of the Manager appoint, on a safe custody basis, all the investment and documents of title or value connected therewith that are actually received by the Trustees.
3. At all times to act with prudence and honesty in relation to all investments and documents of title or value kept in its custody.
4. To forward to the Manager without delay all notices of meetings reports and circulars received by its nominees as holders of any investment.
5. To jointly issue (with the Manager) certificates evidencing ownership of Units in the fund.
6. To grant its consent to the appointment of the Auditors of the fund.
7. To send copies of the accounts of the Fund to all Unitholders.
8. To make the trust deed available for inspection by the Unit holders of the Fund and/or to consent to the Manager convening such meetings.
9. To convene General Meetings of the Unit holders of the Fund and/or to consent to the Manager convening such meetings.
10. To nominate the chairman for every General meeting the fund and approve the form of the proxy used for meetings.

FUND MANAGERS DUTIES TO THE NIGERIAN STOCK EXCHANGE

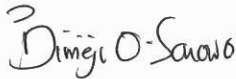
The Fund Manager shall render periodic returns and projections to the office of the Chief Executive of the Nigeria Stock Exchange.

The Fund Manager shall abide by all the rules and regulations of the Nigerian Stock exchange.

CERTIFICATION OF ACCOUNT

We hereby certify that neither the manager nor any other person acting on its behalf has:

1. Acquired or disposed of Investments for account of the Trust otherwise through a recognized Stock Exchange except where such investment consist of money market instruments or cash deposits; or
2. Disposed of Units to another person for a price lower that the current offered price, or
3. Acquired Units for a price higher than the current bid price; or
4. Transferred units to another person for sale resale or subsequent transfer to the Manager for sale or resale.



DIMEJI SONOWO
EXECUTIVE DIRECTOR
FRC/2013/ICAN/00000002089



PATRICK ILODIANYA
MANAGING DIRECTOR
FRC/2013/ICAN/00000002177

REPORT OF THE INDEPENDENT AUDITORS TO THE UNIT HOLDER OF SKYE SHELTER FUND

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of SKYE SHELTER FUND (“the Fund”), which comprise of the statement of financial position as at 31st December, 2017, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and notes to the financial statements for the financial year ended 31st December, 2017.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Fund's financial position as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the requirements of the Companies and Allied Matters Act, the Investment and Securities Act and the Financial Reporting Council of Nigeria Act.

Basis of 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 year. In this report, the matter (as stated below) was 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 it.

We draw attention to note 11 to the financial statements which describes the fact that one of the investment properties was to be demolished because it was found to be structurally defective in 2016. Even though the vendor has accepted responsibility for the replacement of the property, the Fund faces the risk of possible loss in future income in view of the uncertainty of the exact time the property is replaced.

REPORT OF THE INDEPENDENT AUDITORS TO THE UNIT HOLDER OF SKYE SHELTER FUND (CONT'D)

Our opinion is not qualified in respect of this matter.

Information Other than the Financial Statements and Audit Report thereon

The Fund Managers are responsible for the other information. The other information comprises the information included in Value added statement and financial summary but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express 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, 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.

Fund Manager's Responsibility

The fund manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act, the Investment and Securities Act, the Financial Reporting Council of Nigeria Act 2011 and for such internal control. As the fund manager determines 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 Fund Managers are responsible for assessing the Fund'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 Fund Managers either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

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,

REPORT OF THE INDEPENDENT AUDITORS TO THE UNIT HOLDER OF SKYE SHELTER FUND (CONT'D)

they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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 Company'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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

REPORT OF THE INDEPENDENT AUDITORS TO THE UNIT HOLDER OF SKYE SHELTER FUND (CONT'D)

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in 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 be expected to outweigh the public interest benefits of such communication.

Report on other legal requirements

The Companies and Allied Matters Act, CAP C20 LFN 2004 requires that in carrying out our audit we consider and report on the following matters. We confirm that:

- a) We obtained the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of account have been kept by the Fund; and
- c) The Fund's financial position and financial performance are in agreement with the books of account.

Ikeja, Lagos
March 20, 2018.



Mrs. O. Olufon
FRC/2012/ICAN/00000000530

For: DELE OLUFON & CO
Chartered Accountants



STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2017

	Notes	2017 N'000	2016 N'000
ASSETS			
Cash and Cash Equivalents	8	86,297	340,434
Trading Portfolio Assets	9	675,306	303,363
Receivables	10	37,500	40,800
Prepaid Expenses		2,248	1,340
Investment Properties	11	1,878,390	1,930,390
Total Assets		2,679,741	2,616,327
LIABILITIES			
Payables & Accruals	12	(255,636)	(225,527)
Deferred Income	13	(62,592)	(57,300)
NET ASSETS		2,361,513	2,333,500
Represented By:			
Unitholders' Equity	14	2,000,000	2,000,000
Revenue Reserve	15	361,513	333,500
UNITHOLDERS' FUNDS		2,361,513	2,333,500
Net assets per unit (N)	17	118.1	116.7

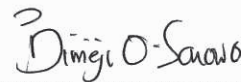
The full financial statements were approved by the Board of Directors on March 9, 2018 and signed on its behalf by;



PATRICK ILODIANYA
MANAGING DIRECTOR
FRC/2013/ICAN/00000002177



AKINYEMI GBENRO
DIRECTOR
FRC/2013/CIBN/00000002091



DIMEJI SONOWO
EXECUTIVE DIRECTOR
FRC/2013/ICAN/00000002089

The notes on pages 24 to 43 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

AS AT 31ST DECEMBER 2017

	Notes	2017 N'000	2016 N'000
Interest Income		123,705	89,381
Profit on Disposal of Investment Property		8,800	13,629
Rental Income		94,868	100,043
Total Income		227,373	203,053
Total Operating Expenses	5	(59,657)	(54,246)
Net Income		167,716	148,807
Net income per unit (Naira)		8.39	7.44
Proposed Final Distribution		160,000	140,000
Proposed Final Distribution per unit (Naira)		8.00	7.00

The notes on pages 24 to 43 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2017

	2017 N'000	2016 N'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	123,705	89,381
Rental Income Received	100,160	84,456
Cash received	3,300	
Operating Cash Payments	(24,706)	(17,031)
Cash Payments to Creditors	(39,253)	(47,820)
<i>Net cash from operating activities</i>	163,206	108,986
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Properties		
Proceeds on disposal of property	64,000	54,800
Trading Portfolio Assets	(371,943)	292,151
Unclaimed distribution	30,600	18,123
<i>Net cash from/(used) in investing activities</i>	(277,343)	365,074
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distribution Paid	(140,000)	(143,000)
<i>Net cash used in financing activities</i>	(140,000)	(143,000)
<i>Net increase/(decrease) in cash and cash equivalents</i>	(254,137)	331,060
Cash & cash equivalents at the beginning of the year	340,434	9,374
Cash & cash equivalents at the end of the year	86,297	340,434

The notes on pages 24 to 43 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2017

	Unitholders' Equity N'000	Revenue Reserve N'000	Total N'000
Balance as at January 1, 2015	2,000,000	327,693	2,327,693
Net income for the year		148,807	148,807
Distribution paid		(143,000)	(143,000)
Balance as at December 31, 2015	2,000,000	333,500	2,333,500
Balance as at January 1, 2016	2,000,000	333,500	2,333,500
Write back of over provision		297	297
Net income for the year		167,716	167,716
Distribution paid		(140,000)	(140,000)
Balance as at December 31, 2016	2,000,000	361,513	2,361,513

The notes on pages 24 to 43 form an integral part of these financial statements.

PORTFOLIO STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2017

		Cost N'000	Total Portfolio %	Net Asset %
Real estate		1,878,390	78	80
Real estate related investments		347,999	14	15
Liquid assets	413,604			
Less unclaimed distribution	(236,075)	177,529	7	8
Total portfolio		2,403,918		
Net assets		2,361,513		

The Trust Deed stipulates that not more than 10% of the Fund's net asset value shall be held in liquid assets.



Notes to the **Financial Statement** 31st December, 2017

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

1. Reporting entity

The Skye Shelter Fund is a fund incorporated under the laws of Nigeria. The address of the Fund's registered office is Plot 287, Ajose Adeogun Street., Victoria Island, and Lagos. It is governed by a Trust Deed approved by the Securities and Exchange Commission. The fund's units are listed on the Floor of the Nigerian Stock Exchange. Its financial statements are filed with Securities and Exchange Commission and other regulatory authorities.

The Skye Shelter Fund is a close – ended Real Estate Investment Trust (REIT), primarily involved in acquiring investment properties which are held for capital appreciation.

The investment activities of the fund are managed by SFS Capital Nigeria Limited (the fund manager) while Apel Capital and Trust Limited are the Trustees.

The fund management is carried out by SFS Capital Nigeria Limited.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the fund as at and for the year ended December 31, 2017 have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements are authorised for issue by the board of directors of the fund manager on March 9, 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- i) Financial assets held for trading are measured at fair value
- ii) Investment properties are measured at cost and at subsequent recognition, at cost less impairment (if any).

(c) Functional and presentation currency

These financial statements are presented in naira (N), which is the fund's functional currency. All financial information presented in naira has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance. Actual result may differ from these estimates and assumptions.

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

The effect of a change in an accounting estimate is recognised prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in these notes.

Adoption of pronouncements under IFRS

Standards and amendments effective during the reporting period.

IAS 2 – Statement of Cash Flows – Amendments as a result of disclosure initiative.

IAS 12 – Income Taxes – Recognition of deferred tax assets for unrealized losses.

Standards and interpretations issued but not yet effective during the reporting period.

Amendment to IFRS 1 – First-time Adoption of IFRSs – removing short-time exemptions (effective on or after January 1, 2018).

Amendments to IFRS 2 – Share-based Payment – Amendment to clarify the classification and measurement of share-based payment transactions (effective on or after January 1, 2018).

Amendment to IFRS 4 – Insurance Contracts – Amendments regarding the interaction of IFRS 4 and IFRS 9 (effective on or after January 1, 2018).

IFRS 9: Financial instruments: Classification and Measurement (effective for periods beginning on or after January 1, 2018)

This addresses classification and measurement of financial assets and replaces the multiple classification and measurement model in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

IFRS 15 – Amendment to IFRS 15, Revenue from contracts with customers (effective on or after January 1, 2018).

This standard outlines a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue.

IFRS 16 – Leases (effective on or after January 1, 2019).

IAS 40 – Investment Property – Amendments to clarify transfers of property to, or from investment property (effective on or after January 1, 2018).

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

The Fund did not adopt earlier new or amended standards in 2017.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign Currency

Transactions in foreign currencies are translated into Nigerian naira at exchange rates at the dates of the transaction. At the year end date, unsettled monetary assets and liabilities are translated into Nigerian naira by using the exchange rate in effect at the year end date and the related transaction differences are recognised in income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the Nigerian naira at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in income, except for differences arising on the translation of available - for - sale equity instruments, financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

(b) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at cost, including transaction costs. The fund elected to apply the optional exemption to use the cost of the investment properties as deemed cost at 1 January 2011, the date of transition for all properties that were thus stated under GAAP. Subsequent to initial measurement, investment property is accounted for in accordance with the cost model, which is, cost less accumulated depreciation and less accumulated impairment losses.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized as income or expense in the income statement.

Assets and Liabilities Recognition

All financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the fund becomes a party to the contractual provisions of the instrument. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

through profit or loss. Subsequent recognition of financial assets and liabilities is at amortised cost or fair value.

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data observable from markets, the fund immediately recognises the difference between the transaction price and fair value in 'Net gains/(losses) on financial instruments classified as held for trading'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

Classification

The classification of financial instruments depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics.

De-recognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability. The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Fund enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Fund neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Fund continues to recognise the asset to the extent of its continuing involvement, determined by extent to which it is exposed to changes in the value of the transferred asset.

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

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

position when, and only when, the Fund has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Sale and repurchase agreements

The Fund has no sale and repurchased agreements as at the reporting date

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the fund's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Held-to-maturity financial assets

If the fund has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial

assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the fund from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The fund's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available for sale financial assets are recognized in other comprehensive

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the fund measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the fund establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Fair value hierarchy

Fair values are determined according to the following hierarchy based on the requirements in IFRS 7 'Financial Instruments: Disclosures':

- Level 1: quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.
- Level 2: valuation techniques using observable inputs: quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.
- Level 3: valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable. The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, a valuation technique is used.

Identification and Measurement of Impairment

At each reporting date the fund assesses whether there is objective evidence that financial assets measured at amortized cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The fund writes off financial assets carried at amortized cost when they are uncollectible.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term investments in an active market with original maturities of three months or less.

Provisions

Provisions are recognized when the fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the fund expects a provision to be reimbursed, the reimbursement is recognized as an asset only when the reimbursement is virtually certain.

Taxes

The Fund is not subjected to income and education taxes on its income by the concession given to the Fund. This concession was given and approved by the Federal Ministry of Finance in accordance with international best practice. This concession covers:

- ♦ Exemption from Companies Income Tax, although WHT will be imposed on dividend distribution to investors; any distribution below the prescribed threshold (i.e. 90%) will disqualify the REIT from tax exemption.
- ♦ Exemption from stamp duties to reduce transaction costs; and
- ♦ Exemption from Capital Gains Tax on the ground that income arising from sales or disposal will be ploughed back for the purchase of additional properties or distributed as dividend

Property, plant and equipment

The Fund does not hold any property, plant and equipment at present, as it is against the position of the Securities and Exchange Commission (SEC). All properties, plant and equipment used for managing the Fund are owned by the Fund manager who is paid management fees.

Impairment of non-financial assets

The carrying amounts of the Fund's non- financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Deferred Income Liability

Rental income that are designed to cover periods beyond the reporting period is included as a liability and amortised over the period covered by the lease agreement.

Income Recognition

Profit on Disposal of Investment Property

Income from disposal of property is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, collectability is probable and the significant risks and rewards of ownership have been transferred to the buyer. Gain on disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the assets.

Rental Income

Rental income from investment property is recognized in the income statement on a straight line basis over the term of the rent/lease. Lease incentives granted are recognized as part of the lease.

Interest Income

Interest income is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset. When calculating the effective interest rate, the fund estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

Risk Management Analysis

Risk management framework

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, to monitor risks and adherence to limits. This policy is subject to review periodically. More frequent reviews may be conducted in the opinion of the Fund Manager, when

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

changes in laws, market conditions or the Fund's activities are material enough to impact on the continued adoption of existing policies. The Fund, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of Directors of the fund manager has overall responsibility for the establishment and oversight of the Fund's risk management framework via its committees.

The Board is assisted by the various Management Committees in identifying and assessing risks arising from day to day activities of the Fund. These committees are:

- ◆ The Management Credit Committee
- ◆ Management Risk Committee
- ◆ Other Ad-hoc Committee

These committees meet on a regular basis while others are set up on an ad-hoc basis as dictated by the circumstances.

Financial risks

The Fund has exposure to the following risks from its use of financial instruments:

- ◆ Credit risk
- ◆ Liquidity risk
- ◆ Market risks
- ◆ Operational risks

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risks, and the Fund's management of asset and liability.

Credit Risk

Credit risk is the risk of an economic loss arising from failure of counterparty to fulfill its contractual obligations. Its effect is measured by the cost of replacing cash flows if the other party defaults. The tough operating economic environment has continued to pose several challenges in the management of credit risk.

Credit Risk Philosophy

The Fund credit risk philosophy is guided by twin responsibilities of protecting earnings and preventing erosion of capital. The Credit Risk Management is guided by the following principle.

- a. Clear articulation of policy guidelines.
- b. Irrespective of rewards, the fund will always put Credit Risk before pecuniary considerations.
- c. The fund shall adopt a strategic rather than a purely opportunistic approach in the creation of risk portfolio.

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

Liquidity Risk

Liquidity risk is the risk that the fund does not have sufficient resources to meet its obligations when they fail due or will have to meet its obligations at an excessive cost. This may be as a result of cash requirement from contractual commitments and Investments.

Management of liquidity risk

A brief overview of the Fund's liquidity management processes includes the following:

- ♦ Maintenance of minimum levels of liquid and marketable assets above the regulatory requirement limit.
- ♦ The Fund has set for itself more stringent in-house limit to which it adheres.
- ♦ Monitoring of its cash flow and financial position trends.
- ♦ Regular measurement and monitoring of its liquidity position/ratios in line with regulatory requirements and in-house limits
- ♦ Regular monitoring of non-earning assets
- ♦ Monitoring of deposit placement concentration
- ♦ Ensure diversification of funding sources
- ♦ Maintaining a contingency funding plan.

Exposure to liquidity risk

The key measure used by the Fund for managing liquidity risk is the ratio of net liquid assets to total net asset of the fund.

Market Risk

Market risk is the risk that the fund income or fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices in particular, changes in interest rates, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of Market Risk

Overall authority for market risk is vested in Market Risk Management Committee. However, the Market Risk Management group within is responsible for the development of detailed risk management policies (subject to review and approval by the Committee) and for the day-to-day review of their implementation.

Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Fund's trading portfolios is the open position limits using the Earnings at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Fund is to be exposed.

Exposure to interest rate risk – Trading and non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands

Operational Risk

Operational risk is the risk of loss arising through fraud, unauthorized activities, errors, omission, inefficiency, system failure or from external events. The definition includes losses arising from legal and regulatory risk but excludes strategic and reputational risk. Operational risks arise from all of the fund's operations and are faced by all business entities.

The objectives of the Fund operational risk management is to manage and control operational risk in a cost effective manner, avoiding financial losses and reputational damage without instituting control procedures that will stifle initiative and creativity.

The fund focus is to manage operational risk based on a consistent framework that enables us to determine not only our operational risk profile in comparison to our risk appetite, but also define risk mitigating measures and priorities.

Future operational risks identified through forward looking analysis are managed via mitigation strategies such as the development of backup systems and emergency plans.

Critical accounting judgements in applying the Fund's accounting policies

Critical accounting judgements made in applying the Fund's accounting policies include:

Financial asset and liability classification

The Fund's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

1. In classifying financial assets or liabilities as "trading", the Fund has determined that it meets the description of trading assets and liabilities set out in accounting policy.
2. In designating financial assets or liabilities as available for sale, the fund has determined that it has met one of the criteria for this designation set out in accounting policy.
3. In classifying financial assets as held-to-maturity, the fund has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy.

Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

Determination of impairment of property and equipment

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

Impairment of available-for-sale equity investments

The Fund determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Fund evaluates among other factors, the volatility of the market. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Valuation of financial instruments

The Fund's accounting policy on fair value measurements is discussed under the note. The Fund measures fair values using the quoted market price in an active market for identical instruments

Financial instruments at fair value (including those held for trading, designated at fair value, derivatives and available-for-sale) are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modeling cash flows using appropriate financial markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and prices.

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2017

4 TOTAL INCOME	2017 N'000	2016 N'000
Fixed Interest Income	123,705	89,381
Profit on investment disposal	8,800	13,629
Rental Income	94,868	100,043
Total Income	227,373	203,053

5 OTHER OPERATING EXPENSES	2016 N'000	2015 N'000
a) Manager's Fees (Note 6)	35,423	35,003
Other Expenses*	22,547	17,743
Auditors' Fee	1,688	1,500
	59,657	54,246
b) Other Expenses comprise*		
Trustee fee	2,500	2,500
Repairs and renovations/ service charge	9,444	4,435
Other administrative expenses	267	428
Valuation and other professional fees	350	775
Stock exchange	953	1,143
Registrars' fees	505	252
Custodian fee	2,321	2,321
Insurance	2,010	2,058
CSCS eligibility fee	288	288
Annual report publication and dividend expenses	3,909	2,743
Fund rating		800
	22,547	17,743

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

6 MANAGEMENT AND INCENTIVE FEES

The Fund Manager's fee for the year was calculated as 1.5% of the Fund's Net Assets Value as at the Statement of Financial Position date, this amounted to ₦35,422,700. The fee for the year was equivalent to 15.58% of the Fund's gross income for the year.

7 DISTRIBUTION

The Fund Manager has proposed a distribution of ₦8.00 per unit amounting to N160million for the year ended December 31, 2017.

8 CASH AND CASH EQUIVALENTS

These are balances in current accounts with banks and short term investments :

	2017 N'000	2016 N'000
Cash at bank	8,182	15,333
Short term placement/treasury bill	78,115	325,101
	86,297	340,434

9 TRADING PORTFOLIO ASSETS

These are investments in bonds and other financial instruments which are held as trading securities.

The details are as follows:

	Discounted Value N'000	Face Value N'000	Value Date	Maturity Date	Rate
FB- FGN-Bond	100,000			14-March-24	14.20%
CRSG Bond	38,196	50,000		26-May-22	17.00%
FGN SUKUK Bond	280,000			25-Sept-24	16.47%
Treasury bill	58,153	69,266	9-Mar-17	18-Jan-18	18.59%
Treasury bill	9,500	10,868	16-May-17	18-Jan-18	18.60%
Treasury bill	80,697	99,000	27-Jul-17	27-Jul-18	18.54%
Treasury bill	15,499	17,000	13-Oct-17	12-Apr-18	17.80%
Lafarge Commercial Paper	54,881	62,500	9-Nov-17	6-Aug-18	16.48%

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2017

10 RECEIVABLES

	2017 N'000	2016 N'000
Grant Properties Ltd**	37,500	37,500
SFS Capital Nigeria Ltd	-	2,100
Balance due on property disposed off.	-	1,200
	37,500	40,800

**Grant Properties Limited was charged with the cost of one of the units of Victory Park which was found to be structurally defective.

11 INVESTMENT IN PROPERTIES

Description	2017 Cost N'000	2016 Cost N'000
Investment in property in Ikeja GRA	277,990	277,990
Investment in property in Victory Park Estate Lekki	365,400	365,400
Investment in property- Maccido Estate	192,000	192,000
Investment in properties Sapphire	132,000	132,000
Properties in North Star Garden Abuja	26,000	78,000
Properties in Boudillon Court, Lekki	360,000	360,000
Properties in Milverton, Lekki	525,000	525,000
	1,878,390	1,930,390

The cost model is used in the measurement of investment properties.
The properties were valued at ₦2,126,000,000 by Ubosi Eleh & Co (Estate Surveyors & Valuers).
Valuation was based on market value and dated 6th of January 2017.

Description & Title

Property in Victory Park Estate
This is covered by a deed of sublease which is yet to be perfected

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

Property in Ikeja GRA

It is covered by a deed of assignment which is yet to be perfected

Properties in Maccido Royal Estate Abuja

Properties in Sapphire Estate Lekki

Properties in Northern Star Garden Abuja

Properties in Milverton, Lekki

Covered by letters of allocation

Properties in Bourdillion Court are covered by provisional allocation letters.

The title documents on all properties are yet to be perfected.

Movement in carrying amount of investment properties

	2017 N'000	2016 N'000
Balance brought forward	1,930,390	2,007,261
Disposals	(52,000)	(39,371)
Transfer to vendor**		(37,500)
Balance carried forward	1,878,390	1,930,390

** The cost of one of the units at Victory Park Estate which was found to be structurally defective in 2016 was debited to the vendor

The manager is of the opinion that the investment properties will continue to appreciate in value and that they are not impaired.

Rental income on investment properties were as follows:

	2017 N'000	2016 N'000
Victory Park - Lekki	22,558	24,741
Harold Sodipo - GRA Ikeja	12,000	12,000
Saphire Garden	7,410	7,235
Bourdillion Court	21,600	25,600
Milverton	31,300	30,467
	94,868	100,043

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

Direct operating expenses that arose from investment properties that generated rental income include:

	2017 N'000	2016 N'000
Service Charge	36	90
Renovation/Repairs	5,030	3,133
Preparation of lease agreement	420	725
Land usage charge	607	649
Consultancy	-	50
Others	63	
	6,156	4,647

Direct operating expenses that arose from investment properties that generated no rental income include:

	2017 N'000	2016 N'000
Renovation/Repairs expenses	2,878	563
	2,878	563

12 PAYABLES AND ACCRUALS

	2017 N'000	2016 N'000
Payables	14,088	14,898
Unclaimed distribution**	236,075	205,475
Accruals	5,473	5,154
	255,636	225,527

** In line with the rule of the Securities and Exchange Commission, the sum of ₦236,074,974 was returned to the fund by the Registrars as unclaimed distribution.

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

13 DEFERRED INCOME

This is rent received in advance from the tenants in the Fund's properties.

Analysed into:

	2017 N'000	2016 N'000
Current	62,592	57,300
	62,592	57,300
Movement in deferred income		
Balance brought forward	57,300	72,887
Rental income received in the year	100,160	84,456
Transfer to income	(94,868)	(100,043)
Deferred rental income	62,592	57,300
14 UNITHOLDERS' EQUITY		
20,000,000 units of N100 each	2,000,000	2,000,000

15 REVENUE RESERVE

	2017 N'000	2016 N'000
Balance brought forward	333,500	327,693
Net income for the year	167,716	148,807
	501,216	476,500
Write back of unutilised provision from previous year	297	
Distribution paid	(140,000)	(143,000)
Reserve carried forward	361,513	333,500

16 NET ASSETS VALUE PER UNIT

The net assets value per unit of N118.1 (2016: N116.7) is based on the net assets of the Fund and the total number of units in issue at the financial position date.

NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

17 RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES

	2017 N'000	2016 N'000
Net Income for the year	167,716	148,807
Profit on investment property disposed	(8,800)	(13,629)
Decrease in Creditors & Accruals	4,290	(26,192)
Net cash from operating activities	163,206	108,986

VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2017

	2017 N'000	%	2016 N'000	%
Gross Earnings	227,373		203,053	
Deduct				
Administrative overheads and payments for other services	(24,234)		(19,243)	
Value added	203,139	100	183,810	100
Applied as follows:				
Fund manager's remuneration	35,423	17	35,003	19
Retained earnings	167,716	83	148,807	81
Value added	203,139	100	183,810	100

FIVE YEAR FINANCIAL SUMMARY

(2013 - 2017)

	2017 N'000	2016 N'000	2015 N'000	2014 N'000	2013 N'000
ASSETS					
Cash and Cash Equivalents	86,297	340,434	9,374	26,665	53,765
Development Fund Deposit				100,899	89,084
Trading Portfolio Assets	675,306	303,363	595,514	529,557	486,620
Receivables	37,500	40,800			
Prepaid Expenses	2,248	1,340	1,340	1,080	1,434
Investment Properties	1,878,390	1,930,390	2,007,261	1,700,255	1,724,090
Total Assets	2,679,741	2,616,327	2,613,489	2,358,456	2,354,993
LIABILITIES					
Payables & Accruals	(255,636)	(225,527)	(212,909)	(23,879)	(38,529)
Deferred Income	(62,592)	(57,300)	(72,887)	(49,400)	(58,090)
NET ASSETS	2,361,513	2,333,500	2,327,693	2,285,177	2,258,374
Represented By:					
Unitholders' Equity	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Revenue Reserve	361,513	333,500	327,693	285,177	258,375
UNITHOLDERS' FUNDS	2,361,513	2,333,500	2,327,693	2,285,177	2,258,375
Gross Income	227,373	203,053	206,840	180,404	168,910
Net Income	167,716	148,807	158,516	128,878	111,984
Proposed Distribution	160,000	140,000	143,000	116,000	105,000
Proposed Distribution per Unit (N)	8.00	7.00	7.15	5.80	5.25
Net Assets Value per Unit (N)	118.08	116.67	116.38	114.26	112.92

To:



Pace Registrars Limited

Head Office: 24, Campbell Street,
(8th Floor) knight Frank Building, P. M. B 12735 Lagos.
Tel: 01-2806987, 01-2806988, 01-2805538

Branch Office: 110, Muritala Muhammed way, kano.

Webmail: info@paceregistrar.com
www.paceregistrars.com

CHANGE OF ADDRESS FORM

I/We hereby request that my address be changed as follows:

(OLD ADDRESS) _____

(NEW ADDRESS) _____

(MOBILE NO) _____

(E-MAIL ADDRESS) _____

PLEASE TICK AS APPLICABLE	
TICK X	NAME OF COMPANY
<input type="checkbox"/>	ACADEMY PRESS PLC
<input type="checkbox"/>	BIG TREAT PLC
<input type="checkbox"/>	CAPITAL TRUST BROKERS LTD.
<input type="checkbox"/>	CONTINENTAL REINSURANCE PLC
<input type="checkbox"/>	GOLDLINK INSURANCE PLC
<input type="checkbox"/>	JAPPAUL OIL AND MARITIME SERVICE PLC
<input type="checkbox"/>	NIGERIA ENERGY SECTOR FUND
<input type="checkbox"/>	OPR-REFINING & PETROCHEMICAL CHEMICAL PLC
<input type="checkbox"/>	ORIENT PETROLEUM RESOURCES LIMITED
<input type="checkbox"/>	SKYE SHELTER FUND
<input type="checkbox"/>	STERLING BANK PLC
<input type="checkbox"/>	STUDIO PRESS (NIGERIA) PLC
<input type="checkbox"/>	TETRAZZINI PLC
<input type="checkbox"/>	THE FRONTIER FUND
<input type="checkbox"/>	UNION TRUSTEES

Please indicate Post Office Box or Private Mail Bag No., if available.

Registrar Account No: _____

Name of Stock/Shareholder: _____

Date: _____

Signature of Stock/Shareholder:

Signature for Joint/Corporate account only

Affix
Current
Passport

Write your name at the back of
your passport photograph

E-DIVIDEND MANDATE ACTIVATION FORM

Instruction

Only Clearing Banks are acceptable

Please complete all section of this form to make it eligible for processing and return to the address below

The Registrar,

Pace Registrars Limited RC: 248500

Head Office: 24, Campbell Street,

(8th Floor) knight Frank Building, P. M. B 12735 Lagos.

Tel: 01-2806987, 01-2806988, 01-2805538

Branch Office: 110, Muritala Muhammed way, kano.

Webmail: info@paceregistrar.com www.paceregistrars.com

I/We hereby request that henceforth, all my/our Dividend Payment(s) due to me/us from my/our holdings in all the companies ticked at the right hand column be credited directly to my / our bank detailed below:

Bank Verification Number

Bank Name

Bank Account Number

Account Opening Date

Shareholder Account Information

Surname / Company's Name First Name Other Names

Address :

City

State

Country

Previous Address (if any)

CHN (if any)

Mobile Telephone 1

Email Address

Signature(s)

Company Seal (if applicable)

Joint/Company's Signatures

PLEASE TICK AS APPLICABLE

TICK X	NAME OF COMPANY	SHARE HOLDER'S ACCOUNT NO.
	ACADEMY PRESS PLC	
	BIG TREAT PLC	
	CAPITAL TRUST BROKERS LTD.	
	CONTINENTAL REINSURANCE PLC	
	GOLDLINK INSURANCE PLC	
	JAPPAUL OIL AND MARITIME SERVICE PLC	
	NIGERIA ENERGY SECTOR FUND	
	OPR-REFINING & PETROCHEMICAL CHEMICAL PLC	
	ORIENT PETROLEUM RESOURCES LIMITED	
	SKYE SHELTER FUND	
	STERLING BANK PLC	
	STUDIO PRESS (NIGERIA) PLC	
	TETRAZZINI PLC	
	THE FRONTIER FUND	
	UNION TRUSTEES	

Help Desk Telephone No/Contact Centre Information
for Issue resolution or clarification: 01-2806987, 01-2806988, 01-2805538

Pace Registrars Limited

Webmail: info@paceregistrar.com www.paceregistrars.com



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